

## Market Consultation

To: Market Participants  
From: Indices Department  
Date: 11 January 2018  
Subject: **Market Consultation: FTSE/JSE All Africa Indices Methodology Review**

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### 1. Introduction

Market participants have requested a review of the methodology of the All Africa indices (JA00 & JA30) that form part of the FTSE/JSE Africa Index Series. FTSE/JSE would like to obtain more input regarding the development of benchmark indices that would fulfil the need for African indices that can be used by the industry. This note provides an overview of the current methodology of the All Africa indices, with a view of identifying aspects of the indices that could be improved.

### 2. Background

Investors are increasingly looking for effective ways in which to invest in Africa. The All Africa indices measure the performance of the major capital and industry segments of the African continent.

The All Africa indices were designed to represent the performance of African companies listed on stock exchanges in African countries which qualify for inclusion as constituent countries of the indices and hence to provide investors with a transparent and replicable way in which to measure the performance of the constituent companies. The All Africa indices comply with the IOSCO Principles for Financial Benchmarks as published in July 2013. There are currently two All Africa indices and each is calculated in both ZAR and USD. The indices give investors a choice of investing in qualifying African markets including South Africa or qualifying African markets excluding South Africa.

#### **FTSE/JSE All Africa 40 Index (JA00)**

This index comprises the largest 40 companies in the eligible countries by full market capitalisation that meet the eligibility criteria set out in these Ground Rules.

#### **FTSE/JSE All Africa ex South Africa 30 Index (JA30)**

This index comprises the largest 30 companies in the eligible countries, excluding South Africa, by full market capitalisation that meet the eligibility criteria set out in these Ground Rules.

### 3. Qualifying Countries

Companies should be listed on the main board of a stock exchange in an African country that meets FTSE's quality of market criteria for frontier markets, as a minimum. A company that has African assets, but is not

listed on an African stock exchange in a qualifying country will not be considered for inclusion. A company listed on a stock exchange in an African country that is not a qualifying country, but which has a secondary listing on a stock exchange in a qualifying country, will be eligible for inclusion in the FTSE/JSE All Africa Index Series by virtue of such secondary listing.

The following countries are currently eligible to be included in the All Africa indices:

- Botswana
- Egypt
- Ivory Coast
- Kenya
- Mauritius
- Morocco
- Nigeria
- South Africa
- Tunisia

The only African qualifying country that is not currently included in the All Africa indices is Ghana.

The table below provides the number of constituents representing each country and the weight of each country in the All Africa 30 index (ex-SA).

Country	No of Constituents	Weight
Nigeria	7	27.39%
Morocco	7	27.12%
Egypt	7	21.62%
Kenya	5	15.73%
Mauritius	1	4.47%
Ivory Coast	1	2.76%
Tunisia	2	0.92%

The table below provides the number of constituents representing each country and the weight of each country in the All Africa 40 index.

Country	No of Constituents	Weight
South Africa	10	39.32%
Nigeria	7	16.62%
Morocco	7	16.46%
Egypt	7	13.12%
Kenya	5	9.54%
Mauritius	1	2.71%
Ivory Coast	1	1.67%
Tunisia	2	0.56%

#### 4. Current Index Construction

The All Africa 40 Index consists of the largest 40 eligible companies ranked by full market capitalisation, which also meet the liquidity and free float requirements. The number of constituents in this Index is maintained at a constant level of 40 with each country, other than South Africa, being limited to a maximum of 7 constituents and South Africa being limited to 10 constituents. In addition, no country may have more than 40% of the weight of the Index by investable market capitalisation.

The All Africa 30 Index consists of the largest 30 eligible countries and companies, excluding South Africa, ranked by full market capitalisation, which also meet the liquidity and free float requirements. The number of constituents in this Index is maintained at a constant level of 30 with each country being limited to a maximum of 7 constituents. In addition, no country may have more than 40% of the weight of the Index by investable market capitalisation.

All classes of ordinary shares in issue, excluding inward listings affecting foreign portfolio investment allowances, are eligible for inclusion in the FTSE/JSE All Africa Index Series, subject to conforming to all other rules of eligibility, free float and liquidity.

In respect of South African listed companies, only those which form part of the FTSE/JSE Top 40 Index (J200) will be eligible for inclusion.

The country weights in the FTSE/JSE All Africa 40 Index and the FTSE/JSE All Africa ex South Africa 30 Index are capped at 40%. Each constituent in the capped country will be treated equally therefore if a particular country requires a weight cap, then each company will be down-weighted by the same factor.

The Indices are reviewed on a quarterly basis in March, June, September and December.

