

Grindrod Ltd (South Africa): Restatement of opening price due to unbundling of Grindrod Shipping Holdings – Informative Notice (FTSE/JSE Africa Index Series)

14 June 2018

FTSE/JSE note the distribution in specie, ex 13th June 2018, by Grindrod Ltd (South Africa, constituent) in order to effect an unbundling of Grindrod Shipping Holdings (due to list on 19 June 2018). On ex-date, Grindrod shareholders received unlisted Grindrod Compulsory Convertible Notes which are expected to convert to Grindrod Shipping Holdings ordinary shares on 19 June 2018.

The purpose of this informative notice is to provide some guidance on how FTSE/JSE treats estimated opening prices following spin-offs.

Informative notices are not typically published for capital repayments or non-Top 40 unbundlings. However, this type of corporate event takes place infrequently in the FTSE/JSE Index series. What makes this corporate event unusual is that the unbundled portion of the shares were converted to unlisted compulsory convertible notes on ex-date, but they were expected to convert to Grindrod Shipping Holdings ordinary shares days later on the listing date, 19 June 2018.

In accordance with the spin-off valuation rule 4.14.5 as set out in the [Corporate Actions and Events Guide](#), if the spin-off company does not trade on ex-date and its estimated valuation is incorrect by 10% or more as measured at the ex-date open using the parent's drop in price, then the opening price will be restated.

What is usually experienced with an unbundling event is that the ex-date of an unbundling coincides with the listing date of the unbundled entity. The index treatment in this instance is provided in rule 4.14.1 and 4.14.2 of the [Corporate Actions and Events Guide](#). The spin-off entity will be added to the same indexes as the parent company, per the terms of the event, on the ex-date of the distribution for a period of 2 days, after which it is assessed for index eligibility. If found to be eligible, it will remain in the indices until the next quarterly review. However, if it is not eligible for index inclusion, it will be deleted at its market price after T+2 notice. In this case, FTSE/JSE would typically publish a deletion ICA after close of business on the listing date.

Since the actual market opening price will only be known once the market opens, a new divisor is calculated intraday using that price. This new divisor will then be used and the real-time index levels refreshed.

With specific reference to the Grindrod unbundling, the index treatment was as follows:

Tuesday 12 June 2018 (at market close):

Grindrod Ltd's actual market closing price was R12.77. A capital repayment of R5.5569075 was applied to the closing price of Grindrod Ltd, resulting in a closing price of R7.213093 in the index series.

Wednesday 13 June 2018 (from market open):

Grindrod Ltd's actual market opening price was R9.20. This equated to a 27.55% difference in the estimated opening price of Grindrod in the index series on 13 June 2018. Grindrod's opening price in the Index Series will be revised to R9.20 and the restated index divisors will be published for the below indices:

Index code	Index name
J110	FTSE/JSE Responsible Investment Top 30 Index
J113	FTSE/JSE Responsible Investment Index
J143	Shariah All Share
J202	Small Cap
J203	All Share
J303	Capped All Share
J330	Value
J403	Shareholder Weighted All Share
J203CF	FTSE/JSE All Share Comprehensive Factor Index
J203QF	FTSE/JSE All Share Quality Factor Index
J203MF	FTSE/JSE All Share Momentum Factor Index
J203LF	FTSE/JSE All Share Low Volatility Focused Factor Index
J203SF	FTSE/JSE All Share Size Factor Index
J203VF	FTSE/JSE All Share Value Factor Index
J203VOF	FTSE/JSE All Share Volatility Factor Index
J263	FTSE/JSE RAFI All Share
J283	FTSE JSE RAFI All Share Capped Index
J703	FTSE/JSE All Share Minimum Variance Index

In the event that FTSE/JSE experiences corporate events of this nature in future, the above index treatment will apply. In addition, FTSE/JSE will publish an intraday informative notice which will provide the new opening price and affected indices. Once the new divisor is calculated, the affected data products will be re-issued and a market notice will be sent out to subscribers with the updated divisor.

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