

Returns Calculation Methodology

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1. Types of Returns Shown

We display investment returns using standard financial metrics:

- **CAGR** (Compounded Annual Growth Rate) – for lump sum investments over 1 year
- **XIRR** (Extended Internal Rate of Return) – for staggered investments like SIPs
- **Absolute Return** – for short periods under 1 year

2. CAGR (Compounded Annual Growth Rate)

When Used:

- Lump sum investments
- Time period > 1 year

Formula:

$$\text{CAGR} = \left[\left(\frac{\text{Final Value}}{\text{Initial Value}} \right)^{\frac{1}{\text{Number of Years}}} \right] - 1$$

Example:

Invest ₹1,00,000 → ₹1,44,000 in 3 years

$$\text{CAGR} = \left[\left(\frac{1,44,000}{1,00,000} \right)^{\frac{1}{3}} \right] - 1 = \mathbf{12.98\%}$$

3. XIRR (Extended Internal Rate of Return)

When Used:

- SIPs, top-ups, and irregular investments

- Dates and values differ over time

How Calculated:

Using Excel's XIRR function or internal system models.

Takes into account time value of money for each cash flow.

4. Absolute Return

When Used:

- Short holding periods (< 1 year)
- No compounding involved

Formula:

$$\text{Absolute Return} = (\text{Final} - \text{Initial}) / \text{Initial} \times 100$$

5. Back-Tested Returns Disclaimer

Sometimes returns shown are **back-tested**, which means:

- Simulated using current basket weights on past data
- Do not reflect real-time investor performance
- Actual outcomes may differ due to entry/exit timing or execution delays

6. Assumptions Used in Calculations

- Returns are **pre-tax**, unless mentioned
- Transaction charges, exit loads, or STCG taxes are usually **not included**
- Rebalancing is assumed as per schedule (e.g., quarterly)
- No partial redemptions or early exits are assumed unless user-specific

7. Where Returns Are Shown

Every basket includes:

- Return metric used (CAGR/XIRR)
- Time period considered
- Benchmark comparison (if relevant)

- Risk level and rebalancing frequency
- Optional performance charts

△ Important Note

Past performance is **not** indicative of future returns.

All investments carry market risk.

Returns shown are based on model portfolios unless otherwise specified.

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