



**FTSE
RUSSELL**
An LSEG Business

FTSE/JSE Index Harmonisation FAQ

12 October 2023

1. What is Index Harmonisation?

This is a project that was initiated by FTSE/JSE through client consultations commencing in 2019. The project will ultimately collapse the vanilla and SWIX indices into one set of benchmark indices, significantly simplifying the current benchmark complexity and overlap, and centralising liquidity. The project will be implemented in two phases, with the first effective from the March 2024 review.

2. What are the “vanilla” indices and the SWIX indices?

The vanilla indices include the FTSE/JSE All Share Index (J203) and FTSE/JSE Top 40 Index (J200), as well as all of their industry, sector, total return and capped variants. For each vanilla index, there is also currently a SWIX (Shareholder Weighted) variant, such as the FTSE/JSE SWIX All Share Index (J403) and FTSE/JSE SWIX 40 Index (J400).

3. How will Phase 1 of Index Harmonisation be implemented in March 2024?

The implementation will be done through the free float change of any constituent that uses a different free float in the vanilla and SWIX indices. The constituent free floats in the vanilla indices will be changed to the same value that's used in the SWIX indices, resulting in weighting changes to the vanilla indices and no change to the SWIX indices. Post the methodology alignment, the free float calculation will be standard across all the indices and will be based on the lesser of the company breakdown and shares on the local Strate register. This means that all constituents will use their SWIX Free Float.

There will be no change to any index codes or index names, nor will any indices be terminated or rebased in March 2024.

4. Why harmonise the methodology of the indices?

The process of harmonisation has been naturally occurring over the last few years. FTSE/JSE has observed a decline in the number of “Grandfathered” companies in the All Share Index, with the latest events being [BHP Billiton](#) as a result of the unification corporate action and [Compagnie Richemont](#) as a result of the termination of the South African Depository Receipts (SADR) programme. The challenge faced now is that there are currently two benchmark indices, whose constituent weights have converged over time, with the difference in constituent weights mainly due to the remaining “Grandfathered” companies. The treatment for grandfathered companies is not consistent with the index treatment for other foreign companies, and in short, these companies are inappropriately upweighted relative to comparable companies. The harmonisation project is designed to address these challenges.

5. Which constituents will be affected by Index Harmonisation?

All constituents that use a different free float in the All Share Index (ALSI) and Shareholder Weighted All Share Index (SWIX ALSI). The affected constituents are provided in the table below, however these may change closer to the implementation date of the methodology change.

Alpha	ISIN	Instrument	J203 FF	J403 FF
AGL	GB00B1XZS820	Anglo American	90.68%	29.90%
*ANG	ZAE000043485	Anglogold Ashanti	99.96%	96.82%
ATT	ZAE000177218	Attacq Limited	93.40%	93.37%
INP	GB00B17BBQ50	Investec PLC	87.92%	53.32%
MNP	GB00B1CRLC47	Mondi Plc	99.83%	41.65%
NTC	ZAE000011953	Netcare	99.94%	99.59%
TGA	ZAE000296554	Thungela Resources	97.55%	75.44%

Table 1: List of companies using a different free float in the ALSI and SWIX ALSI Indices

*ANG will be treated as foreign for index purposes and will use the Shareholder Weighted free float in all the FTSE/JSE indices effective from the [December 2023 review](#).

6. What impact will the methodology change have on vanilla index users?

The full list of the impact to each index is included in Appendix A however for illustrative purposes, the RESI10 will be used to demonstrate the impact. If a client tracks or uses the J210 for any other purpose, this is what their portfolio is estimated to look like before and after the March 2024 review:

Alpha	ISIN	Instrument	J210 FF	Weight	JSZ0 FF	Weight	Weight Chg
AGL	GB00B1XZS820	Anglo American	90.68%	41.0%	29.90%	18.7%	-22.3%
GFI	ZAE000018123	Gold Fields	98.45%	13.2%	98.45%	18.3%	5.1%
SOL	ZAE000006896	Sasol	90.95%	9.5%	90.95%	13.1%	3.6%
ANG	GB00BRXH2664	AngloGold Ashanti Plc	99.96%	9.3%	96.82%	12.5%	3.2%
BHG	AU000000BHP4	BHP Group Ltd	3.77%	6.6%	3.77%	9.2%	2.6%
GLN	JE00B4T3BW64	Glencore	5.49%	5.6%	5.49%	7.7%	2.1%
SSW	ZAE000259701	Sibanye Stillwater	98.83%	4.9%	98.83%	6.8%	1.9%
IMP	ZAE000083648	Impala Platinum Hlds	88.95%	4.7%	88.95%	6.5%	1.8%
NPH	ZAE000298253	Northam Platinum Holdings	90.76%	2.6%	90.76%	3.6%	1.0%
AMS	ZAE000013181	Anglo American Platinum	21.25%	2.5%	21.25%	3.5%	1.0%

Table 2: Impact of methodology change on RESI10 constituent weights

7. What impact will the methodology change have on SWIX index users?

There will be no impact to users of the SWIX indices in March 2024.

8. What happens to an index tracker of both a vanilla index and its SWIX variant?

For the March 2024 phase of the project, there will be no impact to users of the SWIX Indices as well as indices that use the SWIX Free Float, e.g. the Responsible Investment Index (J113). Clients that track the vanilla indices will see slightly more free float changes in March 2024 as a result of a select few companies switching their current free float to a SWIX Free Float. Index trackers of vanilla and SWIX variant indices will therefore have identical indices in terms of constituents, constituent weights and index returns from March 2024.

