**Current Yield Calculation**

Current yield is the annual rate of return that an investor purchasing a security at its market price would realize.

Generally speaking, it is the annual income from a security divided by the current price of the security, expressed as a percentage.

However, the calculation for annual income can vary, depending on the security type and settings for the security.

This document explains the various calculations and settings and how they affect the Current Yield you see on portfolio holdings reports in PortfolioCenter.

### Calculations for Current Yield

Because current values can be calculated differently for different security types, the current yield calculation can also vary by security type. This document covers three main categories of security types:

- Equities, Mutual Funds, Unit Trusts – see the calculation information starting on page 2
- Fixed Income, CDs and Mortgage-Backed Securities – see the calculation information starting on page 5.
- Other Security Types – see information about other security types starting on page 6.

Each section shows the calculation for that category, followed by examples of the calculation.

**On the Web**

Need information about troubleshooting the calculation? See [Troubleshooting the Current Yield Calculation](#).
Equities, Mutual Funds, Unit Trusts and User Defined Securities

The calculation for Current Yield for equities, mutual funds, unit trusts and user defined securities is:

\[
\left( \frac{\text{Annual Income per Share}}{\text{Current Price}} \right) \times 100
\]

The Annual Income per Share calculation, or the numerator of the formula above, depends on the status of the Allow Updates checkbox in the security details for each security.

Allow Updates is checked in Security Details:

One way to calculate current yield is to check the Allow Updates box on the General tab of the security details, similar to the example on the right. As long as this box is checked and the last normal income payment has an ex-date within one year of the as of date of the report, the formula for the annual income per share is as follows:

\[
\frac{(\text{Last Normal Income} \times \text{Payment Frequency})}{\# \text{ Shares Held On Ex-Date}}
\]

The payment frequency used in the formula is the payment frequency listed on the security details. In this particular example, the amount of the last income payment ($28.32) is multiplied by 4 (for quarterly frequency) and then divided by the quantity held on 6/1/08, the ex-date.

Calculation Example: Update Box is Checked

Let’s say that you are reviewing the Portfolio Statement report for a client and notice the current yield for 3M Company is 4.80% and you want to validate that number.

In this section, we’ll walk you through the calculation for the current yield for the 3M position for this portfolio. These same steps apply to any equity, mutual fund, unit trust or user defined security.

Remember, the calculation for current yield is:

\[
\left( \frac{\text{Annual Income per Share}}{\text{Current Price}} \right) \times 100
\]
1. The first step is always to look at the security details. The security detail settings determine how we calculate the Annual Income per Share portion of the formula.

In this particular case, the Allow Updates box is checked in the security details.

Make a note of the Payment Frequency, and then look in the transactions to get the information needed for the annual income per share calculation.

2. In the transactions, locate the last income transaction, dated 2/18/09 for $643.62. Check the following settings:
   - The ex-date is within 1 year of the as of date of the report – yes. In this example, the as of date of the report is 3/31/09 and the ex-date of the transaction is 2/10/09.
   - The Distribution Type setting is set to Dividend or Interest – yes; it is set to Dividend.
   - The Normal Income setting is set to Yes – it is, therefore this is a valid transaction for the calculation.

3. Calculate the annual income per share. The number of shares held on the ex-date (2/10/09) was 1262, so multiply this income amount by 4 (for quarterly) and then divide by 1262:

   \[
   \frac{(643.62 \times 4)}{1262} = \frac{2574.48}{1262} = 2.04
   \]

4. This also happens to be the number you’ll find in the Annual Dividend field at this time for the security.

5. Plug the calculated annual income per share into the current yield calculation:

   \[
   (2.04 / \$42.51) \times 100 = 0.047988708 \times 100 = 4.7988708\% = 4.80\% \text{ rounded.}
   \]

Note

By default, the Allow Updates box is checked for all security types which have the checkbox (equities, mutual funds, unit trusts and user defined securities).
Allow Updates is NOT checked in Security Details

If the checkbox is unchecked or the ex-date of the last income payment is more than one year before the as of date of the report, the Annual Income per Share is taken from the Annual Dividend field on the General tab in the security details.

