

**Indice Comit Globale R 1040 e Comit  
Performance R 1040  
Ground Rules**

**Intesa Sanpaolo Research Department  
December 2017**

## Comit Globale R 1040 and Comit Performance R 1040 indices

### Characteristics of the Comit Globale R 1040 and Comit Performance R 1040 indices

This document provides a summary of the fundamental rules for calculating and managing the indices "Comit Globale R 1040" and "Comit Performance R 1040" prepared by Intesa Sanpaolo for the entire Italian equity market "Mercato Telematico Azionario" (MTA), using the reference prices determined at market closing.

The index **Comit Globale R 1040** refers to capital gains only, meaning that its value decreases when ordinary dividends are distributed due to the loss of the claim to the dividend associated with the shares that have distributed dividends, whereas the index **Comit Performance R 1040** allows for the assessment of total return (dividends plus capital gains) since it includes the ordinary dividends distributed over time.

These indices are compliant with the European Union rules known as "UCITS III," according to which shares of a single group cannot account for more than 10%, and shares of companies each representing more than 5% of the total cannot collectively account for more than 40% of the basket that makes up the index.

It follows that the shares of companies in violation of these rules must be forcibly reduced to within these limits, and the value of the other shares increased accordingly to maintain a total value of 100%.

Routine rebalancing takes place four times a year: on the Monday after the third Friday of March, June, September and December (to coincide with the revision of the composition of the baskets by Borsa Italiana in March and September).

Non-routine rebalancing takes place when the 10/40 limits are exceeded.

#### 1) Securities included in the indices

The indices Comit Globale R 1040 and Comit Performance R 1040 include all equity securities listed on the Mercato Telematico Azionario, regardless of the segment (Blue Chip, Star or Standard).

Shares "indefinitely" suspended from listing are an exception to this rule and are excluded from the index with effect from the announcement by Borsa Italiana S.p.A.

#### 2) Revision of the index

Changes in the basket following corporate actions (capital increases, extraordinary dividends, changes in share capital, reverse splits, spin-offs and de-listing) are usually made at the same time as the publication of the notice of the corporate action by Borsa Italiana S.p.A.

Each new security is included in the basket on the first day on which the exchange is open for business after the security is listed.

Routine revision of the indices is performed quarterly (in March, June, September and December), and in particular involves balancing the weights of individual securities (or groups of securities) in accordance with UCITS III. Non-routine revision is performed immediately when the limits are exceeded before the scheduled date of routine revision.

### 3) Calculation of the indices

The index for the i-th security on the list at time t is calculated as follows:

$$I_{i,t} = \frac{P_{i,t}}{P_{i,0}} \cdot 100$$

where  $P_{i,t}$  = the price of security i on day t  
and  $P_{i,0}$  = the base price (or price at time zero) of security i

The Comit market indices are thus equal to the weighted average of the indices for all securities, i.e.:

$$I_t = \sum_{i=1}^n I_{i,t} \cdot a_i$$

where  $I_t$  is the index at time t, whereas  $a_i$  refers to the "weight" of each security in the index. In particular, the ratio of the capitalisation of the individual security (price x number of shares in issue) to total market capitalisation has been selected as the weighting criterion.

Appropriately simplified, the indices take the following form:

$$I_t = \frac{\sum_{i=1}^n P_{i,t} \cdot q_{i,0}}{\sum_{i=1}^n P_{i,0} \cdot q_{i,0}} \cdot 100$$

where  $q_{i,0}$  represents the unchanged number of shares in issue at time t as a consequence of the initially assumed simplification.

However, in order to comply with UCITS III, an adjusting coefficient known as the "capping factor" must be applied so as to balance the composition of the index.

$$CF_t = \frac{CW_{a,t}}{\sum_{i=1}^n ucw_{a,t}}$$

where  $CW_{a,t}$  represents the new weight of the share assigned at time t to comply with regulatory limits whereas  $ucw_{a,t}$  refers to the unadjusted weight.

Appropriately simplified, the indices take the following form:

$$I_t = \frac{\text{market capitalisation at time t } CF_t}{\text{market capitalisation at time 0} \cdot CF_0} \cdot 100$$

**Comit Globale R 1040** is a "pure" price index, meaning that its value decreases when ordinary dividends are distributed, due to the loss of the claim to the dividend associated with the shares that have distributed dividends, whereas **Comit Performance R 1040** includes the ordinary dividends distributed over time.

---

The index is calculated according to the following algorithm:

- a) **Comit Performance R 1040<sub>t</sub>** = Comit Performance R 1040<sub>t-1</sub> (Comit Globale R 1040<sub>t</sub> / Comit Globale R 1040<sub>t-1</sub> +  $\delta_t$ )

where  $\delta_t = \text{Div}_t / \text{Cap}_{t-1}$

#### 4) Adjustments

In practice, there are various corporate actions involving listed companies each year, and there may also be other events (one typical case is that of the de-listing of a security) that tend to create discontinuity in the historical series used to calculate the index (for example, the number of shares in issue changes and the reference base capitalisation must therefore change in cases of rights issues involving the injection of new capital).

Clearly, in order to continue to calculate the index as before, the discontinuity must be remedied using various approaches referred to as "adjustments".

The adjustment is applied by changing the capping factor so that the weight of the shares within the index remains unchanged, with the result that the values taken by the index remain consistent over time.

#### 5) Suspension from trading

Shares that have been suspended from trading are treated as follows:

- If the company has become insolvent, the shares are removed from the index with a price of zero
- If the company has undertaken a *precautionary recapitalisation*<sup>1</sup>, the shares are removed from the index with a price of zero. The shares may then be included in the index once again, and their inclusion will be treated as an initial public offering (IPO) for all intents and purposes.
- If the suspension period is 60 working days, the shares are removed from the index at the price recorded during the last session. If the shares are then readmitted to listing, their inclusion will be treated as an initial public offering (IPO) for all intents and purposes.

#### 6) Publication of indices

The indices calculated by Intesa Sanpaolo are published through the main info providers and are available:

- from the website of [Intesa Sanpaolo SpA](#), in the "Research" section;
- Bloomberg
- Thomson Reuters (all Comit indices can be viewed using the code **0#.BCIINDEX.IT**)

---

<sup>1</sup> Injection of own funds by a Member State into a solvent bank in order to remedy a serious disturbance of the country's economy and preserve financial stability (cf. [ECB](#))

Angelo Palumbo  
Maurizio Piccolo

0287938542  
0287962133

angelo.palumbo@intesasanpaolo.com  
maurizio.piccolo@intesasanpaolo.com

---

## **Disclaimer**

This publication has been produced by Intesa Sanpaolo. This report has been prepared solely for information purposes and is not intended as an offer or solicitation with respect to the purchase or sale of any financial products. This document may only be reproduced in whole or in part citing the name Intesa Sanpaolo SpA.