

To: Market Participants
From: FTSE/JSE
Date: 16 March 2017
Subject: Notes from the FTSE/JSE Advisory Committee Meeting held on Thursday, 2 March 2017

1. Background

The FTSE/JSE Advisory Committee (AC) met on Thursday, 2 March 2017 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 March 2017 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	DCP,EQU,L2D	SCD	19	6	DCP (0.09%)	NPN (0.05%)	NPN (14.09%)	0.37%
Large Cap	BVT,KIO,NEP, PSG, RES, SAP	GFI, SGL	6		BVT (1.02%)	GFI (0.65%)	NPN (16.96%)	3.82%
Large & Mid Cap	ACL,DCP	LON	12	2	DCP (0.10%)	LON (0.09%)	NPN (14.62%)	0.37%
Mid Cap	ACL,DCP,GFI SGL	BVT,KIO,LON, NEP,PSG,RES, SAP	4	2	IGFI (3.91%)	BVT (5.49%)	TRU (4.52%)	20.84%
Top 40	TRU	BAT	8		TRU (0.74%)	BAT (0.47%)	NPN (17.40%)	0.87%
SWIX 40	TRU	BAT	7		TRU (0.94%)	BAT (0.59%)	NPN (22.01%)	1.08%
Capped SWIX 40	TRU	BAT	7		TRU (1.08%)	BAT (0.68%)	NPN (10.00%)	1.30%
Eq Wgt 40	TRU	BAT	8		TRU (2.50%)	BAT (2.14%)	ALL (2.50%)	4.64%
Resi 10	GLN	AMS	1		GLN (1.78%)	AMS (1.44%)	BIL (34.85%)	1.88%
Fini 15	CPI	BAT	4		CPI (3.19%)	BAT (2.08%)	SBK (14.54%)	3.20%
Indi 25			3		MTN (0.12%)	NPN (0.05%)	NPN (29.77%)	0.17%
Div+	ARI,S32	CFR,MMI	2	1	S32 (4.58%)	MMI (5.33%)	BGA (4.77%)	17.35%
SAPY	L2D	STP	7	1	L2D (0.56%)	STP (0.35%)	GRT (19.71%)	0.91%

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

2.2 Largest Changes in Ranking

All Share constituents compared at March 2017 and December 2016 Quarterly Reviews.

Newly Eligible at March Review				
Alpha	Instrument	March Rank	Previous Eligibility Failure	Comment
DCP	Dis-Chem Pharmacies Ltd	78		Added to Mid Cap
L2D	Liberty Two Degrees.	111		Added to Small Cap

Noteworthy Top 40 Instruments					
Alpha	Instrument	March Rank	December Rank	Move	Comment
MRP	Mr Price Group Ltd	35	41	6	Largest Top 40 Up
TRU	Truworths Int Ltd	37	43	6	2nd Largest Top 40 Up (Addition)
BAT	Brait SE	52	44	-8	Largest Top 40 Down (Deletion)
GFI	Gold Fields Ltd	42	34	-8	2nd Largest Top 40 Down
IMP	Impala Platinum Hlgs Ltd	43	40	-3	Lowest Ranking Top 40
CPI	Capitec Bank Hldgs Ltd	38	38	0	Largest Reserve List
Largest Decrease in Ranking in Main Board					
Alpha	Instrument	March Rank	December Rank	Move	Comment
LON	Lonmin plc	133	110	-23	Added to Small Cap
EXX	Exxaro Resources Ltd	63	49	-14	Remains in Mid Cap
NVS	Novus Holdings Limited	162	149	-13	Remains in Small Cap
PAN	Pan African Resource plc	137	124	-13	Remains in Small Cap
Largest Increase in Ranking in Main Board					
Alpha	Instrument	March Rank	December Rank	Move	Comment
TRU	Truworths Int Ltd	50	63	13	Remains in Mid Cap
MRF	Merafe Resources Ltd	142	155	13	Remains in Fledgling
AEN	Allied Elec Corp N	153	165	12	Remains in Fledgling
WSL	Wescoal Holdings Ltd	197	209	12	Remains in Fledgling

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 where that index has a derivative contract listed on it. 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	78,052.63	-	-	-
J257 - SA Industrials	Capital Index	74,606.72	-	-	-
J530 - Consumer Goods	Capital Index	73,855.62	-	-	-
JS54 – SWIX Media	Total Return Index	79,935.52	-	-	-

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 December 2016 review:

Amendment Type	Top 40 Index	All Share Index	Top 40 Notes
CA - Constituent Addition			
CD - Constituent Deletion		1	
CI - Capitalisation Issue			
CP - Special Dividend			
DV - Dividend (TRI)	3	17	
IC - Weight Change	1	2	Redefine Properties
IS – Shares Update	1	3	Redefine Properties
RI - Rights Issue		1	

3.3 Launch of the Capped Industrial 25 Index

The Capped Industrial 25 Index (J311) was launched on 1 March 2017. The J311 mirrors the constituents of its uncapped counterpart, namely the Industrial 25 Index (J211), but constituent weights will be capped at 30% at every quarterly index review.

The J311 is calculated intra day, every 15 seconds and the total return index will be calculated on an end of day basis. The real time feed is currently available and the JSE will announce when end of day products are available to information subscribers.

