



Morningstar REIT Yield Focus Indexes

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Investing in a portfolio of stocks with high dividend yield can be appealing for many reasons. For example, dividend strategies can potentially generate extra income. In addition, if reinvested, dividends can significantly increase the total return of an investment portfolio over time. Dividend-focused strategies can also help cushion declines in times of market downturns. Real estate investment trusts (REITs) are often appealing for income-oriented investors for their high dividend yields, as these entities distribute most of their earnings to shareholders. REITs may also offer diversification benefits and a partial hedge against inflation.

The Morningstar REIT Yield Focus Indexes track the performance of quality, high-yielding real estate investment trusts (REITs). Quality is assessed with Morningstar's quantitative moat score, while financial health is measured by distance to default. The constituents of the index are a subset of stocks from the corresponding regional Morningstar REIT Index (benchmark).

Index eligibility

The Morningstar REIT Yield Focus Indexes derive their constituents from the corresponding regional Morningstar REIT Index (parent benchmark) from the Morningstar Global Markets Indexes series. Securities are assigned factor scores based on their Morningstar Economic Moat Rating, distance to default and dividend yield.

To be eligible for inclusion, a security must have a positive trailing twelve-month dividend yield and pass liquidity screens. A portfolio manager of a hypothetical fund tracking the index must be able to enter or exit the position in less than 10 days, assuming a certain fund size and no more than 40% of the security's three-month Average daily traded volume on each day. Securities that do not pass this liquidity requirement are not eligible for inclusion.

Portfolio construction

Eligible securities are assigned normalized factor scores based on their -quantitative moat rating, distance to default and dividend yield. The normalized factor score is then transformed into a tilt factor to calculate a composite tilt factor score. The portfolio weights are tilted based on the composite tilt factor score, with liquidity-based adjustments to improve investability.

Rebalancing and reconstitution

The indexes are reconstituted and rebalanced semi-annually in June and December.

Construction process



About Morningstar Indexes

Morningstar Indexes was built to keep up with the evolving needs of investors — and to be a leading-edge advocate for them. Our rich heritage as a transparent, investor-focused leader in data and research uniquely equips us to support individuals, institutions, wealth managers and advisors in navigating investment opportunities across major asset classes, styles and strategies. From traditional benchmarks and unique IP-driven indexes, to index design, calculation and distribution services, our solutions span an investment landscape as diverse as investors themselves.

Please visit indexes.morningstar.com for more information.