Indice Comit Small Cap e Comit Small Cap R Ground Rules

Intesa Sanpaolo Research Department

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INTESA SANPAOLO

Comit Small Cap and Comit Small Cap R indices

Characteristics of the Comit Small Cap and Comit Small Cap R indices

1) Securities included in the indices

The indices "Comit Small Cap" and "Comit Small Cap R" are composed of all equity securities listed on the Mercato Telematico Azionario (MTA), excluding shares:

a) already included in the Comit 30 index

b) with an average capitalisation (calculated during the half-year prior to the date of the extraordinary revision) of more than 500 million euro;

c) other than ordinary shares

d) "Indefinitely" suspended

2) Revision of the index

The basket is revised twice a year, in March and September. The new basket enters into effect on the third "ex-dividend date" according to the exchange calendar set by Borsa Italiana for the month in question.

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.

3) Calculation of the indices

The index **"Comit Small Cap"** is updated daily in real time according to the performance of *official prices*, whereas the index **"Comit Small Cap R"** is calculated at the end of the session on the basis of *reference prices*.

The basis of the index was set at 100 on 2.4.2001.

Momentarily setting aside the matter of corporate actions, which result in discontinuity in observations of the prices of the securities concerned, our "*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 Small Cap" market indices are thus equal to the weighted average of the "*indices*" for all securities included, 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.

Comit Small Cap and Comit Small Cap R are "pure" price indices, meaning that their 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.

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 $q_{i,t} \neq q_{i,0}$ 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 to the base capitalisation: for example, in the classic case of a rights issue, the base capitalisation changes to the same extent that current capitalisation increases due to the injection of new capital, according to the ratio:

$$\text{adjusted base cap.} = \text{base cap} \cdot \frac{\text{pre - issue cap.} + \text{rights issue}}{\text{pre - issue cap.}}$$

This ensures that the values taken by the index over time remain consistent.

In the final analysis, the "Comit Small Cap" indices will be calculated according to the formula:

$$I_t = \frac{\sum_{i=1}^{n} P_{i,t} \cdot q_{i,t}}{(\sum_{i=1}^{n} P_{i,0} \cdot q_{i,0}) \text{ rett.}} \cdot 100$$

i.e.:

$$I_t = \frac{\text{market capitalisation at time t}}{\text{adjusted market capitalisation at base time}} \cdot 100$$

5) Suspension from trading

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

a) If the company has become insolvent, the shares are removed from the index with a price of zero
b) If the company has undertaken a *precautionary recapitalisation*[1], 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.
c) 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)

Historical series are also available up to 30/12/1998.

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[1] 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)

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