Fidelity INVESTMENTS

MONEY GAINS MAKING IT COUNT

Lesson 7

Monitoring performance of portfolio

Monitoring ensures your investments align with your __________ goals and __________ tolerance.

A **benchmark** is a _________________ or point of reference used to measure your portfolio's performance.

Common market benchmarks include:

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-
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It's important to choose a benchmark that matches the ___________ in your portfolio.

- Example: A tech-heavy portfolio might use the __________ Composite.
- A balanced portfolio might use a combination of ______% global bonds and ______% S&P 500.

Portfolio Return

Portfolio return=(original value - current value + income)/(original value) × 100

Imagine you have **three** apple trees. Let's say each apple tree is originally worth $100 and increases in value to $133.33. To calculate portfolio return, you would take the current value of your three trees ($____), subtract the original value ($____), add whatever apples have grown ($___ worth), and then divide by the initial value ($____). Lastly, multiply by 100. This would give us a return of ___%.

Today, investors use online _______ tools for investing or a _________ advisor, where the value of your portfolio is typically outlined for you.

Volatility and Risk

The ups and downs in investment returns are called ___________________.

One way to measure this is using **standard deviation**, which shows how much returns deviate from the __________ return.

- A **larger** standard deviation = ________________ returns
- A **smaller** standard deviation = _______________ returns

Beta compares your portfolio's volatility to the ___________:

- Beta > 1 = ___________ volatility
- Beta < 1 = ___________ volatility

Risk-Adjusted Return

The most common measure of risk-adjusted return is the ___________________.

This ratio tells you how much ___________ return you're getting for each unit of ___________ you take.

A ___________ Sharpe ratio means a better _________ for the risk taken.

Lesson 7

Rebalancing Your Portfolio

Rebalancing helps you:

- Maintain the right level of ____________.
- Avoid becoming too ______________ or too ______________.
- Stay on track with your ____________ goals.

THE 3 STEPS TO REBALANCING:

1. Set a ____________ allocation.
2. ____________ regularly.
3. ____________ or ____________ assets to return to the target.

Lesson 7

Monitoring performance of portfolio ANSWER KEY

Monitoring ensures your investments align with your **financial** goals and **risk** tolerance.

A benchmark is a **standard** or point of reference used to measure your portfolio's performance.

Common market benchmarks include:

- **TSX**
- **S&P 500**
- **NASDAQ**
- **Dow Jones Industrial Average**

It's important to choose a benchmark that matches the **assets** in your portfolio.

Example: A tech-heavy portfolio might use the **NASDAQ** Composite.

A balanced portfolio might use a combination of **50%** global bonds and **50%** S&P 500.

Portfolio Return

Portfolio return=(original value - current value + income)/(original value) × 100

Imagine you have three apple trees. Let's say each apple tree is originally worth $100 and increases in value to $133.33. To calculate portfolio return, you would take the current value of your three trees ($400), subtract the original value ($300), add whatever apples have grown ($20 worth), and then divide by the initial value ($300). Lastly, multiply by 100. This would give us a return of **40%**.

Calculate the Apple portfolio return = (400-300+20)/300×100 = 40%

Today, investors use online **brokerage** tools for investing or a **financial** advisor, where the value of your portfolio is typically outlined for you.

Volatility and Risk

The ups and downs in investment returns are called **volatility**.

One way to measure this is using standard deviation, which shows how much returns deviate from the **average** return.

A larger standard deviation = **wider** returns

A smaller standard deviation = **steadier** returns

Beta compares your portfolio's volatility to the **benchmark**:

Beta > 1 = **higher** volatility

Beta < 1 = **lower** volatility

Risk-Adjusted Return

The most common measure of risk-adjusted return is the **Sharpe ratio**.

This ratio tells you how much **extra** return you're getting for each unit of **risk** you take.

A **higher** Sharpe ratio means a better **return** for the risk taken.

MONEY GAINS MAKING IT COUNT

Lesson 7

Rebalancing Your Portfolio

Rebalancing helps you:

- Maintain the right level of **risk**.
- Avoid becoming too **aggressive** or too **conservative**.
- Stay on track with your **financial** goals.

The 3 steps to rebalancing:

- Set a **target** allocation.
- **Monitor** regularly.
- **Buy** or **sell** assets to return to the target.

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