

To: Market Participants
From: FTSE/JSE
Date: 16 October 2018
Subject: Notes from the FTSE/JSE Advisory Committee Meeting held on Thursday, 6 September 2018

1. Background

The FTSE/JSE Advisory Committee (AC) met on Thursday, 6 September 2018 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 2018 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	LBR, MIX, VVO	BWN, CAT, CLI, TTO	15	24	FFA (0.08%)	SOL (0.15%)	NPN (18.16%)	0.50%
Large Cap	PPH	ANG, ITU, QLT	3	2	NPN (0.34%)	ANG (0.76%)	NPN (21.97%)	1.76%
Large and Mid Cap	VVO	AFH, BLU, EOH, OMN, ZED	10	12	FFA (0.08%)	SOL (0.14%)	NPN (18.80%)	0.67%
Mid Cap	ANG, ITU, QLT, VVO	AFH, BLU, EOH, OMN, PPH, ZED	6	10	ANG (4.55%)	PPH (1.30%)	CLS (4.77%)	11.46%
Top 40	RNI	GFI	3	2	RNI (0.65%)	GFI (0.46%)	NPN (21.52%)	0.72%
SWIX 40			3	2	OMU (0.32%)	SOL (0.24%)	NPN (27.90%)	0.40%
Capped SWIX 40			3	2	NPN (0.50%)	SOL (0.35%)	NPN (10.00%)	0.97%
Eq Wgt 40	RNI	GFI	3	2	RNI (2.50%)	GFI (1.87%)	All (2.50%)	6.32%
Resi 10			1	0	BIL (2.06%)	SOL (0.54%)	BIL (39.37%)	0.54%
Fini 15			2	2	PSG (0.25%)	SBK (0.08%)	SBK (16.50%)	0.43%
Indi 25			1	1	TFG (0.04%)	NPN (0.02%)	NPN (38.93%)	0.05%
Div+	TBS	MMI	1	1	TBS (2.49%)	MMI (4.43%)	CML (5.21%)	19.28%
All Property		BWN, GRP	5	9	FFA (1.52%)	GRP (1.86%)	GRT (15.00%)	3.06%
Tradable Property		GRP	2	3	FFA (2.08%)	GRP (2.37%)	GRT (15.00%) NRP (15.00%) RDF (15.00%)	3.98%
SAPY	STP	GRP	4	5	FFA (1.71%)	GRP (2.15%)	GRT (21.31%)	3.31%

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

2.2 Largest Changes in Ranking

All Share constituents compared at June 2018 and September 2018 Quarterly Reviews.

Newly Eligible at September Review					
Alpha	Instrument	September Rank	Previous Eligibility Failure	Comment	
MIX	Mix Telematics Ltd	137	Previously Fledgling constituent	Added to Small Cap	
Noteworthy Top 40 Instruments					
Alpha	Instrument	September Rank	June Rank	Move	Comment
GFI	Gold Fields Ltd	47	39	-8	Largest Top 40 down (deletion)
MEI	Mediclinic Int plc	43	35	-8	Largest Top 40 down
WHL	Woolworths Holdings Ltd	30	25	-5	2 nd Largest Top 40 down
TBS	Tiger Brands Ltd	31	26	-5	2 nd Largest Top 40 down
LHC	Life Healthc Grp Hldgs Ltd	42	37	-5	2 nd Largest Top 40 down
RMH	RMB Holdings Ltd	25	30	5	Largest Top 40 up
RNI	Reinet Investments S.C.A	38	42	4	2 nd Largest Top 40 up (addition)
ANG	Anglogold Ashanti Ltd	32	36	4	2 nd Largest Top 40 up
SPP	The Spar Group Ltd	36	40	4	2 nd Largest Top 40 up
MEI	Mediclinic Int plc	43	35	-8	Lowest Ranking Top 40
AVI	AVI Ltd	39	41	2	Largest Reserve List
Largest Decrease in Ranking in Main Board					
Alpha	Instrument	September Rank	June Rank	Move	Comment
NIV	Niveus Investments Ltd	259	216	-43	Remains in Fledgling
DAW	Distr and Warehousing	273	248	-25	Remains in Fledgling
BSR	Basil Read Holdings Ltd	279	254	-25	Remains in Fledgling
PPC	PPC Limited	108	85	-23	Remains in Small Cap
GND	Grindrod Ltd	122	102	-20	Remains in Small Cap
Largest Increase in Ranking in Main Board					
Alpha	Instrument	September Rank	June Rank	Move	Comment
HPR	Hosken Pax Log and Rail	206	246	40	Remains in Fledgling
RSG	Resource Generation Ltd	217	256	39	Remains in Fledgling
ACL	ArcelorMittal SA Limited	146	171	25	Remains in Small Cap
EOH	EOH Holdings Ltd	124	139	15	Mid Cap deletion; Small Cap addition
SHG	Sea Harvest Group Ltd	155	169	14	Remains in Fledgling

