

**To:** Market Participants  
**From:** FTSE/JSE  
**Date:** 18 December 2018  
**Subject:** Notes from the FTSE/JSE Advisory Committee Meeting held on Thursday, 6 December 2018

## 1. Background

The FTSE/JSE Advisory Committee (AC) met on Thursday, 6 December 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 December 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	ANH	VVO,CRP, NT1	10	19	ANH (0.24%)	NPN (0.15%)	NPN (18.54%)	<b>0.87%</b>
Large Cap	ANH		3	6	ANH (0.29%)	NPN (0.23%)	NPN (22.71%)	<b>0.91%</b>
Large and Mid Cap	ANH	VVO	5	10	ANH (0.25%)	NPN (0.17%)	NPN (19.19%)	<b>0.85%</b>
Mid Cap		VVO	2	4	RES (0.22%)	VVO (0.08%)	ANG (5.80%)	<b>0.51%</b>
Top 40	PSG	MEI	2	4	PSG (0.69%)	MEI (0.41%)	NPN (21.15%)	<b>1.26%</b>
SWIX 40	PSG,AVI	MTH,MEI	2	5	PSG (0.87%)	NPN (0.57%)	NPN (27.85%)	<b>2.50%</b>
Capped SWIX 40	PSG,AVI	MTH,MEI	2	5	PSG (1.08%)	MEI (0.65%)	NPN (10.00%)	<b>3.13%</b>
Eq Wgt 40	PSG	MEI	2	4	PSG (2.50%)	NED (2.12%)	All (2.50%)	<b>8.97%</b>
Resi 10			0	1	SOL (0.71%)	BHP (0.33%)	BIL (39.16%)	<b>0.71%</b>
Fini 15			1	2	NED (0.49%)	SBK (0.18%)	SBK (16.47%)	<b>0.94%</b>
Indi 25	ANH	PFG	1	1	ANH (0.53%)	PFG (0.43%)	NPN (41.30%)	<b>0.85%</b>
All Property		CRP	3	9	RES (0.61%)	GRT (0.80%)	GRT (15.00%)	<b>1.86%</b>
Tradable Property			2	3	NRP (0.85%)	RDF (1.06%)	GRT (15.00%) RDF (15.00%)	<b>2.59%</b>
SAPY	IAP	AWA	4	2	AWA (1.47%)	IAP (1.11%)	GRT (21.73%)	<b>2.94%</b>

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

## 2.2 Largest Changes in Ranking

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

Newly Eligible ALSI at December Review					
Alpha	Instrument	December Rank	Previous Eligibility Failure	Comment	
ANH	Anheuser-Busch InBev SA NV	1	Failed previous Free Float Rule	Added to Large Cap	
Noteworthy Top 40 Instruments					
Alpha	Instrument	December Rank	September Rank	Move	Comment
NED	Nedbank Group Ltd	15	22	7	Largest Top 40 up
ANG	Anglogold Ashanti Ltd	25	32	7	Largest Top 40 up
LHC	Life Healthc Grp Hldgs Ltd	37	42	5	2nd Largest Top 40 up
APN	Aspen Pharmacare Hldgs Ltd	26	14	-12	Largest Top 40 down
MEI	Mediclinic Int plc	51	43	-8	2nd Largest Top 40 down (deletion)
RNI	Reinet Investments S.C.A	44	38	-6	Lowest Ranking Top 40
AVI	AVI Ltd	40	39	-1	Largest Reserve List
Largest Decrease in Ranking in Main Board					
Alpha	Instrument	December Rank	September Rank	Move	Comment
ASC	Ascendis Health Ltd	184	133	-51	Remains in Small Cap
CHP	Choppies Enterprises Ltd	221	174	-47	Remains in Fledgling (suspended)
RSG	Resource Generation Ltd	259	217	-42	Remains in Fledgling
IPL	Imperial Holdings Ltd	88	49	-39	Remains in Mid Cap
AWA	Arrowhead Properties Ltd	150	128	-22	Remains in Small Cap
Largest Increase in Ranking in Main Board					
Alpha	Instrument	December Rank	September Rank	Move	Comment
MCZ	MC Mining Limited	207	239	32	Remains in Fledgling
GTR	Grit Real Estate Inc Grp	123	150	27	Remains in Fledgling
DRD	DRD Gold Ltd	181	204	23	Remains in Fledgling
IMP	Impala Platinum Hlgs Ltd	67	87	20	Remains in Mid Cap
DTC	Datatec Ltd	120	136	16	Remains in Small Cap
HPR	Hosken Pax Log and Rail	190	206	16	Remains in Fledgling
SSK	Stefanutti Stck Hldgs Ltd	227	243	16	Remains in Fledgling

