



Morningstar Dividend Composite Index

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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. 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.

Designed to deliver a portfolio of dividend paying stocks that are screened for dividend consistency and sustainability, the Morningstar Dividend Composite Index can help address this risk.

Portfolio construction

The Morningstar Dividend Composite Index derives its constituents from the Morningstar US Market Index, which represents the top 97% of the investable market by

market capitalization. To be eligible for inclusion companies must have:

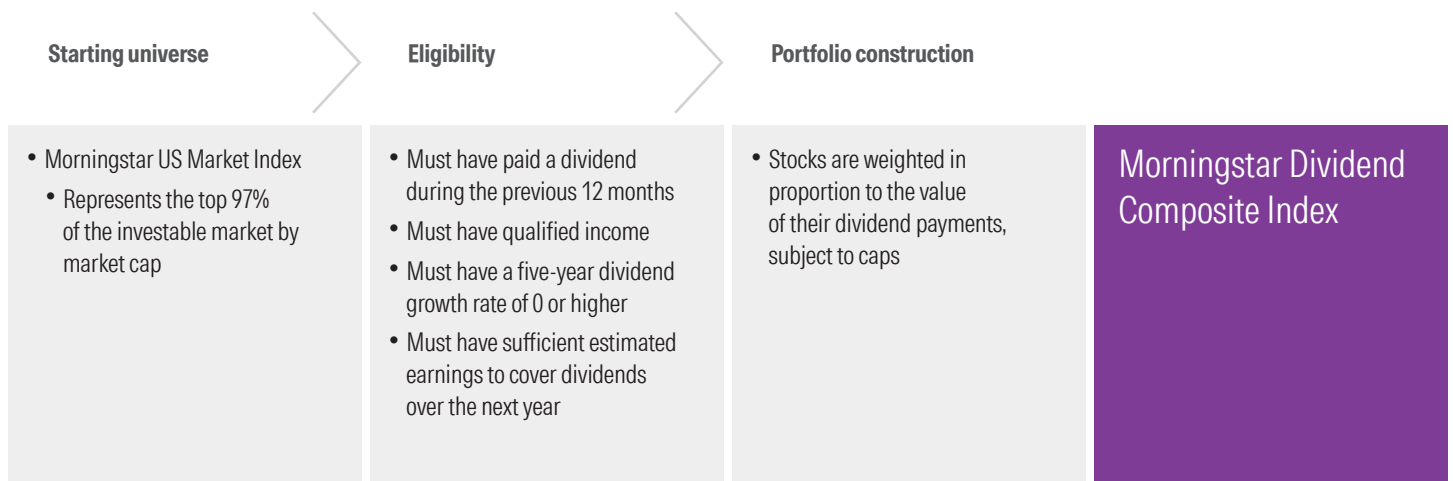
- Paid a dividend during the previous 12 months
- Qualified income (real estate investment trusts are excluded)
- A five-year dividend growth rate of 0 or higher
- Sufficient estimated earnings to cover their dividends over the next year

The Morningstar Dividend Composite Index includes all of the stocks from the parent index that meet the eligibility requirements. Index constituents are weighted in proportion to the total pool of dividends available to investors which tilts the index portfolio toward larger and higher yielding stocks. Stocks representing more than 5% of the index cannot collectively exceed 50% of total index weight, while individual stock weights cannot exceed 10%.

Reconstitution and rebalancing

The indexes are reconstituted annually in December and rebalanced quarterly.

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.