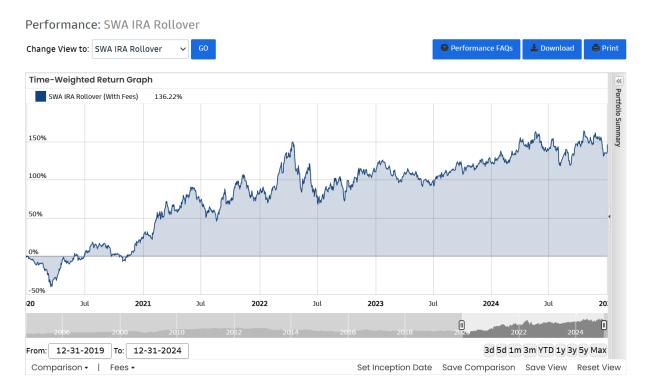# Ferguson Financial Planning

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Performance Reporting Within the "Ferguson on Friday" Newsletter
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The Goldman Sachs' system provides a performance reporting tool that all clients have access to. Click on "Performance" in the drop down boxes and you'll be taken to a screen that looks similar to the one below. Specifically, this screen was copied from Troy Ferguson's personal Rollover IRA "Performance" screen. It shows calendar year 2020-2024 returns:

START OF PASTE

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You'll notice there is a "Performance FAQs" tab in the above screen where you can learn more about how Folio's system calculates performance. Below is the applicable information in the "Performance FAQ" link:

START OF PASTE

Help Center

Manage Client's Account: Performance Reporting

*Past performance is no guarantee of future results.

What does the Performance Page show?

The Performance page allows you to analyze how your accounts, folios, or non-folio holdings have performed. The performance graph shows a time-weighted return of the aggregate performance of all the securities you have held in the specified account, folio or non-folio holding during the period that you specify. We track data from the day you open your account and allow you to specify any period from that time onward to generate a performance graph. Any new securities begin contributing to performance the day you buy them and any securities that you sell cease contributing to performance the day that you sell them.

The performance numbers are not annualized returns. Instead, they are the returns during the chosen period. If you select a one year period then you will have an annual return, but if you select a week, or a month, or another time period then you will see the return for that period.

We can display returns with and without fees. Learn more about returns with fees and returns without fees below.

In addition, we display the personal rate of return on the Performance page in the Portfolio Summary sidebar. Learn more about personal rate of return below.

We make reasonable attempts to prepare the charts and performance information we provide in a manner consistent with basic performance reporting methodology. Charts and other performance reports are prepared on demand by our system based on specific information requested by the user, are not audited, and may contain errors, exhibit anomalies under certain circumstances and conditions, or be assembled from historical, not real time, pricing information.

Past performance is no guarantee of future results. Performance data quoted herein represents past performance and is not indicative of future results. The investment return and principal value of an investment will fluctuate so that your investment, when redeemed, may be worth more or less than their original value. Current performance may be lower or higher than the performance data provided.

Which time-weighted return calculation is used?

We use the Mid-Weighted Dietz Method to calculate daily returns and then geometrically link those returns to produce a time-weighted return series.

The Mid-Weighted Dietz Method is commonly used to approximate a true time-weighted return, which is most useful for comparing performance to a benchmark. Time-weighted returns remove the impact of cash and security movement into or out of a folio or account in order to capture the performance of the strategy rather than the timing and size of the cash and security movement. Consequently, these returns are not a measure of the actual profit or loss, or actual cash return of your portfolio or account.

We can display returns with and without fees, therefore, we have two return calculations. Please note that items accrued, both debits (e.g., margin interest charges) and credits (e.g., sweep interest credits), are not included in performance calculation until they are posted to your account.

The Mid-Weighted Dietz Method Without Fees

$$\text{Return(R)} = \frac{(EMV + EA - (BMV + BA) - CF)}{BMV + BA + (CF \times 0.5)}$$

- **EMV = Ending Market Value.**
  This is the market value of your portfolio at the end of the period to be tested.

- **EA = Ending Accrual.**
  This is the total amount of interest and/or dividends that have been accrued at the end of the period and have not yet been paid out to the portfolio.

- **BMV = Beginning Market Value.**
  This is the market value of your portfolio at the beginning of the period to be tested.

- **BA = Beginning Accrual.**
  This is the total amount of interest and/or dividends that have been accrued at the beginning of the period and have not yet been paid out to the portfolio.

- **CF = Total Cash Flows During the Period.**
  Inflows of cash are treated as a positive number, while outflows are treated as a negative number.

- **R = Total Return for the Day.**
  After the Mid-Weighted Dietz calculation, this number is then used in the Unit Value calculation.

