

**To:** Market Participants  
**From:** FTSE/JSE  
**Date:** 11 October 2021  
**Subject:** Notes from the FTSE/JSE Advisory Committee Meeting held on Thursday, 2 September 2021

## 1. Background

The FTSE/JSE Advisory Committee (AC) met on Thursday, 2 September 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 September 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	ACL PPC THA		16	24	BHP (0.36%)	PRX (2.91%)	BHP (12.24%)	<b>2.98%</b>
Large Cap	NHM	TGA	2	4	NHM (1.11%)	PRX (3.77%)	BHP (15.87%)	<b>3.89%</b>
Large and Mid Cap	BYI HMN TCP	TGA	8	12	BHP (0.37%)	PRX (3.03%)	BHP (12.74%)	<b>3.18%</b>
Mid Cap	BYI HMN TCP	NHM	6	8	TCP (1.39%)	NHM (4.39%)	CLS (4.87%)	<b>4.63%</b>
Top 40			3	4	BHP (0.49%)	PRX (3.30%)	BHP (14.11%)	<b>3.32%</b>
SWIX 40	TFG	ANH	3	12	TFG (1.03%)	PRX (4.78%)	NPN (10.63%)	<b>5.42%</b>
Capped SWIX 40	TFG	ANH	3	12	NPN (1.97%)	FSR (1.08%)	NPN FRS AGL PRX (6.00%)	<b>3.34%</b>
Eq Wgt 40			3	4	NPN (0.58%)	MTN (0.45%)	ALL (2.50%)	<b>3.89%</b>
Resi 10			2	1	IMP (0.16%)	BHP (0.09%)	BHP (36.63%)	<b>0.30%</b>
Fini 15			1	2	FSR (0.06%)	RNI (0.24%)	FSR (22.07%)	<b>0.27%</b>
Indi 25	PPH	PIK	1	3	CFR (1.82%)	PRX (6.46%)	NPN (25.77%)	<b>7.04%</b>
All Property			5	7	EQU (0.93%)	NRP (0.73%)	GRT NRP (15%)	<b>1.54%</b>
Tradable Property			2	5	EQU (1.38%)	NRP (0.51%)	GRT NRP RDF FFA&FFB (15%)	<b>2.68%</b>
SAPY			3	5	EQU (0.85%)	SRE (0.23%)	GRT (20.40%)	<b>0.97%</b>

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

## 2.2 Largest Changes in Ranking

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

Noteworthy Top 40 Instruments					
Alpha	Instrument	Sept Rank	June Rank	Move	Comment
PRX	Prosus N.V	5	20	15	Largest Top 40 up
NED	Nedbank Group Ltd	28	33	5	2nd Largest Top 40 up
SPP	The Spar Group Ltd	40	44	4	3rd Largest Top 40 up
ANG	Anglogold Ashanti Ltd	19	11	-8	Largest Top 40 down
MCG	Multichoice Group Ltd	37	30	-7	2nd Largest Top 40 down
DSY	Discovery Ltd	33	27	-6	3rd Largest Top 40 down
TFG	The Foschini Group Limited	36	41	5	Largest Reserve List
Largest Decrease in Ranking in Main Board					
Alpha	Instrument	Sept Rank	June Rank	Move	Comment
AYO	Ayo Tech Solutions Ltd	187	162	-25	Remains in Fledgling
TTO	Trustco Group Hldgs Ltd	160	134	-24	Remains in Fledgling
HUG	Huge Group Ltd	214	193	-21	Remains in Fledgling
FGL	Finbond Group Ltd	192	175	-17	Remains in Fledgling
Largest Increase in Ranking in Main Board					
Alpha	Instrument	Sept Rank	June Rank	Move	Comment
YRK	York Timber Holdings Ltd	182	210	28	Remains in Fledgling
GSH	Grindrod Shipping Hldg Ltd	140	156	16	Remains in Fledgling
NVS	Novus Holdings Limited	196	211	15	Remains in Fledgling
SFN	Sasfin Holdings Ltd	199	213	14	Remains in Fledgling
TRU	Truworths Int Ltd	55	68	13	Remains in All Share
LBH	Liberty Holdings Ltd	64	77	13	Remains in All Share
ACL	ArcelorMittal SA Limited	105	118	13	Moves from Fledgling to All Share

## 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 (Contracts)
JS5511 - FTSE/JSE Industrial Materials	Capital Index	70,146.20	-	-
J213 - Financial and Industrial 30	Capital Index	85,014.96	Yes	-
J311 - Capped Industrial 25	Capital Index	85,962.48	-	-
J211 - Industrial 25	Capital Index	89,441.52	Yes	-
J257 - SA Industrials	Capital Index	95,870.70	-	-
JX4024 - FTSE/JSE SWIX Personal Goods	Total Return Index	101,950.73	-	-
JS6011 - FTSE/JSE Oil, Gas and Coal	Capital Index	112,071.80	-	-

