S&P South Africa Composite Indices Methodology

September 2017
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Introduction

The S&P South Africa Composite index family provides investable indices for the South African equity market. The headline index is the S&P South Africa Composite and is the basis for numerous sub-indices including size, sector, alternatively weighted and Shariah-compliant indices.

Index Family

**S&P South Africa Composite.** The S&P South Africa Composite is a market capitalization weighted index designed to measure the performance of the South African equity market. The index covers equities listed on the Johannesburg Stock Exchange with float-adjusted market values of US$ 100 million or more and annual dollar value traded of at least US$ 50 million.

**S&P South Africa Composite Capped.** The S&P South Africa Composite Capped is a modified market capitalization variation of the S&P South Africa Composite, where no single stock weighs more than 10% of the index at each rebalancing.

**S&P South Africa 50.** The S&P South Africa 50 is designed to measure the performance of the 50 largest companies by float-adjusted market capitalization within the S&P South Africa Composite.

**S&P South Africa 50 Equal Weight.** The S&P South Africa 50 Equal Weight is an equally weighted version of the S&P South Africa 50.

**S&P South Africa Completion.** The S&P South Africa Completion is designed to measure the performance of the South African small cap market. The index comprises the securities of the S&P South Africa Composite that are not constituents of the S&P South Africa 50 index.

**S&P South Africa Composite Shariah.** The S&P South Africa Composite Shariah includes all companies in the S&P South Africa Composite that pass rules-based screens for Shariah compliance according to the S&P Shariah Indices Methodology.

**S&P South Africa Composite Shariah Capped.** The S&P South Africa Composite Shariah Capped is a modified market capitalization variation of the S&P South Africa Composite Shariah, where no single stock weighs more than 10% of the index at each rebalancing.

For more information on the S&P South Africa Composite Shariah and S&P South Africa Composite Shariah Capped, please refer to the S&P Shariah Indices Methodology.

**S&P South Africa Composite Property.** The S&P South Africa Composite Property is a market capitalization weighted index that includes all companies in the S&P South Africa Composite that are classified as property companies.

**S&P South Africa Composite Property Capped.** The S&P South Africa Composite Property Capped is a modified market capitalization variation of the S&P South Africa Composite Property, where no single stock weighs more than 10% of the index at each rebalancing.

**S&P South Africa Domestic Shareholder Weighted (DSW) Index.** The S&P South Africa DSW Index is a variation of the S&P South Africa Composite, where the float-adjusted market values of the companies are adjusted to reflect the level of ownership by South African investors.
**S&P South Africa Domestic Shareholder Weighted (DSW) Capped Index.** The S&P South Africa DSW Capped index is a modified market capitalization variation of the S&P South Africa DSW Index, where no single stock weighs more than 10% of the index at each rebalancing.

**S&P South Africa Domestic Shareholder Weighted (DSW) 50.** The S&P South Africa DSW 50 is a variation of the S&P South Africa 50, where the float-adjusted market values of the companies are adjusted to reflect the level of ownership by South African investors. The index is modified market capitalization weighted, where no single stock weighs more than 10% of the index at each rebalancing.

This methodology was created by S&P Dow Jones Indices to achieve the aforementioned objective of measuring the underlying interest of each index governed by this methodology document. Any changes to or deviations from this methodology are made in the sole judgment and discretion of S&P Dow Jones Indices so that the index continues to achieve its objective.
Eligibility Criteria

Index Eligibility

To be eligible for inclusion in the S&P South Africa Composite, a company’s primary market listing must be included in the S&P Global Broad Market Index (BMI) or the S&P Frontier BMI. This includes both foreign domiciled (non-South African) and domestic domiciled (South African) companies as defined by S&P Dow Jones Indices.

Eligibility Factors

Exchange Listing. The security must trade on the Johannesburg Stock Exchange.

Market Capitalization. New additions to the index must have a float-adjusted market capitalization equal to or greater than US$ 100 million. At the annual reconstitution, any constituent with a float-adjusted market capitalization that falls below US$ 75 million is removed.

Trading Volume. At the annual reconstitution, stocks must have an annual dollar value traded of at least US$ 50 million over the previous 12 months for inclusion in the S&P South Africa Composite. Index constituents are removed if their annual dollar value traded falls below US$ 35 million during the previous 12 months.

