Yield

Morningstar calculates a 12-month yield for a fund as follows.

\[
\text{Yield} = \frac{\sum_{i=1}^{n} \text{DIV}_i}{\text{Ne} + \sum_{i=1}^{n} \text{CAPG}_i - \text{ROC}_i}
\]

Where:
- \( \text{DIV}_i \) = sum of dividends given at time \( i \)
- \( \text{CAPG}_i \) = sum of capital gains given at time \( i \)
- \( \text{ROC}_i \) = return of capital given at time \( i \)
- \( \text{Ne} \) = ending NAV
- \( n \) = the total number of times the fund made distributions in the 12-month period

This equation calculates a yield for a fund that is comparable to a yield for a stock. For a stock, all capital gains occur in the stock price. For a fund, some capital gains are distributed while the unrealized ones are incorporated into the NAV. Therefore, we add back capital gains to the denominator of the yield equation to capture all gains from the fund.

This 12-month yield calculation is very unique to Morningstar. Most financial institutions calculate a current yield for bond funds. Current yield is calculated by taking the most-recent monthly dividend and multiplying it by 12 (or taking the most-recent quarterly dividend and multiplying it by four) and dividing the result by the current NAV.

Morningstar also collects SEC Yield for funds, because we can’t calculate these data points in-house.