

The formula for the Modified Dietz method is as follows:

$$R_{MDietz} = \frac{EMV - BMV - CF}{BMV + \sum_{i=1}^n W_i \times CF_i}$$

where:

EMV = ending market value

BMV = beginning market value

CF = the net cash flow for the period (contributions to a portfolio are entered as positive cash flows while withdrawals are entered as negative cash flows).

$\sum_{i=1}^n W_i \times CF_i =$
and the sum of each cash flow, CF_i , multiplied by its weight, W_i

The weight (W_i) is the proportion of the total number of days in the period that the cash flow CF_i is in (or out) of the portfolio. W_i can be calculated as:

$$W_i = \frac{CD - D_i}{CD}$$

where:

CD = the number of calendar days during the return period being calculated

D_i = The day in the return period on which the cash flow (CF_i) occurred