Eligible Securities. All investable share classes are included in the index. Each share class is float-adjusted according to a unique Investable Weight Factor (IWF).

Ineligible Securities. The following shares are not eligible for inclusion in the S&P South Africa Composite Indices:

- Fixed-dividend shares
- Investment trusts
- Unit trusts
- Mutual fund shares
- Closed-end funds
- Convertible bonds
- Equity warrants
- Limited Partnerships

Multiple Share Classes. In some cases, companies issue multiple share classes. A separate IWF is calculated for each class and the class is included, provided it meets eligibility criteria and foreign investors may hold shares in the class.

De Minimus Rule. When calculating the available capital of a company, the float-adjusted capital of all issues of each company is aggregated. An exception to this rule is when the float of an issue is less than US$ 30 million and it represents less than 10% of that company’s total float-adjusted capitalization. The “de minimus” share class is excluded from the index, and its available float capital is added to an eligible share class.

Foreign Investment Restrictions. Shares counts used in index calculations are reduced to reflect any limits or restrictions on investments by foreign investors or entities. These restrictions may be imposed by local governments on specific industries or all public securities. Restrictions may also be imposed on foreign investors by individual companies, as part of their internal bylaws.
Inward Foreign Listings. Any share classified as an Inward Foreign Listing (IFL) by the National Treasury of South Africa that is considered foreign, for use of indices, by the South African Reserve Bank (SARB) will have its weight reduced to exclude non-South African shareholders. A listing must have a minimum of 1% of shares held by South Africans in order to be eligible for inclusion.

For information regarding the S&P South Africa 50, S&P South Africa 50 Equal Weight, and S&P South Africa Completion methodologies, please refer to Appendices I and II.
Index Construction

Approaches

The S&P South Africa Composite is constructed on a bottom-up basis according to the rules discussed in the *Eligibility Criteria*.

Index Calculations

The indices are calculated on an end-of-day basis, using the divisor methodology used in all S&P Dow Jones Indices’ equity indices, and are calculated on actual trading days. Index calculations include price-, total- and net-return series.

*Please refer to S&P Dow Jones Indices’ Index Mathematics Methodology for more details on market-capitalization index calculations.*

Gross dividends are tabulated daily and included in the total return calculations of the indices based on their ex-dates. When local market practices for dividend announcements make ex-dates unavailable, dividend inclusion follows the local market practice. Gross dividends are reinvested on the ex-dividend date in order to calculate gross total returns, with alternative compounding periodicities available on a customized basis.

Returns-of-capital are treated as capital distributions and the index divisor is adjusted accordingly on the ex-date of the event. For spin-offs that include a cash distribution, the cash distribution is treated as a return of capital on the ex-date.

*For information on the tax rates used in the calculation of net return indices, please refer to S&P Dow Jones Indices’ Equity Indices Policies & Practices document located on our Web site, [www.spdji.com](http://www.spdji.com).*

Buffer Rule for Stock Inclusion. During the annual reconstitution, a constituent of the S&P South Africa Composite whose float-adjusted market capitalization falls below US$ 100 million remains in the index if its float-adjusted market capitalization remains equal to or greater than US$ 75 million. Any constituent whose float-adjusted market capitalization falls below US$ 75 million is removed.

Stocks that fail to achieve or fail to maintain index membership are eligible for inclusion at the next index reconstitution, provided they meet the rules discussed in the *Eligibility Criteria*.

Constituent Weightings

The *S&P South Africa Composite* is a float-adjusted market capitalization weighted index.

The *S&P South Africa Composite Capped* is a modified market capitalization variation of the S&P South Africa Composite, where no single stock weighs more than 10% of the index at each rebalancing. The index is re-weighted quarterly effective at the open of the Monday following the third Friday in March, June, September and December. The price reference date used for weighting is the Wednesday before the second Friday of the re-weighting month.
Index Maintenance

Rebalancing

Annual Reconstitution. The S&P South Africa Composite is reconstituted on an annual basis coinciding with the annual review of the S&P Global BMI. The reconstitution is effective at the open of the Monday following the third Friday in September. Data used for constituent eligibility is as of the close of the last trading date in July.

