Market Fluctuations and Account Value

I put money in. Why did my balance go down?

ALEX
Thirty dollars went in on Friday. I’m twenty dollars down. Did the bakery take my deposit back?

SAM
Before we call payroll, show me the dates on those two statements.



ALEX
Here. I compared the totals. I didn’t even look at the share count.

SAM
Let’s start there. Your deposit and the price of what you already owned can change on the same day.



A rainy Friday at the bakery

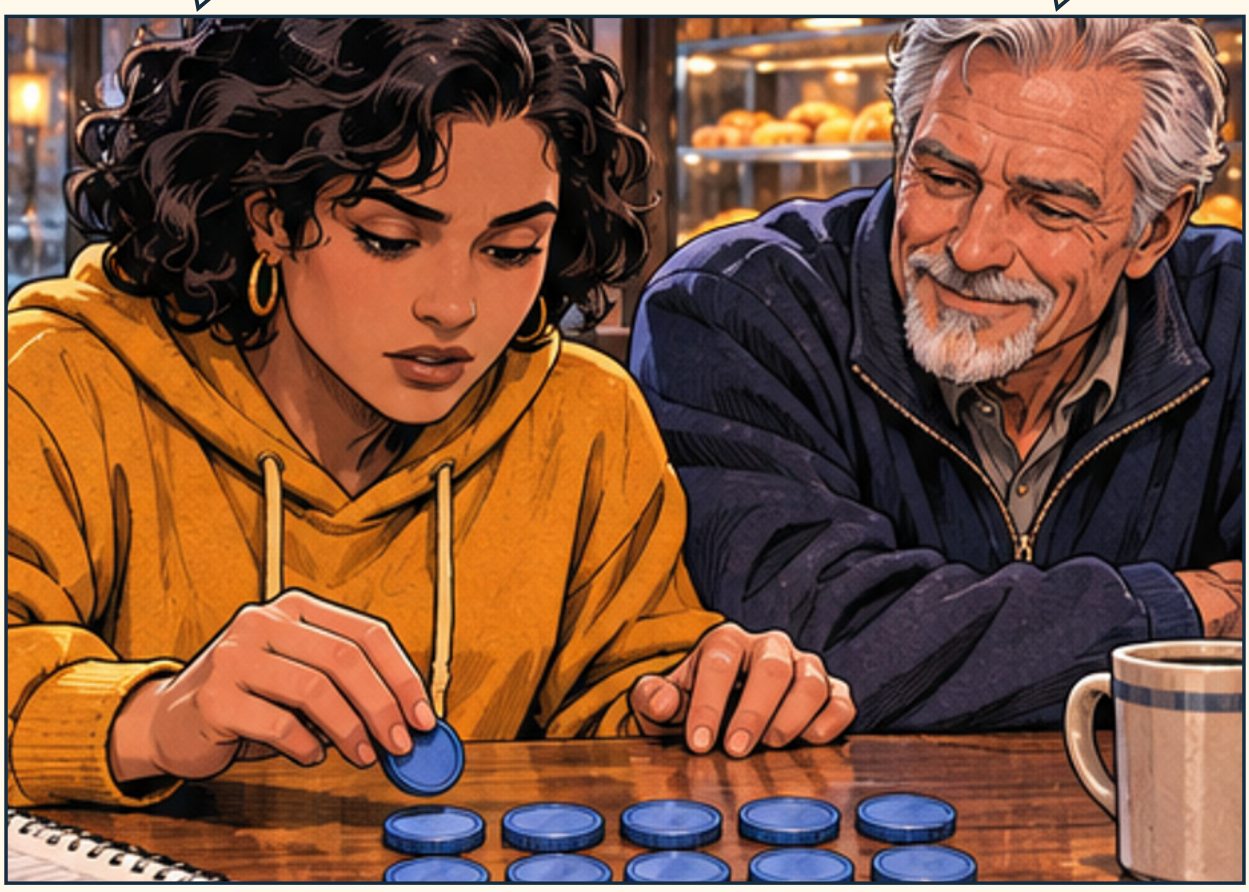
Rain drums on the bakery window. Alex is packing up when she checks her account. Her contribution posted on Friday. The total on the screen is twenty dollars lower than the last time she looked.