The Mid-Weighted Dietz Method With Fees

$$\text{Return(R)} = \frac{(EMV + EA - (BMV + BA) - (CF + F))}{BMV + BA + (CF + F) \times 0.5}$$

- **F = Fees.**
  This is the total amount of fees that have been accrued or withdrawn from the account or folio. Fees are defined as transactions, such as wire transfer fees, and ADR fees. Trade

commissions and SRO fees are part of the cost of a transaction, and are therefore included in both return calculations.

What is the Personal Rate of Return?

The Personal Rate of Return is useful in measuring the performance of an individual Folio or Account. The Personal Rate of Return is the same as the Internal Rate of Return (IRR), which takes into account the timing and size of cash and security movement into or out of the Folio or Account when measuring performance.

The IRR cannot be computed directly, but requires a trial and error process to converge on a return. In some circumstances the IRR can produce an error or a counter intuitive result due to the unique series of cash and security movements into or out of the Folio or Account. If N/A is displayed the return cannot be found for the given period.

IRR Calculation:

$$NPV = \sum_{n=0}^{N} \frac{Cn}{(1+r)^n}$$

- **NPV = Net Present Value.** The beginning value of the Folio or Account of the selected time period.
- **Cn = Cash/security movement on day n.**
- **r = IRR.** The return where the sum of the cash and securities movements over the period is equal to theNPV.

The solved IRR is in annualized form therefore one final calculation is required to reflect the chosen period.

$$\text{Personal Rate of Return} = (1+r)^{\left(\frac{t}{365}\right)} - 1$$

- **t = Total Time.** The difference in days between the start date and end date of the chosen time period.

What is the Return Without Fees?

The "Return Without Fees" calculates the performance of the Folio or Account without the impact of fee transactions, such as wire transfer fees. Trade commissions, if charged, and SRO Fees are not fee transactions, but are incorporated in the cost of the original transaction and are included in this return calculation.

What is the Return With Fees?

The "Return With Fees" calculates the performance of the Folio or Account with the impact of fee transactions, such as wire transfer fees. Trade commissions, if charged, and SRO Fees are not fee transactions, but are incorporated in the cost of the original transaction and are included in this return calculation.

Do returns include dividends and dividend accruals?

Yes, dividends and other distributions, such as capital gains and interest, are included in both Folio and Account performance as of the ex-date (date that new buyers are NOT entitled to the dividend), when available from our data vendor. Accrual information that is not available until payment date will trigger a recalculation of the Folio or Account performance back to the ex-date of the transaction to provide accurate returns.

How do I download returns?

You can download Returns With and Without Fees by selecting the Download Data icon on the performance page. The download will provide daily returns for each trading day for the time range selected on the performance graph. The download also includes daily market values, the amount of cash or security movement into or out of a Folio or Account, dividend and distribution accrual amounts from ex-date (i.e., the date you are entitled to the distribution) to payment date, and fees.

What is the Total Flow reported in the Data Download?

The "total flow" is the net movement of cash and securities into or out of a folio or account on a particular day. Cash and security movements out are negative, while movements in are positive. Cash and security movements (or flows) at the folio level are different from flows at the account level.

For example, if $100 of IBM is purchased in a folio from cash available at the account, then the folio is said to have an inflow of $100, whereas the account has no movement since cash is reduced by $100 and securities are increased by the same $100.

Security transfers into or out of a folio or account are valued at their previous closing price multiplied by the number of shares moved, for the purpose of calculating the performance of the folio or account.

Flows at the folio level may be caused by trade or transfer activity, corporate actions, distributions such as dividends, or fees. For example, a dividend paid into a folio will move out of the folio and into cash the day it is paid. Flows at the account level are due to deposits, withdrawals, transfers, or fees.

What is the Save Comparison button?

The Save Comparison button allows you to save a single benchmark per Folio or Account. If multiple benchmarks are displayed on the performance graph then the save feature will ask you to select a single benchmark. The next time you revisit performance for the Folio or Account the benchmark will be displayed automatically. *This feature may not be available based on access level.*

What is the Reset View button?

The Reset View button allows you to reset the performance page to the default settings. The default settings are Returns Without Fees, filled line chart, and trailing 1-year time period.

How do I hide the Portfolio Summary side-bar?

You can minimize the Portfolio Summary by selecting the double arrow icon in the top right corner, or by selecting the arrow on the border between the graph and the side bar.

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How do I remove comparisons from the performance graph once added?

Indexes can be removed by either selecting the name of the comparison in the top legend of the graph or by unselecting the index in the comparison menu drop-down. Securities such as stocks, ETFs, and mutual funds can only be removed by selecting the name of the comparison in the top legend.

What does the Backtest page show?

