

To: Market Participants
From: FTSE/JSE
Date: 24 July 2020
Subject: Notes from the FTSE/JSE Advisory Committee Meeting held on Thursday, 4 June 2020

1. Background

The FTSE/JSE Advisory Committee (AC) met on Thursday, 4 June 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 June 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		BRN	56	125	BHP (0.24%)	PRX (0.29%)	NPN (19.04%)	1.16%
Large Cap			12	33	BHP (0.3%)	PRX (0.34%)	NPN (23.06%)	1.16%
Large and Mid Cap			36	81	BHP (0.26%)	PRX (0.29%)	NPN (19.57%)	1.12%
Mid Cap			24	48	MCG (0.19%)	QLT (0.32%)	CLS (6.17%)	0.85%
Top 40	EXX	RDF	16	35	EXX (0.57%)	PRX (0.33%)	NPN (22.02%)	1.44%
SWIX 40	EXX,QLT	INL-INP,RDF	16	33	EXX (0.79%)	PRX (0.47%)	NPN (30.89%)	2.92%
Capped SWIX 40	EXX, QLT	INL-INP,RDF	16	33	EXX (1.03%)	NPN (1.64%)	NPN (10.00%)	4.47%
Eq Wgt 40	EXX	RDF	16	35	EXX (2.5%)	SOL (2.55%)	ALL (2.50%)	13.21%
Resi 10			6	10	GFI (0.32%)	AGL (0.27%)	BHP (36.96%)	0.47%
Fini 15	QLT	RDF	3	12	QLT (3.24%)	RDF (1.39%)	FSR (14.66%)	4.17%
Indi 25			10	22	CFR (0.33%)	PRX (0.57%)	NPN (41.78%)	0.93%
All Property			13	22	RDF (1.91%)	NRP (2.52%)	GRT NRP (15%)	5.58%
Tradable Property			6	10	RDF (1.85%)	NRP (2.96%)	GRT NRP (15%)	5.81%
SAPY	LTE	HPB	9	15	LTE (2.12%)	GRT (0.64%)	GRT (22.81%)	2.56%

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

2.2 Largest Changes in Ranking

All Share constituents compared at June 2020 and March 2020 Quarterly Reviews.

Noteworthy Top 40 Instruments					
Alpha	Instrument	June Rank	March Rank	Move	Comment
APN	Aspen Pharmacare Hldgs Ltd	24	35	11	Largest Top 40 up
VOD	Vodacom Group Ltd	16	25	9	2nd Largest Top 40 up
EXX	Exxaro Resources Ltd	39	45	6	Top 40 Addition
RDF	Redefine Properties Ltd	62	40	-22	Largest Top 40 down, Deletion
INP	Investec plc	37	20	-17	2nd Largest Top 40 down
INL	Investec Ltd	37	20	-17	2nd Largest Top 40 down
Largest Decrease in Ranking in Main Board					
Alpha	Instrument	June Rank	March Rank	Move	Comment
TSG	Tsogo Sun Gaming Ltd	145	85	-60	Remains in All Share
HCI	Hosken Cons Inv Ltd	155	110	-45	Remains in All Share
NPK	Nampak Ltd	186	145	-41	Remains in All Share
SUI	Sun International Ltd	159	128	-31	Remains in All Share
HYP	Hyprop Inv Ltd	111	81	-30	Remains in All Share
Largest Increase in Ranking in Main Board					
Alpha	Instrument	June Rank	March Rank	Move	Comment
TXT	Textainer Group Hldgs Ltd	86	142	56	Remains in All Share
AYO	Ayo Tech Solutions Ltd	158	205	47	Remains in Fledgling
CGR	Calgro M3 Hldgs Ltd	205	239	34	Remains in Fledgling
DRD	DRD Gold Ltd	67	100	33	Remains in All Share
PAN	Pan African Resource plc	90	118	28	Remains in All Share
ALP	Atlantic Leaf Prop Ltd	127	153	26	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. No indices are currently due to be rebased. However, there are two tradable indices (indices with derivative/s listed) with index values in excess of 70,000.00 namely:

