

# **Bloomberg Italia Domestic Indices Methodology**

December 2023

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## Introduction

The Bloomberg Italia Domestic Indices (collectively the “Indices”, and each an “Index”) are designed to offer exposure to companies listed in Italy and incorporated in Europe. Eligible companies are assigned into different size groups and respective Indices based on their free float market capitalization rank.

To ensure, diversification while minimizing turnover, each size groups are rebalanced on a quarterly basis subject to buffers and the largest issuer cannot exceed 15% weight.

## Section 1: Index Overview

Index Name	Curcy	Ticker PR	Ticker NTR	Ticker TR	Members Count	Upper Buffer	Lower Buffer
Bloomberg Italia Domestic 40 Index	EUR	DIT40P	DIT40N	DIT40T	40	36	44
Bloomberg Italia Domestic Mid 60 Index	EUR	DITM60P	DITM60N	DITM60T	60	54	66
Bloomberg Italia Domestic Small 20 Index	EUR	DITS20	DITS20N	DITS20T	20	18	22
Bloomberg Italia Domestic PIR 120 Index	EUR	DITPIR	DITPIRN	DITPIRT	120	118	122

The Bloomberg Italia Domestic PIR 120 Index methodology can be found [here](#), is also part of the Bloomberg Italia Domestic Indices group.

## Section 2: Index Eligibility Process

Refer to the [Bloomberg Italia Domestic Equity Universe Methodology](#) for more details.

## Section 3: Parent Universe

The members of the Bloomberg Italia Domestic Indices are selected from the Bloomberg Italia Domestic Equity Universe as defined in Section 2 above.

## Section 4: Index Construction Process

### Index Selection Process

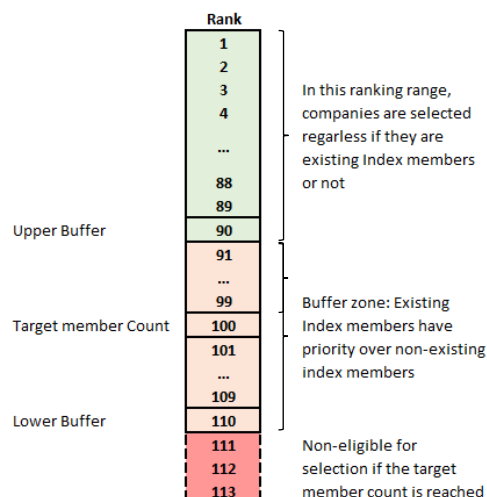
All eligible issuers are ranked in descending order by their free float market capitalization. In case an issuer has more than one security, all eligible securities are selected to represent the issuer’s cumulative free float market capitalization.

The highest ranked issuers are selected up to and including the upper buffer<sup>1</sup> rank of the respective Index. Existing Index members which rank lower than the upper buffer and on or above the lower buffer of the respective index are selected. If the target member count is not reached, the remaining highest ranked issuers are selected until the target count is reached.

The selection for each Index is performed in the sequence below, according to the free float market capitalization ranking of all eligible issuers. Note that Issuers can only be included in one Index.

1. Bloomberg Italia Domestic 40 Index
2. Bloomberg Italia Domestic Mid 60 Index
3. Bloomberg Italia Domestic Small 20 Index

Buffering example



<sup>1</sup> Note that the upper and the lower buffers are determined as +/- 10% around the target member count.

## Index Weighting

The Index is free float market capitalization weighted. The weights,  $W_i$ , are assigned as follows.

$$W_i = \frac{\text{Free Float Market Cap}_i}{\sum_1^M \text{FreeFloat Market cap}_i}$$

Where:

$W_i$  Weight of security i  
M Number of securities

## Weight Capping

The maximum weight at issuer level is 15%.

Any excess weight from capping is redistributed proportionally to all the remaining uncapped securities.

## Index Rebalance and Reconstitution

The Index members and weights are reconstituted quarterly in March, June, September, and December.

### Selection Date & Index Share Determination Date

The Index Eligibility Process is applied using data (shares outstanding, free float and price) as of the last Wednesday in January, April, July, and October.

### Index Announcement Date

An Index reconstitution and rebalance announcement date shall be the last Wednesday in February, May, August, and November.

### Index Effective Date

The Index reconstitutions and rebalances go effective after the close of trading on the 2<sup>nd</sup> Wednesday in March, June, September, and December, respectively.

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Selection Date	Last Wednesday	X			X			X			X		
Announcement Date	Last Wednesday		X			X			X			X	
Effective Date	2 <sup>nd</sup> Wednesday			X			X			X			X

## Section 5: Index Maintenance

### Index Calculation

Refer to the [Bloomberg Global Equity Indices Methodology](#) for index calculation details.

### Deletion Policy

Index securities are not deleted outside Index Rebalance and Reconstitution window except in the case of a delisting.

### Addition Policy

Index securities are not added outside of the semi-annual Index reconstitutions.

### Replacement Policy

Index securities are not replaced outside of the Index reconstitution.

## **Corporate Actions**

Refer to [Bloomberg Global Equity Indices Non-Market Cap Corporate Action Methodology](#) for the treatment of corporate actions.

