

**To:** Market Participants  
**From:** FTSE/JSE  
**Date:** 23 April 2020  
**Subject:** Notes from the FTSE/JSE Advisory Committee Meeting held on Thursday, 5 March 2020

## 1. Background

The FTSE/JSE Advisory Committee (AC) met on Thursday, 5 March 2020 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 2020 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	MNK	8	14	18	BHP (0.06%)	AHB (0.04%)	NPN (16.01%)	<b>0.71%</b>
Large Cap	IMP, SSW	6	0	4	IMP (1.82%)	GRT (1.01%)	NPN (19.86%)	<b>4.27%</b>
Large and Mid Cap	SRE	8	6	9	NPN (0.17%)	PRX (0.40%)	NPN (16.53%)	<b>1.12%</b>
Mid Cap	7	10	5	4	GRT (5.06%)	IMP (8.97%)	CLS (5.85%)	<b>19.87%</b>
Top 40	RNI, NHM	TBS, TFG	1	3	RNI (0.84%)	PRX (0.49%)	NPN (18.74%)	<b>1.65%</b>
SWIX 40	RNI, NHM	TBS, TFG	1	10	RNI (1.13%)	TFG (0.73%)	NPN (25.3%)	<b>2.82%</b>
Capped SWIX 40	RNI, NHM	TBS, TFG	1	10	RNI (1.36%)	NPN (2.34%)	NPN (10.00%)	<b>5.15%</b>
Eq Wgt 40	RNI, NHM	TBS, TFG	1	3	RNI; RMH (2.50%)	TFG (2.44%)	All (2.50%)	<b>9.26%</b>
Resi 10	NHM	EXX	0	0	NHM (2.28%)	EXX (1.65%)	BIL (32.58%)	<b>2.28%</b>
Indi 25	PIK	TKG	2	4	PIK (0.68%)	TKG (0.29%)	NPN (37.20%)	<b>1.42%</b>
All Property		AHB, APF	4	8	RDF (0.52%)	AHB (0.98%)	GRT (15.00%)	<b>2.79%</b>
Tradable Property	SRE	ATT, ITU, SAC	1	3	SRE (3.29%)	ATT (3.45%)	GRT, RDF, NRP (15.00%)	<b>9.57%</b>
SAPY			4	5	IPF (0.23%)	IAP (0.26%)	GRT (20.72%)	<b>0.75%</b>
Div +	5	5	1	2	MCG (3.01%)	OMU (3.73%)	KIO (6.57%)	<b>23.05%</b>

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

## 2.2 Largest Changes in Ranking

All Share constituents compared at March 2020 and December 2019 Quarterly Reviews.

Newly Eligible ALSI at March Review					
Alpha	Instrument	March Rank	Previous Eligibility Failure	Comment	
MNK	Montauk Holdings Ltd	114	Previously FLED	Added to Small Cap	
Noteworthy Top 40 Instruments					
Alpha	Instrument	March Rank	December Rank	Move	Comment
SSW	Sibanye Stillwater Ltd	18	30	12	Largest Top 40 up
GFI	Gold Fields Ltd	17	28	12	2nd Largest Top 40 up
WHL	Woolworths Holdings Ltd	39	31	-8	Largest Top 40 down
RDF	Redefine Properties	40	33	-7	2nd Largest Top 40 down
SPP	The Spar Group Ltd	43	39	-4	Lowest Ranking Top 40
QLT	Quilter Plc	38	46	8	Largest Reserve List
Largest Decrease in Ranking in Main Board					
Alpha	Instrument	March Rank	December Rank	Move	Comment
ASC	Ascendis Health	235	185	-50	Added to Fledgling
TRE	Trencor Ltd	173	125	-48	Added to Fledgling
EOH	EOH Holdings Ltd	211	163	-48	Added to Fledgling
ITU	Intu Properties plc	138	94	-44	Added to Small Cap
AYO	Ayo Tech Solutions	205	172	-33	Remains in Fledgling
PPC	PPC Limited	154	122	-32	Remains in Small Cap
Largest Increase in Ranking in Main Board					
Alpha	Instrument	March Rank	December Rank	Move	Comment
SNH	Steinhoff Int Hldgs	108	147	39	Remains in Small Cap
DRD	DRD Gold Ltd	100	137	37	Remains in Small Cap
EMH	E Media Holdings	165	189	24	Remains in Fledgling
EMN	E Media Holdings N	165	189	24	Remains in Fledgling
AHB	Arrowhead Prop B	125	148	23	Added to Fledgling
AHA	Arrowhead Prop A	125	148	23	Added to Fledgling
MNK	Montauk Holdings	114	134	20	Added to Small Cap

## 2.3 Liquidity

Securities which do not turnover at least 0.5% of their shares in issue, after the application of any free float restrictions, per month in at least ten of the twelve months prior to a semi-annual review in March and September will not be eligible for inclusion in the All Share index. An existing constituent has to meet this hurdle for eight out of twelve months.

The table below shows companies that failed the liquidity hurdle at the March 2020 review, but were eligible based on all other criteria.

