

To: Market Participants
From: FTSE/JSE
Date: 13 March 2015
Subject: **Notes from the FTSE/JSE Advisory Committee Meeting held on Wednesday, 4 March 2015**

1. Background

The FTSE/JSE Advisory Committee (AC) met on Wednesday, 4 March 2015 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 March 2015, and to discuss matters relating to the Index Series. The items listed below were discussed during the meeting.

2. March Quarterly Review Summary

2.1 Classification Change of Sasol Ltd (SOL)

Sasol Ltd (SOL) has recently undergone an internal restructuring process whereby new operating segments were created. The new operating model had an impact on Sasol's financial statements in terms of IFRS 8 (Operating Segments) and therefore Sasol had to restate their financial statements for the years ended 30 June 2014 and 30 June 2013. This change was announced by Sasol in November 2014.

Following review by the FTSE ICB committee, Sasol is being reclassified from the Industry Classification Benchmark (ICB) sub-sector Integrated Oil & Gas (0537) to Speciality Chemicals (1357) at the March review. This ICB sector change has an impact on the SA Sector Classification for Sasol, which will change from Resources to Industrials at the March review.

The AC requested that FTSE/JSE investigate the definition of the SA Resources/Financials/Industrials classification currently in use, and to determine whether the classification definition should be changed.

2.2 Changes to Key Indices

The table below provide a summary of the changes made to key indices at the March 2015 Quarterly Review.

Index	Additions	Deletions	SII Changes	FF Changes	Largest Up*	Largest Down*	Projected Max Weight	1 Way Churn
All Share	DIB,DST,PIV,ROC		23	10	ROC (0.16%)	SHF (0.41%)	SAB (9.13%)	0.60%
Top 40			1	3	TBS (0.07%)	SHF (0.47%)	SAB (10.98%)	0.47%
SWIX 40			1	4	OML (0.20%)	SHF (0.67%)	NPN (14.80%)	0.67%
Mid Cap	DST, ROC	MUR, WBO	14	5	ROC (1.20%)	MUR (0.77%)	RDF (4.62%)	2.79%
Div+	AGL,ARI,ASR,EXX	OCE,RMI,SNT,WHL	n/a	n/a	ASR (3.55%)	OCE (4.98%)	VOD (4.57%)	22.67%
Resi 10	SGL	SOL			BIL (8.74%)	SOL (17.46%)	BIL (55.52%)	17.46%
Fini 15				1	CCO (0.31%)	OML (0.05%)	OML (15.86%)	0.31%
Indi 25	PFG,SOL	NPK,TSH	2	2	SOL (5.99%)	SHF (0.98%)	SAB (16.88%)	6.58%
Eq Wgt 40			n/a	n/a	KIO (0.37%)	ANG (0.60%)	ALL (2.5%)	2.98%
SAPY	ROC	HPA	8	2	ROC (3.82%)	GRT (1.32%)	GRT (21.19%)	4.93%

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

2.3 Largest Changes in Ranking

All Share constituents compared at March 2015 and December 2014 Quarterly Reviews

Newly Eligible at March Review					
Alpha	Instrument	March Rank	Previous Eligibility Failure	Comment	
DST	Distell Group	52	Free Float between 5% and 15%	Added to Mid Cap	
ROC	Rockcastle Global Real Estate	73	Moved to Main Board after Cut Date	Added to Mid Cap	
PIV	The Pivotal Fund	128	Listed on 2014/12/08	Added to Small Cap	
DIB	Dipula Income Fund	137		Added to Small Cap	
Noteworthy Top 40 Instruments					
Alpha	Instrument	March Rank	December Rank	Move	Comment
MDC	Mediclinic International	21	27	6	Largest Top 40 Up
ANG	Anglogold Ashanti	36	41	5	2 nd Largest Top 40 Up
IMP	Impala Platinum Holdings	39	35	4	Largest Top 40 Down
INP	Investec Plc	26	22	4	2 nd Largest Top 40 Down
MMI	MMI Holdings Ltd	38	38		Largest Mid Cap (Reserve List 1)
Largest Decrease in Ranking in Main Board					
Alpha	Instrument	March Rank	December Rank	Move	Comment
MIX	Mix Telematics	167	147	-20	Remains in Small Cap
PPC	PPC Limited	95	78	-17	Remains in Mid Cap
Largest Increase in Ranking in Main Board					
Alpha	Instrument	March Rank	December Rank	Move	Comment
HAR	Harmony GM Limited	93	107	14	Remains in Mid Cap
HDC	Hudaco Industries	136	146	10	Remains in Small Cap

3. Feedback on the FTSE/JSE Africa Index Series

3.1 Glencore Xstrata SA Register Size

In order to be considered eligible for the 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 as a three month average. The three month average for the March review is taken over November, December and January:

FileDate	2015/02/27	3m Average	2015/01/30	2014/12/24	2014/11/28
SA Register	2.60%	2.29%	2.47%	2.21%	2.18%

Given Glencore's register proportion of 2.60% at the end of February, the company would need an average of 6.20% of their listed instruments to be accounted for on the Strate register at the end of March and April respectively, in order to be eligible at the June 2015 review.