## 3. Feedback on the FTSE/JSE Africa Index Series

### 3.1 Rebasing 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. The below indices have an index value in excess of 70,000.00 however none of these indices have derivatives listed:

Index	Class	Index Value	Derivative Listed	Open Interest
J853 - Nonlife Insurance	Capital Index	82,073.03	-	-
J554 - SWIX Media	Capital Index	77,564.41	-	-
J554 - SWIX Media	Total Return Index	97,062.29	-	-

### 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 September 2018 review:

Amendment Type	Top 40 Index	All Share Index	Top 40 Notes
CA - Constitution Addition	-	-	
CD - Constitution Deletion	-	-	
CP - Special Dividend	1	3	Capital Repayment of ZAR 8.1257528 applied to OMU to reflect the distribution of NED shares to OMU shareholders.
DV - Dividend	6	33	
IC - Weight Change	1	1	Change in NED free float due to unbundling from OML to achieve market cap neutrality.
IS - Shares Update	-	-	
NC - Name Change	-	-	
SS - Sub-Sector Change	-	-	

#### 3.2.1 Old Mutual Ltd completes Managed Separation: Unbundles Nedbank Ltd

During the third quarter of 2018, Old Mutual plc made an announcement to undergo a Managed Separation. This was initially implemented by way of a demerger of Quilter (QLT), and a change in the JSE-listed entity Old Mutual plc (OML) to Old Mutual Ltd (OMU). The final step of the managed separation was the unbundling of Nedbank Group Ltd (NED) from OMU via a distribution of NED shares to OMU shareholders, which took place in October 2018.

The terms of the unbundling were as follows:

- For every 100 shares held in OMU, shareholders received 3.21176 NED shares.
- The ex-date for this event was Wednesday, 10 October 2018.

The event was actioned in the indices as follows:

- After close of business on Tuesday, 9 October 2018, a capital reduction of ZAR 8.1257528 was applied to the closing price of OMU.
- In order to achieve market cap neutrality in the market cap weighted indices, the investability weighting for NED was increased from 43.25% to 74.20%. The free float will be further adjusted at the December review to be aligned with the true underlying number.
- In the non-market cap weighted indices (with the exception of the RAFI indices), each of the individual weighting factors for OMU and NED were changed resulting in their respective index weights and the index divisors being unchanged.

FTSE/JSE published an ICA on 5 October 2018 detailing the index treatment.

### 3.2.2 L2D conversion to Corporate REIT

During the third quarter, Liberty Two Degrees (L2D) published an announcement indicating its intention to convert from a CISIP (Collective Investment Scheme in Property) to a corporate REIT

The details of the conversion were as follows:

- Each unit holder received one ordinary share for every participatory interest in the CISIP
- The units were suspended from trading on 29 October 2018

In addition to the conversion, a final CISIP distribution was declared with ex-date 29 October 2018.

FTSE/JSE published an informative notice on the 26 of October 2018 detailing the below anticipated index treatment:

- Suspension of trading of L2D units on 29 October 2018
- L2D to remain in the indices at its last traded price of 26 October until after close on 31 October 2018
- L2D to resume trading under new ISIN and new name from start of trading on 1 November 2018
- Since the standard index treatment is not to apply dividends to a suspended stock, FTSE/JSE was to apply the final dividend to L2D once it resumes trading on 1 November 2018

Upon further investigation, it was discovered that the ISIN change was effective on the suspended stock from 29 October 2018, and an updated notice was published on 30 of October 2018 providing further clarity.

### 3.3 Ground Rule Change Impact on December 2018 Review

On 25 September 2018 FTSE/JSE published a Ground Rule update regarding the removal of the minimum 5% - 15% free float rule and an update to free float rule for companies treated as foreign in the Index Series. In addition a minimum investable market capitalisation requirement for the All Share index was introduced.

- Foreign companies with a free float less than 5% are eligible for index inclusion to the All Share Index if their investable market capitalisation is more than 1% of the Mid Cap Index. Foreign companies with a free float below 5% that are existing constituents of the All Share Index are only deleted as constituents if their investable market capitalisation falls below 0.5% of the Mid Cap Index.
- A company will be eligible for the All Share index provided the market capitalisation of its available float is 1% or greater than the investable market capitalisation of the Small Cap Index on review cut date, and it qualifies in all other respects. A current constituent will be deleted from the All Share index should the investable market cap fall to 0.2% or below relative to the Small Cap index investable market capitalisation on review cut date (26 November 2018).

#### 3.3.1 Impact on Anheuser-Busch InBev (ANH) free float

ANH was previously excluded from the FTSE/JSE Index Series due to its free float not meeting the 1% plus 1 share minimum free float requirement for companies treated as foreign in the Index Series. The announcement of the Ground Rule change did not impact ANH's actual free float as represented on the Strate Register. However, ANH will be included in the All Share Index as of the December review effective date with a free float of 0.91%, because its investable market cap of Rb16.35 is more than 1% of the Mid Cap Index investable market cap of Rb10.1. ANH does not qualify for Top 40 inclusion.

