

Ground Rules for the Management of the FTSE/JSE Africa Index Series



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1. Introduction

1.1 This paper sets out the Ground Rules for the management of the FTSE/JSE Africa Index Series. Copies of the Ground Rules are available from FTSE, the JSE Limited (JSE) (see Appendix A) and on the websites www.ftse.com and www.ftsejse.co.za.

1.2 The FTSE/JSE Africa Index Series is designed to represent the performance of Southern African companies, providing investors with a comprehensive and complementary set of indices, which measure the performance of the major capital and industry segments of the African market.

1.3 There are different categories under which the FTSE/JSE Africa Index Series belong. The indices may be grouped into the following categories:

1.3.1 Headline Indices

There are five indices making up the headline series (the FTSE/JSE All-Share Index, the FTSE/JSE Top 40 Index, the FTSE/JSE Mid Capitalisation Index, the FTSE/JSE Small Capitalisation Index and the FTSE/JSE Fledgling Index).

1.3.2 Tradable Indices

In addition to the FTSE/JSE Top 40 Index, there are 5 other derivative indices based on the classification of companies under the Industry Classification Benchmark. The FTSE/JSE Tradable Indices are calculated in real time and published every fifteen seconds.

1.3.3 All-Share Industry Indices

The Industry Classification Benchmark consists of 4 levels of classification and at the highest level there are ten industries. The classification of the FTSE/JSE All-Share Index constituents at industry level will be used to calculate an index for each of the 10 Industries.

1.3.4 All-Share Supersector Indices

There are no indices at the Supersector level.

1.3.5 All-Share Sector Indices

The third level of the Industry Classification Benchmark is Sectors. The classification of the FTSE/JSE All-Share Index at Sector level will be used to calculate the Sector Indices.

1.3.6 All-Share Subsector Indices

The final level of the classification is Subsector. Using the classification of the FTSE/JSE All-Share Index at Subsector level, the 5 Subsectors that make up the Mining Sector will be calculated.

1.3.7 Secondary Markets Indices

The South African Market has three separate secondary markets:

- Development Capital,
- Venture Capital, and
- the Alternative Exchange

Indices will be calculated for these secondary markets.

1.3.8 Specialist Indices

A number of Specialist Indices are included. Their constituents are not limited to the All-Share or any specific industry sector. The detail index qualification criteria are listed in Rule 4.5.16.

1.3.9 Namibia Indices

Namibia Indices will comprise of 2 Headline Indices (Local and Overall Index), 10 Industry Group Indices and 40 Sector Indices.

1.3.10 Capped Indices

Capped Indices can be based on any index category of the FTSE/JSE African Index Series. It assumes the same rules for construction (shares in issue, quarterly review and corporate actions) except that the weighting is applied on a quarterly basis as per Appendix B.

1.3.11 Shareholder Weighted Indices

Shareholder Weighted Indices can be based on any index category of the FTSE/JSE African Index Series. It assumes the same rules for construction (shares in issue, quarterly review and corporate actions) except that the weighting is applied on a quarterly basis as per Appendix C.

The shareholder weighting will be achieved by excluding foreign held free float. The JSE will provide a shareholder weighted figure as obtained by Strate (Strate is the authorised Central Securities Depository (CSD) for the electronics settlement of all financial instruments in South Africa). In case this figure is not available, the normal free float of the company is used.

1.3.12 Style Indices

The primary purpose of these indices is to provide investors with a measure of the performance of value and growth companies which are constituents of the FTSE/JSE All-Share Index. There are two indices representing Value and Growth portfolios. The FTSE/JSE Value index is designed to reflect portfolios focusing on the price and value characteristics of securities, weighted towards those companies with identifiable value characteristics. The FTSE/JSE Growth index is designed to reflect portfolios focusing on earnings and revenue growth, weighted towards those companies with identifiable growth characteristics. Detail is provided in Appendix D.

1.3.13 FTSE/JSE Preference Share Index

The FTSE/JSE Preference Share Index is a market capitalisation weighted index consisting of non-convertible, non-redeemable, floating rate preference shares schedule. (Please refer to Appendix F below).

1.3.14 FTSE/JSE Equally Weighted Indices

FTSE/JSE Equally Weighted Indices are market capitalisation weighted indices consisting of stocks that are weighted equally at each quarterly review.

1.4 The FTSE/JSE Africa Index Series will be published on a frequency determined by FTSE and JSE in consultation with the FTSE/JSE Advisory Committee.

1.5 Total Return Indices are published at the end of each working day. The Total Return Indices are based on ex dividend adjustments.

- 1.6 The FTSE/JSE Africa Index Series is calculated in real time and may exist in the following states:
- 1.6.1 Firm
- The indices are calculated on actual trades generated by the JSE trading system during the trading hours of the JSE.
- The Official Closing Index is the last index value calculated at the end of the firm period using the closing price from the JSE.
- 1.6.2 Closed
- The indices have ceased all calculations for the day. The message 'CLOSE' will be displayed against the index value calculated by FTSE.
- 1.6.3 Held
- During Official JSE Market Hours, an index has exceeded pre-set operating parameters and the calculation has been suspended pending resolution of the problem. The message 'HELD' will be displayed against the last index value calculated by FTSE.
- 1.6.4 Indicative
- If there is a system problem or situation in the market that is judged to affect the quality of the constituent prices at any time when an index is being calculated, the index will be declared indicative (e.g. normally where a 'fast market' exists in the equity market). The message 'IND' will be displayed against the index value calculated by FTSE.
- 1.6.5 Part
- If an index is being calculated during the normal Official Index Period hours, but there are less than 75% of the constituents by capitalisation available with firm prices, then the index will be displayed with the message 'PART' to indicate that only a proportion of the securities prices are included. With the exception of the message 'PART', the index will continue to be calculated and displayed as if it were firm.
- 1.7 The official opening and closing hours of the FTSE/JSE Africa Index Series are in line with the trading hours on the JSE SETS Trading system. Variations to the official hours of the indices are published by FTSE/JSE as appropriate.
- 1.8 The FTSE/JSE Africa Index Series is calculated on all days when the JSE is open for trading.

2. Management of the Indices

2.1 FTSE/JSE Advisory Committee

2.1.1 Committee Responsibilities

The purpose of the Committee is to consider and advise on matters relating to and proposed amendments to the Ground Rules governing the management of the FTSE/JSE Africa Index Series and to ensure that best practice is used in the construction and ongoing management of the Indices.

In particular the Committee will:

- ensure that global standards are applied in the Ground Rules
- advise on how to reconstruct or replace the existing index methodology
- oversee the ongoing management of the indices, corporate actions and changes to Ground Rules
- advise on the construction and methodology of new indices.

2.1.2 Committee Membership

The JSE appoints the Chairman, Deputy Chairman and members of the FTSE/JSE Advisory Committee. The Chairman, or in his absence Deputy Chairman, will chair meetings of the Committee and will represent that Committee outside meetings.

No member of the Advisory Committee is on the Advisory Committee to represent that member's employer but rather is there because of that person's specific expertise and to represent the interests of the industry generally.

2.1.3 Committee Secretary

A Secretary to the FTSE/JSE Advisory Committee is appointed by the JSE to support the work of the Committee.

2.1.4 Appeals Against Decisions of the Committees

A constituent or prospective constituent company (or advisor acting on behalf of the company) may appeal against the decisions of the FTSE/JSE Advisory Committee on two grounds:

- That the relevant Committee acted outside of the Ground Rules for the Management of the FTSE/JSE Africa Index Series; or
- That the relevant Committee when reaching its decision failed to take into consideration a substantial and material fact. A substantial and material fact is defined as a fact, which would have influenced the decision of the Committee if it had been considered.

A request for an appeal must be made in writing to the Secretary of the FTSE/JSE Advisory Committee, within a reasonable time period. Appeals will be heard by a committee appointed by FTSE and the JSE. Members of the FTSE/JSE Advisory Committee may not serve on the Appeal Committee.

2.2 FTSE/JSE Responsibilities

- 2.2.1 The JSE is responsible for the operation of the FTSE/JSE Africa Index Series. FTSE will calculate all the indices in the FTSE/JSE Africa Index Series real-time and will maintain records of the market capitalisation of all constituents and reserve companies. Following consultation with the JSE, FTSE will make changes to the constituents and their weightings in accordance with the Ground Rules. The JSE will monitor and liaise with FTSE on all changes to index and constituent data. The JSE will carry out the quarterly review of the FTSE/JSE Africa Index Series and liaise with FTSE on implementing the resulting constituent changes as required by the Ground Rules.
- 2.2.2 Changes to constituent weightings will be made in accordance with the Ground Rules.
- 2.2.3 FTSE is also responsible for monitoring the performance of the FTSE/JSE Africa Index Series throughout the day and will determine whether the status of each index should be 'firm', 'indicative', 'held', 'closed' or 'part'. FTSE will inform the JSE and the Secretary to the FTSE/JSE Advisory Committee of all occasions when an index is not firm in the Official Index Period and will inform the FTSE/JSE Advisory Committee of the reasons for all such occasions at the next regular meeting.

3. Management of the Ground Rules

3.1 Amendments and Exceptions

- 3.1.1 In the event that the FTSE/JSE Advisory Committee or any of those responsible for the operation and administration of the FTSE/JSE Africa Index Series consider that an exception should be made to any of the Ground Rules, the issue must be brought to the attention of the Chairman or Deputy Chairman of the FTSE/JSE Advisory Committee, who will normally put the matter to the full FTSE/JSE Advisory Committee for a decision. If, however, the matter is urgent, the Chairman and Deputy Chairman are collectively empowered to authorise an exception on behalf of the FTSE/JSE Advisory Committee but must immediately notify, and subsequently refer the matter to, a meeting of the FTSE/JSE Advisory Committee.
- 3.1.2 Where an exception is granted to the Ground Rules under Rule 3.1.1, it shall not be deemed to create a precedent for future decisions of the FTSE/JSE Advisory Committee.
- 3.1.3 Changes to the Ground Rules can only be made by the FTSE/JSE Advisory Committee.
- 3.1.4 Material changes to the Ground Rules are announced after FTSE/JSE Advisory Committee's meeting at which they are agreed, but will not come into effect until after they have been confirmed at the following meeting, in order to allow for comments from index users and the market in general.

4. Index Construction

4.1 Eligible Securities

- 4.1.1 All classes of ordinary shares in issue, excluding inward foreign listings, are eligible for inclusion in the FTSE/JSE Africa Index Series, subject to conforming to all other rules of eligibility, free float and liquidity. For the purpose of inclusion in the FTSE/JSE Africa Index Series, a new listing on the JSE will be considered domiciled as African if it is incorporated in an African country, or derives more than 50% of its revenue in Africa.
- 4.1.2 Companies that have a full listing on the main board of the JSE are eligible for inclusion in the FTSE/JSE Africa Index Series. Companies which are listed on other African Stock Exchanges, and are using a trading system sanctioned by the JSE, will be eligible for inclusion in relevant index category forming part of the FTSE/JSE Africa Index Series. Companies listed on secondary boards (markets) may be included in the category for secondary markets, but will not be included in any other indices.
- 4.1.3 For the purposes of the FTSE/JSE Africa Index Series, where a security is listed on the JSE and is traded on the JSE trading system, that security will be considered as South African for the purposes of nationality and therefore eligible for the FTSE/JSE Africa Index Series, subject to conforming to all other eligibility criteria.
- 4.1.4 Convertible preference shares and loan stocks are excluded until converted.
- 4.1.5 Companies whose business is that of holding equity and other investments (e.g. Investment Trusts) will be eligible for inclusion. However, those investment funds, which have been assessed by the FTSE Industry Classification Benchmark Committee as being in sectors, coded 8990 is excluded. Companies classified as Pyramid companies will also not be eligible.
- 4.1.6 Exchange Traded Funds (ETFs) and funds whose prices are a direct derivation of underlying holdings (e.g. Unit Trusts, Mutual Funds) are not eligible for inclusion.

4.2 Secondary Lines

- 4.2.1 Where there are multiple lines of equity capital in a company, all are included and priced separately, provided that:
- The line passes all investability screens.
 - The secondary line's full market value (i.e. before the application of any investability weightings) is greater than 25% of the full market capital of the company's main line. Should the market value of a secondary line that is already a constituent of the Index Series fall below 20% at the next review, the secondary line is deleted from the index.
- 4.2.2 For the purposes of the FTSE/JSE Africa Index Series, companies with an approved dual listed structure are treated as secondary lines of a single entity.
- 4.2.3 Where a company's shares are issued partly, or nil, paid and the call dates are already determined and known, the market price will, for the purposes of calculating its market capitalisation, be adjusted so as to include all such calls (i.e. the fully paid price).

4.3 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.

4.3.1 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 Sovereign Wealth Funds where each holding is 10% or greater. If the holding subsequently decreases below 10%, the shares will remain restricted until the holding falls below 7%.
- Shares held by directors, senior executives and managers of the company, and by their family and direct relations, and by companies that they control.
- Shares held within employee share plans.
- Shares held by public companies or by non-listed subsidiaries of public companies.
- Shares held by founders, promoters, former directors, founding venture capital and private equity firms, private companies and individuals (including employees) where the holding is 10% or greater. If the holding subsequently decreases below 10%, the shares will remain restricted until the holding falls below 7%.
- All shares where the holder is subject to a lock-in clause (for the duration of that clause).
- Shares held for publicly announced strategic reasons, including shares held by several holders acting in concert.

4.3.2 For clarity, holdings not considered as restricted free float include:

- Portfolio holdings (such as pension and insurance funds)
- Nominee holdings (unless they represent restricted free float as defined by Rule 4.3.1)
- Holdings by investment companies
- ETFs

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.

4.3.3 Free float bands

Free float restrictions are calculated using available published information. The initial weighting of a constituent in the index will be applied in the following bands. If the free float is:

- | | | |
|--|---|----------------|
| • less than or equal to 15% | = | see Rule 4.3.4 |
| • greater than 15% but less than or equal to 20% | = | 20% |
| • greater than 20% but less than or equal to 30% | = | 30% |
| • greater than 30% but less than or equal to 40% | = | 40% |
| • greater than 40% but less than or equal to 50% | = | 50% |
| • greater than 50% but less than or equal to 75% | = | 75% |
| • greater than 75% | = | 100% |

4.3.4 Band 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 average company's free float capitalisation within the Index, and it qualifies in all other respects. The actual free float will be rounded up to the next highest whole number.

4.3.5 Free float review

Underlying data for the calculation of free float is collected on an ongoing basis, and the detail free float percentage as maintained by the JSE is updated accordingly.

Following the application of an initial free float restriction, a constituent's free float will only be changed if its actual free float moves to more than 5 percentage points above the minimum or 5 percentage points below the maximum of an adjacent new band. This 5 percentage points threshold does not apply if the change is greater than one band; therefore a movement of 10 percentage points for the bands between 20% and 50% and 25 percentage points for the bands between 50% and 100% will not be subject to the 5 percentage point threshold. The 15% limit in Rule 4.3.4 will also not be subject to the 5 percentage point threshold.

A constituent's free float will also be reviewed and adjusted if necessary upon identification of information which necessitates a change in free float weighting or following a corporate event. If the corporate event includes a corporate action which affects the index, any change in free float will be implemented at the same time as the corporate action. If there is no corporate action, the change in free float will be applied as soon as practicable after the corporate event.

4.3.6 Foreign ownership limits

Foreign ownership limits, if any, will be applied after calculating the actual free float restriction, but before applying the bands detailed in Rule 4.3.3. If the foreign ownership limit is more restrictive than the free float restriction, the precise foreign ownership limit is applied. If the foreign ownership limit is less restrictive or equal to the free float restriction, the free float restriction is applied, subject to the bands in Rule 4.3.3.

4.3.7 Any company classified as an inward-listed share by National Treasury on 24 October 2011 will have its free float adjusted to exclude non-South African shareholdings. Any share listed after 24 October that is classified as foreign by National Treasury will have its free float adjusted to exclude non-South African shareholdings.

4.4 Liquidity

Securities must be sufficiently liquid to be traded. The following criteria are used to ensure that illiquid securities are excluded:

4.4.1 Reliable Price

The FTSE/JSE Advisory Committee must be satisfied that an accurate and reliable price exists for the purposes of determining the market value of a company. The FTSE/JSE Advisory Committee may exclude a security from the FTSE/JSE Africa Index Series if it considers that an '*accurate and reliable*' price is not available. The FTSE/JSE Africa Index Series uses the last available prices from the JSE when available.

4.4.2 Size – Full Market Cap

In accordance with Rule 4.1, all eligible listed companies will be included in the FTSE/JSE Africa Index Series. The FTSE/JSE Advisory Committee will review the companies, which are proposed to be included at its annual meeting. The largest eligible companies ranked by full market capitalisation, i.e. before the application of any instability weightings, comprising 99% of all companies will be included in the FTSE/JSE All-Share Index. The implementation will take effect on the next trading day following the third Friday in December.

4.4.3 Liquidity

Securities which do not turnover at least 0.5% of their shares in issue, after the application of any free float restrictions, per month in at least ten of the twelve months prior to an annual review in December by the FTSE/JSE Advisory Committee will not be eligible for inclusion in the indices (except the FTSE/JSE Fledgling Index and selected specialist indices) for the next twelve months. The free floated shares in issue for each month (November of the previous year to the October before the review) will be as determined on the last business day of each month.

An existing constituent failing to trade at least 0.5% of its shares in issue, after the application of any free float restrictions, per month for more than four of the twelve months prior to the annual review will be removed after close of the index calculation on the next trading day following the third Friday in December.

Any period when a share is suspended will be excluded from the above calculations.

A security that is excluded because it fails the liquidity requirement will be excluded from all other indices for the period until the next December review.

In the case of demutualisations qualifying for early entry under Rules 6.3.1 where, upon listing, the entire free float is immediately transferred to private shareholders, the addition to the FTSE/JSE Top 40 Index will be deferred for 20 working days after official non-conditional trading has commenced providing the securities have a turnover of a minimum of 0.5% of their shares in issue, after the application of any free float restrictions, during this period.

In assessing liquidity, data on trading volume will be obtained from the JSE.

In exceptional market conditions, if trading volumes are very low, the FTSE/JSE Advisory Committee may reduce the percentage figure stated in this rule in order to avoid a large number of constituents being removed from the FTSE/JSE All-Share Index. This discretion may not be applied to individual securities. If the FTSE/JSE Advisory Committee intends to exercise this discretion, it must make a public statement to that effect at least two weeks prior to its quarterly review.

There is no liquidity requirement for constituents of the FTSE/JSE Fledgling Index, the FTSE/JSE Secondary Market Indices, the FTSE/JSE Property Loan Stock Index, the FTSE/JSE Property Unit Trust and the Namibian Indices. All tradable indices are screened for liquidity.

4.5 Index Qualification Criteria

4.5.1 FTSE/JSE All-Share Index

The FTSE/JSE All-Share Index will represent 99% of the full market capital value i.e. before the application of any investability weightings, of all ordinary securities listed on the main board of the JSE which qualify under Rules 4.1 to 4.4 as eligible for inclusion in the index.

4.5.2 FTSE/JSE Top 40 Index

The FTSE/JSE Top 40 Index will consist of the largest 40 companies ranked by full market value, i.e. before the application of any investability weightings, in the FTSE/JSE All-Share Index. The number of constituents in this index is maintained at a constant level.

4.5.3 FTSE/JSE Top 40 Index - USD

The FTSE/JSE Top 40 Index - USD will mirror the FTSE/JSE Top 40 Index, but will be calculated in USD.

4.5.4 FTSE/JSE Mid Capitalisation Index

The FTSE/JSE Mid Capitalisation Index will consist of the next 60 companies ranked by full market value, i.e. before the application of any investability weightings, in the FTSE/JSE All-Share Index.

4.5.5 FTSE/JSE Small Capitalisation Index

The FTSE/JSE Small Capitalisation Index consists of shares that are in the FTSE/JSE All-Share Index, but are not large enough to qualify for the FTSE/JSE Top 40 Index or the FTSE/JSE Mid Capitalisation Index.

4.5.6 FTSE/JSE Fledgling Index

The FTSE/JSE Fledgling Index will consist of all ordinary securities listed on the JSE which qualify under Rules 4.1 to 4.4 as eligible for inclusion in an index, but are too small to be included in the FTSE/JSE All-Share Index.

4.5.7 FTSE/JSE Industrial 25 Index

The FTSE/JSE Industrial 25 Index consists of the 25 largest companies ranked by full market value, i.e. before the application of any investability weightings, as at the date of the review in the FTSE/JSE All-Share Index excluding the Resources, which is the combination of Mining and Oil & Gas sectors and Financial Industry group. The number of constituents in this index is maintained at a constant level. Buffers will be applied at each quarterly review to provide stability. The following upper and lower buffers will be used:

- Non-constituents will be eligible for index inclusion if they are ranked on the 22nd position or above by full market capitalisation.
- Current constituents will be removed from the index if they are ranked on the 29th position or below by full market capitalisation.

4.5.8 FTSE/JSE Resources 10 Index

The FTSE/JSE Resources 10 Index consists of the 10 largest companies ranked by full market value, i.e. before the application of any investability weightings, as at the date of the review in the Resources, defined as the combination of Mining and Oil & Gas Sectors. The number of constituents in this index is maintained at a constant level. Buffers will be applied at each quarterly review to provide stability. The following upper and lower buffers will be used:

- Non-constituents will be eligible for index inclusion if they are ranked on the 8th position or above by full market capitalisation.
- Current constituents will be removed from the index if they are ranked on the 13th position or below by full market capitalisation.

4.5.9 FTSE/JSE Financial 15 Index

The FTSE/JSE Financial 15 Index consists of the 15 largest companies ranked by full market value, i.e. before the application of any investability weightings, as at the date of the review in the Financial Industry Index. The number of constituents in this index is maintained at a constant level. Buffers will be applied at each quarterly review to provide stability. The following upper and lower buffers will be used:

- Non-constituents will be eligible for index inclusion if they are ranked on the 13th position or above by full market capitalisation.
- Current constituents will be removed from the index if they are ranked on the 18th position or below by full market capitalisation.

4.5.10 FTSE/JSE Gold Sector Index

The FTSE/JSE Gold Sector Index consists of the companies in the gold sector that also belong to the FTSE/JSE All-Share Index.

4.5.11 FTSE/JSE Financial and Industrial 30 Index

The FTSE/JSE Financial and Industrial 30 Index consists of the 30 largest companies ranked by full market value, i.e. before the application of any investability weightings, as at the date of the review in the FTSE/JSE All-Share Index excluding the Mining and the Oil & Gas sectors. The number of constituents in this index is maintained at a constant level. Buffers will be applied at each quarterly review to provide stability. The following upper and lower buffers will be used:

- Non-constituents will be eligible for index inclusion if they are ranked on the 27th position or above by full market capitalisation.
- Current constituents will be removed from the index if they are ranked on the 34th position or below by full market capitalisation.

4.5.12 FTSE/JSE Industry Indices

A FTSE/JSE Industry Index consists of all constituents in the FTSE/JSE All-Share Index that belong to that specific Industry.

4.5.13 FTSE/JSE Sector Indices

A FTSE/JSE Sector Index consists of all constituents in the FTSE/JSE All-Share Index that belong to that specific Sector.

4.5.14 FTSE/JSE Subsector Indices

A FTSE/JSE Subsector Index consists of companies in the 5 Subsectors that make up the Mining Sector that also belong to the FTSE/JSE All-Share.

4.5.15 FTSE/JSE Secondary Market Indices

a) FTSE/JSE AltX Index (Alternative Exchange Index)
The Alternative Exchange Index consists of all eligible companies with classes of ordinary shares on the Alternative Exchange. These companies are adjusted for free float but not assessed for liquidity. Stocks listed on the Alternative Exchange are only eligible for the FTSE/JSE AltX Index and the FTSE/JSE AltX 15 Index and can not belong to any other FTSE/JSE Index. New entrants will join the index as part of the Quarterly Review process.

b) FTSE/JSE AltX 15 Index
The FTSE/JSE AltX 15 Index consists of the top 15 companies from the FTSE/JSE AltX Index when ranked by full market capitalisation. Buffers will be applied at each quarterly review to provide stability. The following upper and lower buffers will be used:

- Non-constituents will be eligible for index inclusion if they are ranked on the 10th position or above by full market capitalisation.
- Current constituents will be removed from the index if they are ranked on the 21st position or below by full market capitalisation.

A constant number of constituents will be maintained for the FTSE/JSE AltX 15 Index. Where a greater number of companies qualify to be inserted in an index than those qualifying to be deleted, the lowest ranking constituents presently included in the index will be deleted to ensure that an equal number of companies are inserted and deleted at the periodic review. Likewise, where a greater number of companies qualify to be deleted than those qualifying to be inserted, the securities of the highest ranking companies which are presently not included in the index will be inserted to match the number of companies being deleted at the periodic review.

Companies will be reviewed for liquidity in December according to the liquidity methodology in Rule 4.4. The FTSE/JSE AltX 15 Index is a tradable index.

Eligible new issues that come to market after the December liquidity review are required to trade 0.5% of their shares in issue, after the application of investability weightings for each consecutive month prior to the next periodic review. New issues are reviewed for index eligibility at the next periodic review. Intra-review corporate events will be treated accordingly with the Index Series. Where a constituent is removed from the index, its replacement will be found by picking the highest ranking non-constituent when ranked by full market capitalisation five days prior to the constituent being removed.

- c) FTSE/JSE Development Capital Market Index
The FTSE/JSE Development Capital Market Index consists of all companies that belong to the Development Capital Market. These companies cannot belong to any other FTSE/JSE index.
- d) FTSE/JSE Venture Capital Market Index
The FTSE/JSE Venture Capital Market Index consists of all companies that belong to the Venture Capital Market. These companies cannot belong to any other FTSE/JSE index.

4.5.16 Specialist Indices

Specialist indices can have any ordinary securities listed on the JSE.

- a) FTSE/JSE Financials and Industrials Index (J250)
The FTSE/JSE Financials and Industrials Index consists of all ordinary securities listed on the JSE which qualify under Rules 4.1 to 4.4 as eligible for inclusion in the FTSE/JSE All-Share index and do not belong to the Mining and Oil & Gas Sectors.
- b) FTSE/JSE SA Listed Property Index (J253 - SAPY)
The top 20 liquid companies by full market cap in the Real Estate Investment and Services Sector 8630 and Real Estate Investment Trusts Sector 8670 with a primary listing on the JSE, thus excluding Capital Shopping Centres (CSO). Constituents are reviewed at the quarterly reviews. A minimum free float of 15% is required for inclusion in the index. The following upper and lower buffers will be used:
 - Non-constituents will be eligible for index inclusion if they are ranked on the 17th position or above by full market capitalisation.
 - Current constituents will be removed from the index if they are ranked on the 24th position or below by full market capitalisation.

- c) FTSE/JSE Capped Property Index (J254 - PCAP)
 The top 20 liquid companies by full market cap in the Real Estate Investment and Services Sector 8630 and Real Estate Investment Trusts Sector 8670 (primary or secondary). Constituents are reviewed at the quarterly reviews. A minimum free float of 15% is required for inclusion in the index. Constituent weights will be capped at 15% on a quarterly basis after the application of corporate actions. The capping methodology is detailed in Appendix B (except for that capped percentage that may be different). The following upper and lower buffers will be used:
- Non-constituents will be eligible for index inclusion if they are ranked on the 17th position or above by full market capitalisation.
 - Current constituents will be removed from the index if they are ranked on the 24th position or below by full market capitalisation.
- d) FTSE/JSE Property Unit Trust Index (J255 - PUT)
 The FTSE/JSE Property Unit Trust Index consists of all ordinary securities listed on the JSE which are classified by the JSE as a property unit trust security. A minimum free float of 15% is required. Constituents are normally added at the quarterly reviews.
- e) FTSE/JSE Property Loan Stock Index (J256 - PLS)
 The FTSE/JSE Property Loan Stock Index consists of all ordinary securities listed on the JSE which are classified by the JSE as a property loan stock security. A minimum free float of 15% is required. Constituents are normally added at the quarterly reviews.
- f) FTSE/JSE Industrials Index (J257)
 The FTSE/JSE Industrials Index consists of all ordinary securities listed on the JSE which qualify under Rules 4.1 to 4.4 as eligible for inclusion in the FTSE/JSE All-Share Index and do not belong to the Mining and Oil & Gas Sectors or Financial Industry.
- g) FTSE/JSE Dividend+ Index (J259)
 The FTSE/JSE Dividend+ Index is a yield weighted index designed to select and measure the performance of higher yielding instruments. The index selects the top 30 companies by one-year forecast dividend yield. The number of constituents in this index is maintained at a constant level. (See Appendix E)
- h) FTSE/JSE RAFI 40 Index (J260)
 The FTSE/JSE RAFI 40 Index is designed to reflect the top 40 companies from the FTSE/JSE All-Share Index by fundamentals. Constituent weights will be capped at 10% on a quarterly basis after application of corporate actions. For further details regarding this FTSE/JSE RAFI 40 Index and its underlying methodology, please refer to the FTSE RAFI Index Series Ground Rules available on www.ftse.com.
- i) FTSE/JSE RAFI All-Share Index (J263)
 The FTSE/JSE RAFI All-Share Index is designed to reflect the companies from the FTSE/JSE All-Share Index by fundamentals. For further details regarding this FTSE/JSE RAFI All-Share Index and its underlying methodology, please refer to the FTSE RAFI Index Series Ground Rules available on www.ftse.com.
- j) FTSE/JSE RAFI All-Share Capped (J283)
 FTSE/JSE RAFI All-Share Capped Index will consist of the constituents of the FTSE/JSE Africa All-Share Index, weighted by RAFI fundamental values. The index will be capped at 10% on a quarterly basis. For further details regarding FTSE/JSE RAFI All-Share Capped Index and its underlying methodology, please refer to the FTSE RAFI Index Series Ground Rules available on www.ftse.com.

- k) FTSE/JSE Shariah All-Share Index (J143)
The FTSE/JSE Shariah All-Share Index is designed to reflect the Shariah compliant companies as screened by Yasaar from the FTSE/JSE All-Share Index. For further details on the Shariah screening methodology and Yasaar, please refer to the FTSE Shariah Global Equity Index Series Ground Rules which are available on www.ftse.com/shariah.
- l) FTSE/JSE Shariah Top 40 Index (J140)
The FTSE/JSE Shariah Top 40 Index is designed to reflect the Shariah compliant companies as screened by Yasaar from the FTSE/JSE Top 40 Index. This index will therefore consist of the FTSE JSE Top 40 companies which are Shariah compliant.
- m) FTSE/JSE Equally Weighted Top 40 Index
The FTSE/JSE Equally Weighted Top 40 Index will consist of constituents of the FTSE/JSE Top 40 Index. This index will then be equally weighted with each company at 2.5% in each quarterly review. The company weight will be distributed accordingly depending on the size of individual security lines for any company that has more than one security line.
- n) FTSE/JSE Capped Shariah Top 40 Index
The FTSE/JSE Capped Shariah Top 40 Index is designed to reflect the Shariah compliant companies as screened by Yasaar from the FTSE/JSE Top 40 Index. This index will be capped at 10% on a quarterly basis. This index will therefore consist of the FTSE JSE Top 40 companies which are Shariah compliant.
- o) FTSE/JSE Equally Weighted Industrial 25 Index
The FTSE/JSE Equally Weighted Industrial 25 Index will consist of constituents of the FTSE/JSE Industrial 25 Index. This index will then be equally weighted with each company at 4% in each quarterly review. The company weight will be distributed accordingly depending on the size of individual security lines for any company that has more than one security line.
- p) FTSE/JSE Equally Weighted Resources 10 Index
The FTSE/JSE Equally Weighted Resources 10 Index will consist of constituents of the FTSE/JSE Resources 10 Index. This index will then be equally weighted, each company at 10% in each quarterly review. The company weight will be distributed accordingly depending on the size of individual security lines for any company that has more than one security line.
- q) FTSE/JSE Equally Weighted Financial 15 Index
The FTSE/JSE Equally Weighted Financial 15 Index will consist of constituents of the FTSE/JSE Financial 15 Index. This index will then be equally weighted, each company at 6.66...% in each quarterly review. The company weight will be distributed accordingly depending on the size of individual security lines for any company that has more than one security line.

4.5.17 FTSE/JSE Namibia Indices

The FTSE/JSE Namibia Indices will consist of all the listed securities on the Namibian Stock Exchange. The different categories will include Headline Indices, Industry and Sector Indices.

4.5.18 FTSE/JSE Capped Indices

The Capped FTSE/JSE All-Share Index and the Capped FTSE/JSE Top 40 Index will have the same constituents as the FTSE/JSE All-Share Index and the FTSE/JSE Top 40 Index, thus requiring no additional criteria for inclusion. All corporate actions, index additions and index deletions will be applied as per the FTSE/JSE All-Share Index and the FTSE/JSE Top 40 Index. Constituent weights will be capped at 10% on a quarterly basis after the application of corporate actions.

4.5.19 FTSE/JSE Shareholder Weighted Indices

The FTSE/JSE Shareholder Weighted All-Share Index will have the same constituents as the FTSE/JSE All-Share Index and the FTSE/JSE Top 40 Index, thus requiring no additional criteria for inclusion. All corporate actions, index additions and index deletions will be applied as per the FTSE/JSE All-Share Index and the FTSE/JSE Top 40 Index.

4.5.20 FTSE/JSE Style Indices

The FTSE Style Indices will have the same constituents as the FTSE/JSE All-Share Index, thus requiring no additional criteria for inclusion. There are two indices representing Value and Growth portfolios. All corporate actions, index additions and index deletions will be applied as per the FTSE/JSE All-Share Index.

5. Periodic Review of Constituent Companies

5.1 Review Dates

- 5.1.1 The quarterly review of the FTSE/JSE Africa Index Series constituents takes place in March, June, September and December. The meeting to review the constituents will be held on the Wednesday after the first Friday of March, June, September and December using data for the purpose of determining full market cap as at the close of business on the last trading day of February, May, August and November. Any constituent changes will be implemented on the next trading day following the third Friday of the same month of the review meeting.
- 5.1.2 Details of the outcome of the review and the dates, on which any changes are to be implemented, will be published as soon as possible after the FTSE/JSE Advisory Committee meeting has concluded.
- 5.1.3 The Shariah screening from Yasaar will be reassessed quarterly in March, June, September and December. The Shariah screening process uses data as at the last working day of February, May, August and November taking into account new companies being added to the FTSE/JSE All-Share Index and the FTSE/JSE Top 40 Index and implemented on the working day after the third Friday of March, June, September and December.

5.2 Responsibilities and Reporting

- 5.2.1 The Secretary to the FTSE/JSE Advisory Committee is responsible for conducting the quarterly review of constituents for the FTSE/JSE Africa Index Series and will recommend to the FTSE/JSE Advisory Committee any constituents to be inserted or deleted as part of the quarterly review.
- 5.2.2 The FTSE/JSE Advisory Committee will decide whether to approve the recommendation presented to it or will determine what other action should be taken in consequence of the outcome of the review of constituents.
- 5.2.3 The Secretary to the FTSE/JSE Advisory Committee is responsible for publishing the outcome of the quarterly review.

5.3 Rules for Insertion and Deletion at the Quarterly Review

- 5.3.1 The rules for inserting and deleting companies at the quarterly review are designed to provide stability in the selection of constituents of the FTSE/JSE Africa Index Series while ensuring that the Index continues to be representative of the market by including or excluding those companies which have risen or fallen significantly.

- 5.3.2 A security will be inserted at the periodic review if it rises above the position stated below for the relevant index when the eligible securities for each index are ranked by full market value:

FTSE/JSE Top 40 Index	-	Risen to 35th or above
FTSE/JSE Mid Capitalisation Index	-	Risen to 85th or above

- 5.3.3 A security will be deleted at the periodic review if it falls below the position stated below for the relevant index when the eligible securities for each index are ranked by full market value:

FTSE/JSE Top 40 Index	-	Fallen to 46th or below
FTSE/JSE Mid Capitalisation Index	-	Fallen to 116th or below

- 5.3.4 Companies deleted from the FTSE/JSE Top 40 Index at the periodic review will normally be included in the FTSE/JSE Mid Capitalisation Index. Companies added to the FTSE/JSE Top 40 Index at the periodic review will be deleted from the FTSE/JSE Mid Capitalisation Index.
- 5.3.5 Companies deleted from the FTSE/JSE Mid Capitalisation Index at the periodic review will normally be included in the FTSE/JSE Small Capitalisation Index. Companies added to the FTSE/JSE Mid Capitalisation Index at the periodic review will be deleted from the FTSE/JSE Small Capitalisation Index.
- 5.3.6 A constant number of constituents will be maintained for the FTSE/JSE Top 40 Index and the FTSE/JSE Mid Capitalisation Index. Where a greater number of companies qualify to be inserted in an index than those qualifying to be deleted, the lowest ranking constituents presently included in the index will be deleted to ensure that an equal number of companies are inserted and deleted at the periodic review. Likewise, where a greater number of companies qualify to be deleted than those qualifying to be inserted, the securities of the highest ranking companies which are presently not included in the index will be inserted to match the number of companies being deleted at the periodic review.
- 5.3.7 A constant number of constituents will not be maintained for the FTSE/JSE Small Capitalisation Index, the FTSE/JSE All-Share Index, the FTSE/JSE Fledgling Index, the FTSE/JSE Industry Indices, the FTSE/JSE Sector Indices, the FTSE/JSE Subsector Indices, the FTSE/JSE Dividend+ Index or the FTSE/JSE Specialist Indices. Stocks, which fall out of the above indices due to suspension, takeover, etc, will not be replaced, nor will a constituent of these indices be removed to accommodate new issues or new companies arising from restructuring of constituents, etc.
- 5.3.8 The FTSE/JSE Small Capitalisation index will following the annual review have a minimum of 60 constituents. At each subsequent quarterly review of the Africa series, any new issue that has satisfied the liquidity rule and has a market capitalisation equal to or above the market capitalisation of the smallest constituent of the FTSE/JSE Small Capitalisation Index, immediately after the annual review, will join the FTSE Small Capitalisation Index.
- 5.3.9 Where a company is deleted after the FTSE/JSE Advisory Committee has met and approved periodic changes to the index but before the periodic changes have been implemented, the highest ranking company from the new Reserve List, excluding current index constituents, will replace the deleted company.
- 5.3.10 When a constituent is removed from the SA Listed Property or the Capped Property Index, the highest ranking non-constituent when ranked by full market capitalisation (before the application of any investability weightings) in the eligible universe will become eligible for inclusion into the index and will be added to the index simultaneously. A minimum free float of 15% is required for inclusion. In the event that no eligible constituent is available, no constituent addition will be made to the indices.

5.4 Monitoring of Eligible Companies

- 5.4.1 The market capitalisation of companies eligible for inclusion in the FTSE/JSE Africa Index Series is monitored by FTSE/JSE. All listed ordinary securities on the JSE will be used to conduct the periodic reviews

5.5 Reserve Lists

- 5.5.1 The Secretary to the FTSE/JSE Advisory Committee will be responsible for publishing the five highest ranking non-constituents of the FTSE/JSE Top 40 Index and the ten highest ranking non-constituents of the FTSE/JSE Mid Capitalisation Index at the time of the periodic review. The appropriate Reserve List will be used in the event that one or more constituents are deleted from the FTSE/JSE Top 40 Index or the FTSE/JSE Mid Capitalisation Index during the period up to the next quarterly review.

6. Changes to Constituent Companies

6.1 Removal and Replacement

- 6.1.1 If a constituent is de-listed from the JSE, or ceases to have a firm quotation, or is subject to a take-over or has, in the opinion of the Chairman and Deputy Chairman of the FTSE/JSE Advisory Committee (or their nominated deputies), ceased to be a viable constituent as defined by the Ground Rules, it will be removed from the list of constituents and replaced by the highest ranking company by full market capitalisation eligible on the Reserve List as at the close of the index calculation two days prior to the deletion.
- 6.1.2 Where the company to be removed is a constituent of the FTSE/JSE 40 Index, the replacement company will be taken from the highest ranking company on the FTSE/JSE Top 40 Index Reserve List and a constituent removed from the FTSE/JSE Mid Capitalisation Index will be replaced by the highest ranking company on the FTSE/JSE Mid Capitalisation Index Reserve List as calculated at the time of the replacement. When the company is removed from the FTSE/JSE Small Capitalisation Index, the FTSE/JSE All-Share Index, the FTSE/JSE Fledgling Index, the FTSE/JSE Industry Indices, the FTSE/JSE Sector Indices or the FTSE/JSE Subsector Indices, it will not be replaced. For all the FTSE/JSE Equally Weighted Indices, the replacement constituent will take the weight of the removed constituent. If there are more than one constituent deleted at the same time, an average weight will be taken and all replacement constituents will be given the average weight when included to the index.
- 6.1.3 Where the company to be removed is a constituent of the FTSE/JSE Africa Index Series apart from the indices in Rule 6.1.2 which has a fixed number of constituents (the FTSE/JSE Resources 10 Index, the FTSE/JSE Industrial 25 Index, the FTSE/JSE Financial 15 Index or the FTSE/JSE Financial and Industrial 30 Index), the replacement company will be the highest ranking non-constituent on the day of the evaluation that qualifies for the index as per its definition in Rule 4.5.
- 6.1.4 Changes to the FTSE/JSE Top 40 Index, the FTSE/JSE Mid Capitalisation Index and the FTSE/JSE Small Capitalisation Index will be made automatically to the FTSE/JSE All-Share Index.
- 6.1.5 The removal and replacement are effected simultaneously, before the start of the index calculation on the second day following the day on which the event justifying removal was announced. Announcements made after the close of the index calculation are normally deemed to be made on the following business day. In the case of a take-over, the qualifying event is an announcement that the offer has been declared wholly unconditional.
- 6.1.6 Constituents removed in accordance with Rule 6.1.4, but which continue to trade thereafter will be considered for re-inclusion to the index at the next review, subject to Section 4 and that at least 6 months has passed between deletion and the implementation date of the changes arising from the review.

6.2 Mergers, Restructuring and Complex Takeovers

- 6.2.1 If the effect of a merger or takeover is that one constituent in the FTSE/JSE Top 40 Index or the FTSE/JSE Mid Capitalisation Index is absorbed by another constituent, the resulting company will remain a constituent of the appropriate index, and a vacancy will be created. This vacancy will be filled by selecting the highest ranking security in the appropriate Reserve as at the close of the index calculation two days prior to the deletion and related indices adjusted in accordance with Rule 6.1. For all the FTSE/JSE Equally Weighted Indices, the resulting constituent will take the weight of the largest company in the merger and the replacement constituent will take the weight of the smallest company in the merger.
- 6.2.2 If a constituent company in the FTSE/JSE Top 40 Index or the FTSE/JSE Mid Capitalisation Index is taken over by a non-constituent company, the original constituent will be removed and replaced by the highest ranking non-constituent on the appropriate Reserve List. Any eligible company resulting from the take-over will be eligible to become the replacement company if it is ranked higher than any company on the Reserve List. The replacement constituent will take the weight of the deleted company in all the FTSE/JSE Equally Weighted Indices.
- 6.2.3 If a constituent company is split so as to form two or more companies, then the resulting companies will be eligible for inclusion as index constituents in the appropriate FTSE/JSE African Indices based on their respective full market capitalisations, i.e. before the application of any investability weightings and if they qualify in all other respects, e.g. a FTSE/JSE Top 40 Index constituent split into two companies may result in one or both of these companies remaining in the FTSE/JSE Top 40 Index. Where both of these companies remain in the FTSE/JSE Top 40 Index, the smallest FTSE/JSE Top 40 Index constituent will become a constituent of the FTSE/JSE Mid Capitalisation Index and the lowest ranking constituent in the FTSE/JSE Mid Capitalisation Index will, in turn, become a constituent of the FTSE/JSE Small Capitalisation Index. Companies resulting from a split that are smaller than the lowest ranking FTSE/JSE Mid Capitalisation Index constituent, will become a constituent of the FTSE/JSE Small Capitalisation Index if their respective full market capitalisations are equal or greater than 0.1% of the full market value of the FTSE/JSE Small Capitalisation Index, i.e. before the application of any investability weightings. If smaller than 0.1% they will be added to the FTSE/JSE Fledgling Index. The weights will be adjusted according for all the FTSE/JSE Equally Weighted Indices. If there are no changes to the constituents the same weight is used for the company involved in the spin off. If both remain then the largest company in the spin-off will take the weight of the parent company. The smallest company will then take the weight of the deleted company in the index.
- 6.2.4 In case of an unbundling the new constituents will be added to all the indices that the original company belonged to for a period of 2 days. Index constituent changes resulting from the split will be determined based on the market values at close on day one of trading and applied using market values at close on day two of trading, following the date that the split becomes effective. Consequently the Top 40 or any other index with a fixed number of constituents may have an extra company for 2 days or a Resources Index may have a non-resources company for 2 days. For all the FTSE/JSE Equally Weighted Indices, the weights will be adjusted according for the 2 companies in the unbundling event. On the day when the smallest company is deleted, the smaller constituent in the unbundling process will take the weight of the removed company, while the larger constituent will take the sum weight of the two unbundled companies. If one of the unbundled entities in the unbundling process is ineligible it will be deleted from the index, the remaining constituent will take the sum weight of the two unbundled entities.

- 6.2.5 If the effect of a merger or takeover is that one constituent is absorbed by another constituent in any other index with a fixed number of constituents, the resulting company will remain a constituent of the index and a vacancy will be created. This vacancy will be filled by selecting the highest ranking non constituent in the relevant industry as at the close of the index calculation two days prior to the deletion.
- 6.2.6 If a constituent of any other index with a fixed number of constituents is taken over by a non-constituent company, the original constituent will be removed and replaced by the highest ranking non-constituent in the relevant industry(ies). Any eligible company resulting from the takeover will be eligible to become the replacement company if it is the highest ranking non constituent company as at the close of the index calculation two days prior to the completion of the acquisition based on the combined value of the company after the merger.
- 6.2.7 If a constituent of any other index with a fixed number of constituents is split so as to form two or more companies, then the resulting companies will be eligible for inclusion as index constituents in the relevant index based on their respective full market capitalisation(s), i.e. before the application of any investability weightings, and if they qualify in all other respects. If a constituent of any other index with a fixed number of constituents splits into two companies, one or both of these companies may remain in the relevant index. Where both of the new companies remain in the relevant index, the smallest constituent will be deleted from the relevant index.

6.3 New Issues

- 6.3.1 If, in the view of the FTSE/JSE Advisory Committee, a new issue is so large (i.e. its full market capitalisation amounts to 1.0% or more of the full capitalisation of the FTSE/JSE All-Share Index, before the application of individual constituent investability weightings) that the effectiveness of the index as a market indicator would be significantly and adversely affected by its omission, the FTSE/JSE Advisory Committee will normally decide to include the new issue as a constituent of the FTSE/JSE Africa Index Series that it qualifies for after the close of business on the first day of official trading. In all cases, advance notification confirming the timing of the inclusion of the new constituent will be given accordingly. The security, which is the lowest ranking constituent of the index, will be selected for removal and related indices adjusted in accordance with Rule 6.1. The fast entry rule is not applicable to the FTSE/JSE Specialist Property Indices.
- 6.3.2 For the purpose of this rule, a company which is relisted following suspension or is reorganised or renamed or which arises from a demerger or complex reorganisation of another company which is not an existing constituent, shall not be considered to be a new issue. However, an Initial Public Offering (IPO) which arises from a demerger shall be considered as a new issue.
- 6.3.3 If the FTSE/JSE Advisory Committee decides to include a new issue as a constituent security other than as part of the normal periodic review procedure, this decision must be publicly announced at the earliest practicable time.
- 6.3.4 New issues, including demutualisations, which do not qualify as early entrants to the FTSE/JSE Africa Index Series as defined under Rule 6.3.1 will become eligible for inclusion at the next quarterly review of constituents providing they have, since the commencement of official non-conditional trading, a minimum trading record of at least 20 trading days prior to the date of the review and turnover of a minimum of 0.5% of their shares in issue, after the application of any free float restrictions, per month in each month that the share traded.
- 6.3.5 The inclusion of early entries as defined under Rule 6.3.1, excluding demutualisations, will not require a minimum trading record.

6.4 Suspension of Dealing

- 6.4.1 Where a suspension of a constituent of the FTSE/JSE Top 40 Index lasts beyond noon on the second trading day, the Secretary to the FTSE/JSE Advisory Committee will convene a meeting of the FTSE/JSE Advisory Committee (to be held, if possible, after market hours on the second day or by teleconference) to consider whether the constituent should be removed. When a stock has been suspended for five consecutive trading days (and the Committee has not exercised an earlier discretion to remove it), it will normally be deleted from the Index on the sixth trading day. When a stock is removed following suspension of its quotation, the stock will be removed at its suspension price unless otherwise decided by the FTSE/JSE Advisory Committee.
- 6.4.2 In the event that a constituent of a FTSE/JSE Africa Index other than the FTSE/JSE Top 40 Index, the constituent may remain in the Index, at the price at which it is suspended. On advice from the JSE Indices Department, the Chairman and Deputy Chairman of the FTSE/JSE Advisory Committee (or their deputies) may agree to delete the constituent immediately either at its suspension price or at a value of zero. In the case of a FTSE/JSE Africa Index that has a constant number of constituents, replacement of constituents will be handled according to Rule 6.1. This change will be effected after the close of the index calculation and prior to the start of the index calculation on the following day. Removing a constituent at zero indicates that the stock is valueless.
- 6.4.3 When a suspension of a constituent of a FTSE/JSE Africa Index other than the FTSE/JSE Top 40 Index lasts beyond noon on the tenth business day (and the Committee has not exercised an earlier discretion to remove it), the constituent will normally be deleted from the index on the eleventh trading day, either at its suspension price or at zero. Where suspension is for a reason not to the detriment of the constituent, it may be retained or removed at its suspension price with the approval of the Chairman and/or Deputy Chairman (or their deputies) of the FTSE/JSE Advisory Committee. In the case of a FTSE/JSE Index that has a constant number of constituents, replacement of constituents will be handled according to Rule 6.1.

6.5 Relisting of Suspended Constituents

Where a suspended constituent, which has been removed from the indices, is subsequently relisted, the following rules shall apply:

- 6.5.1 Securities which were removed from a FTSE/JSE Africa Index that has a constant number of constituents, which on relisting are larger than the smallest constituent of the relevant indices from which they were removed when suspended, shall be re-instated in the same index at the price at which they were removed and the lowest ranking constituent of the index will be selected for removal and related indices adjusted in accordance with Rule 6.1. The addition and deletion of stocks occur simultaneously, such that the number of constituents remains constant.
- 6.5.2 If the above securities, on relisting, are smaller than the smallest constituent of the index from which they were removed when suspended, shall then be re-instated in the same index at the price at which they were removed after the close of the index calculation on the trading day prior to relisting. After the close of the index calculation on the first day of trading following relisting, the smallest ranking security shall be deleted according to Rule 6.1. Consequently an index with a constant number of constituents may have one additional constituent for one day only.
- 6.5.3 Securities, which were removed from a FTSE/JSE Africa Index that does not have a constant number of constituents, shall be re-instated in the index at the price at which they were removed.

6.6 Changes to Constituent Weightings

- 6.6.1 For the purposes of computing the FTSE/JSE Africa Index Series and to prevent a large number of insignificant weighting changes, the number of shares in issue for each constituent security is amended only when the total shares in issue held within the calculation system changes by more than 10% on a cumulative basis.
- 6.6.2 Adjustments to reflect a major change in the amount or structure of a constituent company's issued capital must be made before the start of the index calculation on the day on which the change takes effect (e.g. the Ex Date for a rights or capitalisation issue). Announcements of corporate events, which are made after the close of the index calculation, are normally deemed to be made on the following day.
- 6.6.3 Changes of shares in issue not arising from corporate actions, amounting to less than 10% of the number of shares in issue but more than 1% will be made quarterly after the close of business on the third Friday of March, June, September and December.
- 6.6.4 All adjustments are made before the start of the index calculation on the day concerned unless market conditions prevent this.
- 6.6.5 Corporate actions in non-market capitalisation indices, that bring about a change to the shares in issue, free float or price of a constituent, will be treated with a corresponding change to the constituent weighting factor in that index, resulting in both the weight of the constituent in the index, and the index divisor itself being unchanged.

Rule 6.6.5 is relevant to the following indices:

Index Code	Index Name
J2EQ	Equally Weighted Top 40
J3EQ	Equally Weighted Resource 10
J4EQ	Equally Weighted Financial 15
J5EQ	Equally Weighted Industrial 25
J259	Dividend+
J260	RAFI 40*
J263	RAFI All Share*
J283	Capped RAFI All Share*

* Please note that capital reductions are not treated on a market capitalisation neutral basis and will result in a price adjustment.

7. Industry Classification Benchmark

7.1 Classification of Constituents within Industry and Sectors

- 7.1.1 The classification of a constituent may change from time to time. The reassessment of the industry and sector to which a constituent belongs will be made by the FTSE Industry Classification Benchmark Committee and reported to the JSE Indices Department for implementation.

The constituents of the corresponding Industry Indices, Sector Indices and the Specialist Indices based on a particular Subsector will be affected when the classification of a company changes.

7.2 Changes to Industry Classification of Constituents

- 7.2.1 Where a constituent is the subject of a merger, restructuring, or complex take-over which results in a constituent, or part of a constituent, being absorbed by another, the industry sector classification of the resulting constituent(s) will be determined by the FTSE Industry Classification Benchmark Committee.
- 7.2.2 Any adjustment resulting from a change in a company's classification will be implemented at the same time that any relevant constituent changes are implemented in the Index.
- 7.2.3 Periodic changes to the industry classification of a company will be agreed and announced by the FTSE Industry Classification Benchmark Committee.

7.3 Industry Classification Benchmark Committee

- 7.3.1 The FTSE Industry Classification Benchmark Committee is responsible for the industry classification of constituents of the FTSE/JSE Africa Index Series within the Industry Classification Benchmark System. The FTSE Industry Classification Benchmark Committee may approve changes to the Industry Classification Benchmark System and Management Rules.
- 7.3.2 The classification of securities within industry is undertaken by FTSE and the JSE.

8. Index Calculation

8.1 Index Algorithm

8.1.1 All indices within the FTSE/JSE Africa Index Series will be displayed to one decimal point.

8.1.2 The FTSE/JSE Africa Index Series is calculated using the following formula:

$$IV = \frac{\sum_{i=1}^n (p_i \cdot s_i \cdot f_i)}{d} \text{ for } I = 1, 2, 3 \dots n$$

Where,

IV	Index Value
n	The number of securities in the Index.
p _i (Price)	The latest trade price of the i-th component security or the closing price of the i-th component security on the day.
s _i (SII)	The number of shares in issue used for the i-th security, as defined in these Ground Rules.
f _i (Free Float Factor)	The factor to be applied to the i-th security to allow amendments to its weighting, expressed as a number between 0 and 1, where 1 represents a 100% free float band. The free float factor for each security is published by FTSE/JSE.
d (Divisor)	A figure that represents the total issued share capital of the Index at the base date. The divisor can be adjusted to allow changes in the issued share capital of individual securities to be made without distorting the Index.

9. Appendix A – Further Information

9.1 Contacting FTSE & JSE

Further information on the FTSE/JSE Africa Index Series is available from FTSE and the JSE, who will also welcome comments on these Ground Rules and on the Index Series.

Enquiries should be addressed in the first instance to:

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10. Appendix B – Methodology for Capping Indices

10.1 Capping Methodology at Quarterly Reviews

Capping will only be applied at the quarterly review and therefore the percentage weight of any constituent in the index may move above/below the capped level during the quarter due to price changes and corporate actions.

