

**To:** Market Participants  
**From:** FTSE/JSE  
**Date:** 9 October 2020  
**Subject:** Notes from the FTSE/JSE Advisory Committee Meeting held on Thursday, 3 September 2020

## 1. Background

The FTSE/JSE Advisory Committee (AC) met on Thursday, 3 September 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 September 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		8	15	24	SSW (0.38%)	PRX (0.44%)	NPN (19.52%)	<b>0.86%</b>
Large Cap		10	1	5	NPN(1.09%)	OMU(0.91%)	NPN (24.15%)	<b>4.78%</b>
Large and Mid Cap	1	15	5	13	SSW (0.40%)	PRX (0.44%)	NPN (20.17%)	<b>1.45%</b>
Mid Cap	10	14	4	5	OMU(4.82%)	CLS (1.21%)	CLS (5.07%)	<b>23.69%</b>
Top 40	HAR	RMH	1	5	HAR(0.84%)	PRX (0.52%)	NPN (21.94%)	<b>1.25%</b>
SWIX 40	ANH	RMH	2	5	ANH(0.74%)	PRX (0.68%)	NPN (31.35%)	<b>1.49%</b>
Capped SWIX 40	ANH	RMH	2	5	ANH(0.97%)	PRX (0.86%)	NPN (10.00%)	<b>2.07%</b>
Eq Wgt 40	HAR	RMH	1	5	HAR(2.5%)	RMH (1.66%)	ALL (2.50%)	<b>8.32%</b>
Resi 10			0	1	SSW(1.04%)	BHP (0.39%)	BHP (34.83%)	<b>1.04%</b>
Fini 15	PSG	RMH	2	3	PSG (0.83%)	SLM(0.51%)	FSR (19.46%)	<b>1.08%</b>
Indi 25			0	3	NPN(0.43%)	PRX (0.94%)	NPN (43.46%)	<b>1.11%</b>
All Property		HPB,OCT	3	9	GRT(0.46%)	OCT(0.57%)	GRT NRP (15%)	<b>2.3%</b>
Tradable Property	EQU,IAP	EPP,HYP,MSP RMH,VKE	0	4	EQU(9.37%)	VKE(4.21%)	GRT NRP (15%)	<b>18.3%</b>
SAPY			3	6	LTE (0.43%)	NRP(1.47%)	GRT (22.34%)	<b>1.85%</b>

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

## 2.2 Largest Changes in Ranking

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

Newly Eligible ALSI at September Review					
Alpha	Instrument	September Rank	Previous Eligibility Failure	Comment	
MIX	Mix Telematics Ltd	123	Previously no constituent	Added to Fledgling	
NT1	Net 1 UEPS Tech Inc	135	Previously no constituent	Added to Fledgling	
TPF	Transcend Res Prop Fd	193	Previously no constituent	Added to Fledgling	
BIK	Brikor Ltd	20	Previously no constituent	Added to AltX	
Noteworthy Top 40 Instruments					
Alpha	Instrument	September Rank	June Rank	Move	Comment
SOL	Sasol Limited	18	28	10	Largest Top 40 up
HAR	Harmony GM Co Ltd	30	40	10	Largest Top 40 up
CPI	Capitec Bank Hldgs Ltd	20	27	7	2nd Largest Top 40 up
RMH	RMB Holdings Ltd	132	21	-111	Largest Top 40 down
REM	Remgro Ltd	29	19	-10	2nd Largest Top 40 down
NRP	NEPI Rockcastle Plc	44	35	-9	Lowest Ranking Top 40
QLT	Quilter Plc	37	41	4	Largest Reserve List
Largest Decrease in Ranking in Main Board					
Alpha	Instrument	September Rank	June Rank	Move	Comment
RMH	RMB Holdings Ltd	152	23	-129	Remains in All Share
FGL	Finbond Group Ltd	163	135	-28	Remains in Fledgling
TRE	Trencor Ltd	189	164	-25	Remains in Fledgling
ACL	ArcelorMittal SA Limited	212	187	-25	Remains in Fledgling
GML	Gemfields Group Limited	165	144	-21	Remains in Fledgling
MRF	Merafe Resources Ltd	185	167	-18	Remains in Fledgling
Largest Increase in Ranking in Main Board					
Alpha	Instrument	September Rank	June Rank	Move	Comment
IVT	Invicta Holdings Ltd	168	218	50	Remains in Fledgling
ORN	Orion Minerals Limited	164	208	44	Remains in Fledgling
SUI	Sun International Ltd	127	159	32	Remains in Small Cap
CLH	City Lodge Hotels Ltd	147	178	31	Remains in Small Cap
QFH	Quantum Foods Hldgs Ltd	169	199	30	Remains in Fledgling
PPE	Purple Group Ltd	201	229	28	Remains in Fledgling

## 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 the eleven instruments that failed liquidity in the All Share range:

Alpha	Instrument	Closest Rank	MCAP	No. of Months Passed
GTC	Globe Trade Centre S.A.	82	Rb 9.67	2
RCL	RCL Foods Limited	87	Rb 8.44	6
TTO	Trustco Group Hldgs Ltd	97	Rb 6.72	1
RAV	Raven Property Group Ltd	109	Rb 4.65	2
THA	Tharisa plc	111	Rb 4.52	7
MIX	Mix Telematics Ltd	123	Rb 3.94	7
EXP	Exemplar REITail Ltd	131	Rb 3.12	7
HIL	Homechoice Int plc	137	Rb 2.63	3
OAO	Oando plc	143	Rb 2.49	7
ACS	Acscion Limited	144	Rb 2.17	0
AYO	AYO Tech Solutions Ltd	146	Rb 2.08	0

## 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. 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	95,928.51	-	-
J211 - Industrial 25	Capital Index	77,512.08	-	-
J213 - Financial and Industrial 30	Capital Index	72,701.28	Yes	265
J311 - Capped Industrial 25	Capital Index	72,004.10	-	-

### 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 2020 review:

Amendment Type	Top 40 Index	All Share Index	Top 40 Notes
CA - Constitution Addition	1	3	FirstRand Ltd Distribution Line
CD - Constitution Deletion	1	1	FirstRand Ltd Distribution Line deleted
CI - Capitalisation Issue	-	-	
CP - Special Dividend	-	3	
DV - Dividend	2	8	
RI - Rights Issue	-	2	
IC - Weight Change	1	1	FirstRand Ltd
IS - Shares Update	-	-	
NC - Name Change	-	-	
SS - Classification Change	1	1	RMB Holdings- New sub-sector code 8775

### **3.3 Remgro Unbundling of RMH Holdings**

On 3 June 2020, Remgro unbundled RMH Holdings and a temporary line representing the shares of RMB Holdings distributed to Remgro shareholders was added to Remgro's Indices. An [Informative Notice](#) was published on 15 May 2020 and the Index Change Advice ([ICA](#)) notice was published on 27 May 2020. The closing price of the temporary line was updated daily to align with the closing price of RMB Holdings. The price of Remgro was reduced by the value of RMB Holdings in order to create a market capitalisation neutral event. This was the first time that a dummy instrument was added to the Index Series, following the Ground Rule update on 1 August 2019.

### **3.4 RMH Unbundling of FirstRand Limited**

RMH Holdings unbundled FirstRand Limited on 24 June 2020. The Remgro/RMH Holdings treatment was followed with a temporary line added to all the indices that RMB Holdings belonged to. An [Informative Notice](#) was published on 15 May 2020 and the Index Change Advice ([ICA](#)) was published on 18 June 2020.

### **3.5 City Lodge Hotels: Highly Dilutive rights issue**

On 5 August 2020, City Lodge had a 13 for 1 rights issue at ZAR 2.12. In accordance with the treatment of highly dilutive rights issues, the market capitalisation of City Lodge Hotels was split into three instruments: the existing City Lodge Hotels ordinary line; the Nil Paid Rights line as well as a Dummy line. On 19 August 2020, the Nil Paid Rights line and the Dummy line were deleted and merged with the ordinary line.

This treatment was announced in the [Informative Notice](#) published on 31 July 2020.

## **4. Matters Arising from Previous Meetings**

### **4.1 Preference Share Index Methodology Proposal**

Following concerns raised by market participants regarding the liquidity of some of the FTSE/JSE Preference Share Index (J251) constituents, FTSE/JSE introduced the All Share Index Liquidity rule to the J251 methodology. An additional market capitalization hurdle of R100 million was also introduced. The Ground Rules were updated on 3 July 2020 and the new rules were implemented at the September 2020 review.

### **4.2 Intra-review deletions in the FTSE/JSE RAFI Indices**

FTSE Russell made some enhancements to 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.

The following changes were introduced:

- 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

FTSE/JSE published the [Ground Rules](#) Update outlining the above changes on 23 July 2020. These changes were implemented with the September 2020 index review.

## 5. ICB Enhancements

A number of notices and a market consultation have been published regarding the upcoming ICB changes, however a number of stakeholders have requested more detail. FTSE/JSE is planning to release a market notice in the upcoming weeks, providing more information on the impact of the new ICB changes on the current index offering.

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

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

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