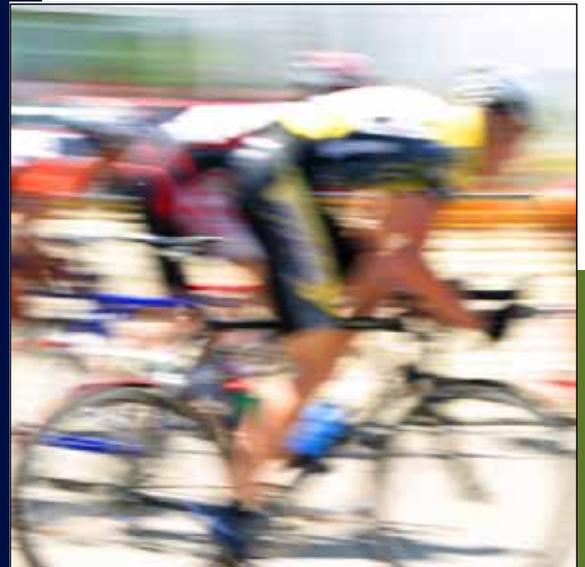


total return  
versus price  
performance



**DYNAMIC** ▪ Understanding mutual funds

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# Performance

The change in the price of a mutual fund trust (mutual fund) or net asset value per unit (NAV) over time is not always an accurate indicator of overall investment performance. This is because most mutual funds pay distributions.

Some investors choose to receive their distributions in cash. In this case their overall investment returns are equal to the increase in a fund's price plus the distributions received in cash over the life of the investment. Most investors, however, have their distributions automatically reinvested, which increases the number of units they own. This, along with unit price growth, contributes to overall performance through the power of compounding.

## Don't rely on average cost to assess performance

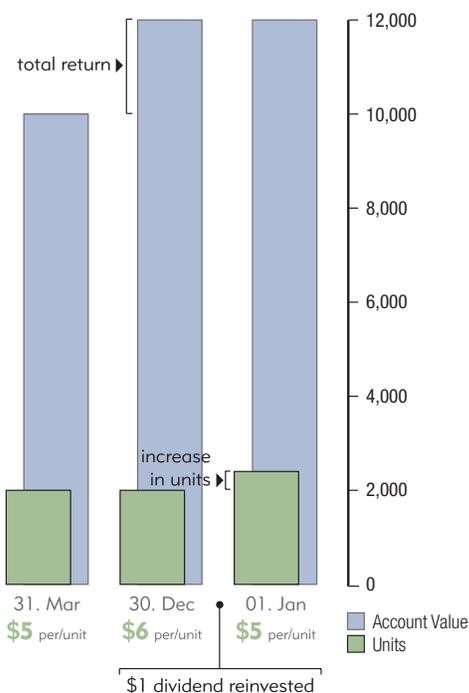
Be careful assessing the performance of your mutual fund trust when distributions are reinvested. Distributions may be paid monthly, quarterly or annually. These distributions lower the unit price of your fund, but give you more units once reinvested.

Thus the NAV per unit may drop suddenly at the end of the year (or whenever a distribution occurs), and by looking at your cost versus today's price, you may conclude your investment has not grown, even though it has. Don't panic – here's how it works:

Clearly, if you are receiving distributions, average cost and current price are not accurate ways to measure performance. Only total investment growth tells the complete story.



*In this hypothetical example, your average cost and current unit price are the same at \$5, but your investment has grown 20%.*

