Morningstar Income and Capital Gain Returns
Methodology

Income Return Methodology for Funds
Morningstar defines income return as the portion of the holding period return that is attributed to dividend distributions. This calculation assumes that the investor incurs no transaction fees, pays no taxes at the time of distribution, and reinvests all distributions paid during the period. The calculation is:

\[
[1] \text{Income Return} = \frac{\sum_{i=1}^{n} (\text{Div}_i \text{Dist}^j \text{N}_j)}{N_b}
\]

Where:
- \(N_b\) = Beginning NAV
- \(\text{Div}_i\) = Sum of the dividends per-share given a time \(i\)
- \(\text{Dist}^j\) = Sum of the distributions per share given a time \(j\)
- \(\text{N}_j\) = Reinvestment NAV at time \(j\)
- \(n\) = Number of distributions during the holding period

Capital Gain Return
Morningstar defines the capital gain return as the portion of the holding period return that is attributed to realized capital gain distributions. Unrealized gains are still embedded in the NAV and haven’t been distributed to shareholders yet and so are not included. This calculation assumes that the investor incurs no transaction fees, pays no taxes at the time of distribution, and reinvests all distributions paid during the period. The calculation is:

\[
[2] \text{Capital Gains Return} = \frac{\sum_{i=1}^{n} (\text{CAPG}_i \text{Dist}^j \text{N}_j)}{N_b}
\]

Where:
- \(N_b\) = Beginning NAV
- \(\text{CAPG}_i\) = Sum of the realized capital gains per-share given a time \(i\)
- \(\text{Dist}^j\) = Sum of the distributions per share given a time \(j\)
- \(\text{N}_j\) = Reinvestment NAV at time \(j\)
- \(n\) = Number of distributions during the holding period