

Chapter 7 Formulas

Yield:

$$NPV = \sum_t V^t R_t$$

IRR is $i \ni NPV=0$

Reinvestment:

$$1 + i S_{\overline{n}|j}$$

$$n + \frac{i}{j} (S_{\overline{n}|j} + n)$$

Fund Yield:

$$B = A + C + I$$

$$i = \frac{I}{A + \sum C_t(1-t)} \quad (\text{dollar weighted with simple interest})$$

$$(1+i) = \prod_k (1+j_k)$$

$$(1+j_k) = \frac{B'_k}{B'_{k-1} + C'_{k-1}} \quad (\text{time weighted})$$