The rest of the eligible universe, the S&P Frontier BMI, is rebalanced annually in March. Any additions to the S&P Frontier BMI will be eligible for index inclusion in the following September reconstitution. Any deletions from the S&P Frontier BMI are removed from the S&P South Africa Composite index simultaneously.

Quarterly Rebalancing. The index is also reviewed quarterly for Initial Public Offerings, Inward Foreign Listings which rise above 1%, and companies that fall below US$ 25 million float-adjusted market capitalization using data from the last trading date of February, May, August and November. Any applicable changes are effective at the open of the Monday following the third Friday in March, June, September and December.

Additions and Deletions

The majority of additions and deletions occur as part of the annual reconstitution of the indices. Since these indices do not have a fixed number of constituents, additions and deletions are not linked to one another.

Initial Public Offerings (IPOs). IPO additions to the index take place quarterly. The criteria for inclusion of an IPO is the same as that used at the annual reconstitution of the S&P Global BMI.

To allow for the immediate inclusion, or “fast-track”, of significantly sized IPOs, the IPO must be among the top five companies within its country based on its estimated float-adjusted market capitalization. Companies meeting this criterion are included in the index following a preannouncement notice.

Inward Foreign Listings. Inward Foreign Listings are added to the index at the next quarterly rebalancing if the listing’s float factor for South African investors rises above 1% between quarterly rebalancings. Further information on this float factor can be found in Appendix IV.

Spin-Offs. Spin-offs from current index constituents are eligible for index inclusion if the spun-off issue has a float-adjusted market capitalization of at least US$ 25 million. Spin-offs are effective on their ex-dates.

Deletions, other than all-stock takeovers, are made using the closing price of the stock on the date of deletion.

All-Stock Takeovers. The valuation calculated is the proportionate value of the stock and/or other remuneration received by shareholders of the acquired company. The calculated valuation is applied to the company on the effective date of the acquisition. The weighting of the acquiring company increases in accordance with the terms of the offer to reflect the combined available float of the post-merger company.

Other Deletions. Companies whose float-adjusted market capitalization falls below US$ 25 million as of the quarterly rebalancing reference date are removed from the index.
Corporate Actions


Currency of Calculation

The indices are calculated in U.S. dollars and South African rand.

Exchange Rate

WM/Reuters foreign exchange rates are taken daily at 04:00 PM. London time, and used in the calculation of the S&P South African Composite Indices. These mid-market fixings are calculated by The WM Company based on Reuters data and appear on Reuters pages WMRA.

Base Dates and History Availability

Index history availability, base dates and base values for the S&P South Africa Composite Indices are shown in the table below.

<table>
<thead>
<tr>
<th>Index</th>
<th>Launch Date</th>
<th>First Value Date</th>
<th>Base Date</th>
<th>Base Value</th>
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<tr>
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<td>09/19/2008</td>
<td>09/19/2008</td>
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</tr>
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<td>S&amp;P South Africa 50</td>
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<td>S&amp;P South Africa 50 Equal Weight</td>
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<td>09/19/2008</td>
<td>1000</td>
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<td>S&amp;P South Africa Completion Index</td>
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<td>09/19/2008</td>
<td>1000</td>
</tr>
<tr>
<td>S&amp;P South Africa Composite Shariah</td>
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<td>09/19/2008</td>
<td>09/19/2008</td>
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<tr>
<td>S&amp;P South Africa Composite Shariah Capped</td>
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<td>09/19/2008</td>
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<td>1000</td>
</tr>
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<td>09/19/2008</td>
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<td>1000</td>
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</table>

Investable Weight Factor (IWF)

All issues in the S&P South Africa Composite Indices are assigned a float factor, called an Investable Weight Factor (IWF). The IWF ranges between 0 and 1 and is an adjustment factor that accounts for the publicly available shares of a company.

Please refer to S&P Dow Jones Indices’ Float Adjustment Methodology document for details.

Other Adjustments

In cases where there is no achievable market price for a stock being deleted, it can be removed at a zero or minimal price at the Index Committee’s discretion, in recognition of the constraints faced by investors in trading bankrupt or suspended stocks.
Index Data

Total Return and Net Return Indices

Gross and net total return indices are calculated for all major components of S&P South Africa Indices. Cash dividends are applied on the ex-date of the dividend.