9. Will there be an alignment of index values?

No, the vanilla index values won't be aligned to the SWIX index values in March 2024, nor will the SWIX index values be aligned to the vanilla index values.

10. Are the churn / turnover numbers expected to be high in March 2024?

It is unlikely that the churn numbers will reach record levels for the methodology change. This is because a large number of companies have already switched to using their SWIX Free Float due to recent corporate actions. The most notable turnover numbers were seen when Compagnie Financière Richemont (CFR) terminated their SADR programme and secondary listed 'A shares' on the JSE. The table below shows some of the historical churn numbers. The December 2023 churn numbers as a result of the December review and ANG corporate action will be published in the Notes from the December 2023 Advisory Committee meeting.

Index	Additions	Deletions	Largest Up*	Largest Down*	Projected Max Weight	1 Way Churn
All Share			AGL (1.43%)	BHG (11.21%)	AGL (12.33%)	11.28%
Large Cap			AGL (2.42%)	BHG (14.21%)	AGL (16.32%)	14.21%
Large and Mid Cap		DRD	AGL (1.57%)	BHG (11.65%)	AGL (12.89%)	11.77%
Top 40	ANH	SPP	AGL (1.89%)	BHG (12.77%)	AGL (14.34%)	13.20%

Table 3: March 2022 Index churn due to BHG corporate action

Index	Additions	Deletions	Largest Up*	Largest Down*	Projected Max Weight	1 Way Churn
All Share			AGL (2.01%)	CFR (17.98%)	AGL (10.74%)	17.98%
Large Cap			AGL (3.81%)	CFR (23.21%)	AGL (15.26%)	23.21%
Large and Mid Cap			AGL (2.22%)	CFR (18.73%)	AGL (11.33%)	18.73%
Top 40			AGL (2.64%)	CFR (20.12%)	AGL (12.46%)	20.12%

Table 4: June 2023 Index churn due to CFR corporate action

The next table shows the estimated churn for the methodology change in the above-mentioned indices, assuming only six free float changes (excluding ANG):

Index	Additions	Deletions	Largest Up*	Largest Down*	Projected Max Weight	1 Way Churn
All Share			NPN (0.94%)	AGL (6.61%)	NPN (10.47%)	8.42%
Large Cap			NPN (1.98%)	AGL (9.49%)	NPN (15.97%)	11.45%
Large and Mid Cap			NPN (1.06%)	AGL (6.99%)	NPN (11.18%)	8.90%
Top 40			NPN (1.28%)	AGL (7.64%)	NPN (12.39%)	9.64%

Table 5: Estimated March 2024 Index churn due to methodology change

11. What happens if there is a difference in constituents in tradable indices between now and March 2024?

Currently, the vanilla indices and their SWIX variants have the same set of constituents. In the event that a vanilla index has a different set of constituents to its SWIX variant, FTSE/JSE will make a once off adjustment to align the vanilla constituents to the SWIX constituents. As an example, if the Resources 10 Index (RESI10) and Shareholder Weighted Resources (SWIX RESI10) have a different set of constituents between now and March 2024, there will be an adjustment made to the RESI10 to delete the constituent that's not in the SWIX RESI 10 and add the one in the SWIX RESI 10 in order to align the constituents. This means that effective from the March 2024 review, all constituents and constituent weights in the vanilla indices and their SWIX variants will be identical.

12. Will FTSE/JSE introduce new indices with different capping levels?

No, at this stage there are no intentions to introduce new indices with different capping levels. Furthermore, the capping levels in the current indices will remain as is until such a time that a change is deemed necessary. FTSE/JSE will provide sufficient notice should this be the case.

13. How can I access additional reading material on the project?

There are a number of documents that have been published regarding the Index Harmonisation project. Please see the links to the documents below:

- FTSE/JSE Market Index Design on 14 December 2018:
<https://clientportal.jse.co.za/Content/ICANoticeItems/FTSE-JSE-Africa/20190131%20Market%20Consultation%20FTSEJSE%20Market%20Index%20Design.pdf>
- FTSE/JSE Index Harmonisation Market Proposal on 23 September 2022:
https://clientportal.jse.co.za/Content/ICANoticeItems/FTSE-JSE-Africa/20221031%20FTSE_JSE%20Index%20Harmonisation%20Market%20Proposal.pdf
- Index Harmonisation Update Informative Notice on 5 December 2022:
<https://clientportal.jse.co.za/Content/ICANoticeItems/FTSE-JSE-Africa/20221205%20Index%20Harmonisation%20Update%20Informative%20Notice.pdf>
- Index Harmonisation Consultation Feedback Informative Notice on 7 February 2023:
<https://clientportal.jse.co.za/Content/ICANoticeItems/FTSE-JSE-Africa/20230207%20Index%20Harmonisation%20Consultation%20Feedback%20Informative%20Notice.pdf>
- Index Harmonisation Update Informative Notice on 27 March 2023:
<https://clientportal.jse.co.za/Content/ICANoticeItems/FTSE-JSE-Africa/20230327%20Index%20Harmonisation%20Update%20Informative%20Notice.pdf>
- Index Harmonisation Methodology Change Informative Notice on 30 June 2023:
<https://clientportal.jse.co.za/Content/ICANoticeItems/FTSE-JSE-Africa/20230630%20Index%20Harmonisation%20Methodology%20Change%20Informative%20Notice.pdf>

14. Who can I contact for additional information?

For additional information, please email the Indices Team on this email address: indices@jse.co.za or you can call +27 11 520 7000.

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