#### 5. Points to Consider

When responding to the consultation, market participant might want to consider the following aspects:

- Country counter and weighting limits to ensure appropriate diversification
- Limits placed on country weight, and number of constituents per country
- African benchmarks most commonly used
- Capping to ensure an investable index
- Consideration for where companies operate, because African exposure is important
- Consider a broader index, with at least ten more constituents
- Weight of specific countries in the index
- Dominance of single stocks and particular countries, reducing diversification
- Adjusting the weights back to fall within the various limits may introduce excessive index churn at rebalance dates

## 6. Responding to the Consultation

Since their launch in 2008, there has been no fundamental review of the All Africa index methodology. FTSE/JSE would like to invite market participants to provide comments on any elements of the existing indices that do not meet their needs. In addition to this, FTSE/JSE would also value feedback on improvements that could be incorporated in the methodology.

**Please provide us with your comments and suggestions by Thursday, 8 February 2018 to the following email address: [indices@jse.co.za](mailto:indices@jse.co.za)**

All feedback received by 8 February 2018 will be carefully considered before making any final decisions, and presented to the FTSE/JSE Advisory Committee Meeting in March 2018. Should any market participant prefer to have a discussion around potential improvements to the All Africa Indices, please contact [indices@jse.co.za](mailto:indices@jse.co.za) directly to arrange a meeting.

This document is not confidential and should be distributed as widely as possible to all stakeholders.

Yours Sincerely,  
**Indices Department**

**Appendix 1: FTSE/JSE All Africa 40 Index Constituents (20 December 2017)**

Code	Constituent	Country code	ISO code	Exchange code	Price	Shares in Issue	Free Float	Sub-sector	Gross Mkt Cap (USD)	Net Mkt Cap (USD)	Mkt Cap (USD) after Capping	Weight
JA00	Telecom Egypt	EGY	EGP	EGYX	10.21	1,707,071,600	20.00%	6535	962.939284	192.587857	192.587857	0.38%
JA00	SONATEL	CIV	XOF	IVC	22,000	100,000,000	25.00%	6535	3,985.25	996.31	996.31	1.67%
JA00	Commercial International Bank	EGY	EGP	EGYX	74	1,153,866,000	90.86%	8355	4,752.61	4,318.22	4,318.22	7.25%
JA00	Global Telecom Holding	EGY	EGP	EGYX	7	4,721,121,558	48.08%	6575	1,940.87	933.17	933.17	1.57%
JA00	Eastern Tobacco	EGY	EGP	EGYX	415	100,000,000	40.00%	3785	2,322.65	929.06	929.06	1.56%
JA00	Elswedey Electric Co	EGY	EGP	EGYX	149	218,418,000	33.83%	2733	1,815.88	614.31	614.31	1.03%
JA00	Talaat Moustafa Group	EGY	EGP	EGYX	10	2,063,562,286	48.41%	8633	1,127.65	545.90	545.90	0.92%
JA00	Telecom Egypt	EGY	EGP	EGYX	13	1,707,071,600	20.00%	6535	1,286.12	257.22	257.22	0.43%
JA00	Misr Fertilizers Production Co SAE	EGY	EGP	EGYX	96	229,117,232	17.09%	1357	1,231.40	210.45	210.45	0.35%
JA00	Safaricom Ltd	KEN	KES	KYA	26	40,065,428,000	25.00%	6575	10,108.70	2,527.17	2,527.17	4.25%
JA00	KCB Group Ltd	KEN	KES	KYA	43	3,066,056,647	82.40%	8355	1,264.51	1,041.95	1,041.95	1.75%
JA00	East African Breweries Ltd	KEN	KES	KYA	242	790,774,356	50.00%	3533	1,857.03	928.52	928.52	1.56%
JA00	EQUITY BANK	KEN	KES	KYA	40	3,773,674,802	60.39%	8355	1,473.95	890.12	890.12	1.50%
JA00	Co-operative Bank of Kenya	KEN	KES	KYA	16	5,867,179,554	31.67%	8355	925.20	293.01	293.01	0.49%
JA00	Attijariwafa Bank	MAR	MAD	FMC	478	190,070,758	29.10%	8355	9,659.60	2,810.94	2,810.94	4.72%
JA00	Itissalat Al Maghrib Ste SA	MAR	MAD	FMC	136	879,051,190	20.00%	6575	12,706.70	2,541.34	2,541.34	4.27%
JA00	Banque Centrale Populaire	MAR	MAD	FMC	294	182,254,656	24.73%	8355	5,695.16	1,408.41	1,408.41	2.37%
JA00	LafargeHolcim Maroc SA	MAR	MAD	FMC	1,860	23,431,240	26.65%	2353	4,632.21	1,234.48	1,234.48	2.07%
JA00	Ciments du Maroc	MAR	MAD	FMC	1,630	14,436,004	35.73%	2353	2,501.00	893.61	893.61	1.50%
JA00	Com Sucrierie Marocaine et de Raff SA	MAR	MAD	FMC	290	62,991,429	30.00%	3577	1,941.60	582.48	582.48	0.98%
JA00	Taqa Morocco	MAR	MAD	FMC	915	23,587,655	14.21%	7535	2,293.96	325.97	325.97	0.55%
JA00	MCB Group Ltd	MAU	MUR	MZS	271	238,240,000	83.95%	8355	1,924.38	1,615.52	1,615.52	2.71%
JA00	Guaranty Trust Bank PLC	NGA	NGN	LGS	41	28,190,504,993	100.00%	8355	3,171.43	3,171.43	3,171.43	5.33%
JA00	Zenith Bank Plc	NGA	NGN	LGS	25	31,396,493,790	83.62%	8355	2,219.56	1,855.91	1,855.91	3.12%
JA00	Nigerian Breweries	NGA	NGN	LGS	141	7,929,100,888	46.00%	3533	3,108.21	1,429.78	1,429.78	2.40%
JA00	Nestle Foods Nigeria PLC	NGA	NGN	LGS	1,495	792,656,250	37.00%	3577	3,291.73	1,217.94	1,217.94	2.05%
JA00	United Bank for Africa Plc	NGA	NGN	LGS	10	34,199,421,368	93.82%	8355	981.33	920.68	920.68	1.55%
JA00	Dangote Cement PLC	NGA	NGN	LGS	230	17,040,507,405	8.00%	2353	10,886.99	870.96	870.96	1.46%
JA00	Stanbic IBTC Holding Co	NGA	NGN	LGS	40	10,000,000,000	38.00%	8355	1,119.44	425.39	425.39	0.71%
JA00	Naspers	SAF	ZAR	KSJ	3,301	438,265,253	97.04%	5553	114,674.12	111,279.77	8,870.66	14.90%
JA00	Compagnie Financiere Richemont AG	SAF	ZAR	KSJ	114	5,220,000,000	97.61%	3763	47,027.06	45,905.21	3,659.33	6.15%
JA00	BHP Billiton	SAF	ZAR	KSJ	242	2,112,071,796	98.36%	1775	40,479.46	39,817.37	3,174.04	5.33%
JA00	Anglo American	SAF	ZAR	KSJ	252	1,405,467,840	70.17%	1775	28,103.23	19,719.84	1,571.97	2.64%

