



Morningstar Yield Focus Indexes

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Contact us

indexes@morningstar.com

Investing in a portfolio of stocks with high dividend yield can be appealing for many reasons. Dividend strategies can potentially generate extra income. 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. However, aggressively chasing dividend yield can lead to unintended risk. For example, the highest yielding stocks may have weak or deteriorating fundamentals that could threaten the sustainability of their dividend payments, as well as their price performance.

The Morningstar Yield Focus Indexes are designed to track the performance of quality, high-yielding dividend stocks, based on their assigned composite factor scores. Quality is assessed with Morningstar Quantitative Moat Rating and Morningstar Distance to Default Score, which is a measure of financial strength.

Morningstar Quantitative Moat Rating

The Quantitative Economic Moat Rating is calculated using an algorithm designed to predict the Economic Moat Rating a Morningstar analyst would assign to the stock. The quantitative rating is expressed as none, narrow, or wide. If the input data required for the algorithm is not available, a quantitative rating will not be assigned.

Morningstar Distance to Default Score

Distance to Default incorporates information about a company's equity volatility and financial leverage to arrive at a score ranging from zero to 1. A high Distance to Default indicates strong financial health.

Index eligibility

The Morningstar Yield Focus Indexes derive their constituents from the corresponding parent from the Morningstar Global Markets Indexes, which represent the top 97% of the investable equity market. To qualify for inclusion, stocks must have paid a dividend over the past 12 months. These stocks are assigned composite factor scores based on their normalized quantitative moat ratings, distance to default scores, and TTM dividend yields.

Portfolio construction

Eligible stocks are ranked on their composite factor scores and the top 30 are targeted for inclusion. Index constituents are weighted based on their float adjusted market capitalization and their composite factor scores. Liquidity-based adjustments are made to the weightings to improve investability.

Rebalancing and reconstitution

The index is 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.