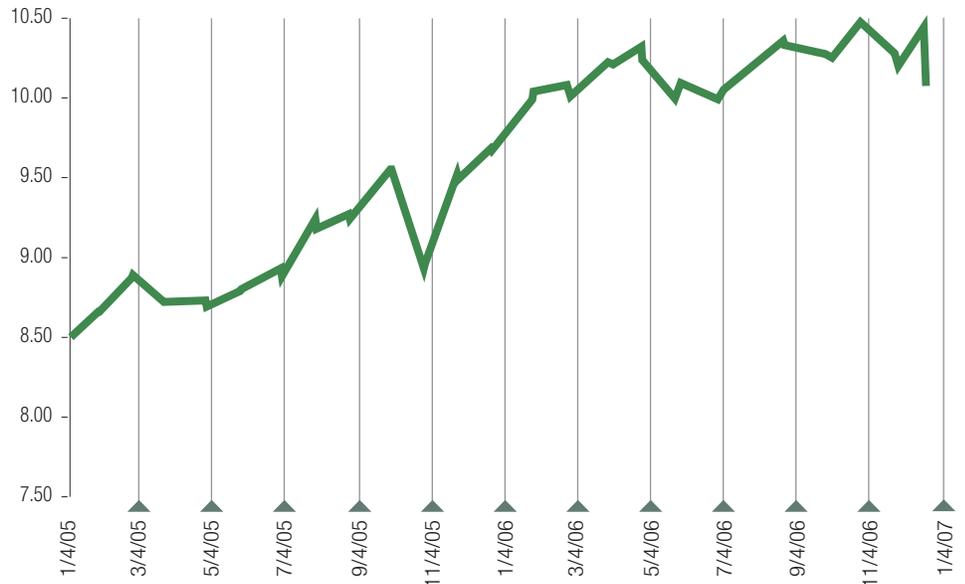


# An example:

## Dynamic Dividend Fund

*Dynamic Dividend Fund currently pays a fixed monthly distribution, causing the NAV per unit to drop at most month-ends. Overall, the price has gone up modestly but not in a smooth line.*

**Unit price performance (Series A)**  
January 2005 to January 2007

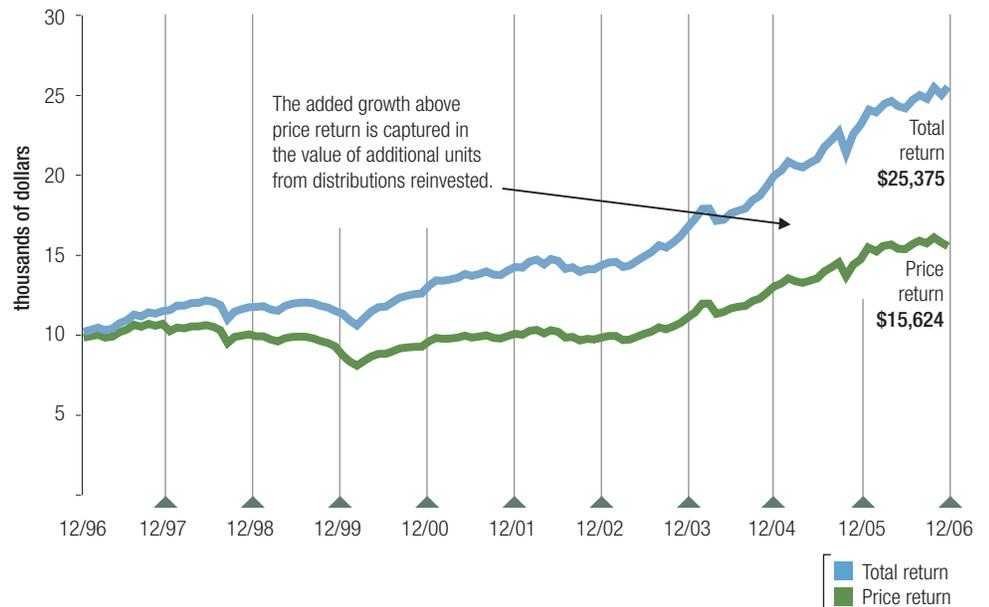


*Total return of Series A units, however, has been very strong. Compare the two growth lines in this graph – which one is the real return?*

*The top line is the true total return to Series A units – it includes the value of all distributions reinvested over the ten-year period. This is the performance one would expect of a steady dividend fund over the long term.*

*The bottom line includes only growth in the unit price – ignoring the value of additional Series A units earned through reinvested distributions.*

**Ten-year growth of \$10,000 (Series A)**  
Total return versus unit price return



# Tracking and assessing

## Track reinvested distributions in taxable accounts

Don't forget that any reinvested distributions from your mutual fund trusts held outside your RRSP or RRIF should be added to your original adjusted cost base. It's easy to forget this, particularly if you're preparing your own tax returns. Keeping track of the new adjusted cost base each year means you will avoid a double-tax problem when you finally sell your investment.

Where can you get the information on these reinvested distributions? Check the periodic account statements you receive. The book value reflected in these statements should be your true adjusted cost base, though it's worth double-checking the numbers.

## Assessing your fund's performance

For investments you have already made, always look at the total value of your investment as compared to the money you have put in.

To compare funds generally, published performance numbers are a good measure. Fund companies are all required to calculate their numbers the same way, and they are always shown after taking into account all fund expenses.

And of course the best way to evaluate performance is to speak to your professional financial advisor – they are in the best position to tell you how your investments are performing and help you make the right decisions to reach your goals.

### **Dynamic Dividend Fund** (to December 31, 2006)

1 yr: 10.5% | 3 yr: 15.3% | 5 yr: 12.6% | 10 yr: 9.8% | Since Inception: 9.6%  
Inception: 08/85

The rates of return are used only to illustrate the effects of the compounded growth rate and are not intended to reflect future values of the funds or returns on investment. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The indicated rates of return are the historical annual compounded total returns including changes in unit value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any unitholder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. Dynamic Funds™ is a division of Goodman & Company, Investment Counsel Ltd.



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