

To: Market Participants
From: FTSE/JSE
Date: 06 July 2017
Subject: Notes from the FTSE/JSE Advisory Committee Meeting held on Thursday, 8 June 2017

1. Background

The FTSE/JSE Advisory Committee (AC) Meeting was scheduled for 01 June 2017; however it was rescheduled to Thursday, 8 June 2017, when the AC met 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 June 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	GRP, SRE		88	164	CFR (0.19%)	AGL (0.51%)	NPN (17.14%)	1.31%
Large Cap			31	51	CFR (0.26%)	AGL (0.59%)	NPN (20.36%)	1.21%
Large and Mid Cap			61	105	CFR (0.21%)	AGL (0.52%)	NPN (17.76%)	1.23%
Mid Cap			30	54	DST (1.02%)	ACL (0.16%)	LHC (4.59%)	1.54%
Top 40	CPI	IMP	26	42	CPI (0.74%)	ANG (0.62%)	NPN (20.81%)	1.75%
SWIX 40	CPI	IMP	27	42	CPI (0.93%)	IMP (0.56%)	NPN (26.14%)	1.86%
Capped SWIX 40	CPI	IMP	27	42	CPI (1.13%)	NPN (2.06%)	NPN (10.00%)	3.51%
Eq Wgt 40	CPI	IMP	26	42	CPI (2.5%)	IMP (2.3%)	ALL (2.50%)	6.75%
Resi 10			5	11	BIL (0.70%)	AGL (2.24%)	BIL (34.26%)	2.24%
Fini 15			9	17	SBK (0.58%)	SLM (0.55%)	SBK (15.60%)	1.42%
Indi 25			18	25	CFR (0.40%)	BTI (0.39%)	NPN (33.92%)	0.78%
SAPY	GRP	DLT	10	20	GRP (1.81%)	DLT (1.22%)	GRT (18.67%)	2.35%

* 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 June 2017 Quarterly Reviews.

Newly Eligible at June Review					
Alpha	Instrument	June Rank	Previous Eligibility Failure	Comment	
GRP	Greenbay Properties Ltd	99	Board Change	Added to Small Cap	
SRE	Sirius Real Estate Ltd	118	Board Change	Added to Small Cap	
Noteworthy Top 40 Instruments					
Alpha	Instrument	June Rank	March Rank	Move	Comment
GFI	Gold Fields Ltd	33	42	9	Largest Top 40 Up
SAP	Sappi Ltd	26	31	5	2nd Largest Top 40 Up
NTC	Netcare Limited	38	29	-9	Largest Top 40 Down
TRU	Truworths Int Ltd	42	37	-5	2nd Largest Top 40 Down

TRU	Truworths Int Ltd	42	37	-5	Lowest Ranking Top 40
NEP	New Europe Prop Inv plc	40	39	-1	Largest Reserve List
Largest Decrease in Ranking in Main Board					
Alpha	Instrument	June Rank	March Rank	Move	Comment
ACL	ArcelorMittal SA Limited	113	82	-31	Remains in Mid Cap
DRD	DRD Gold Ltd	178	156	-22	Remains in Fledgling
CIL	Cons Infrastructure Grp Ltd	164	143	-21	Remains in Small Cap
RBP	Royal Bafokeng Platinum Ltd	134	120	-14	Remains in Small Cap
Largest Increase in Ranking in Main Board					
Alpha	Instrument	June Rank	March Rank	Move	Comment
EPP	Echo Polska Prop N.V.	81	102	21	Remains in Small Cap
MSP	MAS Real Estate Inc.	100	117	17	Remains in Small Cap
GFI	Gold Fields Ltd	47	59	12	Remains in Mid Cap
CTK	Cartrack Holdings Ltd	153	164	11	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. The JS54 – SWIX Media Index breached the 100,000 level on 2017/05/05, however there are currently no derivative contracts listed on it. There are seven indices with index values in excess of 70,000 namely:

Index	Class	Index Value	Derivative Listed	Open	Interest
J201 - Mid Cap	Capital Index	75,212.43	-	-	-
J211 – Industrials 25	Capital Index	73,921.04	-	-	-
J213 – Financial and Industrial 30	Capital Index	76,493.63	-	-	-
J257 - SA Industrials	Capital Index	82,121.67	-	-	-
J311 – Capped Industrials 25	Capital Index	73,916.78	-	-	-
J530 - Consumer Goods	Capital Index	80,772.49	-	-	-
JS54 – SWIX Media	Total Return Index	100,282.01	-	-	-

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 March 2017 review:

Amendment Type	Top 40 Index	All Share Index	Top 40 Notes
CA - Constituent Addition			
CD - Constituent Deletion			
CI - Capitalisation Issue		3	
CP - Special Dividend		1	
DV - Dividend (TRI)	15	51	
IC - Weight Change			
IS – Shares Update		3	
RI - Rights Issue	1	2	Life Healthcare Group (LHC) - 29 March 2017

3.3 Termination of FTSE/JSE Indices

Further to the discussions about the decommissioning of some redundant indices, the four indices listed below were successfully terminated, 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)

3.4 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. The index treatment will be to apply the dividend at the declared cash rate, less any foreign dividend withholding taxes applicable. Scrip dividends (SCs) and electable REIT distributions (REs) will therefore only impact the total return index value and not the capital index calculation or constituent weights. FTSE/JSE published a formal notice on 30 May 2017 and the changes were applied in the indices with immediate effect from this date.

4. Quarterly and Intra-Quarter Free Float and Shares Updates

FTSE Russell refined the treatment of shares and free float numbers across the global index series at the June 2017 index review. These changes are intended to bring the methodology across the various indices into alignment.

4.1 Decimal precision for free floats

Free float was previously rounded up to the next highest whole percentage number. With effect from the June 2017 review, free float will instead be rounded to 12 decimal places.

4.2 Quarterly changes

At each June quarterly review, a constituent's free float and shares in issue will be updated regardless of the size of the change. No buffers or minimum changes will be applied.

At the March, September and December quarterly updates, a constituent with a free float greater than 15% will have its free float updated only if it moves by more than 3 percentage points above or below the existing free float. A constituent with a free float of 15% or below will be subject to a 1 percentage point threshold. Cumulative share changes greater than 1% will be updated.

4.3 Intra-Quarter Updates

Free float changes resulting from corporate events will not be subject to the buffers detailed in paragraph 4.2 above.

Intra-quarter share and free float changes resulting from primary offerings of new shares or secondary offerings of existing shares will only 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.

5. Listed property indices

FTSE/JSE reported progress made on the review of the property indices in the Series since the March 2017 AC meeting. Following a careful review of the responses received from the Quarter 1 market consultation, recommendations from the AC at its March meeting, and subsequent discussions with the FSB regarding the proposed changes, FTSE/JSE has determined that the proposed property indices will be launched as new indices and not as rule amendments to the existing SAPY and PCAP indices. The SAPY and PCAP indices will therefore continue to be published under the existing methodology. FTSE/JSE will launch three new indices in 2017, covering SA REITs, All Property and Tradable Property respectively, and the index methodology and launch dates will be published to the market in due course. FTSE/JSE believes that this approach is fair to all index users, and will protect existing investors from changes to their mandates without appropriate consideration.

6. Upcoming Index Developments

FTSE/JSE Factor Indices

FTSE/JSE has embarked on a project to develop a suite of factor indices that is suitable for the South African market. FTSE/JSE will initially launch 6 single factor indices and 3 multi-factor indices. The single factor indices include Value, Quality, Volatility, Size, Yield and Momentum. The index launch date and finalised methodology will be provided to the market as soon as they are available.

The next AC meeting will be held on Thursday, 31 August 2017.

For further information please contact the FTSE/JSE Indices Department.

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