Net return indices reflect the return to an investor where dividends are reinvested after the deduction of a withholding tax. The tax rate applied is the rate to non-resident institutions that do not benefit from double taxation treaties. Data on tax rates are sourced primarily from information provided by stock exchanges in S&P Dow Jones Indices’ Global Survey of Stock Exchanges and local correspondents and are verified with other independent data sources, including the Worldwide Corporate Tax Guide published annually by Ernst & Young.


Please refer to S&P Dow Jones Indices’ Index Mathematics Methodology for more detail on total and net return index calculations.
Index Governance

Index Committee

S&P Dow Jones Indices’ Europe (EMEA) Index Committee maintains the South Africa Composite Indices. All committee members are full-time professional members of S&P Dow Jones Indices’ staff. The Committee meets quarterly. At each meeting, the Committee reviews pending corporate actions that may affect index constituents, statistics comparing the composition of the indices to the market, companies that are being considered as candidates for addition to an index, and any significant market events. In addition, the Committee may revise index policy covering rules for selecting companies, treatment of dividends, share counts or other matters.

S&P Dow Jones Indices considers information about changes to its indices and related matters to be potentially market moving and material. Therefore, all Index Committee discussions are confidential.

Index Policy

Announcements

All index constituents are evaluated daily for data needed to calculate index levels and returns. All events affecting the daily index calculation are typically announced in advance via the Index Corporate Events report (.SDE), delivered daily via ftp to all clients. Any unusual treatment of a corporate action or short notice of an event may be communicated via email to clients.

Index methodology is constantly under review for best practices, and any changes are announced well ahead of time via the Web site and email to all clients.


Pro-forma Files

In addition to the corporate events file (.SDE), S&P Dow Jones Indices provides constituent pro-forma files each time the indices rebalance. The pro-forma file is typically provided daily ten business days in advance of the reconstitution date and five business days in advance of the quarterly reviews in March, June, and December. The pro-forma files, though not final, provide clients ample time to view all of the upcoming changes.

Please visit www.spdji.com for a complete schedule of rebalancing timelines and pro-forma delivery times.

Holiday Schedule

The indices are calculated on all days that the Johannesburg Stock Exchange is open.


Rebalancing

The Index Committee may change the date of a given rebalancing for reasons including market holidays occurring on or around the scheduled rebalancing date. Any such change will be announced with proper advance notice where possible.

Unforeseen Events

S&P Dow Jones Indices retains the sole authority and final discretion regarding all index activity. In all cases, the index treatments for corporate actions are communicated through the Index Corporate Events report (.SDE) and/or special announcements delivered to all clients.

Unexpected Exchange Closures

**Recalculation Policy**


Index Dissemination

Index levels are available through S&P Dow Jones Indices' Web site at [www.spdji.com](http://www.spdji.com), major quote vendors (see codes below), numerous investment-oriented Web sites, and various print and electronic media.

**Tickers**

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<td>Net Total Return</td>
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</table>

**FTP**

Daily stock level and index data are available via FTP subscription.

*For product information, please contact S&P Dow Jones Indices, [www.spdji.com/contact-us](http://www.spdji.com/contact-us).*

**Web Site**

*For further information, please refer to S&P Dow Jones Indices’ Web site at [www.spdji.com](http://www.spdji.com).*
Appendix I

S&P South Africa 50 and S&P South Africa 50 Equal Weight Methodology

The S&P South Africa 50 is designed to measure the performance of the 50 largest companies by float-adjusted market capitalization within the S&P South Africa Composite. The S&P South Africa 50 Equal Weight is an equally weighted version of the S&P South Africa 50.

For a company with multiple share classes, eligibility for index inclusion is based on the total float-adjusted market capitalization of the company. The subsequent weight of each share class only reflects its own float, not the combined float of all the company’s share classes.

**Eligibility**

To be eligible for index inclusion, a stock must be a member of the S&P South Africa Composite.

**Liquidity.** The average daily value traded (ADVT) over the three months leading up to the rebalancing reference date must be at least ZAR 50 million. Current constituents remain in the index if the ADVT over the three months leading up to the rebalancing reference date remains above ZAR 40 million. For companies with multiple share classes, the liquidity rule only applies to the largest share class.

