

**To:** Market Participants  
**From:** FTSE/JSE  
**Date:** 22 September 2016  
**Subject:** Notes from the FTSE/JSE Advisory Committee Meeting held on Thursday, 1 September 2016

## 1. Background

The FTSE/JSE Advisory Committee (AC) met on Thursday, 1 September 2016 to discuss matters relating to the FTSE/JSE Index Series. The items listed below were discussed during the meeting.

## 2. Quarterly Review Summary

### 2.1 All Share Changes to Eligibility

As a result of the changes to free float eligibility for inward listings, the following instruments were added to the All Share Index with a free float of less than 5%:

Change	Alpha	Instrument	Rank	Index	MCAP Rb	Reason
Inclusion	GLN	Glencore plc	4	Large Cap	475.95	Foreign Company Free Float
Inclusion	S32	South32 Ltd	24	Large Cap	110.79	Foreign Company Free Float
Inclusion	CRP	Capital & Regional plc	115	Small Cap	7.53	Foreign Company Free Float
					<b>594.27</b>	

### 2.2 Benchmark Index Analysis

The AC was presented with the results of the September 2016 index review. The table below summarises the results of the various eligibility screens and index selection for the headline benchmark indices:

Metric	Instruments	Instruments %	MCAP Rb	MCAP %
Total Instruments	323		14,769.61	
Fail Free Float Screen	18	5.6%	2,776.17	18.8%
Suspended	14	4.3%	22.65	0.2%
Ineligible Class (Spac, Pyramid, New Listing)	6	1.9%	16.10	0.1%
Fail Liquidity Screen	50	15.5%	55.07	0.4%
<b>ALSI Eligible Universe</b>	<b>235</b>	<b>72.8%</b>	<b>11,899.61</b>	<b>80.6%</b>
Large Cap Representation	47	20.0%	10,042.72	84.4%
Mid Cap Representation	57	24.3%	1,445.83	12.2%
Small Cap Representation	59	25.1%	335.88	2.8%
<b>ALSI Representation</b>	<b>163</b>	<b>69.4%</b>	<b>11,824.43</b>	<b>99.4%</b>

Following the changes to the index methodology, the benchmark indices are selected using a market representation percentage approach. Each benchmark index is design to capture a targeted proportion of the gross market capitalisation of the eligible index universe:

Index	Target Representation	Actual Representation
Large Cap	85% (0% - 85%)	84.4%
Mid Cap	11% (85% - 96%)	12.2%
Large & Mid Cap	96% (0% - 96%)	96.5%
Small Cap	3% (96% - 99%)	2.8%
		<b>99.4%</b>

Following index selection, the benchmark indices continue to be weighted on free float adjusted market capitalisation (net MCAP):

Index	Net MCAP Rb	Net Representation	Average Free Float	Min Weight bp	Max Weight	Tail Weight (5 Smallest)
Large Cap	6,167.28	83.6%	61.4%	9	16.2%	1.32%
Mid Cap	998.09	13.5%	69.0%	24	5.3%	1.88%
Large & Mid	7,165.37	97.1%	62.4%	3	14.0%	0.26%
Small Cap	214.6	2.9%	63.9%	28	4.2%	2.14%
All Share	7,379.97	100%	62.4%	1	13.6%	0.06%

## 2.3 Largest Changes in Ranking

All Share constituents compared at September 2016 and June 2016 Quarterly Reviews.

Noteworthy Large Cap Instruments					
Alpha	Instrument	June Rank	Sep Rank	Move	Comment
GFI	Gold Fields Ltd	41	35	6	Largest Large Cap Up
SGL	Sibanye Gold Ltd	45	39	6	2 <sup>nd</sup> Largest Large Cap Up
BVT	Bidvest Ltd	20	42	22	Largest Large Cap Down
CCO	Capital & Counties Properties	33	50	17	2 <sup>nd</sup> Largest Large Cap Down
Largest Decrease in Ranking in Main Board					
Alpha	Instrument	June Rank	Sep Rank	Move	Comment
BVT	Bidvest Ltd	20	42	-22	Remains in Mid Cap
PPC	PPC Ltd	116	133	-17	Remains in Small Cap
CCO	Capital & Counties Ltd	33	50	-17	Remains in Large Cap
TDH	Tradehold Ltd	123	138	-15	Remains in Small Cap
Largest Increase in Ranking in Main Board					
Alpha	Instrument	June Rank	Sep Rank	Move	Comment
BDM	Buildmax Ltd	259	229	30	Remains in Fledgling. Lowest Ranking.
VMK	Verimark Holdings Ltd	256	228	28	Remains in Fledgling
NWL	Nu-World Holdings Ltd	224	199	25	
JSC	Jasco Electron Holdings Ltd	244	219	25	
MED	Middle East Diamond Res Ltd	250	225	25	Remains in Fledgling

### 3. Feedback on the FTSE/JSE Africa Index Series

#### 3.1 Anheuser-Busch InBev 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 September review is taken over July, June and May.

Inward listings require a minimum of 1% plus 1 share of their issued shares to be accounted for on the South Africa share register, maintained by Strate. Following discussion at the AC, it was agreed this index eligibility criteria should be measured on a snapshot basis using data from the month end prior to the Review Cut Date. For the December 2016 index review, this screen will consider the Strate register holdings on 28 October 2016. The table below shows the SA Register holdings for Anheuser-Busch Inbev SA:

FileDate	2016/08/26	2016/07/26	2016/06/29	2016/05/31	2016/04/27
ANB SA Register	0.64%	0.58%	0.54%	0.51%	0.48%

#### 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)
J201 - Mid Cap	Capital Index	81,418.77	-	-
J257 - SA Industrials	Capital Index	76,837.22	-	-
J213 - Financial and Industrial 30	Capital Index	71,521.10	Yes	0
J530 - Consumer Goods	Capital Index	70,677.09	-	-
J554 - SWIX Media	Total Return Index	79,497.36	-	-

Table 1: Indices with index values exceeding 70,000.00 on 2016/08/16

#### 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 June 2016 review:

Amendment Type	Top 40 Index	All Share Index	Top 40 Notes
CI - Capitalisation Issue	1	3	Brait - Issue of 0.86394 for every 100 held
DV - Dividend (TRI)	5	19	
RI - Rights Issue		1	

Table 2: Inter-Review changes since the last review

#### 3.4 Anheuser-Busch InBev acquisition of SAB Miller

The AC discussed the upcoming event and the proposed index treatment based on the expected timeline published by the companies. It was agreed that FTSE/JSE should publish an informative notice detailing the expected index treatment, as soon as possible after the meeting.

#### **4. Property Indices Consultation**

FTSE/JSE has prepared a market consultation on the suite of property indices included in the Index Series. The updated proposals depend on the broad methodology changes being applied to the All Share Index, and as such the consultation will be published after the September 2016 review implementation.

**The next AC meeting will be held on Thursday, 1 December 2016**

For further information please contact the FTSE/JSE Indices Department

Email: [indices@jse.co.za](mailto:indices@jse.co.za)

Tel: +27 (0)11 520 7137