

To: Market Participants
From: FTSE/JSE
Date: 9 December 2016
Subject: Notes from the FTSE/JSE Advisory Committee Meeting held on Thursday, 1 December 2016

1. Background

The FTSE/JSE Advisory Committee (AC) met on Thursday, 1 December 2016 to discuss matters relating to the FTSE/JSE 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 December 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	EPP, HMN	CLI	17	17	HMN (0.06%)	BTI (0.0.24%)	NPN (14.13%)	0.53%
Large Cap	HMN		3	3	HMN (0.09%)	BTI (0.0.30%)	NPN (17.34%)	0.30%
Large and Mid Cap	HMN		12	9	HMN (0.07%)	BTI (0.0.25%)	NPN (14.64%)	0.50%
Mid Cap			9	6	IMP (0.37%)	PIK (0.85%)	BVT (5.81%)	1.52%
Top 40	SAP	SGL	3	2	SAP (0.87%)	SGL (0.42%)	NPN (17.33%)	0.97%
SWIX 40	NEP,SAP	GFI,SGL	4	2	SAP (1.11%)	GFI (0.58%)	NPN (22.06%)	2.22%
Capped SWIX 40	NEP,SAP	GFI,SGL	4	2	SAP (1.28%)	GFI (0.67%)	NPN (10.00%)	3.29%
Eq Wgt 40	SAP	SGL	3	2	SAP(2.5%)	SGL (1.45%)	ALL (2.50%)	8.27%
Resi 10				1	IMP (0.25%)	BIL (0.09%)	BIL (36.81%)	0.25%
Fini 15			3		GR T(0.08%)	SBK (0.03%)	SBK (15.98%)	0.19%
Indi 25	IPL	TKG	1	1	IPL (0.96%)	TKG (0.72%)	NPN (30.18%)	1.24%

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

2.2 Largest Changes in Ranking

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

Newly Eligible at December Review					
Alpha	Instrument	December Rank	Previous Eligibility Failure	Comment	
HMN	Hammerson plc	27		Added to Large Cap	
EPP	Echo Polska Prop N.V.	93		Added to Small Cap	
Noteworthy Top 40 Instruments					
Alpha	Instrument	December Rank	September Rank	Move	Comment
SAP	Sappi Ltd	31	43	12	Largest Top 40 Up (Addition)
NTC	Netcare Ltd	26	33	7	2nd Largest Top 40 Up
SGL	Sibanye Gold Limited	52	34	-18	Largest Top 40 Down (Deletion)
MRP	Mr Price Group Ltd	41	29	-12	2nd Largest Top 40 Down
BAT	Brait SE	44	41	-3	Lowest Ranking Top 40
NEP	New Europe Prop Inv plc	36	45	9	Largest Reserve List

Largest Decrease in Ranking in Main Board					
Alpha	Instrument	December Rank	September Rank	Move	Comment
SGL	Sibanye Gold Limited	62	39	-23	Remains in Large Cap
LEW	Lewis Group Ltd	158	140	-18	Remains in Small Cap
DRD	DRD Gold Ltd	164	146	-18	Remains in Small Cap
CHP	Choppies Enterprises Ltd	140	124	-16	Remains in Fledgling
TTO	Trustco Group Hldgs Ltd	170	154	-16	Remains in Small Cap
Largest Increase in Ranking in Main Board					
Alpha	Instrument	December Rank	September Rank	Move	Comment
ENX	enX Group Limited	154	188	34	Remains in Fledgling
PPC	PPC Limited	103	133	30	Remains in Small Cap
ACL	ArcelorMittal SA Limited	87	109	22	Remains in Small Cap

3. Feedback on the FTSE/JSE Africa Index Series

3.1 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 four indices with index values in excess of 70,000.00 namely:

Index	Class	Index Value	Derivative Listed	Open Interest
J201 - Mid Cap	Capital Index	75,433.99	-	-
J257 - SA Industrials	Capital Index	73,734.93	-	-
J530 - Consumer Goods	Capital Index	70,801.51	-	-
JS54 – SWIX Media	Total Return Index	82,604.58	-	-

3.2 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 2016 review:

Amendment Type	Top 40 Index	All Share Index	Top 40 Notes
CA - Constituent Addition	1		Impala Platinum (ANB/SAB Acquisition)
CD - Constituent Deletion	1	1	SAB Miller (ANB/SAB Acquisition)
CI - Capitalisation Issue		1	
CP - Special Dividend		1	
DV - Dividend (TRI)	11	41	
IC - Weight Change	2	3	Aspen Pharmacare & Steinhoff International
IS – Shares Update	1	3	Steinhoff International
RI - Rights Issue	1	2	Remgro: Rights Issue of 10 for 100 @ 192.5 ZAR

3.3 Launch of the Capped SWIX Indices

Two new indices were launched on 21 November 2016, namely the FTSE/JSE Capped Top 40 Index (J430) and the FTSE/JSE Capped All Share Index (J433). Both indices will mirror the constituents of their uncapped counterparts, but constituent weights will be capped at 10% at every quarterly index review. There has been significant interest from market participants leading up to the index launch, and FTSE/JSE expects a number of managers that are currently benchmarked off the SWIX All Share to consider the Capped SWIX All Share as an alternative with lower concentration.

4. Property Indices Consultation

FTSE/JSE has prepared a market consultation on the suite of property indices included in the Index Series. The consultation has been approved by all internal FTSE/JSE governance structures and is ready for release. FTSE/JSE will publish it during December 2016 and will present market feedback to the AC at the March 2017 meeting.

5. Factor Indices

The FTSE Global Factor Index Series is a suite of benchmarks designed to represent the performance of specific factor characteristics, with seven single factor indexes and additional combinations of factors comprising the index series. The seven factors represent common factor characteristics for which there is a broad academic and practitioner consensus, supported by a body of empirical evidence across different geographies and time periods. The factors include: Illiquidity, Momentum, Quality, Size, Value, Volatility and Yield.

FTSE Russell has performed significant research in analysing the application of these factors in the South Africa market and is pleased to confirm that a suite of FTSE/JSE factor indices are being considered for launch in 2017. This exciting development will allow the local market to leverage the research that FTSE Russell has performed in the global index space and rapidly introduce a series of tried and tested factor products in South Africa.

6. Treatment of Scrip Dividends

The standard FTSE index treatment of scrip dividends is different from the treatment applied in the FTSE/JSE Africa Index Series. The implementation of scrip dividends in the Index Series is mandatory on ex date and currently FTSE/JSE must make a choice about the treatment applied, namely to apply it as either a cash dividend or a capitalisation issue. The treatment is currently based on the default option. In addition to this, index investors are obliged to track the chosen treatment. The AC discussed the treatment of scrip dividends in the FTSE/JSE Africa Index Series and the alignment of the treatment to the standard FTSE Russell treatment, i.e. applying it as a cash dividend, regardless of the default option.

FTSE/JSE will publish a market consultation regarding the treatment of scrip dividends during December 2016 and will present market feedback to the AC at the March 2017 meeting.

7. Termination of FTSE/JSE Indices

The AC reviewed the process around the termination of indices and supported the termination of the following four indices:

- FTSE/JSE Development Capital Index (J230)
- FTSE/JSE Venture Capital Index (J231)
- FTSE/JSE Property Unit Trust Index (J255)
- FTSE/JSE Property Loan Stock Index (J256)

Formal notification regarding the termination of these indices will be sent to market participants early in the New Year.

The next AC meeting will be held on Thursday, 2 March 2017

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