**Index Construction**

**Constituent Selection.** Eligible companies are ranked by float-adjusted market capitalization as of the rebalancing reference date. If a company has multiple share classes, all share classes are included in the index. Each share class is assigned a weight that is proportional to its float-adjusted market capitalization as of the price reference date. The 50 largest companies form the index.

**Buffer Rule.** Current constituents remain in the index if they are ranked among the top 55 companies.

**Rebalancing**

The index is reconstituted on a semi-annual basis. The reference dates for constituent selection are the last trading day of February and August. Changes are effective after the close of the third Friday in March and September.

The index is re-weighted on a quarterly basis. The price reference date used for weighting is the Wednesday before the second Friday of the re-weighting month. Changes are effective after the close of the third Friday in March, June, September and December.

**Constituent Weighting**

**S&P South Africa 50.** The index is modified market capitalization weighted, where no single company weighs more than 10% of the index at each rebalancing.

**S&P South Africa 50 Equal Weight.** The index is equally weighted, where each company is set to an equal weight of two percent at each rebalancing. For companies with multiple share classes in the index, the two percent weight setting is split in proportion to each share class’s market capitalization.
Index Maintenance

All index adjustments and corporate action treatments follow the S&P South Africa Composite. Index constituents removed due to M&A activity are replaced during the semi-annual reconstitution.
Appendix II

S&P South Africa Completion Methodology

The S&P South Africa Completion is designed to measure the performance of the South African small cap market.

Eligibility

The index comprises the securities of the S&P South Africa Composite that are not constituents of the S&P South Africa 50 index.

Index Construction

The index is weighted by float-adjusted market capitalization.

Rebalancing

The index is rebalanced on a quarterly basis. The reference dates for constituent selection are the last trading day of February, May, August and November. Changes are effective after the close of the third Friday in March, June, September and December.

Index Maintenance

All index adjustments and corporate action treatments follow the S&P South Africa Composite.
Appendix III

S&P South Africa Composite Property and S&P South Africa Composite Property Capped Methodology

The S&P South Africa Composite Property is a market capitalization weighted index that includes all companies in the S&P South Africa Composite that are classified as property companies. The S&P South Africa Composite Property Capped is a modified market capitalization variation of the S&P South Africa Composite Property, where no single stock weighs more than 10% of the index at each rebalancing.

Eligibility

To be eligible for index inclusion, a stock must first be a member of the S&P South Africa Composite. Companies added to the index must be part of the Real Estate Industry Group based on their Global Industry Classification Standard (GICS®) codes and must be classified as a property company as defined below.

For more information on GICS, please refer to S&P Dow Jones Indices’ GICS Methodology document.

Property Classification. Below are specific industry criteria for company inclusion. In particular, companies must be engaged in real estate ownership, development and/or management.

- Lessors of buildings and dwellings
- Lessors of mini warehouses and self-storage units
- Real estate development
- Real estate property managers
- Real estate rental and leasing

Exclusions. Companies whose main source of revenue is derived from fees or interest earned when providing real estate services or financing are specifically excluded.

- Brokers and investment management service companies
- Companies primarily engaged in the financing of real estate
- Companies solely engaged in the management of properties or facilities
- Homebuilders and companies in construction, contracting and project management services
- Real estate agents and appraisers

Index Construction

Constituent Selection. All companies in the S&P South Africa Composite that are classified as property companies are included in the index.

Rebalancing

Index rebalancing follows the same schedule as the S&P South Africa Composite. In addition, the S&P South Africa Composite Property Capped is re-weighted on a quarterly basis. The reference dates for constituent selection are the last trading day of February, May, August and November. The price
reference date used for weighting is the Wednesday before the second Friday of the re-weighting month. Changes are effective after the close of the third Friday in March, June, September and December.

Constituent Weighting

**S&P South Africa Composite Property.** The index is market capitalization weighted.

**S&P South Africa Composite Property Capped.** The index is modified market capitalization weighted, where no single stock weighs more than 10% of the index at each rebalancing.

Index Maintenance

All index adjustments and corporate action treatments follow the S&P South Africa Composite.

