

# Digging deeper: Measuring performance

## 1. Holding period return (total return)

### Holding period return (total return)

The most straightforward form of performance measurement is the holding period return (HPR). The HPR is also called the total return, as it consists of both the capital gains and the income from the investment.

The HPR is expressed as a percentage and reflects the growth in value of an asset and any income that it produces over a given period of time: the holding period.

The holding period is the time between the purchase of the asset and its sale.

The HPR allows returns from different investments to be compared over the same period. However, it does not take the benchmark into account, therefore is difficult to use for comparison purposes

#### Formula for calculating the holding period return (HPR) of a fund:

Take the final value of the investment, plus any income previously paid out, less the original investment, divided by the original investment.

$$R = \frac{(D + V1 - V0)}{V0}$$

- > R = return on the investment
- > D = income paid out
- > V1 = sale price of the investment at the end of its term
- > V0 = purchase price of the investment at the start of its term

#### Example

Income paid out to client of £1,000 during the term of the investment (one year). The investment's current value is £28,000, and the original amount invested was £25,000.

D = £1,000

V1 = £28,000

V0 = £25,000

To calculate the holding period rate of return:


$$\frac{£1,000 + £28,000 - £25,000}{£25,000}$$

**The holding period return for the fund = 0.16 or 16%.**

Category:

**Investment  
insights**

## Contact us

 0207 464 5855

 [clientsupport@columbiathreadneedle.com](mailto:clientsupport@columbiathreadneedle.com)

 [columbiathreadneedle.co.uk/adviser-edge](http://columbiathreadneedle.co.uk/adviser-edge)

Telephone calls may be recorded.

**Important information:** This document has been prepared for general information purposes only. It does not constitute advice (whether investment, legal, regulatory, tax or otherwise) provided by Columbia Threadneedle Management Limited.



© 2022 Columbia Threadneedle Investments is the global brand name of the Columbia and Threadneedle group of companies.

For professional investors only. This financial promotion is issued for marketing and information purposes only by Columbia Threadneedle Investments in the UK. This material should not be considered as an offer, solicitation, advice, or an investment recommendation. This communication is valid at the date of publication and may be subject to change without notice. Information from external sources is considered reliable but there is no guarantee as to its accuracy or completeness. Actual investment parameters are agreed and set out in the prospectus or formal investment management agreement. Financial promotions are issued for marketing and information purposes; in the United Kingdom by Columbia Threadneedle Management Limited, which is authorised and regulated by the Financial Conduct Authority.

206150 (08/22). UK.