

To: Market Participants
From: FTSE/JSE
Date: 14 December 2017
Subject: Notes from the FTSE/JSE Advisory Committee Meeting held on Thursday, 30 November 2017

1. Background

The FTSE/JSE Advisory Committee (AC) met on Thursday, 30 November 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 December 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	AIL, CLI, SRR		19	16	EXX (0.19%)	BTI (0.71%)	NPN (21.09%)	1.17%
Large Cap	SRR		6	3	NPN (0.27%)	BTI (0.82%)	NPN (24.86%)	1.31%
Large and Mid Cap	SRR		12	7	EXX (0.20%)	BTI (0.73%)	NPN (21.73%)	1.18%
Mid Cap			6	4	EXX (1.50%)	GFI (0.12%)	GFI (4.98%)	2.09%
Top 40	RES	NTC	5	2	RES (0.71%)	BTI (0.83%)	NPN (25.23%)	1.82%
SWIX 40	RES	NTC	5	2	RES (0.89%)	BTI (1.05%)	NPN (31.60%)	1.81%
Capped SWIX 40	RES	NTC	5	2	RES (1.17%)	NPN (2.50%)	NPN (10.00%)	4.57%
Eq Wgt 40	RES	NTC	5	2	RES (2.50%)	NTC (2.21%)	ALL (2.50%)	6.07%
Resi 10	EXX	IMP		1	EXX (2.86%)	AGL (2.08%)	BIL (37.02%)	4.09%
Fini 15			4		NRP (0.32%)	SBK (0.08%)	SBK (15.97%)	0.42%
Indi 25			1	1	NPN (0.60%)	BTI (1.34%)	NPN (41.47%)	1.34%
All Property			11	3	GRP (0.58%)	RDF (0.36%)	NRP (14.13%)	1.92%
Tradable Property			7	2	GRT (0.84%)	NRP (1.14%)	NRP (15.00%)	2.33%
SAPY	SRE	OCT	7	1	SRE (1.19%)	OCT (0.71%)	NRP (16.51%)	2.91%

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

2.2 Largest Changes in Ranking

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

Newly Eligible at December Review					
Alpha	Instrument	December Rank	Previous Eligibility Failure	Comment	
SRR	Steinhoff African Rt Ltd	30	New Listing	Added to Large Cap	
AIL	African Rainbow Cap Inv	120	New Listing	Added to Small Cap	
CLI	Clientele Ltd	136	Free Float	Added to Small Cap	
Noteworthy Top 40 Instruments					
Alpha	Instrument	December Rank	September Rank	Move	Comment
SAP	Sappi Ltd	26	30	4	Largest Top 40 Up
APN	Aspen Pharmacare Hldgs Ltd	14	17	3	2nd Largest Top 40 Up
WHL	Woolworths Holdings Ltd	29	23	-6	Largest Top 40 Down
ITU	Intu Properties plc	44	39	-5	2nd Largest Top 40 Down

ITU	Intu Properties plc	44	39	-5	Lowest Ranking Top 40
EXX	Exxaro Resources Ltd	38	60	22	Largest Reserve List
Largest Decrease in Ranking in Main Board					
Alpha	Instrument	December Rank	September Rank	Move	Comment
NIV	Niveus Investments Ltd	192	145	-47	Remains in Small Cap
CIL	Cons Infrastructure Grp Ltd	210	164	-46	Remains in Small Cap
TKG	Telkom SA SOC Ltd	73	56	-17	Remains in Mid Cap
TAS	Taste Hldgs Ltd	226	210	-16	Remains in Fledgling
Largest Increase in Ranking in Main Board					
Alpha	Instrument	December Rank	September Rank	Move	Comment
HPB	Hospitality Prop Fund B	123	141	18	Remains in Fledgling
MSP	MAS Real Estate Inc.	79	95	16	Remains in Small Cap
BLU	Blue Label Telecoms Ltd	85	100	15	Remains in Mid Cap
PPC	PPC Limited	105	119	14	Remains in Small Cap
CTK	Cartrack Holdings Ltd	135	149	14	Remains in Fledgling
PGL	Pallinghurst Res Ltd	163	177	14	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. In the period 20 September 2017 to date, the rebased value of the JS54 (SWIX Media Index) breached the 100,000 level on 26 October 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	75,145.48	-	-	-
J211 – Industrials 25	Capital Index	81,849.66	Yes	0	-
J213 – Financial and Industrial 30	Capital Index	83,437.39	Yes	281	-
J257 – SA Industrials	Capital Index	89,715.11	-	-	-
J311 – Capped Industrials 25	Capital Index	80,949.81	-	-	-
J530 – Consumer Goods	Capital Index	83,717.14	-	-	-
JS54 – SWIX Media	Capital Index	103,112.79	-	-	-
JS54 – SWIX Media	Total Return Index	128,749.44	-	-	-

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 2017 review:

Amendment Type	Top 40 Index	All Share Index	Top 40 Notes
CA - Constituent Addition		1	
CD - Constituent Deletion		1	
CI - Capitalisation Issue		1	
CP - Special Dividend	1	3	Naspers cap repayment for distribution of shares in Novus
DV - Dividend (TRI)	13	45	
IC - Weight Change		1	
IS – Shares Update			
NC – Name change	2	2	Fortress Income Fund Ltd (A) and (B) changed to Fortress REIT Ltd (A) and (B)
RI - Rights Issue		2	
SC – Scrip Dividends	2	2	Fortress REIT Ltd (A) and (B)

3.3 STAR Listing

In May 2017, Steinhoff International announced its intention to consolidate its African retail businesses and establish a separate JSE listed company, Steinhoff Africa Retail Assets (SRR), through a private placement. SRR listed in September 2017 as an Initial Public Offering and was treated as a new listing for index purposes. SRR was tested for fast entry into the All Share Index (J203); however it failed, because its full market capitalisation was less than 1% of the J203 full market capitalisation. The company was therefore considered for index inclusion at the December 2017 review.

