

Financial Mathematics

Time-Weighted Rate of Return

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- ▶ **Time-Weighted Rate of Return (TWRR)** is a measure of the compound rate of growth of an asset portfolio.
- ▶ Because TWRR eliminates the distorting effects created by inflows of new money, it is used to compare the returns of investment managers.
- ▶ This is also called the **geometric mean return**, as the reinvestment is captured by using the geometric total and mean, rather than the arithmetic total and mean.