Alpha	Instrument	Gross MCAP	Index Current	Index Change
TTO	Trustco Group Hldgs Ltd	Rb 5.16	-	-
MIX	Mix Telematics Ltd	Rb 4.89	-	-

### 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. No indices are currently due to be rebased. The below indices have index values in excess of 70,000.00:

Index	Class	Index Value	Derivative Listed	Open Interest
JS54 - SWIX Media	Total Return Index	117,370.58	-	-
JS54 - SWIX Media	Capital Index	93,793.17	-	-
J257 - SA Industrials	Capital Index	78,556.18	-	-
J853 - Nonlife Insurance	Capital Index	78,354.09	-	-
J213 - Financial and Industrial 30	Capital Index	76,158.86	Yes	265
J201 - Mid Cap	Capital Index	75,433.60	-	-
J211 - Industrial 25	Capital Index	73,177.95	Yes	-

#### 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 2019 review:

Amendment Type	Top 40 Index	All Share Index	Top 40 Notes
CA - Constitution Addition	-	-	
CD - Constitution Deletion	-	-	
CP - Special Dividend	-	1	
DV - Dividend	3	16	
RI - Rights Issue	-	1	
IC - Weight Change	-	-	
IS - Shares Update	-	-	
NC - Name Change	-	-	

#### 3.3 Unbundling of Textainer Group from Trenchor

In October 2019, Trenchor announced its intention to unbundle its stake in Textainer Group Holdings (listed in the US) to its shareholders at terms of approximately 13.99075 Textainer shares for 100 Trenchor shares. The plan was to also secondary list Textainer Group Holdings on the JSE as part of the corporate action

From start of business on 11 December 2019, Textainer Group was added to all the indices that Trenchor belonged to at the number of shares based on the unbundling terms and the same free float as Trenchor. The addition price was derived from the previous Textainer USA closing price.

#### 3.4 Ground Rules Update: Removal of the buffers for companies that use the Strate Register

As set out in the December 2019 AC notes, it was proposed to remove the 1% and 3% free float threshold for companies that utilise the Strate Register number for their free float calculation in the Index Series. The averaging of the Strate register number over three months was retained, as this will smooth the monthly changes experienced in the Strate Register numbers.

Following the approval of this proposal by all FTSE Russell Governance and Operational structures in November 2019, FTSE/JSE published the updated Ground Rules in December 2019 and the new rules were implemented at the March 2020 review.

#### **4. ICB Enhancements**

The AC was presented with an overview of the implementation of the New Industry Classification Benchmark (ICB) structure and the index impact.

The JSE utilises the ICB system to classify all listed companies on the JSE according to Industry, Super Sector, Sector and Sub-Sector. In 2016, FTSE Russell published a [Client Consultation](#) proposing a major overhaul to the ICB and Russell Global Sectors (RGS) classification systems. The rationale for this change was to offer a unified classification structure that leverages the best of both systems, reflects the evolution across industries and accommodates future enhancements.

In response to the FTSE Russell Consultation, FTSE/JSE published a [Market Consultation](#) in December 2016, to notify the local market and solicit feedback on the proposed changes, especially because the proposed changes would have an impact on the FTSE/JSE Indices. FTSE/JSE published a further [Market Note](#) in March 2018.

The implementation date of the enhanced ICB structure for JSE instruments and FTSE/JSE indices has been finalised to coincide with the September 2020 review for the FTSE/JSE indices.

#### **5. Preference Share Index Methodology Proposal**

Concerns were raised by market participants regarding the liquidity of some of the constituents of the FTSE/JSE Preference Share Index (J251).

FTSE/JSE proposed that the All Share Index Liquidity rule be introduced to the J251 methodology to align the liquidity requirement with that of the broad market benchmark. In addition, it was further proposed that a minimum market capitalisation eligibility hurdle of R100 million be introduced to the J251.

It is envisaged that following all the required approvals, FTSE/JSE will implement the new methodology at the next semi-annual liquidity review in September 2020. The proposed change will incorporate a Ground Rule change with the necessary notice period.

#### **6. NPN/PRX Capping**

The AC discussed the decision taken by the JSE in December 2019 to not pursue the implementation of the proposed amendment to the Ground Rules of the index to jointly cap Naspers and Prosus at a level of 10%. An [Informative Notice](#) was published on 10 December 2019 following feedback received from the [market consultation](#) process that concluded on 22 November 2019. It was noted that there is dissatisfaction with the decision, especially from local asset managers. The AC requested that FTSE/JSE put out a detailed description note regarding the differing perspectives in the public domain, to further support debate and provide more specifics.

#### **7. FTSE/JSE RAFI Methodology Enhancements**

The AC was presented with a proposal to enhance to the FTSE/JSE RAFI methodology. FTSE Russell enhanced the methodology of the FTSE RAFI Index Series and FTSE RAFI QSR Index Series. FTSE Russell requested that the FTSE/JSE RAFI indices be aligned to the enhanced FTSE methodology.

FTSE Russell announced the following changes:

- All Share deletions will remain in the Standard RAFI indices until the next RAFI annual review
- The inclusion of phased deletions as part of the FTSE RAFI QSR Index Series
- Enhanced treatment of mergers and takeovers

The enhancement will incorporate a Ground Rule change with the required notice period.

**The next AC meeting will be held on Thursday, 4 June 2020.**

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

Email: [indices@jse.co.za](mailto:indices@jse.co.za)

Tel: +27 (0)11 520 7000