**Industry Reclassifications.** If a company in the S&P South Africa Composite is reclassified from non-property to property, it is added to the index at month end. If a company in the S&P South Africa Composite is reclassified from property to non-property, it is removed from the index at month end.
Appendix IV

S&P South Africa Domestic Shareholder Weighted (DSW) Indices Methodology

The DSW indices in the S&P South Africa Composite index family are designed to reflect the investable universe relevant to domestic investors in South Africa. To represent the shares relevant to South African investors, the float factor for each dual-listed company is reduced by the percentage of foreign-owned shares. The DSW float is defined as the portion of listed shares in dematerialized form on the South African share register. This data is obtained from a commercially available database. The float factor for a stock with a primary listing in Johannesburg remains equal to its standard float factor.

S&P South Africa Domestic Shareholder Weighted (DSW) Index. The index is a variation of the S&P South Africa Composite, where the float-adjusted market values of the companies are adjusted to reflect the level of ownership by South African investors.

S&P South Africa Domestic Shareholder Weighted (DSW) Capped Index. The index is a modified market capitalization variation of the S&P South Africa DSW Index, where no single stock weighs more than 10% of the index at each rebalancing.

S&P South Africa Domestic Shareholder Weighted (DSW) 50. The index is a variation of the S&P South Africa 50, where the float-adjusted market values of the companies are adjusted to reflect the level of ownership by South African investors. The index is modified market capitalization weighted, where no single stock weighs more than 10% of the index at each rebalancing.

Eligibility

The constituents are identical to the respective parent index.

Index Construction

Float Factor. The Investable Weight Factor (IWF) for each dual-listed company is adjusted to reflect the percentage of a company’s total shares outstanding that are owned by South African investors. The DSW float is defined as the portion of listed shares in dematerialized form on the South African share register. This data is obtained from a commercially available database. In cases where domestic shareholder data is not available, the average level of ownership held by South African shareholders in dual-listed (i.e. foreign-domiciled company) shares is used as a proxy.

Rebalancing

Index rebalancing follows the same schedule as the parent index. In addition, the S&P South Africa DSW Capped Index and S&P South Africa DSW 50 are re-weighted on a quarterly basis to reflect 10% single stock caps. The reference dates for constituent selection are the last trading day of February, May, August and November. The price reference date used for weighting is the Wednesday before the second Friday of the re-weighting month. Changes are effective after the close of the third Friday in March, June, September, and December.

Constituent Weighting

S&P South Africa DSW Index. The index is market capitalization weighted.

S&P South Africa DSW Capped Index. The index is modified market capitalization weighted, where no single stock weighs more than 10% of the index at each rebalancing.
**S&P South Africa DSW 50.** The index is modified market capitalization weighted, where no single stock weighs more than 10% of the index at each rebalancing.

**Index Maintenance**

All index adjustments and corporate action treatments follow the parent index. In addition, float factors for all companies are updated on a quarterly basis, barring any float impacting corporate actions in between rebalancings.
Appendix V

Methodology Changes

Methodology changes since January 1, 2015 are as follows:

<table>
<thead>
<tr>
<th>Change</th>
<th>Effective Date (After Close)</th>
<th>Previous</th>
<th>Updated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inward Foreign Listing rule relaxed.</td>
<td>12/03/2016</td>
<td>The S&amp;P South Africa Composite excluded listings with less than 5% of available shares held by South African investors.</td>
<td>The S&amp;P South Africa Composite excludes listings with less than 1% of available shares held by South African investors.</td>
</tr>
<tr>
<td>Selection universe expanded.</td>
<td>12/05/2016</td>
<td>Eligible universe was made up of stocks trading on the JSE which are part of the S&amp;P Global BMI.</td>
<td>Eligible universe is made up of stocks trading on the JSE which are part of the S&amp;P Global BMI and S&amp;P Frontier BMI.</td>
</tr>
</tbody>
</table>
| Rebalancing schedule for the following indices:  
  • S&P South Africa 50  
  • S&P South Africa 50 Equal Weight | 12/18/2015 | The indices were fully rebalanced quarterly in March, June, September, and December. | The indices are reconstituted on a semi-annual basis in March and September.  
The indices are re-weighted quarterly in March, June, September and December. |
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