

NOTES ON THE *FINANCIAL TIMES* — ACTUARIES INDEX

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1. *Continuous review of constituents*

The index was designed with its weighting by market capitalization essentially as a dynamic measure of the movement in the market as a whole. It is necessary therefore to ensure that the constituents of the whole index and the sub-groups remain representative. Capital changes take place continuously and it has been the procedure to supply the *Financial Times* with a reserve of companies eligible for inclusion in the index whenever one of the existing companies is deleted for one reason or another (usually on takeover). These companies will include all new quotations of more than £8 million and large companies selected after an annual review of stocks outside the existing classification based on a valuation for quoted securities made by the London Stock Exchange on 31 March every year. Since the publication of the index on 26 November 1962 the following changes have been made (not in chronological order):

<i>Stock deleted</i>	<i>Section</i>	<i>Replaced by</i>	<i>Section</i>
Enfield Rolling Mills	Engineering (Non-Elect.)	Engineering Components	Engineering (Non-Elect.)
Holroyd, (J.) 'A'	Engineering (Non-Elect.)	Nottingham Manfg.	Textiles
Shardlow (Ambrose)	Engineering (Non-Elect.)	Osborn (Samuel)	Engineering (Non-Elect.)
Whitehead Iron & Steel	Steel	McCorquodale	Miscell. (Non-Durable)
Bush & Rank Cintel	Light Elect., Electronic	Dimplex	Light Elect., Electronic
Rolls Razor	Household Goods	Wilkinson Sword	Miscell. (Non-Durable)
Bullard & Sons	Breweries	Rolls Razor	Household Goods
Dutton's Brewery	Breweries	British Dredging	Building Materials
Friary Meux	Breweries	Wigfall (H.)	Entertainment
Ramsden (T.)	Breweries	Cope Allman	Miscell. (Non-Durable)
Steward & Pateson	Breweries	Freemans (London)	Stores
Tennent (J. & R.)	Breweries	Tollemache & Cobbold	Breweries
West Country Brewery	Breweries	Brazil (G.)	Food Manfg.
Rentaset	Entertainment	Crittall Manfg.	Building Materials
Field Sons & Co.	Paper and Packaging	Seager Evans	Miscell. (Non-Durable)
Spicers	Paper and Packaging	Field Sons & Co.	Paper and Packaging
Bleachers Assoc.	Textiles	Bright (John) & Bros.	Textiles

<i>Stock deleted</i>	<i>Section</i>	<i>Replaced by</i>	<i>Section</i>
British Van Heusen	Textiles	Ready Mixed Concrete	Building Materials
Fine Spinners & Doublers	Textiles	Goldberg (A.)	Stores
Lancashire Cotton	Textiles	Grand Metro. Hotel	Entertainment and Catering
Tootal	Textiles	Viyella International	Textiles
Fisher's Foils	Miscell. (Non-Durable)	British Sidac	Paper and Packaging
Hazell Sun	Miscell. (Non-Durable)	Aberdare Holdings	Electrical (Exc. Light)
Harper Engineering	Miscell. (Unclass.)	Johnson Group Cleaners	Miscell. (Unclass.)
Upper Assam Tea	Teas	Assam & African Invest.	Teas
Bancroft	Copper	Mount Isa	Copper
San Francisco Mines	Lead-Zinc	(not replaced)	

2. Changes in procedure

As from 2 January 1965 the opportunity was taken to make three valuable changes in procedure.

(a) Equity Indices

A broader basis of weighting was adopted for those companies in the indices having two classes of equity capital differing only in voting rights. The new basis uses both classes. Hitherto, only the class with the main market had been included. This change secures a better representation of the market for the groups concerned.

(b) Debenture Yield Index

The debenture group has now been brought into line with the existing British Government stock group. Firstly an average redemption yield is calculated for each of the three groups short (S), medium (M) and long (L). These are combined in the following way to give the yield average for a term to redemption of 20 years.

$$\frac{1}{3} \left(\frac{1302-t}{1324} S + M + \frac{22+t}{1324} L \right)$$

where t = the number of days from 31 December 1964.

The price index is obtained by finding the value of a 20-year bond with a 5% coupon on this average yield basis, and adjusting by a constant factor in order to give a smooth progression with the previous series which finished on 31 December 1964. With the introduction of the new yield index, changes were made in the constituents which are now as follows:

Vickers	6%	1. 9.77/80
Tube Investments	5½%	1.10.77/82
Esso Petroleum	5½%	1.11.79/83
G.E.C.	6%	20. 9.79/84

Allied Breweries	4½%	1.10.79/84
Gallaher	6%	1. 6.83/85
Imperial Tobacco	5¾%	1.10.82/85
Ranks Hovis McDougall	6¾%	15. 6.81/86
Courtaulds	7%	31. 3.82/87
Allied Suppliers	6%	30. 9.82/87
Foreign & Colonial Inv. Trust	4½%	1.12.82/87
I.C.T.	6%	31. 8.83/88
Trust Houses	6½%	31.10.85/90
Debenhams	6½%	30. 9.86/91
City of London Real Property	6%	31.10.88/93

(c) 'Highs' and 'Lows' of Index Numbers

Extra columns have been added to show the 'high' and 'low' for the current calendar year as well as the 'high' and 'low' since the index was started. The latter will become of less significance in future years. For about the first three months each year the 'high' and 'low' covers the previous 12 months as well.