

Memorandum

To: Market Participants
From: FTSE/JSE
Date: 11 September 2013
Subject: **Notes from the FTSE/JSE Advisory Committee Meeting held on Wednesday, 11 September 2013**

1. Background

The FTSE/JSE Advisory Committee (AC) met on Wednesday, 11 September 2013 to approve the quarterly review changes to the FTSE/JSE Africa Index Series which will be effective at the start of business on Monday, 23 September 2013 and to discuss matters relating to the Index Series. The items listed below were discussed during the meeting.

2. Feedback on the FTSE/JSE Africa Index Series

The two tables below provide a summary of the largest changes in ranking and the changes made to the key indices at the September 2013 review.

Largest Changes in Ranking

All Share constituents compared at September and June 2013 Quarterly Reviews

Newly Eligible at September Review					
Alpha	Instrument	Sep Rank	Jun Rank	Move	Comment
MDI	Master Drilling Group	161		ADD	Small Cap Addition
Newly Ineligible at June Review					
Alpha	Instrument	Sep Rank	Jun Rank	Move	Comment
AFP	Alexander Forbes Equity Holdings		129	DEL	No Equity Component
Noteworthy Top 40 Instruments					
Alpha	Instrument	Sep Rank	Jun Rank	Move	Comment
ANG	Anglogold Ashanti	32	22	-10	Largest Top 40 Down
AMS	Anglo American Platinum	15	20	5	Largest Top 40 Up
MSM	Massmart Holdings	44	38	-6	Lowest Rank Top 40
RMI	Rand Merchant Insurance Holdings	39	45	6	Reserve List #1
Largest Increase in Ranking on Main Board					
Alpha	Instrument	Sep Rank	Jun Rank	Move	Comment
MMG	Micromega Holdings	202	231	29	Remains in Fledgling
ATL	Atlatsa Resources	181	209	28	Remains in Fledgling
WEZ	Wesizwe Platinum	162	185	23	Remains in Fledgling
Largest Decrease in Ranking on Main Board					
Alpha	Instrument	Sep Rank	Jun Rank	Move	Comment
VIL	Village Main Reef Gold Mining	206	192	-14	Remains in Fledgling



SNU	Sentula Mining	210	196	-14	Remains in Fledgling
CZA	Coal of Africa	165	153	-12	Remains in Fledgling

Changes to Key Indices

Index	Additions	Deletions	SII Changes	FF Changes	Largest Up*	Largest Down*	Projected Max Weight	1 Way Churn
Top 40			2	5	CFR (2.07%)	BIL (0.38%)	BIL (13.73%)	2.39%
SWIX 40			2	6	MTN (0.62%)	TRU (0.12%)	NPN (11.34%)	0.70%
Mid Cap			5	5	TON (0.55%)	REI (1.26%)	NTC (4.61%)	1.43%
All Share	MDI	AFP	11	17	CFR (1.79%)	BIL (0.25%)	BIL (11.55%)	2.20%
Resi 10			0	1	BIL (0.07%)	EXX (0.16%)	BIL (44.28%)	0.16%
Fini 15			2	2	INL (0.34%)	REI (1.15%)	SBK (17.24%)	1.15%
Indi 25			2	3	CFR (3.34%)	SAB (0.91%)	CFR (18.59%)	3.55%
Div Plus	OML, PIK	GFI, OCE	n/a	n/a	ABL (4.14%)	CML (3.57%)	ABL (7.33%)	16.46%

* Shows the projected increase/decrease in percentage weight within the index

- 131 companies were reviewed for free float in Quarter 3 with 46 free float changes being applied. Of these, 17 were in the All Share Index with approximately 10 changes larger than 20%
- There were 21 successful REIT transfers during the quarter. These include 19 constituents of the Property Loan Stock Index (J256) which will be moved to the REIT Sector Index, leaving 5 remaining companies in the J256.

3. Rebasing of Indices

Due to systems limitations, any index approaching a value of 99, 999.99 is rebased. An ICA notice was published on 24 June 2013 to SENS and the JSE website regarding the rebasing of the FTSE/JSE Consumer Services Index (J550) and the FTSE/JSE Telecommunications Index (J560). Both indices were rebased by dividing the index value by 10 after close of business on 23 July 2013. Market participants were requested to adjust any historic index statistics by the same factor.

4. Application of Buffers at the Quarterly Review

At the June 2013 AC meeting the AC asked FTSE/JSE to conduct further research into how buffer size is determined and whether the Mid Cap, Dividend Plus, Alt X and Resi 10 buffers need to be adjusted. FTSE/JSE proposed that a buffer size between 10% - 15% of the number of constituents in the index be maintained for all market capitalisation weighted, fixed constituent indices. The AC agreed with this suggestion and agreed to keep the Dividend Plus Index buffer unchanged. The updated buffers for the Mid Cap, AltX and Resource 10 indices will be published by ICA notice in due course.

5. Weight of BHP Billiton in the Resource 10 Index (J210)

In 2012 the Financial Services Board (FSB) imposed limits on a manager of an index tracking fund from holding more than 35% of the portfolio value in a single issuer. At the June 2011 AC meeting, the AC determined that it would not be appropriate at that stage to make any modifications to the construction of any indices in order to comply with this regulation and that the tracking fund had to apply for exemption. This was discussed again due to the expiry of the exemption and the AC confirmed their view that no changes should be made to the Index Series.

6. New Inward Listings of Foreign Companies

In October 2011 the South African Reserve Bank (SARB) reclassified Inward Foreign Listings (IFLS's) as domestic shares and thus became eligible for inclusion in the Index Series. Any company classified as domestic, but foreign for index purposes by SARB uses a SWIX free float for all index purposes. This reflects those dematerialised shares listed on the South African register maintained by Strate.

The AC was presented with a document outlining the existing treatment of ex-IFL's, in particular with regards to index eligibility. The AC decided that this document should be published to market participants to increase transparency and understanding in the event of new inward listings.

7. Treatment of Suspensions in the Indices

The AC was presented with a suggested improvement to the current treatment of companies undergoing provisional liquidation. Suspensions of companies in the case of provisional liquidations are currently treated in a way that makes it difficult for index trackers to track the index. The proposed mitigation is to remove the suspended constituent at a zero-value causing a small drop in index value at the time of its removal.

The distinction between the treatment of companies undergoing provisional liquidation and business rescue were discussed and the AC felt it would be prudent to discuss the matter of business rescue in more detail before making a decision with regards to the treatment of removals and at what level.

8. Futures Close-Out

The Equity Derivatives Market decided that there is no need to change the date of futures close-out from the current convention. The convention of third Thursday of the quarter will remain unchanged. As such, the FTSE/JSE December 2017 review changes will be applied after close of business on Friday, 15 December 2017, before futures close-out date of 21 December 2017

Next AC meeting will be held on Wednesday, 11 December 2013

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