

To: Market Participants
From: FTSE/JSE
Date: 11 September 2017
Subject: Notes from the FTSE/JSE Advisory Committee Meeting held on Thursday, 31 August 2017

1. Background

The FTSE/JSE Advisory Committee (AC) met on Thursday, 31 August 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 September 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	AEL	CGR, GRF, PGL	18	15	BTI (0.58%)	NPN (0.15%)	NPN (17.78%)	0.86%
Large Cap		BAT, NTC	6	3	BTI (0.72%)	NTC (0.59%)	NPN (21.12%)	0.93%
Large and Mid Cap	EPP, GRP	ACL	10	7	BTI (0.59%)	NPN (0.18%)	NPN (18.34%)	0.95%
Mid Cap	BAT, EPP, GRP, NTC	ACL	4	3	NTC (3.94%)	GFI (0.41%)	GFI (4.8%)	7.50%
Top 40	NRP	TRU	5	1	NRP (0.97%)	TRU (0.59%)	NPN (21.38%)	1.67%
SWIX 40			5	1	BTI (0.88%)	NPN (0.26%)	NPN (27.03%)	0.89%
Capped SWIX 40			5	1	BTI (1.09%)	NPN (0.45%)	NPN (10.00%)	1.11%
Eq Wgt 40	NRP	TRU			NRP (2.5%)	TRU (2.58%)	ALL (2.50%)	5.81%
Resi 10							BIL (36.44%)	0.00%
Fini 15	NRP	ITU	3	0	NRP (4.37%)	ITU (2.83%)	SBK (15.80%)	4.38%
Indi 25			3	1	BTI (1.14%)	NPN (0.46%)	NPN (35.67%)	1.20%
Div+	AGL, KIO	OML, SNT			KIO (7.78%)	SGL (4.34%)	KIO (7.78%)	16.96%
SAPY			7	5	RES (0.76%)	GRT (0.45%)	GRT (17.14%)	1.83%

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

2.2 Largest Changes in Ranking

All Share constituents compared at June 2017 and September 2017 Quarterly Reviews.

Newly Eligible at September Review					
Alpha	Instrument	September Rank	Previous Eligibility Failure	Comment	
AEL	Allied Electronics Corp A	137	Previously Fledgling constituent	Added to Small Cap	
Noteworthy Top 40 Instruments					
Alpha	Instrument	September Rank	June Rank	Move	Comment
NRP	NEPI Rockcastle Plc	24	40	16	Largest Top 40 Up (Addition)
BGA	Barclays Africa Grp Ltd	16	24	8	2nd Largest Top 40 Up
MEI	Mediclinic Int plc	34	25	-9	Largest Top 40 Down
REI	Reinet Investments S.C.A	37	29	-8	2nd Largest Top 40 Down
LHC	Life Healthc Grp Hldgs Ltd	42	37	-5	Lowest Ranking Top 40

RES	Resilient REIT Limited	38	44	6	Largest Reserve List
Largest Decrease in Ranking in Main Board					
Alpha	Instrument	September Rank	June Rank	Move	Comment
BAT	Brait SE	63	46	-17	Large Cap deletion; Mid Cap addition
PFG	Pioneer Foods Group Ltd	65	52	-13	Remains in Mid Cap
HAR	Harmony GM Co Ltd	102	83	-19	Remains in Mid Cap
ACL	ArcelorMittal SA Limited	132	113	-19	Mid Cap deletion; Small Cap addition
AEG	Aveng Group Limited	192	180	-12	Remains in Fledgling
Largest Increase in Ranking in Main Board					
Alpha	Instrument	September Rank	June Rank	Move	Comment
ASR	Assore Ltd	55	66	11	Remains in Mid Cap
SGL	Sibanye Gold Limited	47	70	23	Remains in Mid Cap
GRP	Greenbay Properties Ltd	88	99	11	Small Cap deletion, Mid Cap addition
CSB	Cashbuild Ltd	106	117	11	Remains in Fledgling
EQU	Equites Prop Fund Ltd	124	135	11	Remains in Small Cap
AEL	Allied Electronics Corp A	137	148	11	Fledgling delete, Small Cap addition
MIX	Mix Telematics Ltd	162	184	22	Remains in Fledgling

3. Feedback on the FTSE/JSE Africa Index Series

3.1 Rebasings 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. In the period 19 June 2017 to date, the JS54 (SWIX Media Index) breached the 100,000 level on 13 July 2017. However, there are currently no derivative contracts listed on it.