3. Feedback on the FTSE/JSE Africa Index Series

3.1 Rebasings 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. However there are two tradable indices (indices with derivative/s listed) with index values in excess of 70,000.00 namely:

Index	Class	Index Value	Derivative Listed	Open Interest
J201 - Mid Cap	Capital Index	70,551.39	-	-
J311 - Capped Industrial 25	Capital Index	71,450.29	-	-
J211 - Industrial 25	Capital Index	72,656.02	Yes	0
J213 - Financial and Industrial 30	Capital Index	77,046.75	Yes	278
J853 - Nonlife Insurance	Capital Index	78,176.99	-	-
J257 - SA Industrials	Capital Index	79,838.13	-	-
JS54 - SWIX Media	Capital Index	95,020.28	-	-
JS54 - SWIX Media	Total Return Index	118,656.23	-	-

Indices with index values exceeding 70,000.00 on 2018/08/02

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 2018 review:

Amendment Type	Top 40 Index	All Share Index	Top 40 Notes
CA - Constitution Addition	1	1	Quilter addition
CD - Constitution Deletion	1		Quilter deletion
CP - Special Dividend	1	1	OML Capital Repayment of ZAR 8.6465 to reflect the unbundling of Quilter.
DV - Dividend	11	29	
IC - Weight Change		1	
IS - Shares Update		1	
NC - Name Change	2	2	Absa Group Limited and Old Mutual Ltd
SS - Sub-Sector Change		1	Quilter from parent ICB (8575) to own ICB (8771)

3.2.1 Old Mutual Plc Managed Separation: Unbundling Quilter

During the quarter Old Mutual plc made an announcement to undergo a Managed Separation, which was implemented in way of a demerger of Quilter (QLT), and a change in the JSE-listed entity Old Mutual plc (OML) to Old Mutual Ltd (OMU). This event was most significant because Old Mutual plc was a Top 40 company.

The event was actioned in the indices as follows:

- After close of business on Friday, 22 June 2018, a capital reduction was applied to the closing price of OML, reflecting the expected valuation of Quilter when it commenced trading on Monday, 25 June 2018.
- At the start of business on Monday, 25 June 2018, Quilter was listed and commenced trading. It was added to all the indices in which Old Mutual Plc was a constituent. At the same time, Old Mutual plc was suspended as per the terms of the event; keeping the price in the indices fixed at the adjusted Friday close, after applying the capital reduction.
- After close on the same day, indices that have a fixed number of constituents, where OML was a constituent and subsequently QLT was added, were ranked based on the closing price of the Monday, 25 June 2018 and Quilter's forward looking free float of 61.52%, a change that was due to Quilter's foreign status meaning that it was to use Old Mutual Plc's SWIX free float. The lowest ranked company (In the Top 40, it was Quilter) was to be removed from index on T+2.
- On Tuesday, 26 June 2018, Old Mutual Limited commenced trading. Old Mutual Plc was retained in the indices and a name change was applied to change it to Old Mutual Limited.
- On Wednesday, 27 June 2018, Quilter's free floated was updated to 61.52%. The lowest ranked company in the indices with fixed number of constituents was removed from the respective indices. Quilter was also removed from the Top 40 index.

