

Net Contributions

Net Contributions are made up of six basic line items:

- › Net Cash Activity (Buys, Sells, Deposits, Withdrawals)
- › Tax Withholdings (if client is having withholdings taken)
- › Net Transfers (Transfers, Exchanges, and Conversions)
- › Interest (This is interest that is paid in cash and not reinvested. This figure will display as a negative contribution.)
- › Dividends Not Reinvested (These are dividends paid in cash and not reinvested. This figure will display as a negative contribution.)
- › Capital Gains (These are Long Term and Short Term capital gains paid in cash not reinvested. This figure will display as a negative contribution.)

Definition

“Net Contributions” includes not just contributions to the portfolio, but is net of all cash flows within the portfolio. Net Contributions are the “net cash flows” within an account or portfolio for a specified period of time. This figure includes any of the following types of transactions: buys, sells, interest, capital gains, fees or cash dividends not reinvested.

What Effects Do Net Contributions Have on Reporting?

Net Contributions affect investor performance since they factor into the calculation of Rate of Return methods, such as Internal Rate of Return and Modified Dietz. Further contributions show movement of money and the overall effect these movements had on account value.

How Are Contributions and Their Effect Displayed in Reporting?

The Portfolio Value and Benchmark report is the most effective tool to use when looking to research net contributions over a specific time frame. The report allows the user to isolate time frames and contributions over those specific time frames.

For example:

“Rep Thomas Smith informs you that they withdrew \$25,000 from his client’s account to purchase xyz stock between 01/01/2016 and 05/01/2016. Using the information provided, navigate to the reports screen and select the Portfolio Value and Benchmark Report for the specified time frame. This shows how the contributions were broken up and over what time frame. This allows you to conduct further research using reports such as Transaction by Investor to identify transaction types, and so forth.”

The Portfolio Detail report displays the net contributions. Advisors commonly question the net contribution figures for accounts held by clearing firms: Pershing and National Financial.

There is some confusion as to why the Portfolio Detail report shows a negative figure in the Dividends Not Reinvested line item or the Capital Gains line item. Albridge receives two transactions in the example of a dividend not reinvested: Cash Dividend Received and Cash Dividend Paid and Reinvest Cash Income, or LT/ST Cap Gain in Cash/Reinvest Cash Income.

	<u>Value(\$)</u>
Beginning Value	2,693,631.92
Net Cash Activity.....	-10,846.65
Interest	-8,612.50
Dividends Not Reinvested	-4,559.68
Capital Gains.....	-152,084.83
Net Contributions	-176,103.66
Dividend Reinvested	37,273.74
Fees.....	-20.00
Market Gain/Loss	-169,044.03
Change in Value	-191,790.29
Ending Value	2,385,737.97



The Portfolio Detail with Transactions report will illustrate how each transaction is allocated within the investor's portfolio in Albridge. For example, you can view which transactions bucket into the Interest section versus the Fees section of the report.

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