

**To:** Market Participants  
**From:** FTSE/JSE  
**Date:** 20 September 2019  
**Subject:** Notes from the FTSE/JSE Advisory Committee Meeting held on Thursday, 5 September 2019

## 1. Background

The FTSE/JSE Advisory Committee (AC) met on Thursday, 5 September 2019 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 2019 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	DRD	ACT, DLT, MIX, REB, TDH	9	14	AGL (1.17%)	NPN (0.27%)	NPN (20.78%)	1.36%
Large Cap	GFI	APN, HMN, MEI, MRP, RDF, RMI, TBS	2	1	AGL (1.53%)	RDF (0.74%)	NPN (25.30%)	3.43%
Large and Mid Cap		NPK, RPL, SNH, TGO	6	5	AGL (1.21%)	NPN (0.24%)	NPN (21.41%)	1.31%
Mid Cap	APN, HMN, MEI, MRP, RDF, RMI, TBS	GFI, NPK, RPL, SNH, TGO	4	3	RDF (4.10%)	GFI (7.71%)	IMP (5.91%)	19.07%
Top 40	IMP, SGL	APN, SAP	2	1	AGL (1.32%)	NPN (0.57%)	NPN (24.39%)	3.07%
SWIX 40	GFI, IMP, SGL	APN, LHC, SAP	2	1	IMP (1.37%)	APN (0.69%)	NPN (32.40%)	3.09%
Capped SWIX 40	GFI, IMP, SGL	APN, LHC, SAP	2	1	IMP (1.83%)	NPN (1.11%)	NPN (10.00%)	4.13%
Eq Wgt 40	IMP, SGL	APN, SAP	2	1	IMP (2.50%), SGL (2.50%)	APN (2.22%)	All (2.50%)	9.05%
Resi 10	SGL	SAP	1	1	AGL (3.70%)	BHP (2.59%)	BHP (37.75%)	6.24%
Fini 15	REM	PSG	2	0	REM (6.53%)	PSG (2.53%)	SBK (17.08%)	6.53%
Indi 25	TKG	REM	0	1	NPN (0.86%)	REM (2.63%)	NPN (45.80%)	2.63%
Div Plus	JSE, MSM, MTH	PFG, S32, WHL	1	1	MTH (3.22%)	PFG (4.15%)	KIO (5.94%)	19.58%
All Property		DLT, REB, TDH	3	3	IAP (0.50%)	GRT (0.48%)	GRT (15.00%)	1.19%
Tradable Property		RPL	1	1	RDF (1.15%)	NRP (1.37%)	GRT, RDF, NRP (15.00%)	3.41%
SAPY	SSS	APF	3	3	SSS (1.44%)	APF (0.62%)	GRT (21.41%)	2.51%

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

## 2.2 Largest Changes in Ranking

All Share constituents compared at September 2019 and June 2019 Quarterly Reviews.

Noteworthy Top 40 Instruments					
Alpha	Instrument	September Rank	June Rank	Move	Comment
SGL	Sibanye Gold Limited	32	57	25	Largest Top 40 up (addition)
IMP	Impala Platinum Hlgs Ltd	25	40	15	2nd Largest Top 40 up (addition)
ANG	Anglogold Ashanti Ltd	10	22	12	Largest Top 40 up
GFI	Gold Fields Ltd	18	30	12	2nd Largest Top 40 up
DSY	Discovery Ltd	35	26	-9	Largest Top 40 down
SHP	Shoprite Holdings Ltd	26	18	-8	2 <sup>nd</sup> Largest Top 40 down
EXX	Exxaro Resources Ltd	40	32	-8	2 <sup>nd</sup> Largest Top 40 down
APN	Aspen Pharmacare Hlgs Ltd	46	38	-8	Largest Top 40 down (deletion)
RNI	Reinet Investments S.C.A	36	41	5	Largest Reserve List
Largest Decrease in Ranking in Main Board					
Alpha	Instrument	September Rank	June Rank	Move	Comment
DLT	Delta Property Fund	217	181	-36	ALSI deletion, Fledgling addition
PHM	Phumelela Game Leis	253	222	-31	Remains in Fledgling
ITU	Intu Properties plc	99	71	-28	Remains in Mid Cap
HLM	Hulamin Ltd	223	197	-26	Remains in Fledgling
BLU	Blue Label Telecom Ltd	163	143	-20	Remains in Small Cap
YRK	York Timber Holdings	237	217	-20	Remains in Fledgling
ACT	AfroCentric Inv Corp	179	160	-19	ALSI deletion, Fledgling addition
ECS	Ecsponent Limited	266	247	-19	Remains in Fledgling
Largest Increase in Ranking in Main Board					
Alpha	Instrument	September Rank	June Rank	Move	Comment
DRD	DRD Gold Ltd	126	177	51	Fledgling deletion, Small Cap addition
SGL	Sibanye Gold Limited	36	68	32	Remains in Mid Cap
HAR	Harmony GM Co Ltd	61	88	27	Remains in Mid Cap
PAN	Pan African Resources	118	145	27	Remains in Small Cap
IAP	Investec Australia Prop	107	125	18	Remains in Small Cap
GFI	Gold Fields Ltd	27	45	18	Mid Cap deletion, Large Cap addition

