

FTSE/JSE Africa Index Series

Ground Rule Update: Investability Weighting

2 May 2017

FTSE/JSE would like to inform clients of the following updates to the FTSE/JSE Africa Index Series Ground Rules effective from the June 2017 review:

- Free float will no longer be rounded up to the next highest whole percentage number in FTSE indexes. Free float will instead be rounded to 12 decimal places. Changes to JSE data products, to incorporate the additional precision, will be announced when ready to be implemented.
- Every June a constituent's free float will be updated regardless of size. No buffers will be applied.
- At the March, September and December quarterly updates, a constituent with a free float greater than 15% will have its free float updated if it moves by more than 3 percentage points above or below the existing free float.
- A constituent with a free float of 15% or below will be subject to a 1 percentage point threshold.
- Free float changes resulting from corporate events will not be subject to the buffers as detailed above.

Section 6: Index Construction

6.3 Free Float

The entire quoted equity capital of a constituent company is included in the calculation of its market capitalisation, subject to free float restrictions.

6.3.1 Free float restrictions include:

- Shares directly owned by State, Regional, Municipal and Local governments (excluding shares held by independently managed pension schemes for governments).
- Shares held by directors, senior executives and managers of the company, and by their family and direct relations, and by companies with which they are affiliated.
- Shares held within employee share plans.
- Shares held by public companies or by non-listed subsidiaries of public companies.
- All shares where the holder is subject to a lock-in clause (for the duration of that clause)*.
- Shares held by an investor, investment company or an investment fund that is actively participating in the management of a company or is holding shares in a company for strategic reasons as evidenced by specific statements to that effect in publicly available announcements, or has successfully placed a current member to the board of directors of a company.
- Shares that are subject to on-going contractual agreements (such as swaps) where they would ordinarily be treated as restricted.
- Shares that are not accounted for on the Strate Register, only for instruments classified as foreign for index purposes by the South African Reserve Bank. These shares are restricted for selection and weighting purposes, but are not considered restricted for the 5% minimum free

float eligibility requirement (see Rule 6.3.5 and 6.3.6). The Strate Register calculation is determined on a three month average basis, using the three months prior to the Review month, with a one month lag.

* Free Float changes resulting from the expiry of a lock-in will be implemented at the next quarterly review subsequent to there being a minimum of 20 business days between the lock-in expiry date and the Tuesday before the first Friday of the review month. If the previously locked-in shares are sold by way of a corporate event (such as a secondary offering), any change to the free float will be applied T+5 following completion and therefore will not be subject to the minimum 20 business day rule.

6.3.2 Free float restrictions where holding is 10% or greater:

- Shares that are held by Sovereign Wealth Funds.
- Shares held by founders, promoters, former directors, founding venture capital and private equity firms, private companies, individuals (including employees) and shares held by several holders acting in concert.

The shares will remain restricted until the holding falls below 10%

6.3.3 Free float restrictions where holding is 30% or greater

For clarity, portfolio holdings (such as pension fund, insurance fund or investment companies) are generally not considered as restricted. However where a single portfolio holding is 30% or greater it will be regarded as strategic and therefore restricted. The shares will remain restricted until the holding falls below 30%.

If in addition to the above restricted holdings, the company's shareholders are subject to legal restrictions, including foreign ownership restrictions, that are more restrictive, the legal restriction will be applied.

6.3.4 Minimum free float – 5% or less

Companies with a free float of 5% or below are excluded from the index.

6.3.5 Minimum free float – 5% to 15%

However, a company that has a free float greater than 5% but less than or equal to 15% will be eligible for the index providing the market capitalisation of its available float is greater than the median company's free float capitalisation within the Index on review cut date, and it qualifies in all other respects.

6.3.6 Free float review

Free float will be calculated using available published information rounded to 12 decimal places. Underlying data for the calculation of free float is collected on an ongoing basis, and the detailed free float percentage as maintained by the JSE is updated accordingly.

June Updates

In June, a constituent's free float will be updated regardless of size. No buffers are applied.

March, September and December Updates

At the March, September and December quarterly updates, a constituent with a free float greater than 15% will have its free float updated if it moves by more than 3 percentage points above or below the existing free float. For example, Company A on a free float of 30% would trigger a change if its free float moved to above 33% or below 27%.

A constituent with a free float of 15% or below will be subject to a 1 percentage point threshold. For example, Company B on a free float of 8% would trigger a change if its free float moved to above 9% or below 7%.

Quarterly updates to free float will be applied after the close of business on the third Friday of March, June, September and December. The data cut-off for these quarterly changes will be the close of business on the third Wednesday of the month prior to the review month.

Updates Arising from Corporate Events

Free float changes resulting from corporate events will not be subject to the buffers as detailed above and will be implemented in line with the event.

websites :

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