



| FTSE/JSE Capped Indices



»»» FTSE/JSE Capped Indices

The FTSE/JSE Capped Indices have been designed to represent the performance of companies listed on the JSE whilst providing the investor with more diversification than the standard benchmark indices. The FTSE/JSE Capped Top 40 Index consists of the 40 largest companies, while the FTSE/JSE Capped All Share Index represents all companies in the All Share, capped at a maximum of 10% exposure in the index.

The JSE and FTSE introduced the FTSE/JSE Capped Indices to the FTSE/JSE Africa Index Series on 1 July 2003. These indices were launched following market demand for indices with limited company weightings.

The objective of the FTSE/JSE Capped Indices is to meet a number of different requirements of the investment industry, including the need for:

- » an objective benchmark for measuring performance
- » an index that achieves the goal of risk diversification
- » an investable universe for local interest
- » an index that is compliant with current legislation
- » an index that more closely represents the current investment patterns of asset managers.

One of the key reasons for using capped indices is that by diversifying your portfolio away from the largest companies, the overall risk of the portfolio will be reduced. One should not forget that by reducing exposure to large cap companies you are increasing exposure to every other company at the mid and small end of the index. A point to note is that by reducing the exposure to companies because they have crossed a size threshold may increase risk in the portfolio if the companies whose exposure are being reduced are less risky, or are bringing greater diversification.

Index construction methodology

The FTSE/JSE Capped All Share Index

The construction of the FTSE/JSE Capped All Share Index follows the FTSE/JSE All Share Index construction methodology and only differs with regards to the capping of weightings to 10%. The following characteristics of the capped index will remain identical to that of the current FTSE/JSE All Share Index:

- » number of constituents and the list of constituents
- » application of liquidity screening

- » free float bands
- » index calculation method (shares in issue multiplied by free float multiplied by price)
- » eligibility criteria
- » underlying data such as shares in issue, share prices etc.
- » application of corporate actions.

The FTSE/JSE Capped Top 40 Index

This index is similar to the FTSE/JSE Top 40 Index in all respects, including the list of constituents, the number of shares included in the index, the data elements, eligibility criteria and methodology and only differs with regards to the capping of the weighting to 10%.

Calculating the Capped Indices

Capping is applied at the quarterly review as part of the normal FTSE/JSE Africa Index Series Quarterly Index Review. A flat capping of 10% is used on all constituents of the indices. What this means is that all companies/constituents whose weighting is larger than 10% in the index will be capped at a fixed level of 10%.

Secondary capping will be applied to reduce any resultant weighting to the fixed level of 10% that might have been increased above 10% during capping. Capping is a mathematical process that follows the FTSE capping methodology.

Features

- » The FTSE/JSE Capped Indices were created to allow South African investors the opportunity to monitor the impact of reducing the weightings of South Africa's largest companies within the FTSE/JSE All Share and FTSE/JSE Top 40 Index to 10%.
- » The indices reduce the weight of the largest companies in both the FTSE/JSE All Share and





FTSE/JSE Top 40 Indices and allow for a more diversified index.

- » Stocks are free-float weighted to ensure that only the investable companies are included within the indices.
- » Stocks are liquidity screened to ensure that the index is tradable.
- » The indices are likely to be used as the basis of index-linked funds, ETFs and over-the-counter (OTC) products.

Dissemination

Daily data services

The following data products are available for the FTSE/JSE Capped Indices:

- » **Live Index Data Service:** This service provides subscribers with the intra-day index values via InfoWiz.
- » **End-of-day Data Products:** This service provides subscribers with the following end-of-day data files which are produced in a flat file format and are available for download directly from the JSE via FTP (File Transfer Protocol).
- » **Valuation Data Service:** This service provides subscribers with a file containing index level data. It provides the end-of-day capital and total return index values, the index code, index market capitalisation and number of constituents. The file also contains information on the XD Adjustment (the ex dividend adjustment for the day) as well as the XD adjustment for the year to date, along with the actual dividend yield of the index.
- » **Constituent Data Service:** This service provides subscribers with a file which contains information on all the index constituents, including the constituent name, the ISIN and exchange code, the closing price, the total market capitalisation, the investable market capitalisation (the total market cap adjusted for free float), the number of shares in issue and the percentage weight of the constituent in the index.

» **Tracker data service:** This service provides subscribers with a file highlighting corporate actions and constituent changes that will be implemented that evening, effective for the following trading day. The service is designed to give users forward notice of corporate events and index changes, allowing them to plan for and implement any changes to their own investment products in a timely fashion. The file is split into three sections:

» **First section – Index Level Data:** Contains index changes to the number of constituents in the index, the market capitalisation of the index, index divisor as well as the XD adjustment figure.

» **Second section – Company Level Data:** Contains changes to the industry classification of the company, the closing shares in issue and the new shares in issue, the closing investability weighting used in the index calculation and the new investability weighting and changes to the closing price). There is also an indication of whether a secondary line related to the company has been included in the calculation and further amendment notes to give details of any housekeeping changes such as changes to the constituent name, a constituent addition or deletion or a change to the ISIN. Corporate actions such as capital repayments, capitalisation issues, rights issues, subdivision, complex corporate actions, consolidations and share changes will also be detailed in notes for the service user.

» **Third section – Dividend Information at Constituent Level:** Contains the ex-dividend date, the dividend amount, the ISO currency code for dividend payment, the XD adjusted values and a FTSE dividend code to indicate the type of dividend issued (e.g. final dividend or interim dividend).





Index family

The structure of the FTSE/JSE Capped Indices is summarised below

Index Code	Alpha Code	Index Name	Disseminated	Description
J303	CALS	FTSE/JSE Capped All Share Index	60 seconds	This index follows the construction of the existing FTSE/JSE All Share index with regards to constituents, data and application of corporate actions. The constituents of the index are capped at a fixed level of 10%.
J300	CTOP	FTSE/JSE Capped Top 40	15 seconds	The methodology for constructing this index is identical to the FTSE/JSE Top 40 except that the weight of constituents in the index is limited to 10%.

Ground rules and committee

As with all FTSE/JSE Indices the FTSE/JSE Capped Indices are governed by a strict set of transparent ground rules. Copies of FTSE/JSE Ground Rules are available on the FTSE/JSE website http://ftse.jse.co.za/ground_rules.jsp. An independent committee ensures that the indices are calculated according to the ground rules, so they remain impartial, transparent and accurate and evolve to meet market needs.

Contact information

JSE Limited – Information Product Sales

- » Tel: +27 11 520 7000
- » Email: infoproductsales@jse.co.za
- » www.jse.co.za

Disclaimer: This document is intended to provide general information regarding the JSE Limited ("JSE") and its products and services, and is not intended to, nor does it, constitute investment or other professional advice. It is prudent to consult professional advisers before making any investment decision or taking any action which might affect your personal finances or business. All information as set out in this document is provided for information purposes only and no responsibility or liability (including in negligence) will be accepted by the JSE for any errors contained in, or for any loss arising from use of, or reliance on this document. All rights, including copyright, in this document shall vest in the JSE. "JSE" is a trade mark of the JSE. No part of this document may be reproduced or amended without the prior written consent of the JSE.

