

To: Market Participants
From: FTSE/JSE
Date: 22 June 2021
Subject: Notes from the FTSE/JSE Advisory Committee Meeting held on Thursday, 3 June 2021

1. Background

The FTSE/JSE Advisory Committee (AC) met on Thursday, 3 June 2021 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 2021 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	KRO		39	113	GLN (0.09%)	NPN (0.42%)	NPN (14.88%)	0.83%
Large Cap			7	23	GLN (0.12%)	NPN (0.52%)	NPN (19.11%)	0.82%
Large and Mid Cap			21	66	GLN (0.09%)	NPN (0.44%)	NPN (15.48%)	0.76%
Mid Cap			14	43	RBP (0.11%)	MCG (0.09%)	NHM (5.08%)	0.51%
Top 40			11	34	GLN (0.10%)	NPN (0.47%)	NPN (17.09%)	0.77%
SWIX 40			11	34	GLN (0.16%)	NPN (0.61%)	NPN (24.89%)	1.01%
Capped SWIX 40			11	34	NPN (1.15%)	PRX (0.29%)	NPN (10.00%)	1.46%
Eq Wgt 40			11	34	PRX (0.44%)	MRP (0.56%)	ALL (2.50%)	4.08%
Resi 10			5	10	GLN (0.26%)	BHP (0.18%)	BHP (33.11%)	0.39%
Fini 15			3	12	SLM (0.42%)	CPI (0.55%)	FSR (21.60%)	0.80%
Indi 25			6	20	CFR (0.37%)	NPN (0.63%)	NPN (34.78%)	0.91%
All Property			6	21	NRP (0.87%)	IAP (0.35%)	GRT, NRP (15%)	1.61%
Tradable Property			3	9	NRP (0.90%)	RDF (1.10%)	GRT, NRP (15%)	1.69%
SAPY			5	18	LTE (0.43%)	IAP (0.33%)	GRT (21.22%)	1.07%

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

2.2 Largest Changes in Ranking

All Share constituents compared at June 2021 and March 2021 Quarterly Reviews.

Noteworthy Top 40 Instruments					
Alpha	Instrument	June Rank	March Rank	Move	Comment
INP	Investec plc	32	38	6	Largest Top 40 up
INL	Investec Ltd	32	38	6	Largest Top 40 up
GFI	Gold Fields Ltd	12	15	3	2nd Largest Top 40 up
APN	Aspen Pharmacare Hldgs Ltd	26	29	3	2nd Largest Top 40 up
PRX	Prosus N.V.	20	13	-7	Largest Top 40 down
EXX	Exxaro Resources Ltd	40	35	-5	2nd Largest Top 40 down
SPP	The Spar Group Ltd	44	40	-4	Lowest Ranking Top 40
TFG	The Foschini Group Limited	41	43	2	Largest Reserve List
Largest Decrease in Ranking in Main Board					
Alpha	Instrument	June Rank	March Rank	Move	Comment
MKR	Montauk Renewables Inc	75	55	-20	Remains in All Share
NT1	Net 1 UEPS Tech Inc	133	117	-16	Remains in Fledgling
EOH	EOH Holdings Ltd	185	170	-15	Remains in Fledgling
AYO	Ayo Tech Solutions Ltd	162	150	-12	Remains in Fledgling
ORN	Orion Minerals Limited	177	165	-12	Remains in Fledgling
Largest Increase in Ranking in Main Board					
Alpha	Instrument	June Rank	March Rank	Move	Comment
AEG	Aveng Group Limited	167	202	35	Remains in Fledgling
DIA	Dipula Income Fund A	139	164	25	Remains in Fledgling
DIB	Dipula Income Fund B	139	164	25	Remains in Fledgling
PPC	PPC Limited	119	143	24	Remains in Fledgling
HMN	Hammerson plc	55	78	23	Remains in All Share
ACL	ArcelorMittal SA Limited	118	138	20	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. The below indices have index values in excess of 70,000.00:

Index	Class	Index Value	Derivative Listed	Open Interest
J205 - Large Cap	Total Return Index	78,871.48	-	-
J206 - Large and Mid Cap	Total Return Index	75,289.07	-	-
JW0060 - SWIX Energy	Total Return Index	73,871.85	-	-
JX4024 - SWIX Personal Goods	Total Return Index	81,940.48	-	-
J201 - Mid Cap	Capital Index	71,082.84	-	-
J211 - Industrial 25	Capital Index	86,102.06	Yes	-
J213 - Financial and Industrial	Capital Index	82,125.47	Yes	-
J257 - SA Industrials	Capital Index	91,948.15	-	-
J311 - Capped Industrial 25	Capital Index	81,294.13	-	-
JS5511 - Industrial Materials	Capital Index	82,371.20	-	-
JS6011 - Oil, Gas and Coal	Capital Index	94,506.63	-	-

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 2021 review:

Amendment Type	Top 40 Index	All Share Index	Top 40 Notes
CA - Constitution Addition	-	-	
CD - Constitution Deletion	-	-	
CI – Capitalisation Issue	-	-	
CP - Special Dividend	2	3	Exxaro Resources paid a Special Dividend of ZAR 5.43
DV - Dividend	19	47	
RI – Rights Issue	-	-	
IC - Weight Change	-	-	
IS - Shares Update	-	-	
NC - Name Change	-	-	
IC – Classification Change	-	-	

Table 3: Inter-Review changes since the last review

3.3 Cartrack Holdings Limited deletion

On 7 January 2021, Cartrack Holdings limited made the announcement that Karoo limited made a firm intention to make a cash offer to acquire all the issued shares of Cartrack Holdings limited. As such, Cartrack Holdings was deleted from all the existing indices as a result of the cash offer. An [ICA](#) notice was published outlining the deletion of Cartrack Holdings limited.

4. Matters Arising from Previous Meetings

4.1 Enhanced ICB Implementation

4.1.1 Decommissioning of the Gold Mining Index

FTSE/JSE implemented the enhancements to the ICB structure effective from the start of business on 23 March 2021, impacting all of the equity classifications and ICB indices. From an index perspective, a benchmark index is published for each Industry in the structure, and also for each Sector in the structure. However, there has been a long-standing anomaly in that we have had five sub-sector indices (listed below), covering a small fraction of the available ICB sub-sectors. With the implementation of the enhanced ICB structure FTSE/JSE took the opportunity to decommission these exception indices from the Index Series.

- FTSE/JSE Gold Mining Index (J150)
- FTSE/JSE Coal Mining Index (J151)
- FTSE/JSE Diamonds & Gemstones Index (J152)
- FTSE/JSE Platinum & Precious Metals (J153)
- FTSE/JSE General Mining (J154)

The Gold Index was therefore decommissioned as part of this correction of the sub-sector level index anomaly. An informative notice was first published in 2018 notifying the market of the change as well as various client notices, hotlines and information sessions over the past year advising of the termination of these indices.

As a replacement to the Gold Mining Index, the closest fit is the new Precious Metals and Mining Index, which has the index code JS5513. This is not an exact match though since it also includes PGM miners. The current constituents of this index are listed below.

Alpha	Instrument	Index Weight
IMP	Impala Platinum Hlds	22.6%
SSW	Sibanye Stillwater	21.7%
ANG	Anglogold Ashanti	13.5%
AMS	Anglo American Platinum	13.4%
GFI	Gold Fields	12.5%
NHM	Northam Platinum	9.8%
HAR	Harmony	3.5%
RBP	Royal Bafokeng Platinum	1.8%
DRD	DRD Gold	0.6%
PAN	Pan African Resources	0.6%

4.1.2 SA Financials (J580) Erroneously Decommissioned

The J580 is unique in the sense that it used the same code for the SA Sector as well as ICB Industry Index under the previous ICB structure and as such, with the ICB enhancement project, the J580 index should have continued with no index code change, but a name change to FTSE/JSE SA Financials. As part of the ICB enhancement project the FTSE/JSE Financials (J580) index was mapped and linked to the new FTSE/JSE Financials (JI0030) index on an Industry code level. However, the existing J580 index did not resume on 23 March 2021 on a SA sector level. As of Monday, 12 April 2021 the SA Financials (J580) index was resumed, but this resulted in a gap in the J580 index data for the period between 23 March to 12 April 2021. A notice was published on 25 May to inform market participants regarding the availability of the index data for the J580 index for the omitted period. An issue was also experienced with the dissemination of the J580 index values via the JSE live index feed. This matter was resolved on 22 April 2021.

5. Other Index Related Matters

5.1 Final availability of FTSE/JSE Capping Factors on the JSE website

FTSE/JSE made an announcement to the market participants about ceasing to publish the index capping factors on the website, effective with the September 2021 Index quarterly review. The Index capping factors will only be made available in the official FTSE/JSE end of day index products. FTSE/JSE will however publish the Index capping factors for June 2021 Index quarterly review, giving sufficient notice to the market. An [informative notice](#) was published on the website.

5.2 FTSE/JSE Ground Rules Update Base currency and ICB changes

Following the implementation of the ICB enhancements, FTSE/JSE published an [informative notice](#) outlining the changes in the Ground rules document. The first change was pertaining to the base currency of the index series being the South African rand.

The second change was regarding the ICB codes being updated to align with the enhanced ICB implementation codes.

5.3 Naspers/Prosus Share Swap

FTSE/JSE notes the proposed transaction involving Prosus which will make a voluntary share exchange offer to Naspers shareholders. Prosus will issue 2.27443 new ordinary shares for each Naspers share. Prosus intends to acquire up to a maximum of 45.4% of the issued Naspers N Ordinary Shares and is expected to hold 49% of the issued Naspers N Ordinary Shares post the implementation. The Proposed Transaction will be subject to the fulfilment or waiver in accordance with its terms of conditions precedent.

An announcement will be made in due course regarding the proposed treatment of the event in the FTSE/JSE Africa Index Series.

5.4 FTSE/JSE Shariah Top 40 Index Methodology Review

The FTSE/JSE Advisory Committee had a discussion around a possible index enhancement for the FTSE/JSE Shariah Top 40 Index (J140). This was prompted by market participants that expressed interest in the index, however due to the low constituent count which causes high concentration, the index is not currently widely used. FTSE/JSE is looking to improve the construction methodology with an objective to increase index usage.

5.5 Depository Receipts

The AC discussed the possible index eligibility of South African Depository Receipts (SADRs). This was prompted by the [SARB Exchange Control Circular NO. 15/2020](#). Although the Circular was later retracted by SARB, an AC discussion proceeded to ascertain the possible impact of the Circular on the FTSE/JSE Index Series. Discussions are ongoing and possible updates to the SARB circular are being monitored.

The next AC meeting will be held on Thursday, 2 September 2021.

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

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