INTESA SANPAOLO

Note on Methodology Trade Picks

Universe of stocks subject to trading.

Stocks being observed are chosen on the basis of liquidity, capitalization and / or multiples/growth ratio. They are italian and foreign stocks (for the most part belonging to the FTSE Mib and to Stoxx50, given the greater liquidity). The detailed list of stocks subject to recommendation is available upon request writing to: tradepicks@intesasanpaolo.com.

Method.

This document is prepared based on **technical analysis**, which is the analysis of trends in prices in the financial markets over time in order to predict future trends, predominantly through graphical and statistical methods, examining past performance. In other words, technical analysis uses graph analysis to examine and understand the trend in prices, which in turn reflects the decisions of investors. It is based on the fundamental assumption that, since investor behaviour repeats over time, upon occurrence of certain graphical conditions, prices will also move accordingly. This method identifies the trend according to which the stock is moving: any violation of supports and resistance may provide operational guidelines.

The duration of the recommendations may vary from intraday to several days/months, depending on the time required by the stock to reach the target price or to violate the stop level with a pre-established maximum loss of between 3% and 4% and, in cases of exceptional volatility, 5-6%.

Additional methodological notes.

The guidelines presented in this document may be generated in an upward as well as downward trend. In the first case, we expect an additional upward acceleration, due to exceeding of the resistance levels or technical configurations that foresee such an event; conversely, with a downward trend, we expect a short-term recovery, in accordance with the analyst's assessment. The method used is based on technical analysis with a so-called "top-down" approach, which starts with analysis of the main stock market indices (S&P500, Dow Jones, Nasdaq and Eurostoxx), considering both the underlying macroeconomic scenario as well as the intermarket situation, and then moving on to sector analysis and, finally, to the individual stocks. After examining the medium/long-term trend, the short-term trend and the relative strength of the various sectors and stocks, a decision is made with respect to which securities to recommend based on the technical signals defined below.

This approach is not based on a trading system and therefore depends on the analyst's evaluations based on pre-determined signals. The analyst may decide to recommend a stock in the event of an upward technical signal or, alternatively, as a secondary criterion, in the event of approaching of a support level, from which prices may rebound. Upward signals result from the upward violation of dynamic resistance (like trend lines) or static resistance (like peak levels), or from technical configurations (patterns like inverse head and shoulders, flag violations, engulfing, etc.) that indicate continuation of the signal provided. The moving averages considered to be indicators and oscillators (such as RSI, MACD, OBV and Stochastics) are examined only in support of the prior signals. RSI is one of the most commonly used indicators and compares the average of higher closes with the average of lower closes within a specific timeframe (generally 14 days). The oscillation range is always between 0 and 100, and the achievement of specific levels indicates an overbought or oversold situation, which are signals that usually indicate a possible inversion of trend. MACD permits different types of signals to be identified. The most important and decisive is the signal generated by a crossover of the MACD line with the Signal Line. An upward crossover of these two lines generates a buy signal, while a downward crossover generates a sell signal. OBV is based on the assumption that so-called smart investors enter the market (accumulation phase or buy) or exit the market (distribution phase or sell) in advance with respect to the majority of investors, considering the trend in volumes compared to the trend in prices, calculated as the algebraic sum of volumes traded in the various stock market sessions. Stochastics measure the ratio of the closing price of a security and its range of prices over a specific timeframe arbitrarily selected by the analyst. Therefore, they examine the trend based on closing prices, indicating the overbought and oversold levels. Its value is within a range of between 0 and 100. Above 70 indicates an overbought scenario, and under 30 indicates oversold, identifying situations of anomalous strength in the former and anomalous weakness in the latter.

The range of securities analysed varies according to the specific moment in the market. The portfolio will contain a larger number of securities during periods of higher expectations of an upward trend or of market recovery, while positions will be lower during periods considered to be riskier. The range generally varies from 0 to 25 securities, up to a maximum of 30 securities in the event of a particularly strong market trend. The recommendations remain valid until violation of the stops or targets indicated.

Securities are generally selected based on better positioning in terms of relative momentum (on the assumption that they anticipate or highlight signals of relative momentum or exceeding of resistance, leading to expectations of new increases).

The document indicates the levels of entry/exit on securities traded and reports the open positions.

The approach aims to select transactions, establishing right from the beginning the levels of entry, stop loss and targets for each trading recommendation. If the stock confirms the signal and records positive performance, and the market trend allows it, the recommended stop loss level is generally raised, bringing it as close as possible to the original entry price, which is usually at the support level, therefore reducing the loss probabilities and providing the possibility of future profits at the moment in which the stop loss moves above the entry price (trailing stops).

The stop loss is usually set at a value approaching the support levels; conversely, the target is set near the resistance value which, depending on the graphical layout, may be raised or lowered according to how the graph evolves and to the stock market trend in general. Both the stop loss and target are updated daily (and even several times a day during certain market periods).