

# Yield Calculations Primer

## Attributes, Fund Applications, Pros/Cons

In simple terms, yield is the income returned on an investment. Many yield calculations are used to market mutual funds, closed-end funds, interval funds and other products. Fund yield calculations are generally presented as percentages and are all broadly derived from a numerator of income and a denominator of fund Net Asset Value (NAV).

$$\text{Income} / \text{NAV} = \text{Yield}$$

Beyond the basics, however, comparing and contrasting the many yield metrics can get tricky, and determining which of the metrics to use in different situations may get involved. For example, yield calculations and their results can vary substantially depending on time periods and market conditions.

## How Key Yield Calculations Differ

	← Backward Looking			Forward Looking →
	12-Month Yield	Annualized or Distribution Yield	30-Day SEC Yield	Current Yield
Income Time Frame	Last 12 months	Latest distribution annualized (monthly, quarterly, or annually)	Previous 30 days	Next 12 months
NAV Date	Day of calculation	Last distribution date	Day of calculation	Day of calculation

## Definitions and Attributes of Key Yield Metrics

Below are explanations of key yield metrics and the pros and cons of each calculation.

	Calculation	Pros	Cons
12-Month Yield	Sum of all distributions in last 12 months divided by NAV on day of calculation	Represents the actual cash flow an investor has received over the last 12 months	<ul style="list-style-type: none"> <li>&gt; Is a snapshot of the past, and the NAV of a fund can fluctuate</li> <li>&gt; The income also includes capital gains distributed</li> </ul>
Annualized or Distribution Yield	Last distribution annualized divided by NAV at last distribution	Relies on most recent data, which can be helpful in the case of funds with a lot of floating-rate debt exposure	<ul style="list-style-type: none"> <li>&gt; Relies on a single distribution and can potentially misrepresent other distributions</li> <li>&gt; The latest distribution may include a special dividend or capital gain</li> </ul>
30-Day SEC Yield	Hypothetical yield to worst of current portfolio over past 30 days, annualized, and divided by NAV on the day of calculation	Standardized yield calculation introduced by the SEC to allow fairer comparisons, particularly useful for bond funds	<ul style="list-style-type: none"> <li>&gt; Based on a short time period—the previous 30 days</li> <li>&gt; Developed for products with holdings that provide consistent monthly income, like bond funds</li> </ul>
Current Yield	Annual coupon income divided by the NAV on day of calculation	Provides forward-looking information—good for new products (where allowed) because yield can be shown prior to the first distribution	<ul style="list-style-type: none"> <li>&gt; Does not reflect the time value of money or price changes and is a misleading metric when the current price deviates from par</li> <li>&gt; Does not include the compounding effect of reinvesting</li> </ul>

## Additional Definitions

**Coupon Rate**—The rate of interest paid by a bond issuer to the bond owner based on the face value of the bond.

**Net Asset Value (NAV)**—The net value of a fund's assets less its liabilities, divided by the number of shares outstanding. NAV provides the per-share value of a fund.

**Yield to Maturity**—A calculation that represents the anticipated total return earned by an investor who buys the bond at the current market price, assuming the investor will receive and reinvest all coupon payments and holds the bond to maturity.

**Yield to Call**—Uses the same methodology as yield to maturity, but rather than assume the bond is held to maturity, it assumes the bond will be called on the call date (if the bond has a call feature and is trading at a premium to par).

**Yield to Worst**—Describes the lower of either "yield to maturity" and "yield to call," to ensure that the investor knows the most conservative potential yield of the bond.

Calamos Investments has 45 years of experience providing clients with yield-oriented solutions that utilize a range of traditional fixed-income securities, convertible bonds and innovative alternative strategies.

For more information on how our Calamos solutions can help optimize an investment portfolio's yield, please visit [www.calamos.com](http://www.calamos.com) or contact us at 800.582.6959.

The views and opinions expressed are those of Calamos Investments and are not necessarily those of any other entity including other broker/dealers or their affiliates. Opinions and estimates offered constitute our judgment and are subject to change without notice, as are statements of financial market trends, which are based on current market conditions. We believe the information provided here is reliable, but do not warrant its accuracy or completeness. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The views and strategies described may not be suitable for all investors. The opinions and views of third parties do not represent the opinions or views of Calamos Investments LLC. Opinions are subject to change due to changes in the market, economic conditions or changes in the legal and/or regulatory environment and may not necessarily come to pass. This information is provided for informational purposes only and should not be considered tax, legal, or investment advice. References to specific securities, asset classes and financial markets are for illustrative purposes only and are not intended to be, and should not be interpreted as, recommendations.

**CALAMOS**<sup>®</sup>  
INVESTMENTS

Calamos Advisors LLC  
2020 Calamos Court | Naperville, IL 60563-2787  
800.582.6959 | [www.calamos.com](http://www.calamos.com)  
[caminfo@calamos.com](mailto:caminfo@calamos.com)

© 2023 Calamos Investments LLC. All Rights Reserved.  
Calamos<sup>®</sup> and Calamos Investments<sup>®</sup> are registered trademarks of Calamos Investments LLC.

YLDCALSS 821057 0523

**NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE**