

To: Market Participants
 From: JSE Indices Department
 Date: 9 July 2014
 Subject: Notes from the JSE Fixed Income Index Series Advisory Committee Meeting held on Wednesday, 9 July 2014
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1. Background

The JSE Fixed Income Index Series Advisory Committee (AC) met on Wednesday, 9 July 2014 to approve the third quarter Reconstitution changes to the JSE Fixed Income Index Series and to discuss matters relating to the indices. The items listed below were discussed during the meeting.

2. Index Reconstitution

There were two constituent changes to the ALBI, while constituents of the CILI remained unchanged. The AC noted and approved the changes and the Index Reconstitution papers were distributed to the market.

Index	Additions	Deletions	Weight changes since June 2014 Reweighting
ALBI	R159	R157	9
	R2030	TN27	
CILI	None	None	4

3. Weighting of R159 in the ALBI

It was decided at the previous AC meeting that the R159 would replace the R157 in the ALBI at the August reconstitution due to the split of R157 note. However, the weight at which it would be added was not finalised. While the R159 currently reflects a low issued amount, it is expected to increase to include one third of R157 after its conversion. In order to avoid forcing trackers to sell off R157 at the low current weight and then re-purchase R159 notes at the following reconstitution, it was proposed that the R159 should be included in the index at a calculated issued amount rather than its own issued amount. In doing this, the aim is to avoid unnecessary trading and to limit churn in the index. This calculated issued amount is the sum of the current issued amount of R159 and the portion of R157 that is expected to convert to R159 at the cut date for the August reconstitution.

The AC agreed that a calculated weight for R159 would result in the smoothest transition across the bond split.

4. Feedback on Credit Indices

Having received feedback from the market regarding the proposed launch of a new suite of tradable and representative credit indices, concerns have been noted regarding the concentration and the small number of

issuers in the tradable indices. As a result of this, the launch of representative indices is planned to go ahead in the near future with further research being done into the tradable indices.

The Next AC meeting will be held on Wednesday, 8 October 2014

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