### 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 2021 review:

Amendment Type	Top 40 Index	All Share Index	Top 40 Notes
CA - Constitution Addition	-	1	
CD - Constitution Deletion	-	1	
CI – Capitalisation Issue	-	-	
CP - Special Dividend	1	4	Capital Repayment of ZAR 8 by AGL due to demerger of TGA
DV - Dividend	8	27	
RI – Rights Issue	-	-	
IC - Weight Change	-	-	
IS - Shares Update	-	-	
NC - Name Change	-	-	
IC – Classification Change	-	1	

### 3.3 Demerger of Thungela Resources from Anglo American

FTSE/JSE noted the Demerger of Thungela Resources from the Anglo American Group, which was implemented by way of a scheme of arrangement. On 1 June 2021, an [ICA](#) was published outlining the treatment of the demerger within the respective Indices. It was noted in the ICA that indices that had a fixed number of constituents would be re-ranked using the closing prices on 07 June 2021, as such, the smallest constituent would be removed effective 10 June 2021. An updated [ICA](#) was published on 7 June 2021 and Thungela Resources was deleted from some of the Indices as a result of its low ranking.

### 3.4 PSG Financial Services Ltd Preference share deletion

On 20 April 2021, PSG Group (PSG) announced its intention to buy-back all of their PSG FINANCIAL SERVICES (PGFP) preference shares by way of scheme of arrangement for a cash consideration of R81.00 per preference share. Following the successful implementation of the scheme, which resulted in all Preference Shares being repurchased and cancelled, PGFP was subsequently delisted from the JSE. On 28 July 2021, an [ICA](#) was published detailing its deletion from the J251.

### 3.5 Prosus Exchange offer for Naspers

On 12 May 2021, Naspers announced that Prosus intends to implement a voluntary exchange offer in terms of which the holders of Naspers N ordinary shares will be entitled to exchange some of their ordinary shares for newly issued Prosus N ordinary shares in accordance with the exchange ratio for the transaction, subject to the terms and conditions of the exchange offer.

The event was subject to a minimum acceptance condition of 45.4% of the issued Naspers N ordinary share. Prosus intended to acquire up to a maximum of 45.4% of the issued Naspers N ordinary shares subject to pro-ration in the event the Exchange Offer is over-subscribed.

On 28 June 2021, FTSE/JSE published an [Informative Notice](#) outlining the treatment of the proposed transaction. Furthermore, FTSE/JSE released an updated [Informative Notice](#) on 30 July 2021, addressing several queries imposed by market participants. An [ICA](#) was published on 13 August 2021 outlining the treatment of the exchange offer within the respective Indices.

Following the closing date and the announcement of the exchange offer on 13 August 2021, the JSE experienced a spike in the trading volume on Monday and particularly on Tuesday as a result of the closing auction for the exchange offer between Naspers and Prosus

As a result of the exchange offer, the JSE experienced technical issues in the batch processing for its BDA and ECS systems that was triggered by the large volumes. This caused delays in the start of trading in the Equity Market on 18 August 2021 and the market opened at 14:30. A [service hotline](#) was published informing the market of the setback.

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

### **4.1 Naspers Prosus Capping Market Consultation Updated**

Following the September FTSE/JSE Index Series implementation of the Naspers capitalisation issue in 2019, various market participants had reiterated concern pertaining to the resultant combined weight of Naspers and Prosus in the FTSE/JSE Capped indices, specifically the Capped SWIX All Share index (J433).

In 2019, a [Market Consultation](#) on the Naspers Prosus Capping was published. FTSE/JSE also published a [Market Consultation](#) in July 2021. The rationale behind the market consultations was to request comment from market participants on whether the current capping methodology required amendment. The response time to the market consultation was extended by a week and closed on 20 July 2021.

As an interim solution, FTSE/JSE implemented a decrease to the capping level in the J430 and J433 indices, from 10% to 6%. [A Market Consultation](#) advising the market of this change was published in August 2021. This was effective from the September 2021 Quarterly Review going forward. Finally, FTSE/JSE published a [White Paper](#) to provide more detailed information to the market and the factors that will be considered when implementing a more permanent solution to index capping.

## **5. Other Index Related Matters**

### **5.1 FTSE/JSE Ground Rules Update**

FTSE/JSE published an [Informative Notice](#) regarding the changes in the Ground rules document. The update related to Specialist Indices i.e FTSE/JSE Shariah Top 40 Index (J140) and FTSE/JSE Minimum Variance Top 40 Index (J700). The update outlined that deletions from the underlying FTSE/JSE Top 40 Index (including re-ranking following a demerger) would be applied to the J140 and J700 where appropriate.

The Ground Rules were also updated to provide clarity on Rule 4.1.5 as well as amendment to Section 6.3.3 to clarify the net market cap ranking in certain indices as a result of corporate actions. Rule 6.4.1 was updated to advise that should a non-constituent qualify for fast entry into the indices and day 5 of its trading occurs during the week of the index review, it's addition will be made effective with the review effective date

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

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

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