

Memorandum

To: Market Participants
From: FTSE/JSE
Date: 12 March 2014
Subject: **Notes from the FTSE/JSE Advisory Committee Meeting held on Wednesday, 5 March 2014**

1. Background

The FTSE/JSE Advisory Committee (AC) met on Wednesday, 5 March 2014 to approve the quarterly review changes to the FTSE/JSE Africa Index Series which will be effective at the start of business on Monday, 24 March 2014, and to discuss matters relating to the Index Series. The items listed below were discussed during the meeting.

2. March Quarterly Review Summary

The two tables below provide a summary of the changes made to the key indices and the largest changes in ranking at the March 2014 Quarterly Review.

2.1 Changes to Key Indices

Index	Additions	Deletions	SII Changes	FF Changes	Largest Up*	Largest Down*	Projected Max Weight	1 Way Churn
Top 40	REI	TRU	1	3	REI (0.65%)	TRU (0.56%)	BIL (13.71%)	1.05%
SWIX 40	REI	TRU	1	4	REI (0.95%)	TRU (0.81%)	NPN (14.06%)	1.62%
Mid Cap	ATT, SGL, TRU	AFX, EMI, REI	6	1	TRU (3.71%)	REI (4.44%)	MPC (4.42%)	7.13%
All Share	ASC		19	7	BVT (0.17%)	BIL (0.05%)	BIL (11.60%)	0.46%
Resi 10				1	ARI (0.28%)	BIL (0.13%)	BIL (44.46%)	0.28%
Fini 15					n/a	n/a	OML (17.97%)	0%
Indi 25			2	3	BVT (0.35%)	CFR (0.09%)	CFR (17.78%)	0.56%
Eq Wgt 40	REI	TRU	1	3	REI (2.55%)	TRU (2.10%)	ALL (2.5%)	7.07%
Div Plus	IPL,OCE,RMH,RMI,SNT	ATNP,EXX,JDG,LEW,JDG	3	1	IPL (3.43%)	LEW (5.24%)	KIO (6.31%)	27.64%
RAFI 40	SGL, TKG	AEG, AMS	1	2	MTN (1.21%)	NPN (1.68%)	AGL, BIL (10%)	10.28%

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



2.2 Largest Changes in Ranking

All Share constituents compared at March 2014 and December 2013 Quarterly Reviews

Newly Eligible at March Review					
Alpha	Instrument	Mar Rank	Dec Rank	Move	Comment
ASC	Ascendis Health	153	n/a		Listed 2013/12/22
Newly Ineligible at March Review					
Alpha	Instrument	Mar Rank	Dec Rank	Move	Comment
EFG	Efficient Group	n/a	258		Free Float below 15%
DON	Don Group	n/a	262		Suspended
Noteworthy Top 40 Instruments					
Alpha	Instrument	Mar Rank	Dec Rank	Move	Comment
IPL	Imperial Holdings	43	36	-7	Largest Top 40 Down
ANG	Anglogold Ashanti	32	23	9	Largest Top 40 Up
IPL	Imperial Holdings	43	36	-7	Lowest Rank Top 40
RMI	Rand Merchant Insurance Holdings	40	41	1	Reserve List #1
Largest Increase in Ranking on Main Board					
Alpha	Instrument	Mar Rank	Dec Rank	Move	Comment
SCL	Sacoil Holdings	152	231	79	Remains in Fledgling
ATL	Atlatsa Resources	140	187	47	Remains in Fledgling
Largest Decrease in Ranking on Main Board					
Alpha	Instrument	Mar Rank	Dec Rank	Move	Comment
ESR	Esor	242	210	-32	Remains in Fledgling
SNU	Sentula Mining	250	229	-21	Moves to Fledgling

3. Feedback on the FTSE/JSE Africa Index Series

3.1 Glencore Xstrata SA Register Size

In order to be considered as eligible for the FTSE/JSE Index Series, Glencore Xstrata requires a minimum of 5% of their global share register to be accounted for on the South African share register. This is measured on a 3 month average basis. The numbers below were used for the March 2014 Quarterly Review:

FileDate	2014/02/28	3m Average	2014/01/31	2013/12/27	2013/11/29
SA Register	0.70%	0.49%	0.56%	0.50%	0.41%

3.2 Launch of New Indices

FTSE/JSE will be launching several new indices to the market in May 2014, and is currently finalising the relevant marketing material, index factsheets and product specifications. The new indices that will be launched are:

- SWIX Sector Indices
- Minimum Variance Indices
- Risk Target Indices

3.3 Source Data for the Dividend Plus Index

McGregor BFA, the provider of the yield forecast data used to calculate the Dividend Plus Index, acquired I-NET Bridge in late 2013. This has resulted in FTSE/JSE having access to a larger universe

of broker consensus inputs. This combined forecast pool improves the accuracy of the forecast data used for the March 2014 Dividend Plus Review.

3.4 Dividend Plus Index Methodology

The investigation into the methodology of the Dividend Plus Index is ongoing. FTSE/JSE has prepared a detailed discussion pack, including an analysis of all the key concerns and potential mitigations, and will be working through these in detail with impacted clients.

4. Churn in Indices Since Free Float Methodology Change

FTSE/JSE investigated the impact of the free float methodology change, implemented in March 2013, on churn in the Index Series. Each company undergoes a routine free float review once per year and FTSE/JSE has found that this leads to free float change in around 40% of cases. This frequency appears to be lower in the Top 40 and higher for smaller cap stocks.

The AC concluded that some increase in churn was expected when the new free float methodology was introduced in March 2013. However this was acceptable to a degree in order to have a more accurate representation in the Index Series. It was agreed that the AC would continue monitoring churn in the Index Series.

5. Discontinuation of J255 and J256

Following the implementation of the Real Estate Investment Trust (REIT) regime in 2013, the JSE has seen a substantial number of Property Loan Stock companies converting to the structure. This has had a resultant impact on the FTSE/JSE Africa Index Series, in particular on the specialist property indices, namely the FTSE/JSE Property Unit Trust Index (J255) and the FTSE/JSE Property Loan Stock Index (J256).

The AC decided that users of the J255 and J256 indices should be consulted to determine the nature and extent of any impact on them regarding the possible discontinuation of J255 and J256.

6. Treatment of Special Dividends

Treatment of Special Dividends using a net rate was on the agenda for discussion. However, the AC agreed that no change to the current treatment of special dividends was required.

7. Definition of SA Resources

During October 2013 a market consultation was disseminated which proposed the extension of the SA Resources definition to an ICB Industry level, covering the Oil and Gas and Basic Materials industries. Based on feedback received from market participants and the fact that the Chemicals and Forestry sectors are more closely correlated with Industrials, FTSE/JSE proposed that ICB Sector Industrial Metals & Mining would be more accurately classified as SA Resources, with Chemicals and Forestry & Paper remaining as Industrials. The AC concluded that there was not sufficient demand to warrant such a change in the definition of the Resources SA Sector.

The next AC meeting will be held on Wednesday, 4 June 2014

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