

To: Market Participants
From: FTSE/JSE
Date: 22 December 2015
Subject: Notes from the FTSE/JSE Advisory Committee Meeting held on Wednesday, 2 December 2015

1. Background

The FTSE/JSE Advisory Committee (AC) met on Wednesday, 2 December 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, 21 December 2015, and to discuss matters relating to the Index Series. The items listed below were discussed during the meeting.

2. 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 September 2015 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
All Share	7	12	16	14	APN(0.11%)	NPN(0.08%)	NPN(12.40%)	0.74%
Top 40	FFA,FFB,PSG	ANG,MMI	2	2	PSG(0.43%)	ANG(0.62%)	NPN(14.67%)	1.42%
SWIX 40	FFA,FFB,PSG	ANG,MMI	2	4	PSG(0.59%)	MMI(0.57%)	NPN(20.17%)	1.90%
Mid Cap	ANG,ITE,MMI	FFA,FFB,PSG,TRE	8	8	ANG(4.16%)	PSG(2.94%)	TRU(4.62%)	8.82%
Resi 10	MND,MNP,SAP SOL	ARI,NHM,SGL			SOL(22.47%)	BIL(23.49%)	BIL(36.69%)	41.70%
Fini 15	CPI	REI			CPI(2.65%)	REI(3.70%)	OML(18.03%)	3.70%
Indi 25	PIK,SPP	MND,MNP,SOL	1	2	NPN(1.62%)	SOL(5.26%)	NPN(22.03%)	8.98%
Eq Wgt 40	FFA,FFB,PSG	ANG,MMI	2	2	PSG(2.50%)	MMI(2.33%)	ALL(2.50%)	9.89%
SAPY	MSP	DIB	8	4	MSP(1.40%)	GRT(0.84%)	GRT(17.95%)	2.96%

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

2.2 Largest Changes in Ranking

All Share constituents compared at December 2015 and September 2015 Quarterly Reviews.

Newly Eligible at December Review				
Alpha	Instrument	December Rank	Previous Eligibility Failure	Comment
ITE	Italtile Ltd	84	Failed previous December	Added to Mid Cap
STP	Stenprop Limited	114	Board Change	Added to Small Cap
MSP	Mas Real Estate Inc.	122	Failed previous December	Added to Small Cap
HPB	Hospitality Prop Fund B	163	Secondary line < 25% of Primary	Added to Fledgling
MMG	Micromega Holdings Ltd	179	Failed previous December	Added to Fledgling
THA	Tharisa Plc	190	Failed previous December	Added to Fledgling
CMH	Combined Motor Hldgs Ltd	191	Free Float between 5% and 15%	Added to Fledgling
RTO	Rex Trueform Cloth Co	238	Secondary line < 25% of Primary	Added to Fledgling

VIS	Visual International Hldgs Ltd	30	Free Float between 5% and 15%	Added to Alti	
Noteworthy Top 40 Instruments					
Alpha	Instrument	December Rank	September Rank	Move	Comment
FFA/B	Fortress Inc Fund Ltd A & B	35	66	31	Largest Top 40 Up (Addition)
PSG	PSG Group Ltd	34	43	9	2nd Largest Top 40 Up (Addition)
AMS	Anglo American Plat Ltd	37	26	-11	Largest Top 40 Down (Deletion)
AGL	Anglo American Plc	18	12	-6	2nd Largest Top 40 Down
RES	Resilient Prop Inc Fund	41	42	1	Largest Mid Cap (Reserve List 1)
Largest Decrease in Ranking in Main Board					
Alpha	Instrument	December Rank	September Rank	Move	Comment
ACL	Arcelormittal SA Limited	174	124	-50	Moved from Small Cap to Fledgling
AEG	Aveng Group Ltd	199	165	-34	Moved from Small Cap to Fledgling
HAR	Harmony GM Co Ltd	144	118	-26	Remains in Small Cap
Largest Increase in Ranking in Main Board					
Alpha	Instrument	December Rank	September Rank	Move	Comment
SCP	Stellar Cap Partners Ltd	168	203	35	Remains in Fledgling
FFA/B	Fortress Inc Fund Ltd A & B	35	66	31	Moved from Mid Cap to Top 40
LON	Lonmin Plc	107	131	24	Remains in Small Cap

3. Feedback on the FTSE/JSE Africa Index Series

3.1 Glencore Xstrata and South32 Register Size

According to the Ground Rules, any share that is classified as foreign for index purposes by the South African Reserve Bank, will have a free float that represents the proportion of their share capital that is held in dematerialised form on the South African share register. This is measured as a 3 month average and the average for the December review is taken over August, September and October.