3.2.2 Grindrod Limited Unbundles Grindrod Shipping

In August 2017 and January 2018, Grindrod Limited issued an announcement about its intention to dispose and separately list its shipping business, Grindrod Shipping, on the Nasdaq and the JSE in June 2018. The Nasdaq listing would be the primary listing and the JSE listing would be the secondary listing. The shipping business which was held via wholly-owned Grindrod subsidiaries, Grindrod Shipping Pte. Ltd and Grindrod Shipping (South

Africa) Proprietary Limited was disposed to an independent, newly incorporated Singapore registered company, Grindrod Shipping Holdings Ltd.

The event was treated as follows in the indices:

- After market close on Tuesday, 12 June 2018, the Grindrod Ltd closing price was R12.77 and a capital repayment of R5.56 was applied, resulting in a closing price of R7.21 for Grindrod Ltd. The capital repayment was to the value of Grindrod Shipping Holdings Ltd as estimated from the pre-listing valuation statement.
- On the ex-date, Wednesday 13 June 2018, Grindrod Ltd shares opened trading at R9.20 on the JSE, which was 27.6% higher than estimated price in the indices. The price in the indices was then revised to R9.20 and a market notice was issued to alert the market. The revision of the price was done in line with the spin-off valuation rule as set out on the Corporate Actions and Events Guide.
- The GRIN CNN did not list on the JSE and no further action was done on the indices.
- On Tuesday, 19 June 2018, Grindrod Shipping listed as a secondary inward listing on the JSE and primary listing on the NASDAQ. The company was not eligible for index inclusion, because it was unbundled in the form of unlisted convertible notes before converting into Grindrod Shipping shares. As such the company will be considered as a new listing and will be tested for inclusion for the September 2018 review.

3.3 Ground Rules Change

On 25 September an update to the FTSE/JSE Africa Index Ground Rules was published.

Section 4: Index Construction

Removal of minimum free float rule and update to free float for companies eligible for the FTSE/JSE All Share Index.

- Rule 4.3.5 has been updated to remove the minimum free float – 5% to 15% rule.
- Rule 4.3.7 has been updated to reflect that Foreign companies with a free float less than 5% are now eligible for index inclusion to the FTSE/JSE All Share Index if their investable market capitalisation is more than 1% of the FTSE/JSE Mid Cap Index. Foreign companies that are existing constituents of the FTSE/JSE All Share Index are only deleted as constituents if their investable market capitalisation falls below 0.5% of the Mid Cap Index.

Section 5: Periodic Review of Constituent Companies

Introduction of a minimum investable market capitalisation requirement for the FTSE/JSE All Share Index.

- Rule 5.3.4 has been updated to reflect the introduction of a minimum investable market capitalisation requirement for inclusion into the FTSE/JSE All Share Index. A company will be eligible for the FTSE/JSE All Share index provided the market capitalisation of its available float is 1% or greater than the investable market capitalisation of the FTSE/JSE Small Cap Index on review cut date, and it qualifies in all other respects. A current constituent will be deleted from the FTSE/JSE All Share index should the investable market cap fall to 0.2% or below relative to the FTSE/JSE Small Cap index investable market capitalisation on review cut date.

4. FTSE/JSE Benchmark Design

The broad market benchmarks in the FTSE/JSE Africa Index Series have not fundamentally changed since the introduction of the Capped and Shareholder Weighted index suites in 2004. The Capped SWIX All Share index was introduced in 2016. Based on a number of recent discussions in the market, FTSE/JSE is considering the potential value of a detailed review of the current equity benchmark offering, starting with an assessment of the FTSE/JSE benchmarks available to South African equity investors. FTSE/JSE plans to engage with market participants as widely as possible.

The next AC meeting will be held on Thursday, 6 December 2018.

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

Email: indices@jse.co.za

Tel: +27 (0)11 520 7137