4. Property Indices Consultation

FTSE/JSE published a Property Indices Market Consultation on 9 December 2016 and feedback was requested by 10 February 2017. The consultation was extremely well received and the JSE thanks all respondents for providing a rich set of information regarding the property sector:

Industry/Sector	Company Name
Property Fund	Growthpoint
Property Fund	Hammerson
Property Fund	Hyprop
Property Fund	Investec Property
Property Fund	Redefine International
Property Fund	Redefine Properties
Property Fund	Resilient
Property Fund	Vukile Property Fund
Asset Manager	Catalyst
Asset Manager	Coronation
Asset Manager	Investec
Asset Manager	Mazi Capital
Asset Manager	Meago
Asset Manager	Metope Investments
Asset Manager	Momentum Investments
Asset Manager	Nedbank CIB
Asset Manager	Nedbank Private Wealth
Asset Manager	Oasis Group
Asset Manager	Old Mutual Investment Group
Asset Manager	Prudential
Asset Manager	Sanlam Investment
Asset Manager	SATRIX
Asset Manager	Sesfikile Capital
Asset Manager	STANLIB
Asset Owner	Retail Investor
Stockbroker	Anchor Securities

Table 1: Companies that responded to the market consultation via e-mail

The feedback received was presented to the Advisory Committee (AC) at the March 2017 meeting. The AC agreed that three property indices will be launched as a result of the feedback received from the market, namely the SA REIT Index, All Property Index and the Tradable Property Index.

The AC had an in depth discussion regarding the changes to the SAPY index and after careful consideration of the feedback received from the market, the AC agreed that the SAPY index will be morphed into either the Tradable Property Index or the All Property Index. The AC also agreed broadly with the proposed index construction and selection, and discussed the most appropriate capping level to be used.

FTSE/JSE is currently finalising the index development, rules and implementation details and a market announcement will be made in this regard in due course.

Due to the size of the change the AC recommended that several months' notice be given before implementation of the change and they agreed that implementation should occur at a semi-annual review, i.e. either at a March or September review.

5. Factor Indices

The FTSE Global Factor Index Series is a suite of benchmarks designed to represent the performance of specific factor characteristics. The AC considered the six factors that FTSE Russell has applied in their suite of global factor indices, and some of the underlying academic research and index methodology was tabled at the meeting.

FTSE/JSE is currently evaluating a suite of factor indices that will best suit the South African Market.

For more information with regards to the FTSE Global Factor Index Series please refer to the dedicated section of the FTSE Russell website at <http://ftse.com/products/indices/factor>. This includes a comprehensive overview of the methodology applied as well as research into individual factors.

6. Upcoming Index Developments

6.1 Treatment of Scrip Dividends and Electable REIT Distributions

On 15 December 2016 FTSE/JSE published a Market Consultation regarding the treatment of scrip dividends (SC) and electable REIT distributions (RE) in the Index Series. The feedback was due by 10 February 2017 and FTSE/JSE has presented the feedback to the AC at the March 2017 meeting.

After careful consideration of the feedback received from the market, the AC agreed that all scrip dividends and electable REIT distributions will be treated as cash dividends. FTSE/JSE will publish a formal notice regarding the effective date of this change in due course.

The JSE thanks all respondents for their feedback regarding this matter.

6.2 Quarterly and Intra-Quarter Free Float and Shares Updates

At the December 2016 and March 2017 AC meetings the proposed enhancements to the quarterly and intra-quarter free float and shares updates were discussed. In response to the feedback from the June 2016 FTSE consultation, the FTSE Russell Governance Board has approved the following methodology changes to the quarterly and intra-quarter maintenance of shares and float data, effective from the June 2017 review:

Quarterly Updates

On a quarterly cycle (in June, September, December, and March), shares and free float will be updated to reflect the following:

- Changes greater than 1% for cumulative shares in issue changes
- Changes greater than 3% for cumulative free float changes

Intra-Quarter Updates

Intra-quarter share and free float changes resulting from primary offerings of new shares or secondary offerings of existing shares will be implemented if:

- There is a USD 1bn investable market cap change related to a primary/secondary offering;

OR

- There is a resultant 5% change in index shares related to a primary or secondary offerings AND a USD 250m investable market cap change.

FTSE/JSE endeavours to align the methodology of the Index Series as closely as possible to the FTSE Russell Index Series, and the FTSE Global Equity Index Series in particular.

These changes will become effective at the June 2017 review.

6.3 Integrating Industry Classification Structures (ICB & RGS)

On 20 December 2016 FTSE/JSE published a market consultation regarding the proposed integration of Industry Classification Structures.

In the market consultation FTSE/JSE made market participants aware of the FTSE Russell Consultation that was published regarding the integration of the industry classification structures. The purpose of the consultation is to solicit client feedback on the proposed changes to the Industry Classification Benchmark (ICB) and Russell Global Sectors (RGS). FTSE Russell has reviewed the methodologies and taxonomies of the current industry classification systems in order to propose a unified classification structure that leverages the best of both systems, reflects the evolution across industries, and accommodates future enhancements.

Feedback to the JSE was due on 10 February 2017 and was presented to the AC at the March 2017 meeting. The JSE submitted a consolidated response to FTSE Russell before the consultation closed on 3 March 2017. FTSE Russell will carefully consider all feedback received and more information will be published as soon as it is available.

The JSE thanks all respondents for providing insight with regards to this matter.

6.4 Termination of FTSE/JSE Indices

The four indices listed below will be decommissioned, effective Tuesday 2 May 2017:

- 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)

The next AC meeting will be held on Thursday, 1 June 2017

For further information please contact the FTSE/JSE Indices Department

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