Rather than calculating the annual dividend, PortfolioCenter takes the annual dividend information from the field in the security details, and then divides it by the current price on the as of date of the report.

**Calculation Example: Update Box is Not Checked**

Let’s say that you are reviewing the Portfolio Statement report for a client and notice the current yield for 3M Company is 4.8%.

In this section, we’ll walk you through the calculation for the current yield for the 3M Company position for this portfolio. These same steps apply to any equity, mutual fund, unit trust or user defined security. Remember, the calculation for current yield is:

\[
\frac{\text{Annual Income per Share}}{\text{Current Price}} \times 100\%
\]

1. The first step is always to look at the security details. The security detail settings determine how we calculate the Annual Income per Share portion of the formula. In this particular case, the Allow Updates box is not checked in the security details.

2. Because the Allow Updates box is not checked, we can take the annual income per share ($2.04), divide it by the current price ($42.51) and multiply by 100 to get a percentage:
   
   \[
   \text{CY} = \frac{2.04}{42.51} \times 100
   \]
   
   \[
   \text{CY} = \approx 4.798870 \times 100
   \]
   
   \[
   \text{CY} = 4.798870\%, \text{ rounded to } 4.80\%
   \]
Fixed Income, CDs and Mortgage-Backed Securities

The calculation for Current Yield for fixed income, CDs and mortgage-backed securities is:

\[
\text{Current Yield} = \left( \frac{\text{Annual Interest Rate}}{\text{Current Price}} \right) \times 100
\]

Where the interest rate is taken from the General tab in the security details.

**Calculation Example**

Let’s say that you are reviewing the Portfolio Statement report for a client and notice the current yield for the Dekalb County GA bond is 5.16%.

In this section, we’ll walk you through the calculation for the current yield for the Dekalb County GA bond. These same steps apply to most fixed income, CDs and mortgage-backed securities. Remember, the calculation for current yield is:

\[
\text{Current Yield} = \left( \frac{\text{Annual Interest Rate}}{\text{Current Price}} \right) \times 100
\]

From the security description, we can see that the interest rate of the bond is 5.5% and that the current price is $106.672. Thus the calculation is:

\[
\text{CY} = \left( \frac{5.5}{106.672} \right) \times 100
\]

\[
\text{CY} = (0.051559922\ldots) \times 100
\]

\[
\text{CY} = 5.1559922 \text{ rounded to } 5.16\%
\]
Other Security Types

For other security types, it might not make sense to have a Current Yield or a calculation does not exist. In this section, we’ll discuss Cash, Options, T-Bills, Commercial Paper and Zero Coupon bonds.

Cash and Money Funds

The current yield for cash is never calculated on PortfolioCenter reports.

Instead, the interest rate found in the security details of the cash security is printed in the current yield column on the Holding reports.

The exception is a cash or money market fund that is defined as a mutual fund in PortfolioCenter. In that case, the current yield is calculated as described in the Equities, Mutual Funds, Unit Trusts and User Defined Securities section on page 2.

Options

Current yield is never displayed for option securities because there is never income generated by these securities.

T-Bills, Commercial Paper, and Zero Coupon Bonds

The current yield for T-Bills, Commercial Paper and Zero Coupon bonds is not calculated because there is no income during the life of these securities.

However, holdings reports have a setting allowing you to substitute a simple interest rate as the yield for Commercial Paper and Zero Coupon bonds.

The simple interest rate or yield is a ratio of the purchase price of the security vs. the face value you expect to get at maturity. For example, if you buy a zero coupon bond with a face value of $10,000.00 for $8,000.00, you would have a 25% yield ([8,000 / 10,000] x 100).

On the Web

Need information about troubleshooting the calculation? See Troubleshooting the Current Yield Calculation.