The performance return calculation determines your returns based on your actual holdings over time. Backtest takes your current holdings and their weights in the portfolio and uses those current holdings and weights as the beginning holdings and weights for the period you specify. This is useful if you are attempting to test how certain portfolios would have performed if you had owned them in the past. Backtest is not an accurate calculation, however, of your actual portfolio performance or of the model portfolio performance (see performance calculations above).

Backtest and performance will also almost always generate different numbers, even if you specify the same time period and the same holdings for both. Backtest starts with the positions and weights you specify while performance looks at the actual positions and weights during the period.

Example

Take a two stock portfolio—Stock 1 and Stock 2. At the beginning of the period each is 50% of the account/portfolio and at the end of the period Stock 1 has grown to 80% and Stock 2 has declined to 20% of the portfolio.

The performance calculation starts with Stocks 1 and 2 each at 50% and calculates the returns for all of the actual changes during the period (namely, Stock 1 growing to 80% and Stock 2 shrinking to 20%).

By contrast, for the backtest calculation, it assumes that Stock 1 was 80% and Stock 2 was 20% of the portfolio as of the beginning of the period. Since Stock 1 did well as compared to Stock 2 during this period the backtest will show good performance—specifically, Stock 1 starting at 80% of the account/portfolio and growing even more over the relevant period, and Stock 2 starting as a smaller percentage of the portfolio than it actually did (20% as opposed to 50%) and shrinking even further.

What are Net Assets In/Out?

Total cash and security movement into or out of the Account over the time period selected. Cash and security movements out are negative, while movements in are positive. Cash and security movements can be due to deposits, withdrawals, transfers, or fees.

What is the Accrued reported in the Data Download?

The Accrued column reflects open accruals on any given day. Accruals are dividends and other distributions that are expected to be paid to the Folio, but have not been paid yet. These pending dividends and distributions will be reflected in the Accrued column from ex-date (date that new buyers are NOT entitled to the dividend) up until pay-date (date the distribution is expected to be paid by the company or fund).

The accrual is added to the market value since the Folio is entitled to the dividend or distribution. In addition, the accrual will offset the security price drop on the ex-date (since the security price drops on this day to reflect the distribution) if a record of the dividend is available from our data vendor on ex-date. If the dividend or distribution is paid as expected then the accrual amount will not be reflected in the Accrued column on pay-date because the dividend has been paid to the Folio and therefore is already included in the market value. The Accrued column will change as new dividends or distributions accrue or as they are paid.

END OF PASTE

KEY POINT:

When I report account level performance numbers in the "Ferguson on Friday" newsletter or in flash alerts, I simply record the "with fees" performance number from my personal Rollover IRA. I use that Rollover IRA because I am not regularly contributing money to or withdrawing money from this IRA. My personal fees in a typical year in that Rollover IRA comprise of the $25 annual IRA fee plus any foreign taxes withheld. Since I do not charge myself an advisor fee and I pay my brokerage fees from a taxable account, my overall fee level is lower than almost all clients. This means if a client had the exact same allocation as me throughout the year, his net return is probably lower than my reported net performance number by approximately whatever he paid in advisor and brokerage fees during that year.

Why do I do this? Clients pay different fees based on the level of assets under management. Also, some clients pay for services such as wire transfers. Some of you have IRAs (and thus the $25 annual IRA fee) and others only have taxable accounts. There is no one "fee" number I can

use that applies to all clients. Some of you pay advisor fees plus brokerage fees of under 1% per year and others pay over 1.25% per year. Each of you has a unique fee level based on your total assets under management. You, my clients, like me to provide a "ballpark" performance figure in flash alerts and newsletters. I use the "with fees" performance numbers from my personal Rollover IRA to do so. It isn't "perfect" but it is ballpark enough to provide you a general idea on how our accounts are doing. I do, near the bottom of each newsletter, provide a "fee table". This fee table shows blended expenses ratios at various asset levels:

Assets at Goldman Sachs	Blended Annual Expense Ratio
$100,000	1.3875%
$250,000	1.20%
$500,000	1.10%
$1,000,000	1.00%
$5,000,000	0.84%

You have 24 hour per day access to your investment accounts online. The Goldman Sachs' system offers performance reporting features that you can access at your convenience. Unless requested, I will not provide you with performance reporting data for your individual investment accounts. You can visit your account's performance features online at any time to check on the numbers. You can use the "with fees" feature to get a "net" performance figure for your personal account(s). Goldman Sachs has upgraded their system to make sure you can get the data you want. You can go as far as using the "Download" tab on the performance page to see daily performance figures (in spreadsheet form) on both a "with fees" and "without fees" level. If you ever have any questions, please do not hesitate to contact me.