Companies with a free float of 5% or below are not eligible for inclusion in the Index Series. A company that has a free float greater than 5% but less than or equal to 15% will be eligible for the index series providing the market capitalisation of its available float is greater than the average company's free float capitalisation within the Index, and it qualifies in all other respects. The actual free float will be rounded up to the next highest whole number.

The table below shows the SA Register holdings:

FileDate	2015/11/30	3m Average	2015/10/30	2015/09/25	2015/08/28
GLN SA Register	2.39%	2.42%	2.34%	2.54%	2.29%
S32 SA Register	3.30%	3.45%	3.39%	3.65%	3.92%

3.2 Rebasing of Index Values

Due to various system limitations, the JSE cannot currently process an index level in excess of 99,999.99. 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 70,000.00 namely:

Index	Class	Index Value	Derivative Listed	Open Interest (Contracts)
JS54 - SWIX Media	Total Return Index	81,259.01		
J257 - SA Industrials	Capital Index	79,900.91		
J530 - Consumer Goods	Capital Index	78,617.23		
J213 - Financial and Industrial 30	Capital Index	75,643.14	Yes	284
J211 - Industrial 25	Capital Index	72,179.14	Yes	3

Indices with index values exceeding 70,000.00 on 2015/11/17

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 September 2015 review:

Amendment Type	Top 40 Index	All Share Index	Top 40 Notes
CA - Constituent Addition			
CD - Constituent Deletion		1	
CI - Capitalisation Issue		2	Datatec & Life Healthcare Bonus Issues
CP - Capital Repayment	1	1	
DV - Dividend (TRI)	17	64	
IC - Free Float Change		2	
IS - Shares In Issue Change		5	
NC - Name Change	1	2	
RI - Rights Issue		4	AdvTech; Lonmin; SA Corp Real Estate; Investec Property Fund
SC - Scrip Dividend	2	4	
SS - Classification Change			

4. Market Consultation: FTSE/JSE Index Construction

After discussion at the FTSE/JSE Advisory Committee (AC) meeting in September 2015, a market consultation on the proposed changes to the FTSE/JSE Index Construction was published to the market. The purpose of the consultation was to ensure that all market participants had an opportunity to comment on the proposed changes. FTSE/JSE proposed two broad changes to the indices, although there are a number of associated implementation impacts.

The first broad change deals with the way that the All Share benchmark is constructed, and the proposal includes:

- Review the All Share Index constituents semi-annually instead of annually. Use selection buffers for additions and deletions to manage turnover.
- Apply the minimum liquidity rule to all constituents in the Index Series, including Fledgling and AltX.
- Replace the minimum free float requirement with a minimum weight requirement.
- Remove the 160 minimum number of constituents for the All Share Index. The index selection will be based solely on the target 99% market representation level and may thus include fewer constituents.

- Introduce a new Large & Mid Cap Index targeting 95% market representation. The All Share Index will thus be divided into two capitalisation-based sub-indices, namely the Large & Mid Cap Index and the Small Cap Index.

The second change focuses primarily on the Top 40 and Mid Cap tradable indices. The Top 40 Index is currently designed as a “Large Cap” index and selects constituents based solely on company size with no direct selection on investability. The proposed change is that the focus of the Top 40 moves from a Top 40 “largest company” index to a Top 40 “most investable company” index. Under the proposal, the constituents for both the Top 40 Index and the Mid Cap Index will be selected based on net market capitalisation, which is adjusted for free float.

To reflect the shift in objective, the name for the Mid Cap Index will change to the Mid 60 Index.

It was reported at the meeting that responses to the market consultation were mostly positive and most participants were supportive of the proposal to amend the FTSE/JSE Index Construction. FTSE/JSE would like to take this opportunity to thank all the respondents for providing their views in this regard.

The proposal is now in final review with FTSE/JSE and further information will be published in due course.

The market consultation is available at:

<https://www.ise.co.za/content/JSEICANoticeItems/2015/FTSE-JSE-Africa/20151105%20%20Market%20Consultation%20-%20Index%20Construction.pdf>

The next AC meeting will be held on Wednesday, 2 March 2016

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