Read the first statement

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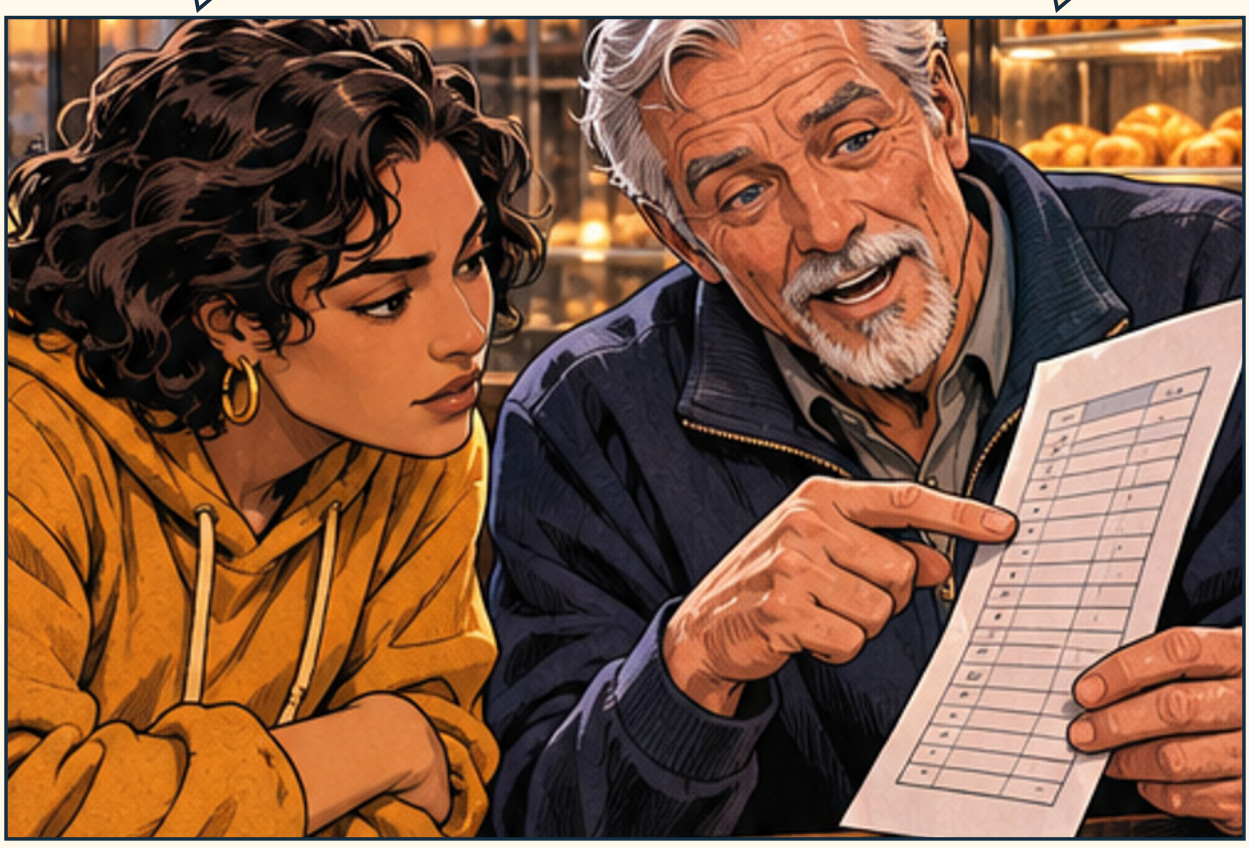
ALEX
On the first date I had ten shares worth $20 each. That makes $200.

SAM
Now suppose the market moves before your next deposit, and each share is worth $15.



ALEX
I still own ten. They’re worth $150. So I was already down fifty before Friday’s money arrived.

SAM
Right. A mutual fund calculates a share value from what it owns, less what it owes, divided by its shares.



At the first statement date

Fund shares owned	**10**
Value per share	**$20**
Account value · 10 × $20	**$200**

Find the missing twenty dollars

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ALEX
At $15 a share, my thirty-dollar deposit bought two shares. I can see the purchase now!

SAM
Add them to the ten shares you still have. What should your statement say?



ALEX
Twelve times fifteen. $180. That's how the deposit arrived and the balance fell.

SAM
Yes. Start at $200, subtract the $50 change on the original shares, then add your $30 deposit.



