

WIG20dvp

Key features of WIG20dvp

WIG20dvp is a GPWB index of a new type. It is a dividend index, calculated only on the basis of cash dividends paid by the constituents of the WIG20 index. WIG20dvp does not include transaction prices or income on shares other than dividends, for instance subscription rights. This makes WIG20dvp different from all other GPWB indices: price indices and total return indices.

By comparison, price indices are calculated based only on transaction prices of stocks participating in the index portfolio. Price indices do not include such income as dividends or subscription rights. WIG20 is an example of a price index.

In contrast to price indices, total return indices track both transaction prices and income such as dividends and subscription rights. Importantly, the index methodology assumes that cash distributions are reinvested back into the index. A total return index reflects all dividends and subscription rights of participating stocks since the creation of the index. WIG20TR is an example of total return index.

WIG20dvp tracks the investor's income earned on dividends paid by constituents of WIG20 index. It represents the part of the investment which the investor keeps in the portfolio rather than reinvesting it after receiving a dividend. The year-end value of WIG20dvp reflects total dividends paid to the investor throughout the given year.

The table below presents a comparison of WIG20dvp (dividend index), WIG20 (price index), and WIG20TR (total return index):

	Transaction prices	Dividend income	Income from subscription rights
WIG20dvp	no	yes*	no
WIG20	yes	no	no
WIG20TR	yes	yes**	yes**

* Including dividend income earned during the year, which is not reinvested.

** Including all income since the creation of the index (not just income earned during the year), which are reinvested in the stock portfolio.

What does WIG20dvp stand for?

DVP – **Di**Vidend **P**oints

WIG20dvp value is expressed in index points as the main objective of the WIG20dvp index is to present all regular dividends paid by WIG20dvp index members during the year (annual).

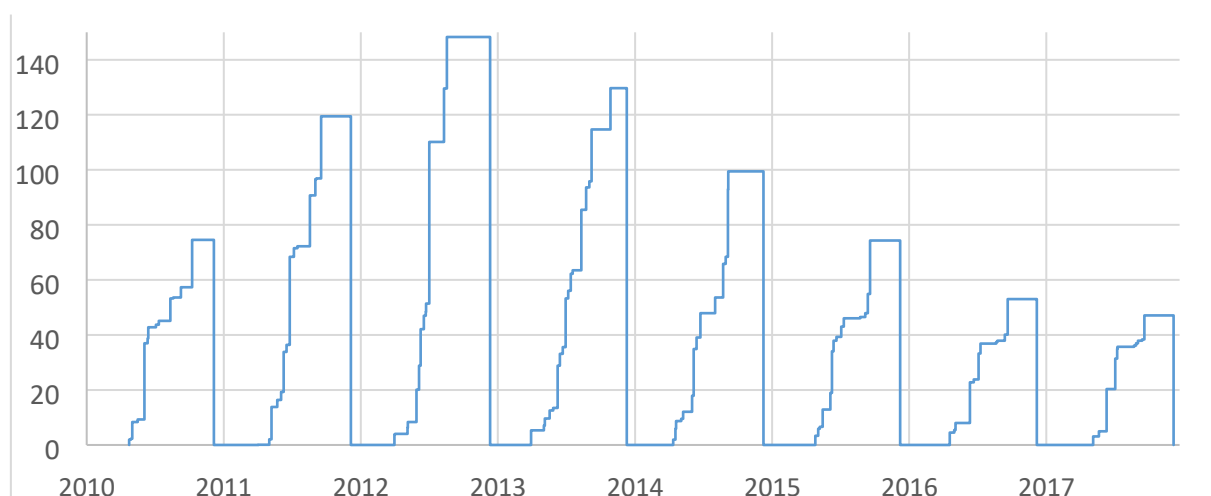
To better understand how WIG20dvp works let's examine the following example:

Let's assume that our WIG20 is not an index but it is a single stock listed on GPWB. Let us also assume that the price of such stock is PLN 2,000, equivalent to 2,000 WIG20 index points, at the beginning of the year. Now, if WIG20dvp is 40 points at the end of the year, then the stock has paid dividends of PLN 40,00 during the year. An investment of PLN 2,000 has generated a dividend income of PLN 40,00. The annual return rate is 2% (PLN 40,00 / PLN 2,000).

How WIG20dvp changes during the year

WIG20dvp presents dividends paid by WIG20 stocks during the current year from the period from December expiry till December expiry next year. After the end of a period the index value is reset to zero. Then as soon as any index' participants pays the dividend which may also take place on the first day after reset, the index is updated with the dividend value paid out. The index increases during the year as more and more companies pay dividends. WIG20dvp reflects all dividends paid by WIG20 stocks with a date of the last day of trading with dividend rights fixed at a given date (aggregate dividends). This is why the index can only go up and never goes down (except for the annual reset). At the year's end (on the third Friday in December or, if it is not a trading day, on the last trading day before the third Friday in December), WIG20dvp shows the total dividends paid by WIG20 stocks during the year.

The chart highlights the two key features of the index: dividend index graph of WIG20 dividend point index from 2010 – 2017 and the annual reset to zero at the end of every year.



Which dividends does WIG20dvp reflect and when?

A dividend is included in the index as of the trading day on which the stock is the first time traded "without dividend". Note: A dividend is included in the index earlier than the payment date.

The index only includes cash dividends as well as:

- advance dividends;
- conditional dividends whose payment depends on a future uncertain event but only if the trading day when the stock trades "without dividend" is later than the date when the issuer decides to pay the dividend (later than the day of fulfilment of the dividend condition).

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