Index	Class	Index Value	Derivative Listed	Open Interest (Contracts)
J554 - SWIX Media	Total Return Index	93,276.72	-	-
J554 - SWIX Media	Capital Index	74,539.29	-	-
J257 - SA Industrials	Capital Index	76,134.91	-	-
J211 - Industrial 25	Capital Index	72,457.09	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 March 2020 review:

Amendment Type	Top 40 Index	All Share Index	Top 40 Notes
CA - Constitution Addition	-	-	
CD - Constitution Deletion	-	-	
CI - Capitalisation Issue	-	1	
CP - Special Dividend	-	4	

Amendment Type	Top 40 Index	All Share Index	Top 40 Notes
DV - Dividend	14	37	
RI – Rights Issue	-	1	
IC - Weight Change	-	1	
IS - Shares Update	-	-	
NC - Name Change	-	1	

3.3 Investec unbundling of Ninety One

FTSE/JSE noted the unbundling of Ninety One Ltd and Ninety Plc from by Investec Plc and Investec Ltd (both Top 40 constituents). Shareholders received one new share in Ninety One Plc or Ltd, for every two Investec Plc (INP) or Ltd (INL) shares held. FTSE/JSE published an [Informative Notice](#) on 18 February 2020 detailing the expected index treatment. The ex-date was announced as 16 March 2020 with ranking occurring after close that evening. Ninety One Ltd and Plc were the lowest ranking companies in the Top 40 and were deleted effective with the Review.

3.4 Fortress REIT: Distribution of Resilient REIT shares

Fortress REIT Ltd made an announcement that their last declared dividends on both the FFA and FFB lines would be a distribution of Resilient REIT (RES) shares. There was a distribution of 1 Resilient REIT share for every 67.84 Fortress REIT Ltd (A) shares held and 1 Resilient REIT share for every 70.4 Fortress REIT Ltd (B) shares held.

The event was treated as a capital repayment to the Fortress REIT Ltd A and B lines and a free float increase was applied to Resilient REIT. An [ICA](#) was published on 20 March 2020 detailing the index treatment.

3.5 Dividend cancellations

FTSE/JSE noted a number of dividend cancellations from companies, mainly citing a preference to withhold or postpone dividend payments due to the uncertainty brought on by the COVID-19 pandemic. Dividends are implemented in the FTSE/JSE Index Series on Ex Date.

The index treatment for cancelled dividends as taken from section 4.3 of the [Corporate Actions and Events Guide](#) is to apply a corrective negative adjustment giving T+1 notice. After applying the negative adjustment, no further action is taken as a result of the cancelled dividend, provided the discovery of the change is more than 2 business days after the ex-date.

The following dividends were reversed in the FTSE/JSE Index Series as a result of the cancellation:

Alpha	Company	Index	Dividend Ex Date	Dividend Cancellation Date
HMN	Hammerson	Mid Cap	2020/03/18	2020/03/30
MNP	Mondi plc	Top 40	2020/04/01	2020/04/09
MTH	Motus Holdings	Mid Cap	2020/03/25	2020/03/24
SUR	Spur	Small Cap	2020/04/01	2020/04/24
TEX	Texton Prop Fd Ltd	Fledgling	2020/03/25	2020/03/24

3.6 ICB Enhancements

FTSE Russell published an [Updated implementation plan](#) in order to allow for an extended time to implement the ICB changes. FTSE indexes scheduled to adopt the new ICB framework in September 2020 will instead transition at the March 2021 semi-annual index review. The JSE ICB changes and FTSE/JSE Index changes occurring as a result of the ICB enhancements will therefore be effected in March 2021.

3.7 Other Index Related Matters

3.7.1 Free Float and ICB changes Ground Rules Update

FTSE/JSE had two Ground Rules updates in the last quarter. The first change involved a free float update relating to the expiry of a lock-in clause or share incentive scheme. The Ground Rules were also updated with the new ICB names and codes as taken from the ICB enhanced structure. A [Ground Rules Update](#) was published on 27 March 2020.

3.7.2 Spin-Offs & Timing Ground Rules Update

The second Ground Rules update involved an extension of the time spun off companies remain in an index, from two to three days. FTSE/JSE published a [Ground Rules Update](#) on 4 May 2020, with the change effective 1 July 2020.

The next AC meeting will be held on Thursday, 3 September 2020.

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

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