1. The capping procedure is applied to the indices after the close of business on the third Friday of March, June, September and December and will be effective at the start of business on the following business day.
 2. Any changes in constituents or corporate actions/events which take place on the following business day will be taken into account before the capping procedure is applied.
 3. The calculation of the constituent weighting factors will be based on instrument prices taken on the second Friday of March, June, September and December.
 4. Upon completion of the above steps the capping procedure is applied using the following algorithm:-
- NB. The algorithm is applied to each constituent which requires capping, i.e. any constituent whose uncapped weight is greater than the capping level.

$$\text{Constituent Capping Factor} = \frac{\left(\left(\frac{\sum (X^{n_1} \cdot W^{n_1} \cdot I^{n_1})}{P} \right)^z \right)}{cap_a}$$

- X = the latest trade price of each uncapped component security
- W = the weighting for each uncapped component security (equal to the amount of ordinary share capital issued by the company to the nearest thousand)
- I = the investability weight of the component security
- P = percentage of the index represented by all uncapped constituents
- z = percentage capping level
- cap_a = uncapped market capitalisation of the constituent to be capped

The constituent capping factor is calculated for all constituents whose uncapped weight after the application of investability weightings is greater than the Capping Level. The weights of the capped and uncapped constituents in the index are then calculated. If following the application of this capping procedure other constituents have moved above the Capping Level in weight then the process is repeated including the new constituent(s) which require capping.

FTSE/JSE Capped and Equally Weighted Indices

The construction of the FTSE/JSE Capped and Equally Weighted Indices follows the construction of existing FTSE/JSE Indices and only differ with regards to the maximum weight of each constituent. For clarity, the following characteristics of the FTSE/JSE Capped and Equally Weighted Indices will remain identical to that of the index on which they are based:

- number of constituents and also the list of constituents
- application of liquidity screening
- free float bands
- eligibility criteria
- underlying data such as shares in issue, share prices and so on

List of Capped and Equally Weighted Indices in the FTSE/JSE Africa Index Series:

Index Code	Index Name	Based On	Capping Level
J141	Capped Shariah Top 40	Shariah Top 40	10%
J2EQ	Equally Weighted Top 40	Top 40	2.5%
J3EQ	Equally Weighted Resource 10	Resource 10	10%
J4EQ	Equally Weighted Financial 15	Financial 15	6.67%
J5EQ	Equally Weighted Industrial 25	Industrial 25	4%
J254	Capped Property	N/A	15%
J260	RAFI 40	All Share	10%
J283	Capped RAFI All Share	All Share	10%
J300	Capped Top 40	Top 40	10%
J303	Capped All Share	All Share	10%

11. Appendix C – Methodology for Shareholder Weighted Indices

11.1 Shareholder Weighted Index Calculation

The construction of the FTSE/JSE Shareholder Weighting Indices follows the FTSE/JSE All-Share Index construction methodology and only differs with regards to the weights. For clarity, the following characteristics of the FTSE/JSE Shareholder Weighting Indices will remain identical to that of the current FTSE/JSE All-Share Index:

- number of constituents and also the list of constituents,
- application of liquidity screening,
- free float bands,
- index calculation method (shares in issue * free float * price),
- eligibility criteria,
- underlying data such as shares in issue, share prices and so on,
- application of corporate actions.

Each index will follow the construction of the existing FTSE/JSE All-Share Index with regards to constituents, but additionally certain constituents' weights will be further adjusted for non South African shareholdings. The goal is to eventually down weight (exclude) all foreign free float holdings. Therefore the free float figure of a company in the index will be adjusted to reflect only the locally held free float. Due to the fact that this data on foreign free float holdings is not readily available, the shareholder weighting adjustment will commence with dual listed companies only. A dual listed company, in this context, is one which has a listing (secondary or primary) on any foreign index.

12. Appendix D – Methodology for Style Indices

12.1 Eligible Securities

The constituents of the FTSE/JSE Style Indices will mirror the constituents of the FTSE/JSE All-Share Index at all times.

12.2 Index Data Elements

All index related data of constituents of the FTSE/JSE Style Indices, including but not limited to shares in issue, free float and closing prices, will be identical to that of the FTSE/JSE All-Share Index.

12.3 Calculation Frequency

The FTSE/JSE Style Indices will only be calculated end of day.

12.4 Periodic Review of Constituents

The constituents of the FTSE/JSE Style Indices will mirror the constituents of the FTSE/JSE All-Share Index at all times, including the changes at quarterly index reviews. The style items (including value and growth rankings) as calculated from basic accounting data will be reviewed semi-annually in March and September of each year. These changes will be applied simultaneously with the respective quarterly index reviews.

12.5 Fundamental Data Items

12.5.1 The basic accounting data to calculate the above measures are provided by McGregor BFA.

12.5.2 Basic accounting data is accumulated for each constituent and used to calculate the style items. The following style items are used to calculate the Style Ranking for each company:

Value Measures

- **Book to Price**
Book to Price is a company's common/ordinary equity capital at the most recent fiscal year end divided by the company's market capitalisation at the review date. Common/ordinary equity is generally as reported, but is adjusted to exclude minority interest, preferred stock and selected items as appropriate.
- **Sales to Price**
Sales to Price is a company's most recent annual sales value divided by the company's market capitalisation at the review date. (A more detailed definition of sales is provided under the "3 Year historic sales growth" heading).
- **Dividend Yield**
Dividend Yield reflects the dividend declared per share and/or paid for the security in question for the most recent fiscal year, divided by the share price. It excludes special dividends but includes extra dividends. It is based on the "gross" dividend of a security, including normal withholding tax but excluding the special tax credit available in some countries.
- **Cash Flow to Price**
Cash Flow to Price is generally a company's most recent Cash Flow for the year divided by the market capitalisation of the company at the review date. If Cash Flow is not reported it is estimated based on net income plus depreciation and other non-cash items.

Growth Measures

- **3 Year Historic Earnings Per Share Growth**
3 Year Historic EPS Growth is the average of the company's three most recent consecutive absolute EPS annual growth values. The most recent EPS value should be less than 18 months old (in developed markets). Annual earnings per share (EPS) is for the 12 months to fiscal year end. EPS is calculated as net income after taxes, minority interest and preferred dividends, but before amortization of intangibles and after-tax extraordinary items, divided by adjusted shares.
- **3 Year Historic Sales Growth**
3 Year Historic Sales Growth reflects the average of the company's three most recent consecutive absolute net sales or revenue annual growth values. The most recently reported sales value should be less than 18 months old (in developed markets). Sales values are for the 12 months to the company's fiscal year end and are generally as reported by the company. However, sales are generally adjusted to exclude excise taxes, sales from non-operating activities and discontinued operations in addition to sales generated by associated companies. If the company has changed its year end and a 12 month figure is not reported, the reported value is annualised. A sales value is also calculated for banks, insurance & financial companies and includes interest, investment & premium income in addition to commission & fees as appropriate.
- **2 Year Forward Earnings Per Share Growth**
EPS estimates are generally based on net income from continuing operations divided by weighted average shares outstanding for the year.
- **2 Year Forward Sales Growth**
Sales estimates generally reflect sales derived from the company's core-operating activities. Generally transportation & non-operating costs are excluded from gross revenues for industrial corporations. Bank revenues include interest and non-interest income. Insurance revenues are comprised of net technical income and net financial income.
- **Return On Equity*(1 - Payout Ratio)**
Return on Equity is Earnings per Share (EPS) for the most recent fiscal year divided by the previous year's book value per share. Payout ratio is Dividend per Share (DPS) divided by EPS. Values are again for the 12 months to the most recent fiscal year end. (*More detailed EPS, Book Value and dividend per share definitions can be found under the "3 Year historic EPS growth", "Book to Price", "Dividend Yield" headings respectively*).

12.5.3 The style items are subsequently normalised:

- The data on each x-axis is truncated (see below). Outliers beyond the truncation limits remain outside of the truncation limit itself. No data item is discarded.
- The truncation levels for each fundamental data item are as follows:-

Value Measures	Lower Level	Upper Level
Book to Price	-20	20
Sales to Price	-30	30
Dividend Yield	0	20
Cash Flow to Price	-200	200

Growth Measures	Lower Level	Upper Level
3 Year Historic Earnings Per Share Growth	-200	200
3 Year Historic Sales Growth	-70	70
2 Year Forward Earnings Per Share Growth	-200	200
2 Year Forward Sales Growth	-70	70
Return On Equity* (1 - Payout Ratio)	-300	300

- Following truncation, the data on each x-axis then has three standard deviations applied. Again, any outliers beyond three standard deviations remain outside of the three standard deviation limit. No data is discarded.
- The x-axis is then ranked so that 0 appears at the value end of the axis and 100 at the growth end. For the four value data items, the value measure is then found by identifying where on the x-axis each constituent lies and allocating that number as the value measure for each of the four value data items. The growth measures for the five growth data items are found in the same way. Those constituents which remain outside the truncation and standard deviation limits are then allocated the style rankings (either 0 or 100) dependant on which end of the x-axis they are.
- In order to find the value ranking for each constituent the four value measures for the constituent are added and divided by four.
- In order to find the growth measures for each constituent the five growth measures for the constituent are added and divided by five.
- If one or more of the value or growth measures are missing the value or growth measure will be divided by the requisite number of data items available.
- In order for the VR or GR to be calculated in this way data on at least one value data item and one growth data item must be available for the constituent. If this is not the case the constituent will have both value and growth rankings applied from its Subsector classification.
- The allocation of VR and GR by sub sector only occurs when there is no data item available for value and no data item available for growth.
- In this case both the VR and GR are calculated by taking the average of all of the value rankings and then the average of all of the growth rankings in the companies sub sector as defined by the Industry Classification Benchmark system provided at least two constituents are available in this Subsector. If there are less than two constituents on a regional basis then the FTSE All-World Index will be used.
- Once the Value and Growth Rankings have been calculated, they are then used to determine the Overall Style Ranking (OSR) for each index constituent. The OSR is the average of the Value and Growth Ranking for each constituent. The Overall Style Ranking is used to determine the Value and Growth weighting for each constituent in the FTSE/JSE All-Share Index.