## Appendix I: Risks and Limitations of the Indices

### Risks

The following is a summary of certain risks associated with the Index but is not meant to be an exhaustive list of all risks associated with the Index. Although the Index is designed to be representative of the markets it is measuring, it may not be representative of every use case. There is also inherent, though transparent, judgment in its construction, as outlined in this Methodology. The Index is designed for general applicability and not to address the individual circumstances and needs of users. BISL does not advise about the usefulness of the Index to a particular circumstance; users are therefore encouraged to seek their own counsel for such matters. This Methodology is subject to change, which may impact its usefulness to users. Although efforts will be made to alert users of any change, every individual user may not be aware of them. Such changes may also significantly impact the usefulness of the Index. BISL may also decide to cease publication of this Index. BISL maintains internal policies regarding user transitions, but no guarantee is given that an adequate alternative is available generally or for a particular use case. Markets for stocks, as with all markets, can be volatile. As the Index is designed to measure this market, it could be materially impacted by market movements, thus significantly affecting the use or usefulness of the Index for some or all users. Also, certain equity markets are less liquid than others – even the most liquid markets may suffer periods of illiquidity. Illiquidity can have an impact on the quality or amount of data available to BISL for calculation and may cause the Index to produce unpredictable results.

### Limitations of the index

Though the Index is designed to be representative of the markets it measures or otherwise aligns with its stated objective, it may not be representative in every case or achieve its stated objective in all instances. It is designed and calculated strictly to follow the rules of this Methodology, and any Index level or other output is limited in its usefulness to such design and calculation.

Markets can be volatile, including those market interests that the Index measures or upon which the Index is dependent to achieve its stated objective. For example, illiquidity can have an impact on the quality or amount of data available to the administrator for calculation and may cause the Index to produce unpredictable or unanticipated results.

In addition, market trends and changes to market structure may render the objective of the Index unachievable or to become impractical to replicate by investors.

In particular, the Index measures global equity markets. As with all equity investing, the Index is exposed to market risk. The value of equities fluctuate with the changes in economic forecasts, interest rate policies established by central banks and perceived geopolitical risk. The Index does not take into account the cost of replication and as a result a tracking portfolio's returns will underperform the Index with all else equal. As the Index is designed to measure those markets, it could be materially impacted by market movements, thus significantly impacting the use or usefulness of the fixings for some or all users.

In addition, certain sub-indices may be designed to measure smaller subsets of the Index such as specific styles, size, and sector. Some of these sub-indices have very few qualifying constituents and may have none for a period of time. During such period, the sub-index will continue to be published at its last value, effectively reporting a 0% return, until new constituents qualify. If no constituents are expected to qualify (due to changes in market structure and other factors), the sub-index may be discontinued. In such an event, this discontinuation will be announced to index users.

## **Appendix II: Benchmark Oversight and Governance**

### **Benchmark governance, audit and review structure**

Please refer to the BISL Benchmark Procedures Handbook available [here](#).

### **Index and data reviews**

Please refer to the BISL Benchmark Procedures Handbook available [here](#).

### **Expert judgement**

Please refer to the BISL Benchmark Procedures Handbook available [here](#).

### **Conflicts of interest**

Please refer to the BISL Benchmark Procedures Handbook available [here](#).

### **Restatement policy**

Please refer to the BISL Benchmark Procedures Handbook available [here](#).

## Appendix III: ESG Disclosure

<b>EXPLANATION OF HOW ESG FACTORS ARE REFLECTED IN THE KEY ELEMENTS OF THE BENCHMARK METHODOLOGY</b>	
<b>Item 1.</b> Name of the benchmark administrator.	Bloomberg Index Services Limited ("BISL")
<b>Item 2.</b> Type of benchmark or family of benchmarks. <i>Choose the relevant underlying asset from the list provided in Annex II to Commission Delegated Regulation (EU)2020/1816.</i>	Equity
<b>Item 3.</b> Name of the benchmark or family of benchmarks.	Bloomberg Italia Domestic Indices
<b>Item 4.</b> Does the benchmark methodology for the benchmark or family of benchmarks take into account ESG factors?	No
<p><b>Item 5.</b> Where the response to Item 4 is positive, please list below, for each family of benchmarks, those ESG factors that are taken into account in the benchmark methodology, taking into account the ESG factors listed in Annex II to Delegated Regulation (EU) 2020/1816.</p> <p>Please explain how those ESG factors are used for the selection, weighting or exclusion of underlying assets.</p> <p>The ESG factors shall be disclosed at an aggregated weighted average value at the level of the family of benchmarks.</p>	
(a) List of environmental factors considered:	Not applicable
(b) List of social factors considered:	Not applicable
(c) List of governance factors considered	Not applicable
<p><b>Item 6.</b> Where the response to Item 4 is positive, please list below, for each benchmark, those ESG factors that are taken into account in the benchmark methodology, taking into account the ESG factors listed in Annex II to Delegated Regulation (EU) 2020/1816, depending on the relevant underlying asset concerned.</p> <p>Please explain how those ESG factors are used for the selection, weighting or exclusion of underlying assets.</p> <p>The ESG factors shall not be disclosed for each constituent of the benchmark, but shall be disclosed at an aggregated weighted average value of the benchmark.</p> <p>Alternatively, all of this information may be provided in the form of a hyperlink to a website of the benchmark administrator included in this explanation. The information on the website shall be easily available and accessible. Benchmark administrators shall ensure that information published on their website remains available for five years.</p>	
(a) List of environmental factors considered:	As above
(b) List of social factors considered:	As above
(c) List of governance factors considered:	As above
<b>Item 7.</b> Data and standards used	
(a) Data input. <i>(i) Describe whether the data are reported, modelled or sourced internally or externally.</i> <i>(ii) Where the data are reported, modelled or sourced externally, please name the third party data provider.</i>	Not Applicable
(b) Verification and quality of data. <i>Describe how data are verified and how the quality of those data is ensured.</i>	Not Applicable
(c) Reference standards <i>Describe the international standards used in the benchmark methodology.</i>	N/A
<b>Date on which information has been last updated and reason for the update:</b>	November 2023



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