Code	Constituent	Country code	ISO code	Exchange code	Price	Shares in Issue	Free Float	Sub-sector	Gross Mkt Cap (USD)	Net Mkt Cap (USD)	Mkt Cap (USD) after Capping	Weight
JA00	Standard Bank Group	SAF	ZAR	KSJ	191	1,618,018,412	78.19%	8355	24,528.86	19,179.35	1,528.88	2.57%
JA00	Sasol	SAF	ZAR	KSJ	404	651,389,516	84.63%	1357	20,863.05	17,657.04	1,407.53	2.36%
JA00	Firststrand Limited	SAF	ZAR	KSJ	65	5,609,488,001	56.90%	8355	28,989.49	16,495.02	1,314.90	2.21%
JA00	British American Tobacco PLC	SAF	ZAR	KSJ	835	2,462,666,963	9.72%	3785	163,037.19	15,847.91	1,263.32	2.12%
JA00	Vodacom Group	SAF	ZAR	KSJ	144	1,721,413,781	34.53%	6575	19,637.05	6,779.78	540.45	0.91%
JA00	Steinhoff International Holdings N.V.	SAF	ZAR	KSJ	5	4,322,903,037	59.99%	3726	1,583.02	949.61	75.70	0.13%
JA00	BIAT	TUN	TND	TNS	118	17,000,000	27.00%	8355	808.74	218.36	218.36	0.37%
JA00	Poulina Group Holding S.A.	TUN	TND	TNS	10	180,003,600	15.66%	2727	716.27	112.17	112.17	0.19%

**Appendix 2: FTSE/JSE All Africa ex South Africa 30 Index Constituents (20 December 2017)**

Code	Constituent	Country code	ISO code	Exchange code	Price	Shares in Issue	Free Float	Sub-sector	Gross Mkt Cap (USD)	Net Mkt Cap (USD)	Mkt Cap (USD) after Capping	Weight
JA30	SONATEL	CIV	XOF	IVC	22,000	100,000,000	25.00%	6535	3,985.25	996.31	996.31	2.76%
JA30	Commercial International Bank	EGY	EGP	EGYX	74	1,153,866,000	90.86%	8355	4,752.61	4,318.22	4,318.22	11.95%
JA30	Global Telecom Holding	EGY	EGP	EGYX	7	4,721,121,558	48.08%	6575	1,940.87	933.17	933.17	2.58%
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JA30	BIAT	TUN	TND	TNS	118	17,000,000	27.00%	8355	808.74	218.36	218.36	0.60%
JA30	Poulina Group Holding S.A.	TUN	TND	TNS	10	180,003,600	15.66%	2727	716.27	112.17	112.17	0.31%