3.2 Rebasings of Index Values

Due to various system limitations, the JSE cannot currently process an index level in excess of 99,999. As such, it has been the practice to rebase any index whose level is approaching this value. No indices are currently due to be rebased; however there are five indices with index values in excess of 70,000 namely:

Index	Class	Index Value
J537 - General Retailers	Capital Index	83,269.79
J835 - Banks	Capital Index	76,680.53
J250 - SA Financials & Industrials	Capital Index	75,201.48
J201 - Mid Cap	Capital Index	74,779.77
J257 - SA Industrials	Capital Index	73,415.31

3.3 Corporate Actions for the Quarter

The table below summarises all intra-quarter index adjustments made to the All Share and Top 40 indices since the December 2014 review:

Amendment Type	Top 40 Index	All Share Index	Top 40 Notes
CD - Constituent Deletion			
CI - Capitalisation Issue			
CP - Capital Repayment		3	
DV - Dividend (TRI)	2	16	TBS, NTC
IC - Free Float Change			
IS - Shares In Issue Change		2	
NC - Name Change			
RI - Rights Issue		1	
SC - Scrip Dividend			

3.4 Dividend Plus Index Methodology

The AC noted that the liquidity screen applied in the Dividend Plus Index semi-annual review was changed, as agreed by the AC in 2014. The existing R50 million average daily trade rule has been replaced by a median liquidity rule. Under the new rule, the least liquid instruments are removed from the eligible universe before index selection, using a 95th percentile approach based on median daily trade.

Additional changes to the index, including a screen on the volatility of individual dividend forecasts, and the inter-review deletion of companies that cancel dividends, were not implemented, and will be further reviewed by FTSE/JSE.

4. Market Consultation: FTSE/JSE Listed Property Indices

FTSE/JSE plans to investigate the definition and composition of the existing FTSE/JSE Listed Property Indices with the objective of identifying any existing market concerns, and implementing appropriate improvements. A market consultation was presented to the AC and subsequently published to the market on 4 March 2015.

Market Participants are encouraged to respond to the consultation in writing by 31 March 2015.

The market consultation can be found at the web link below:

<https://www.jse.co.za/content/JSEICANoticeItems/2015/FTSE-JSE-Africa/20150331%20Market%20Consultation%20Listed%20Property%20Indices.pdf>

5. Analysis of Index Review Churn for Tradable Indices

Index constituents are updated quarterly at each quarterly index review, and index trackers are required to rebalance their portfolios in order to track the index accurately. These updates can be as a result of constituent additions and deletions or constituent weighting changes due to shares in issue, free float, fundamental factors or statistical factors.

Churn is measured as the one way turnover associated with the announced review changes. It is effectively the proportion of the portfolio that must be reallocated through trade as a result of the index rebalance. The AC reviewed analysis on historical churn statistics for tradable indices, and a summary of that analysis is included here for information purposes.

The chart below provides a Box and Whisker plot analysis of the distribution of the churn data. The box is drawn at the first and third quartiles, with the whiskers representing the minimum and maximum quarterly churn since 2010:

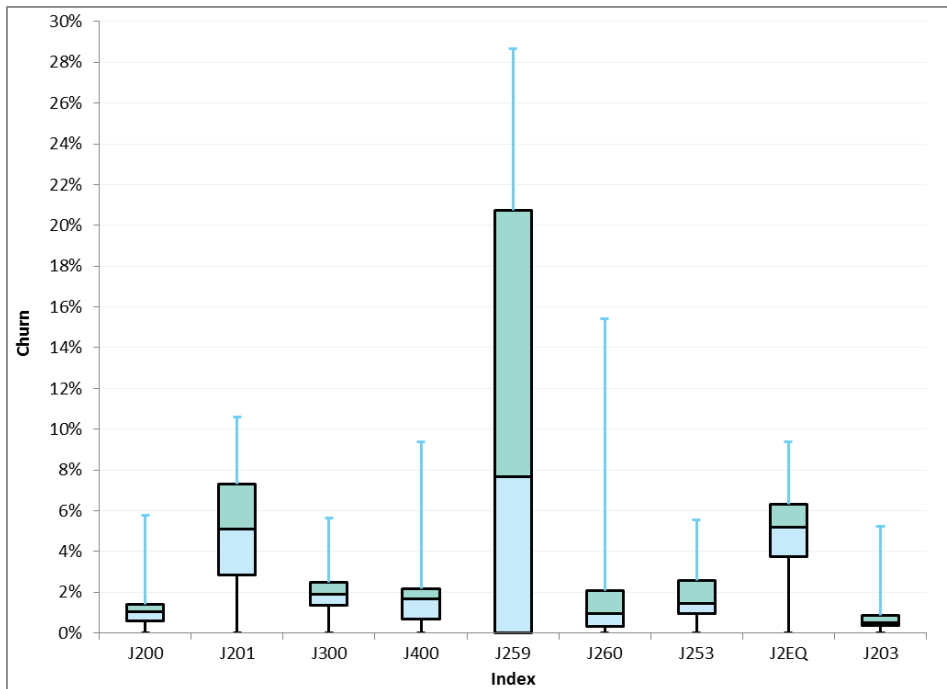


Chart 1: Distribution of historic return data

The J259 is reviewed semi-annually and the J260 is reviewed annually, which skews the quarterly presentation of data given above. All other included indices are reviewed quarterly.

As additional context for the variations seen in index review churn, the chart below presents a concise overview of the risk/return profile for each index.

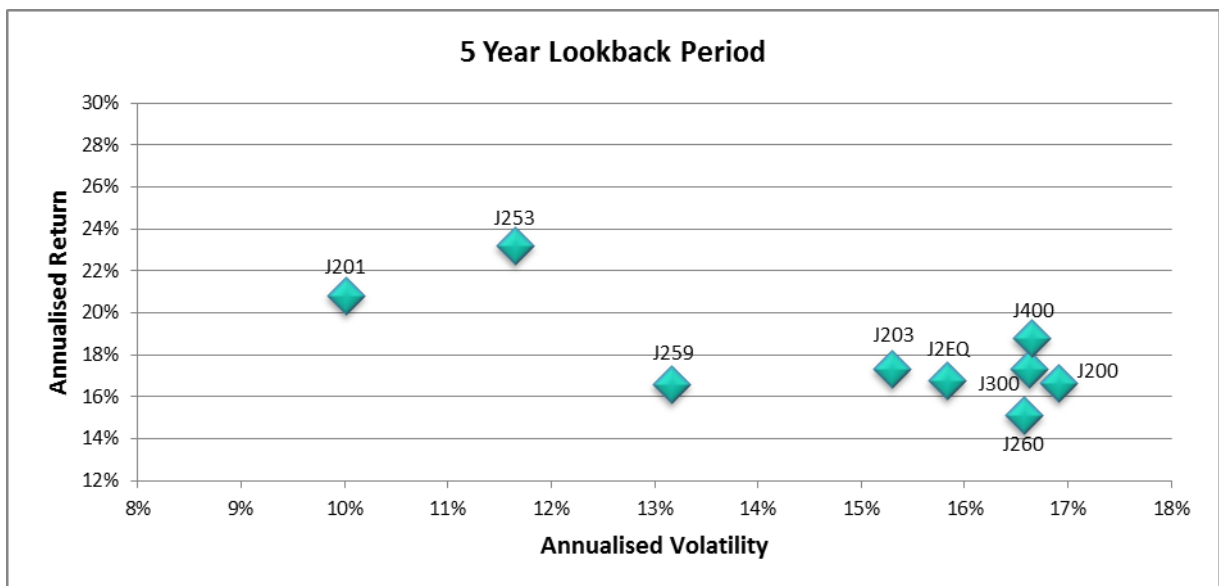


Chart 2: Annualised Index Return / Volatility Analysis

The below table provides the pairwise correlation coefficients of daily returns between the various indices using a five year lookback period

	J203	J200	J300	J400	J201	J2EQ	J253	J259	J260
J203		1.00	1.00	0.98	0.78	0.97	0.36	0.84	0.99
J200			1.00	0.98	0.73	0.96	0.33	0.82	0.99
J300				0.99	0.74	0.97	0.34	0.83	0.99
J400					0.77	0.98	0.37	0.86	0.97
J201						0.80	0.53	0.89	0.76
J2EQ							0.39	0.89	0.97
J253								0.41	0.34
J259									0.84
J260									

Correlation coefficient matrix for tradable indices – 5 year lookback period

The table confirms the almost perfect linear correlation between the daily returns of the Top 40 Index and its Capped and SWIX-weighted variants. All three are also excellent proxies for the All Share Index in terms of daily returns. The Mid Cap, SAPY and Dividend Plus all exhibit a far lesser correlation to the All Share Index in the five year window.

The next AC meeting will be held on Wednesday, 3 June 2015

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