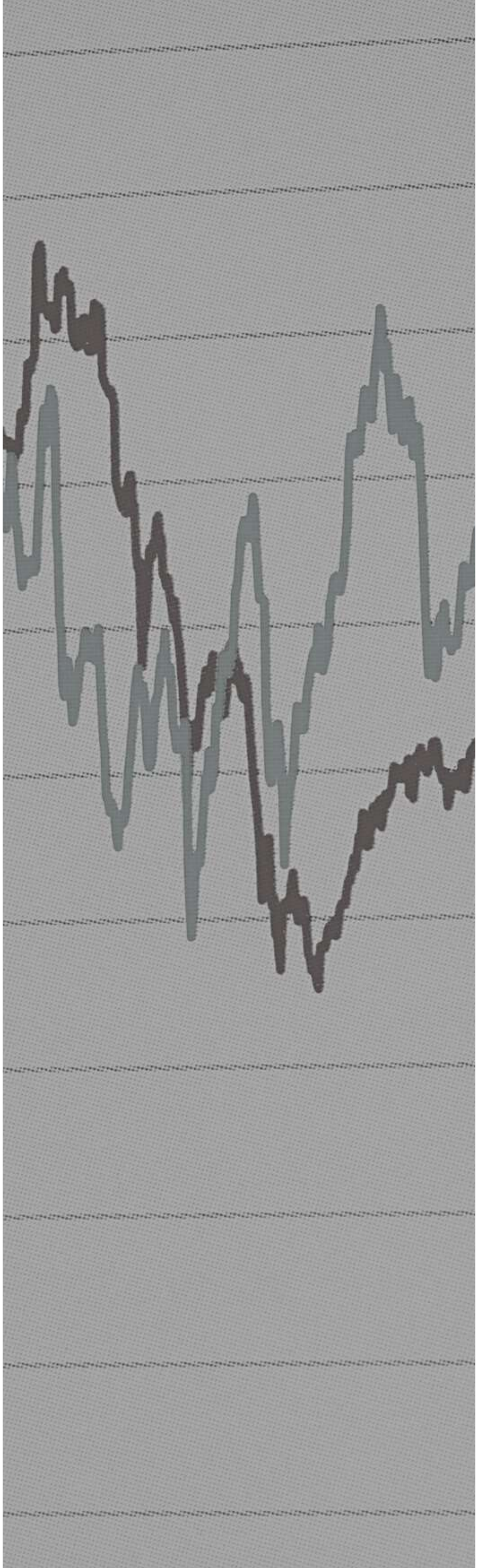

UNDERSTANDING YOUR INVESTMENT STATEMENTS

Book Value vs Net Invested Value

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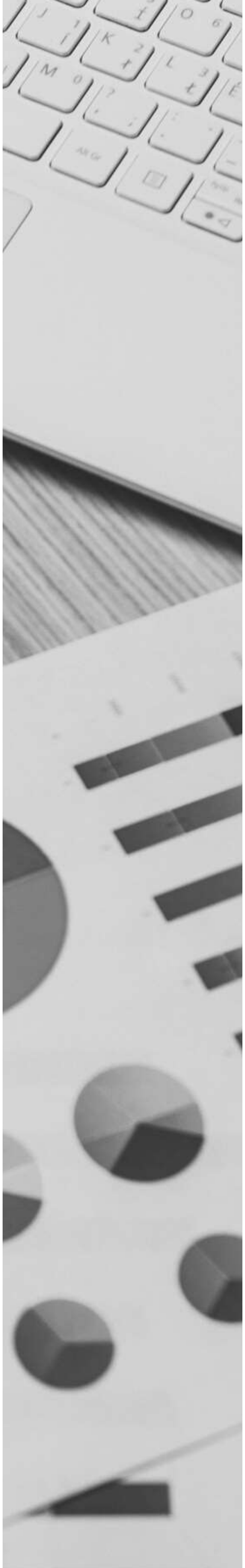

When you look at your various investment statements are you puzzled by “book value” and “net invested value”? You’re not alone! We’re asked about this a lot.

Generally, the two things people want to know are:

- How much have I invested over the years?
- What is it worth today?

The value of the account today is clear; that’s the ‘Market Value’.

What’s not so clear is how much you have invested.

A common misconception is to compare the difference between the “book value” (also known as adjusted cost base, or “ACB”) of their portfolio vs. the market value, in order to determine how much money was made or lost in an account over a given period

However, comparing these values usually leads to inaccurate conclusions regarding actual account performance.

The book value includes all of your contributions to the fund; the amount you contributed PLUS any distributions received. However, if you elect to receive the fund distributions in units, your book value is adjusted by the automatic reinvestment of distributions.

What are these distributions? During the year, mutual funds earn dividends from their investments, which incur capital gains or losses when they are sold. These dividends are paid out to the fund at different times of the year, so the value of each unit in the fund will vary from time to time.

In simple terms, when a fund pays a distribution, you get taxed on it, but when the distribution is in fund units, the book value increases at the same time by the amount of the distribution to avoid double taxation. This information is reported on your T3 slip (Relevé 16 for Quebec residents).

Therefore, your book value could increase even if you don't contribute more money to your portfolio, making it a misleading metric to use to evaluate how your portfolio has performed.

The value that you want to compare against Market Value is the 'Net Invested Value'. This is the amount you have contributed over time, less any money redeemed.

Compare this to your market value and you'll get an accurate idea of how much money you have made or lost, over time.

For a hypothetical example and some additional information, you may want to read this short article from our friends at Edgepoint Wealth Management.

If you have any questions, please don't hesitate to reach out to us.