12.6 Index Construction at Semi Annual Review

The companies in the FTSE/JSE All-Share Index are ranked according to their Overall Style Ranking. Growth is at the top (high OSR) of the ranking and value at the bottom (low OSR) of the ranking.

Constituents showing high growth characteristics (OSR tending towards 100) will be allocated to the Growth Index of the underlying Style Benchmark at a weight of 100%.

Constituents showing high value characteristics (OSR tending towards 0) will be allocated to the Value Index of the Style Benchmark at a weight of 100%.

The constituents covering the middle 30% of the investable market capitalisation of the FTSE/JSE All-Share Index will be allocated across both the Value and Growth Indices according to the following bands:-

Investable Market Cap	Style Weighting in Index
Between 55% and 64.99%	75% Growth/25% Value
Between 45% and 54.99%	50% Growth/50% Value
Between 35.01% and 44.99%	25% Growth/75% Value

The methodology gives rise to certain company's investable market capitalisation falling either side of a particular band. In these circumstances the constituent's style weight will be apportioned across the bands so as to ensure that its investable market capitalisation remains exactly the same as in the underlying benchmark.

In the case of a fast entry to the FTSE All-Share Index the Value Ranking and Growth Ranking will be determined by reference to the Industry Classification Benchmark System Subsector of the fast entry constituent. In the first instance this will be by reference to the relevant Subsector of the fast entry constituent in the FTSE/JSE All-Share Index. If there are less than two companies in the Subsector, reference will be made to the relevant global Subsector in the FTSE All World Index.

Rights issues, scrip issues and similar corporate events will be applied in exactly the same way as they are applied to the FTSE/JSE All-Share Index. No change will be made to the VR, GR, OSR or Style Weighting of the company due to the event.

In the case of a takeover the Value Ranking, Growth Ranking and Overall Style Ranking of the largest company by full market capitalisation will be applied to the company(ies) being taken over.

In the case of a merger the Value Ranking, Growth Ranking and Overall Style Ranking of the largest company, as defined by the full market capitalisation of the companies subject to the merger, will be adopted by the newly merged company.

In the case of a demerger the Value Ranking, Growth Ranking and Overall Style Ranking of the demerged companies will remain the same as the unmerged company. The demerged companies will be treated as separate companies for VR, GR and OSR purposes at the next FTSE/JSE Style Index review.

12.7 FTSE/JSE Style Index Algorithms

Let:

F_{cst}	=	free Float of company s at time t
SW_{cst}	=	the style weighting of company s at time t
N_{cst}	=	number of shares in issue for company s at time t
P_{cst}	=	price in local currency for company s at time t
S	=	summation of company data within All-Share
I_{ct}	=	value of index at time t

$$\text{A FTSE/JSE Style Index at time t } I_{ct} = \frac{\sum_s N_{cst} P_{cst} F_{cst} SW_{cst}}{B_{ct}}$$

where B_{ct} is the index base adjusted for past capital changes.

13. Appendix E – FTSE/JSE Dividend+ Index

13.1 FTSE/JSE Dividend+ Index Methodology

The FTSE/JSE Dividend+ Index is a yield weighted index designed to select and measure the performance of higher yielding stocks within the universe of the FTSE/JSE All-Share Index. The FTSE/JSE Dividend+ Index selects the top 30 stocks by one-year forecast dividend yield. The constituents' weightings within the index are determined by their dividend yield as opposed to market capitalisation.

The FTSE/JSE Dividend+ Index was created to allow investors to capture the long-term effect of higher compounding returns and benefit from the lower correlations to traditional market cap weighted indices.

13.2 Review Universe

At review the universe will comprise of constituents from the FTSE/JSE Top 40 Index and the FTSE/JSE Mid Capitalisation Index, excluding property companies where property companies are defined as those belonging to the Real Estate Investment and Services Sector 8630 and Real Estate Investment Trusts Sector 8670.

13.3 Index Data Elements

All data elements will be inherited from the FTSE/JSE Africa Index Series. The dividend yield data will be based on the 1-year dividends per share forecast/estimates (excluding capital repayments and special dividends) sourced from McGregor BFA. To be able to rank the review universe the 1-year dividends per share forecast/estimates are divided by the underlying stock price at the review data cut-off date.

The data will be obtained from the data provider on the cut-off date of the periodic review. In cases where no forecast exists for a current constituent, it will be removed from the index.

The dividend yield of the index will be calculated according to the existing methodology for the FTSE/JSE Africa Index Series, which include event types CD (cash dividends) and IT (interest payments for loan stock) as shown on the JSE Corporate Actions Schedule.

13.4 Periodic Review of Constituents

The index will be reviewed semi-annually in June and December as part of the FTSE/JSE quarterly index review. The first review will take place in June 2007.

The semi-annual reviews will use data based on the close of trading on the Friday after the first Friday of June and December.

The semi-annual reviews will be implemented in line with the FTSE/JSE Africa Index Series – implemented after the close of trading on the third Friday of June and December.

The review universe is ranked in descending order by the forecast/estimate one-year dividend yields. To reduce index turnover buffers are used. Constituents that rank 20th place or above are added to the index, constituents that rank below 40th place are removed from the index. Both 20 and 40 are dependent on the current fixed number of constituents in the index.

To maintain a consistent 30 stocks at review, if there are less than 30 constituents after the above process, the next highest-ranking non constituent is added until the 30 index stocks are selected. If more constituents are added than deleted at review, and this leads to an index of greater than 30 constituents, the lowest ranking constituents are removed until the index comprises of 30 constituents.

Where a company has more than one line of stock and both are eligible for inclusion into the index, both lines will be included and counted individually. If the two lines have different dividend yields they will be treated separately according to their dividend forecast.

To prevent a large number of constituent changes a maximum limit of 5 additions and 5 deletions are used at each periodic review.

The index is subject to a liquidity test of R50 million per day. Constituents that prevent the index from trading R50 million within a trading day are excluded from the index. Where this leads to more than 5 constituent changes, the liquidity rule will take precedence.

13.5 Calculation Methodology

Each of the 30 index constituents are weighted within the index at review by their forecast/estimate one year dividend yields. This constitutes the dividend yield (DY) factor for each constituent. The dividend yield factor is applied to the investable market capitalisation of each stock to either increase or reduce the stocks weight within the index. This factor will be adjusted for corporate actions between semi-annual reviews to maintain market capitalisation neutrality.

13.6 Calculation Frequency

The FTSE/JSE Dividend+ price index will be calculated in real time, every 15 seconds. A total return index will be calculated on an end of day basis.

13.7 Main Calculation Currency

The index will be calculated and published in Rands only.

13.8 Intra-review Changes

This index will maintain a constant number of 30 constituents.

Intra-review changes will be in line with the underlying FTSE/JSE All-Share Index. A constituent will be removed from the FTSE/JSE Dividend+ Index if it is also removed from the underlying FTSE/JSE All-Share Index.

If a constituent is acquired by a non-constituent, the company will be removed from the FTSE/JSE Dividend+ Index.

Where two index constituents merge, or one index constituent is acquired by another constituent, the factor that is applied to the investable market capitalisation is adjusted so that the new entity remains the same weight within the index as the combined remerged index weights. If an index constituent has a complex reorganisation or demerger, the newly spun-off company will be removed from the index after two days. In order to maintain transparency in this index, a reserve list will be determined at the semi-annual reviews. The reserve list will consist of 5 eligible non-constituents with the highest one year forward dividend yield. The reserve list will also stipulate the weights that the individual companies, within the list, will be included at when a current constituent is removed from the index.

13.9 FTSE/JSE Dividend+ Index Algorithm

The index algorithm and calculation methodology are detailed below:

F_{cst}	=	free float of company s at time t
N_{cst}	=	number of shares in issue for company s at time t
P_{cst}	=	price in local currency for company s at time t
S	=	summation of company data within All-Share
I_{ct}	=	value of index at time t
C_{cst}	=	dividend factor that is applied to each security to allow its weight within the index to be adjusted according to each forecast dividend yield

$$\text{A FTSE/JSE Dividend+ Index at time t } I_{ct} = \frac{\sum_s N_{cst} P_{cst} F_{cst} C_{cst}}{B_{ct}}$$

where B_{ct} is the index base adjusted for past capital changes.

14. Appendix F – FTSE/JSE Preference Share Index

14.1 FTSE/JSE Preference Share Index Methodology

Preference shares are defined as shares bearing a fixed annual rate of dividend with a prior right over all ordinary shares in the distribution of dividends from annual profits; and a prior claim to repayment of capital on a winding-up of the company. Unless such shares are specifically defined as non-cumulative the company is liable for any arrears of preference dividends.

The main purpose of the index is to create a transparent asset class.

14.2 Universe

The universe of this index will consist of only floating rate perpetual preference shares and only the ones that are not convertible.

14.3 Underlying Data

The underlying data for this index will be drawn entirely from the JSE. No data is required from external parties. The floating rate preference shares (FR-PS) should all have a free float set at 100% for the following reasons:

- There is no capital gain from the FR-PS
- They are held like bonds
- FR-PS have no voting rights

14.4 Calculation Methodology

A price and a total return index will be calculated.
The index will be market cap weighted.
The index will only be calculated end of day.

14.5 Periodic Reviews

This index will be reviewed quarterly in line with the current FTSE/JSE indices. The fast entry rule will not apply to this index. Additions will only be considered at quarterly index reviews.

14.6 Corporate Actions

Corporate actions will be treated according to what appears on the CA Schedule. The issuers of the preference shares are the best people to determine these. A blanket application of corporate actions to the preference shares and the underlying companies will not be accurate.

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