There are seven indices with index values in excess of 70,000.00 namely:

Index	Class	Index Value	Derivative Listed	Open Interest
J201 - Mid Cap	Capital Index	71,181.90	-	-
J211 – Industrials 25	Capital Index	72,463.64	-	-
J213 – Financial and Industrial 30	Capital Index	75,356.89	-	-
J257 - SA Industrials	Capital Index	80,205.86	-	-
J311 – Capped Industrials 25	Capital Index	72,330.40	-	-
J530 - Consumer Goods	Capital Index	77,281.33	-	-
JS54 – SWIX Media	Capital Index	80,374.37	-	-
JS54 – SWIX Media	Total Return Index	100,163.04	-	-

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 June 2017 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		1	
DV - Dividend (TRI)	8	30	
IC - Weight Change		1	
IS – Shares Update		1	
NC – Name change		1	
RI - Rights Issue			
SC – Scrip Dividends		1	

3.3 NEPI / ROC Merger

During this quarter, a joint announcement was made regarding the merger of New Europe Property Investment PLC (NEP) and Rockcastle Global Real Estate Co Ltd (ROC), both of which were J203 constituents. The terms of the offer were as follows:

- NEP holders received 1 new NRP share for every NEP share held
- ROC holders received 1 new NRP share for every 4.7 ROC shares held

The target company, ROC, was deleted from the J203 and the acquiring company, NEP, had a name change to NRP with a resultant increase in shares in issue and decrease in free float. In addition to the J203, ROC was a constituent of the J253 and J254. Due to the above indices having to maintain a fixed number of constituents, Equites Property Fund and Rebasis Property Fund the highest ranked constituents as at 7 July 2017, were selected to replace ROC in the J253 and J254 respectively.

The changes in shares and free float for NRP were effected at the start of trading on 12 July 2017.

3.4 FTSE/JSE Factor Indices

FTSE/JSE embarked on a project to develop a suite of factor indices that is suitable for the South African market. FTSE/JSE successfully launched 6 single factor indices and 2 multi-factor indices on 31 July 2017 as per the below table:

Single Factor Indices		
Index	Index Name	Metric
J203VF	FTSE/JSE All Share Value Factor Index	Cash flow Yield, Earnings Yield, Sales to Price
J203QF	FTSE/JSE All Share Quality Factor Index	ROA, Change in Asset Turnover, Accruals, Leverage
J203VOF	FTSE/JSE All Share Volatility Factor Index	Standard Deviation of 5yrs weekly total return
J203SF	FTSE/JSE All Share Size Factor Index	Market Capitalisation
J203DF	FTSE/JSE All Share Yield Factor Index	12 Month Rolling Dividend Yield
J203MF	FTSE/JSE All Share Momentum Factor Index	12 Month Cumulative Total Return
Multi-Factor Indices		
Index	Index Name	Factor Tilt
J203LF	FTSE/JSE All Share Volatility Focused Factor Index	Quality, Value, Size, 2 x Volatility
J203CF	FTSE/JSE All Share Comprehensive Factor Index	Quality, Value, Momentum, Size, Volatility

3.5 IOSCO Compliance

The International Organization of Securities Commissions (IOSCO Principles) for Financial Benchmarks cover the governance arrangements intended to ensure the benchmark's integrity, the quality of its design and methodology, and the accountability of the benchmark.

In July 2017, FTSE Russell published the annual Statement of Compliance with the recommendations made by IOSCO, as laid out in the Principles for Financial Benchmarks published in July 2013. In the annual statement, it was declared that FTSE Russell complies with the IOSCO principles for the key index families including the FTSE/JSE Index Series.

This confirmation highlights FTSE Russell's maintenance of strong governance controls, which benefit from robust procedures and experienced internal working groups, supported by external advisory committees.

The statement is available at the following link:

http://www.ftse.com/products/indices/iosco?_ga=2.165331261.3061851.1501064887-708973033.1499280965

4. Listed Property Indices

The three new property indices have now met all necessary methodology and other approvals required for launch. FTSE/JSE will launch three new property indices early in Q4 2017, covering SA REITs, All Property and Tradable Property respectively. The index methodology and launch dates will be published to the market in due course. FTSE/JSE previously reported 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.

5. Upcoming Index Developments

5.1 FTSE/JSE All Africa Indices

Market participants have requested a review of the methodology of the All Africa (JA00 & JA30) indices that form part of the FTSE/JSE Africa Index Series. ASISA indicated that there were a number of potential changes to the index methodology that would improve its suitability as a useful benchmark for African equity. FTSE/JSE needs to obtain more input regarding the development of benchmark indices that would fulfil the need for African indices that can be used by the industry. Therefore, a market consultation will be circulated to the broader market in due course.

The next AC meeting will be held on Thursday, 30 November 2017.

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

Email: indices@jse.co.za

Tel: +27 (0)11 520 7137