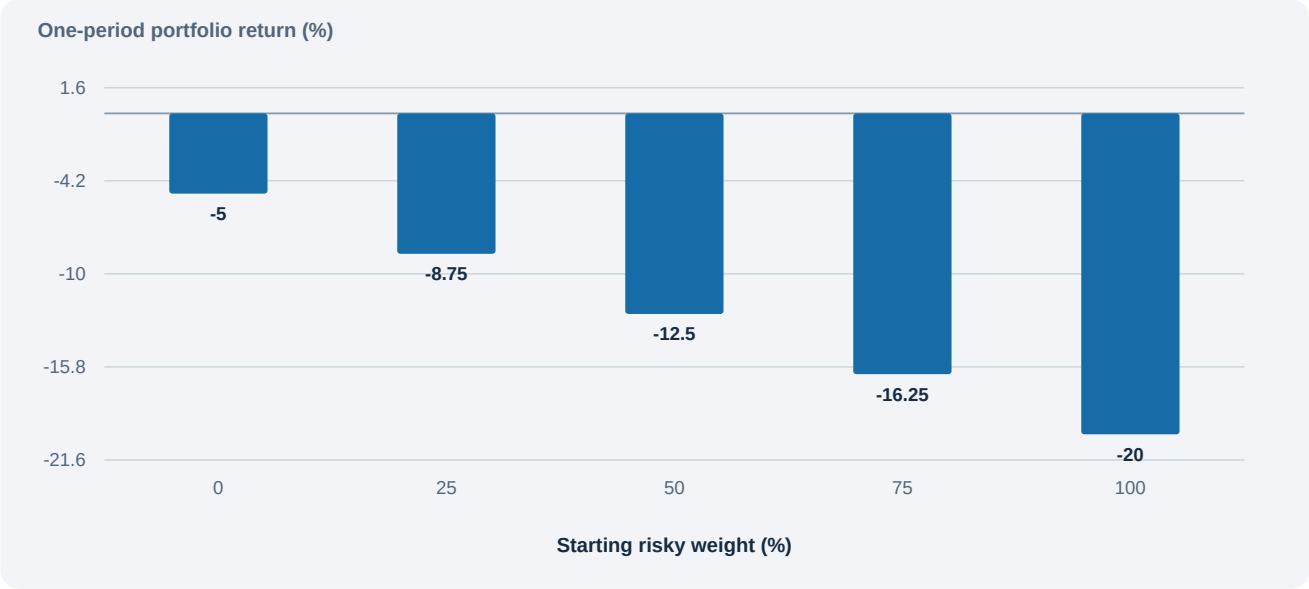
Weighted one-period portfolio return

Portfolio arithmetic | Original synthetic example | Edition 2026-11-26

For a single period without external cash flows, portfolio return is the sum of each starting weight times its asset return. Ending weights should not replace starting weights in this calculation.

FORMULA Portfolio return = sum(starting weight x asset return)

SCENARIO 01: Risky asset return -20%; other allocation -5%



WORKED EXAMPLE

A 50/50 mix returns 0.5 x -20% + 0.5 x -5% = -12.5%, without external cash flows.

COMMON MISTAKE

Using weights after prices have changed overweights winners and introduces hindsight into the period result.

BEFORE YOU USE THE CALCULATION

1. Use beginning-of-period weights.
2. Make weights sum to one.
3. Handle deposits and withdrawals separately.

COMPARE TWO MORE INPUT SETS

Scenario 05: Risky asset return 5%; other allocation -5%. A 50/50 mix returns 0.5 x 5% + 0.5 x -5% = 0%, without external cash flows.

Scenario 10: Risky asset return 30%; other allocation -5%. A 50/50 mix returns 0.5 x 30% + 0.5 x -5% = 12.5%, without external cash flows.

Synthetic values are not historical market data. Educational material; trading can result in substantial losses.