At the second statement date

Opening account value	**$200**
Change on the original ten shares	**−$50**
New money deposited	**+$30**
Closing value · 12 × $15	**$180**

What if the price moves again?

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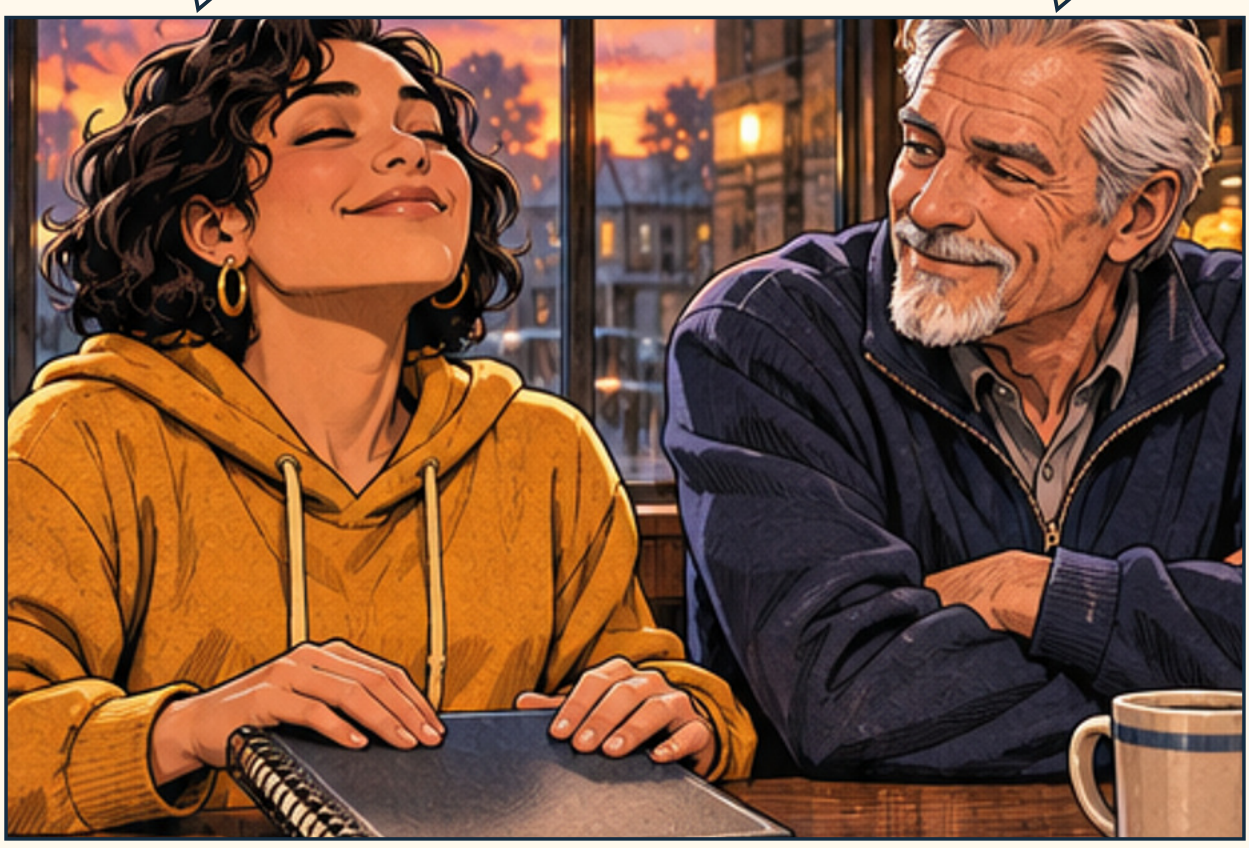
ALEX
If the price reaches $18 tomorrow and I do nothing, those twelve shares are worth $216.

SAM
That’s above the old $200 balance. Would it cover everything you put in?



ALEX
If the first ten cost me $200, I’ve put in $230. So I’m still $14 short.

SAM
Exactly. You can check the deposits separately from the investment result, even on a day when both moved.



Twelve shares, three possible prices

At $12 per share	**$144**
At $15 per share	**$180**
At $18 per share	**$216**

Try it: divide the $230 invested by twelve shares. A price of about $19.17 would cover the full amount in this example before fees.

Sources Net asset value Dollar-cost averaging