## 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 index values in excess of 70,000.00:

Index	Class	Index Value	Derivative Listed	Open Interest
J211 - Industrial 25	Capital Index	72,776.47	Yes	3
J213 - Financial and Industrial 30	Capital Index	76,516.01	Yes	265
J853 - Nonlife Insurance	Capital Index	78,047.48	-	-
J257 - SA Industrials	Capital Index	78,763.97	-	-
JS54 - SWIX Media	Capital Index	120,592.51	-	-
JS54 - SWIX Media	Total Return	150,906.64	-	-

Table 1: Indices with index values exceeding 70,000.00 on 2019/07/31

### 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 2019 review:

Amendment Type	Top 40 Index	All Share Index	Top 40 Notes
CA - Constitution Addition	0	0	Quilter addition
CD - Constitution Deletion	1	1	Mondi Ltd was deleted during the Mondi consolidation
CP - Special Dividend	1	3	Tiger Brands paid Special Dividend of ZAR 3.06
DV - Dividend	6	17	
IC - Weight Change	1	1	Mondi Plc free float change during the Mondi consolidation
IS - Shares Update	1	1	Mondi Plc shares change during the Mondi consolidation
NC - Name Change	0	2	

Table 2: Inter-Review changes since the last review to 2019/08/02

## 4. Naspers and Prosus Capitalisation Issue

### 4.1 Capitalisation Issue

On 29 May 2019 Naspers published a circular with the full terms of the capitalisation issue and divesture. The event was scheduled to be implemented starting on 17 July when the new company, Prosus, would commence trading and Naspers would trade ex-entitlement on the JSE. However, the event was halted and the company later announced that the event would proceed effective on 11 September 2019.

The below options were available to shareholders up to the 13th of September 2019:

- Shareholders could elect to participate in the M-shares and would receive one for one of Naspers M-shares for every one Naspers N-shares held. On the commencement of trade of the elected shares the Naspers M-shares would be converted into Prosus N-shares on a one for one basis. This was the default option.
- Alternatively, shareholders could elect to participate in the Naspers N-shares where they would receive additional Naspers N-shares at terms of 0.36986 for every one Naspers N-share currently held. This would only be up to the limit of the authorised share capital for Naspers

FTSE/JSE published an [ICA](#) on the 4<sup>th</sup> of September 2019 detailing the treatment in the indices on ex date.

### 4.2 Prosus Free Float

As part of the event FTSE/JSE want to move to the best estimate of the Prosus Strate free float. When determining the Prosus free float FTSE/JSE will consider the following inputs:

- The published election results
- The resident / non-resident split of Naspers on the Strate Register as at the end of August, on the basis that SA resident Naspers shareholders will receive their Prosus allocation on the Strate Register and non-residents will not
- The Naspers holdings in Prosus will be considered restricted and therefore excluded from the free float calculation

### 4.3 Ranking

For the indices with a fixed number of constituents, ranking was done using the closing prices of the 16<sup>th</sup> of September 2019 with only Naspers and Prosus using forward looking shares and free float. FTSE/JSE published an [ICA](#) on the 16<sup>th</sup> of September 2019 indicating the review changes and index changes as a result of the corporate action.

### 4.4 Capping

The event was ex 2 days before the capping date and the election results closed on the 13<sup>th</sup> of September. The capping calculation was delayed to incorporate the election results and the publication of the capping factors was pushed out by one day to Tuesday, 17 September 2019, but using the 13<sup>th</sup> September prices to calculate capping factors.

The [Naspers Informative Notice](#) stated that the capping Ground Rules will remain unchanged and Naspers and Prosus will be capped as two separate companies.

## 5. All Share Eligibility Hurdle

Following the introduction of the 1% rule\* in December 2018 and the review of this rule by the AC at the March, June and September 2019 meetings, it was noted that the 1% hurdle was too high. The hurdle was reduced to 0.5% and FTSE/JSE published an [Informative Notice](#) together with an update to the Ground Rules on 2 August 2019. The reduced hurdle was effective from the September 2019 review.

*\*This rule stated that an instrument 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.*

## 6. Other Index Related Matters

### 6.1 Inclusion of Dummy Instrument Lines

FTSE/JSE is now able to make use of temporary dummy instrument lines in the indices for complex corporate actions. The dummy lines are temporary non-tradable instruments identified by the word DUMMY embedded in the ISIN code. This change was effected from the 1<sup>st</sup> of August 2019 and a [Ground Rules Update](#) was published on 1 July 2019.

**The next AC meeting will be held on Thursday, 5 December 2019.**

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