### 3.3.2 Foreign constituent additions or deletions due to free float <5% rule

Alpha	InstrumentName	Index Current	Index Change Dec '18	Gross MCAP (Rb)	Free Float	Current J203 Weight
ANH	AB InBev		LRGC ADD	1,794.01	0.91%	0.000%
VVO	Vivo Energy plc	MIDC	MIDC DEL	23.95	2.91%	0.011%
NT1	Net 1 UEPS Tech Inc	SMLC	SMLC DEL	3.66	4.86%	0.003%
KP2	Kore Potash plc	FLED	FLED DEL	1.46	3.64%	
TAW	Tawana Resources NL	FLED	FLED DEL	1.39	1.12%	
ORN	Orion Minerals Ltd	FLED	FLED DEL	0.49	4.27%	
EUZ	Europa Metals Ltd	FLED	FLED DEL	0.17	4.30%	
APH	Alphamin Res Corp	ALTI	ALTI DEL	2.35	1.38%	
BUC	Buffalo Coal Corp	ALTI	ALTI DEL	0.35	1.04%	
KBO	Kibo Energy plc	ALTI	ALTI DEL	0.31	2.56%	
					<b>Total</b>	<b>0.014%</b>

\* Smallest All Share Weight: Net 1 UEPS Tech Inc – 0.003%

### 3.3.3 Companies previously excluded due to free float <5% and still excluded

Alpha	InstrumentName	Status	Board	Gross MCAP (Rb)	Free Float
GTC	Globe Trade Centre	Foreign	Main	14.99	0.00%
OAO	Oando plc	Foreign	Main	3.11	0.14%
GPB	Gemgrow Prop Ltd B		Main	2.55	4.27%
EPS	Eastern Platinum Ltd	Foreign	Main	0.10	2.27%
KDV	Kaydav Group Ltd		Main	0.10	4.77%
AHL	AH-Vest Limited		Alt X	0.02	4.44%

### 3.3.4 Constituent additions or deletions due to removal of 5% - 15% free float requirement

Alpha	InstrumentName	Status	Index Current	Index Change Dec '18	Gross MCAP (Rb)	Free Float
HIL	Homechoice Int plc	Foreign		FLED ADD	4.09	5.82%
EXP	Exemplar REITail Ltd			FLED ADD	3.18	8.37%
EMN	E Media Holdings Ltd			FLED ADD	1.29	10.80%
TOR	Torre Industries Ltd			FLED ADD	0.68	14.27%
ATL	Atlatsa Res Corp	Foreign		FLED ADD	0.22	13.02%
SPA	Spanjaard Limited			FLED ADD	0.03	14.44%
AND	Andulela Inv Hldgs Ltd			FLED ADD	0.00	7.51%
NRL	Newpark REIT Ltd			ALTI ADD	0.60	6.20%
TPF	Transcend Res Prop			ALTI ADD	0.41	10.51%
CMO	Chrometco Ltd			ALTI ADD	0.38	10.50%
WKF	Workforce Hold Ltd			ALTI ADD	0.30	8.32%
CVW	Castleview Prop Fund			ALTI ADD	0.17	10.00%
AVR	Avior Cap Market			ALTI ADD	0.09	9.55%
TLM	Telemaster HoldLtd			ALTI ADD	0.03	12.78%

### 3.3.5 All Share Constituents Removed due to 0.2% Rule

The companies listed below were removed from the All Share index at the December review due to their investable market cap falling to 0.2% or below relative to the Small Cap index investable market cap of Rb0.46 on review cut date.

Alpha	InstrumentName	Status	Index Current	Index Change Dec '18	Net MCAP (Rb)
CRP	Capital & Regional Plc	Foreign	SMLC	SMLC DEL	0.44
NT1	Net 1 UEPS Tech Inc	Foreign	SMLC	SMLC DEL	0.18

#### **4 FTSE/JSE Market Index Design**

The broad market indices 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. Market indices are used for a broad range of purposes, including analytics, fund benchmarks and index products, such as tracking funds or derivatives. 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 market index offering.

FTSE/JSE has published a market consultation on 14 December 2018 regarding the FTSE/JSE Market Index suite available at the following link:

[Market Consultation – FTSE/JSE Market Index Design](#)

Comments and suggestions regarding the consultation to be submitted by **31 January 2019** to the following email address:

[indices@jse.co.za](mailto:indices@jse.co.za)

**The next AC meeting will be held on Thursday, 28 February 2019.**

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

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