3.4 Vodacom/Vodafone Safari Transaction

In May 2017, Vodacom Group (VOD) announced that they will be acquiring an additional interest in Safaricom, through the issue of new shares to Vodafone. The event was classified as a secondary offering, but did not meet the criteria to effect an intra-review index adjustment. In August 2017, VOD reversed this event in order to counter the effects of the decrease in their free float. According to the JSE Listings Requirements, a listed company needs to have at least 20% of their shares held by the public. This restriction is not index related as the minimum free float requirement to be eligible for and remain in the FTSE/JSE indices is 15%. The new shares and free float following the reversal were applied in the index on 12 September 2017.

3.5 Media 24/Novus Holdings/Naspers Unbundling

In 2016, Media 24 submitted a request to the Competition Commission to merge with Novus Holdings Ltd (NVS). In August 2017, the application was approved on condition that Media 24 reduced its shareholding in NVS. Media 24 unbundled the majority of the shares directly to Naspers Limited (NPN). On 19 September, a capital reduction was applied to NPN and the free float for NVS was adjusted in order to make this a market capitalisation neutral event so that index trackers did not have to trade, as both companies were All Share constituents.

3.6 Niveus/GameCo Unbundling

On 8 November Niveus (NIV) unbundled GameCo. Due to the fact that GameCo did not obtain a listing on the JSE, a capital reduction was applied to Niveus for the estimated valuation of GameCo obtained from the unbundling circular.

3.7 British American Tobacco/Reynolds American Inc Acquisition

During the quarter, British American Tobacco (BTI) acquired the remaining shares in Reynolds American Inc. that it did not own already. BTI issued new shares to facilitate the transaction. The index treatment was deferred to the September 2017 review in accordance to section 9 of the [FTSE Russell Indexes - Implementation and Alignment of Quarterly and Intra-quarter Free Float and Share Updates FAQ document](#).

3.8 Accelerated Book builds (Greenbay Properties and NEPI Rockcastle)

During the quarter, Greenbay Properties (GRP) and NEPI Rockcastle (NRP) issued new shares through an accelerated book build. For GRP, the shares increased by approximately 34%, however, the increase in shares did not result in an USD250m investable market capitalisation change. In NRP's case, the resultant shares increase was greater than 5%, but the investable market capitalisation change was also less than USD\$250m. The shares in issue change for both companies were deferred to the December 2017 review.

4. Free Float for Companies Treated as Foreign in the Index Series

At the September 2016 and June 2017 AC meetings the free float rule for companies treated as foreign in the Index Series was discussed comprehensively. There was a view that this rule needed to be reviewed. The consensus was that JSE listings of foreign companies could be even more prevalent in the future and that a more appropriate rule is required for their free float treatment in the Index Series. The AC discussed possible alternatives for the improvement of the rule at the December 2017 AC meeting. FTSE/JSE will make an announcement in due course.

5. FTSE/JSE Property Indices Suite

On 2 October 2017, FTSE/JSE launched three new property indices:

Index Name	Index Code	Intended Use	Universe	ICB	Capping	Weighting Methodology
All Property	J803	Benchmarking & Performance of the listed property sector	SWIX All Share (J403)	Real Estate Super Sector (8600)	15%	SWIX Investable Market Cap
Tradable Property	J800	ETFs, Passive Funds, Derivative Contracts, Structured Products	Large & Mid Cap (J206)	Real Estate Super Sector (8600)	15%	SWIX Investable Market Cap
SA REIT	J805	Benchmark of SA REIT Industry, providing a SA-bias and increased Yield bias	All Share (J203)	Designated as an SA REIT	15%	Investable Market Cap

6. ICB Structure Amendments

FTSE Russell released an update to clients on 5 September 2017 regarding the new ICB structure. The ICB structure will be enhanced and expanded to include 11 Industries (+1), 20 Super sectors (+1), 45 Sectors (+4) and 171 Sub-sectors (+57). ICB will continue to assign a company to the sub-sector whose definition most closely coincides with the source of the company's revenue or the source of the majority of its revenue.

The ICB RGS Structural Conversion Map and Methodology Overview can be found at the following links:

[ICB RGS Structural Conversion Map](#)

[ICB Methodology Overview](#)

It is currently envisaged that the new ICB scheme will be implemented with effect from 1 January 2019, but there is still further discussion around the final implementation timeline.

The implementation of the new ICB structure will have a direct impact on the FTSE/JSE Africa Index Series, especially with regards to the ICB Industry, ICB Sector and tradable SA Sector Indices as well as their SWIX variants. FTSE/JSE will provide the market with more detail around the impact during 2018.

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

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

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