

To: Market Participants
From: FTSE/JSE
Date: 4 April 2016
Subject: Notes from the FTSE/JSE Advisory Committee Meeting held on Wednesday, 2 March 2016

1. Background

The FTSE/JSE Advisory Committee (AC) met on Wednesday, 2 March 2016 to approve the quarterly review changes to the FTSE/JSE Africa Index Series which will be effective at the start of business on Tuesday, 22 March 2016, 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 March 2016 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 | SCD | | 24 | 9 | GRT (0.04%) | MSP (0.03%) | SAB (13.23%) | 0.19% |
| Top 40 | ANG | PSG | 4 | 1 | ANG (1.43%) | PSG (0.29%) | SAB (15.69%) | 1.48% |
| SWIX 40 | ANG | PSG | 4 | 2 | ANG (0.99%) | PSG (0.41%) | NPN (19.83%) | 1.08% |
| Mid Cap | HAR,ILV,PSG | AIP,ANG,GND | 9 | 1 | HSR (2.17%) | ANG (8.84%) | GFI (5.71%) | 9.61% |
| Div+ | BAW,PPC,SNT,SUI | AGL,ARI,ASR,RMH | | | BAW (3.4%) | SGL (5.08%) | MTN (4.99%) | 24.63% |
| Resi 10 | SGL | IMP | | | SGL (3.8%) | IMP (1.9%) | BIL (30.92%) | 3.80% |
| Fini 15 | | | 1 | 1 | GRT (0.24%) | OML (0.04%) | OML (17.17%) | 0.24% |
| Indi 25 | | | 3 | 1 | PFG (0.05%) | LHC (0.02%) | SAB (23.43%) | 0.07% |
| Eq Wgt 40 | ANG | PSG | | | ANG (2.5%) | PSG (1.99%) | ALL (2.5%) | 7.60% |
| SAPY | | | 7 | 5 | GRT (0.86%) | MSP (0.63%) | GRT (19.75%) | 1.15% |

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

2.2 Largest Changes in Ranking

All Share constituents compared at March 2016 and December 2015 Quarterly Reviews.

| Noteworthy Top 40 Instruments | | | | | |
|---|------------------------|------------|---------------|------|---------------------------------|
| Alpha | Instrument | March Rank | December Rank | Move | Comment |
| ANG | AngloGold Ashanti | 30 | 49 | 19 | Largest Top 40 Up (Addition) |
| PSG | PSG Group Ltd | 45 | 34 | -11 | Largest Top 40 Down (Deletion) |
| MRP | Mr Price Group Ltd | 44 | 39 | -5 | Lowest Ranking Top 40 |
| NEP | New Europ Prop Inv Plc | 38 | 42 | 4 | Highest Ranking Reserve List |
| Largest Decrease in Ranking in Main Board | | | | | |
| Alpha | Instrument | March Rank | December Rank | Move | Comment |
| GND | Grindrod Ltd | 114 | 90 | -24 | Moved from Mid Cap to Small Cap |
| LON | Lonmin Plc | 131 | 107 | -24 | Remains in Small Cap |
| ADR | Adcorp Holdings Ltd | 178 | 157 | -21 | Remains in Small Cap |

| Largest Increase in Ranking in Main Board | | | | | |
|---|----------------------|------------|---------------|------|---------------------------------|
| Alpha | Instrument | March Rank | December Rank | Move | Comment |
| ACL | Arcelormittal SA Ltd | 96 | 174 | 78 | Small Cap Range |
| HAR | Harmony GM Co Ltd | 70 | 144 | 74 | Moved from Small Cap to Mid Cap |
| DRD | DRD Gold Ltd | 163 | 201 | 38 | Remains in Fledgling |

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 March review is taken over November, December and January.

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 for significant foreign companies that are excluded from the Index Series:

| FileDate | 2016/02/26 | 3m Average | 2016/01/29 | 2015/12/31 | 2015/11/27 |
|-----------------|------------|--------------|------------|------------|------------|
| GLN SA Register | 2.79% | 2.42% | 2.46% | 2.42% | 2.39% |
| S32 SA Register | 3.60% | 3.44% | 3.44% | 3.43% | 3.43% |
| ANB SA Register | 0.49% | 0.38% | 0.38% | N/A | N/A |

3.2 Rebasings 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 two indices with index values in excess of 70,000.00 namely:

| Index | Class | Highest Value |
|-----------------------|---------------|---------------|
| J257 - SA Industrials | Capital Index | 74,389.62 |
| J530 - Consumer Goods | Capital Index | 79,326.78 |

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 2016 review:

| Amendment Type | Top 40 Index | All Share Index | Top 40 Notes |
|---------------------------|--------------|-----------------|---------------------------------------|
| CA - Constituent Addition | 1 | 1 | Al Noor Hospital Group |
| CD - Constituent Deletion | 1 | 1 | Mediclinic International |
| CI - Capitalisation Issue | | 1 | |
| DV - Dividend (TRI) | 2 | 16 | Tiger Brands & Netcare |
| NC - Name Change | 1 | 1 | Rand Merchant Investment Holdings Ltd |
| RI - Rights Issue | | 1 | |
| SC - Scrip Dividend | 1 | 1 | Rand Merchant Investment Holdings Ltd |

4. Feedback: Changes to core methodology

FTSE/JSE embarked on a market consultation process in November and December 2015 in order to obtain feedback on a number of proposed changes to the methodology of the Index Series. FTSE/JSE is grateful to all market participants that participated in the consultation process, and particularly to those that formally submitted comments.

The feedback received was broadly supportive of the proposed changes, and in particular of the key principles. FTSE/JSE received a number of very practical comments on specific implementation concerns, and has incorporated many of these into an updated methodology proposal. This updated proposal was presented to the AC, who supported its implementation as soon as practically possible.

The changes will be made effective at a quarterly index review. FTSE/JSE will publish further information on the exact details of the final methodology changes, as well as the implementation date, during April 2016.

5. Introduction of Capped SWIX indices

Market participants have been raising concerns with the concentration of the Shareholder Weighted (SWIX) Indices for some time. In particular, the increasing weight of Naspers in these indices has caused a number of clients to approach the JSE to raise their concerns. The concerns were also repeatedly raised during the market engagement as part of the index methodology consultation in November/December 2015.

FTSE/JSE presented a proposal to launch two new capped SWIX indices, namely the Capped SWIX Top 40 and the Capped SWIX All Share, to provide the market with an alternative indexation tool. The capping level for these indices will be 10%, which is in line with the level applied in most FTSE/JSE capped indices, including the Capped Top 40 and the Capped All Share Index.

The AC supported the proposal. FTSE/JSE will finalise the internal governance and production requirements and provide the final index structure and timelines to the market in due course.

6. Rule Change: Free Float and Shares Outstanding

As part of the effort to integrate the FTSE and Russell index methodologies, FTSE is exploring a single method for updating shares outstanding and free float across all FTSE Russell indices. These are currently updated on a quarterly basis at the quarterly index review, or intra-quarter in the case of specific events or significant changes. The AC supported the proposal and their feedback has been given to FTSE Russell.

Should a change be made to the methodology, formal notice will be given in advance of the change.

The next AC meeting will be held on Wednesday, 1 June 2016

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