

### BHP Group Unification & Impact on FTSE/JSE Indices

BHP is one of the world's leading resources companies and has been one of the highest weighted companies listed on the FTSE/JSE indices. With its headquarters in Melbourne, Australia, BHP Billiton, now renamed BHP Group, was formed in June 2001 from a merger between BHP Limited (an Australian-listed company), and BHP Billiton (a UK-listed company). The two companies were able to continue separately by way of a Dual Listed Company (DLC) structure; which meant that they were two companies functioning under a single entity with individual legal structures, share listings and share registers. On 31 January 2022, BHP unified its Dual-Listed Company (DLC) under BHP Group Limited, after obtaining the necessary approvals. The secondary listing of BHP Group Limited (BHG) will be traded on the JSE, instead of BHP Group Plc shares (BHP).

#### Impact on FTSE/JSE Indices:

The FTSE/JSE Indices have included the BHP Billiton (BHP) shares on the JSE for several years. Some indices such as the Top 40 Index, the Shariah Top 40 Index, Capped RESI Index and the Capped ALSI Index have had high weightings of BHP in the respective indices. With the impact of the BHP Group Unification, these indices, among others, will be impacted by means of a weight allocation change for BHP Group (BHG) shares. ETFs that track these indices will, therefore, also be impacted by this change of weight allocation.

### BHG Weight Change - Impact on the JSE Indices & ETFs

The BHP Group previously formed part of the Top 3 holdings on the Top 40 index, the Shariah Top 40 Index, the Capped ALSI (All Share) index and the Capped RESI (Resources) index. Each of these indices had a high weighting towards the BHP Group security, now BHG (see Figure D). With the unification weight changes that took place on 18 March 2022, BHP Group Limited will see a significantly lower weight allocation in the indices (see Figure B). The Shariah Top 40 Index will see an approximate drop of 24% of the previous weight being sold in the index, The Capped RESI Index will see about 21% being sold, the Top 40 Index will see about 12% being sold and the Capped ALSI will see about 9% being sold in the index. In terms of industry classification, BHP Group Limited is classified as an Industrial Metals & Mining company on the FTSE/JSE indices.

Figure A: BHG Index Weight Change – Sale of BHG shares on the Indices

Code	Indices		BHP/BHG instrument			
	Short name	Name	BHP/BHG	Previous weight	Sell	New weight
J140	Shariah Top40	FTSE/JSE Shariah Top 40	BHG	29%	24%	5%
J310	Capped RESI	FTSE/JSE Capped Resource 10	BHG	28%	21%	7%
J200	Top 40	FTSE/JSE Top 40	BHG	14%	12%	2%
J303	Capped ALSI	FTSE/JSE Capped All Share	BHG	11%	9%	2%

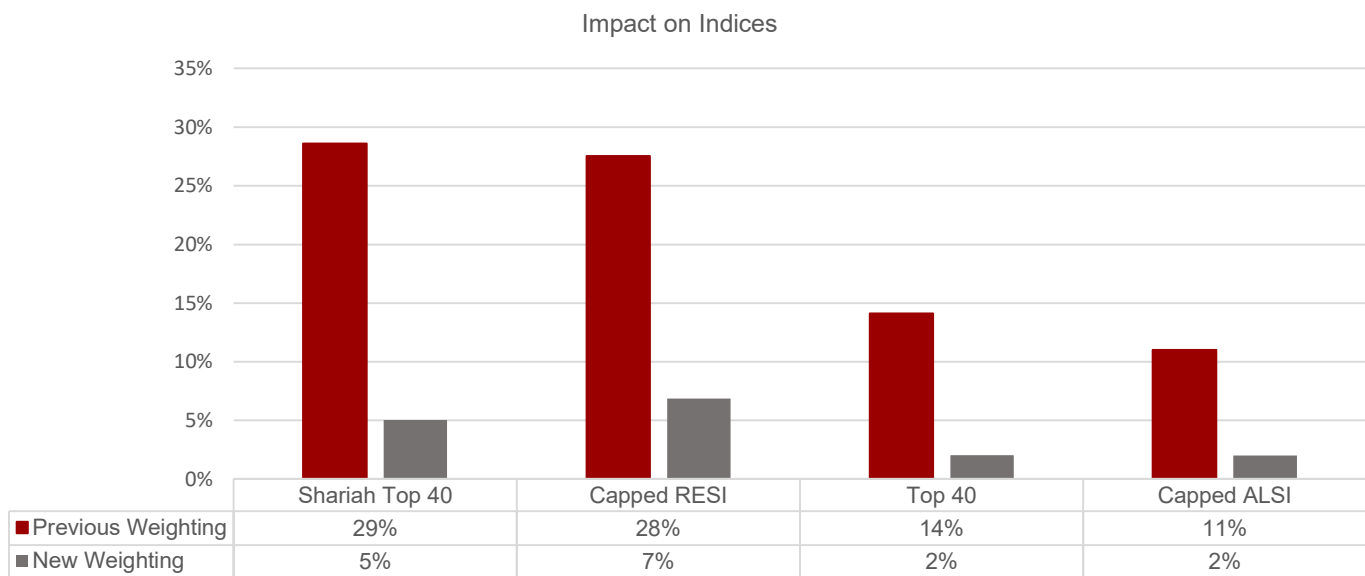
\*Weightings are as of 15 March 2022 and have been rounded up

Source: JSE

## BHG Weight Change - Impact on the JSE Indices & ETFs (continued)

Looking at it graphically, we see that the Shariah Top 40 Index and the Capped RESI had the highest weighting, compared to the Top 40 and Capped ALSI. With effect of the unification on the Indices, it is seen that the weighting of BHP Group Limited is significantly reduced.

Figure B: BHG Index Weight Change - Impact on Indices



## Impact on the ETFs

The following ETFs track indices that include a weight change of allocation to the BHP Group Limited (BHG) shares:

### Index Tracked: FTSE/JSE Shariah Top 40

### Affected ETF: The ABSA NewFunds Shariah Top 40 ETF (NFSH40)

The ABSA NewFunds Shariah Top 40 ETF aims to track the performance of the FTSE/JSE Shariah Top 40 Index, which includes Shariah compliant companies that are identified in the FTSE/JSE Top 40 Index. Taking the BHP unification trades into account (post 18 March 2022), the sector exposure of the Top 10 Holdings in the index, differs slightly (see Figure C). There is approximately 50% exposure to the Industrial Metals & Mining sector, down from 63%, with an upweight in the Precious Metals & Mining sector (approximately 36%), Chemicals (approximately 8%) and General Industries (approximately 6%), respectively.

## Impact on the ETFs

**Index Tracked: FTSE/JSE Capped Resource 10****Affected ETF: The Satrix RESI (STXRES)**

The Satrix RESI aims to track the performance of the FTSE/JSE Capped Resource 10 Index, which includes 10 of the largest resource companies that are listed on the JSE and weighted according to their market capitalisation. Taking the BHP unification trades into account (post 18 March 2022), the sector exposure looks slightly different (see Figure C). There is approximately 49% exposure to the Industrial Metals & Mining sector, up from 32%, with a down weight in the Precious Metals & Mining sector (approximately 41%). The Chemicals sector increases slightly in weight to approximately 10%.

**Index Tracked: FTSE/JSE Top 40****Affected ETFs:**

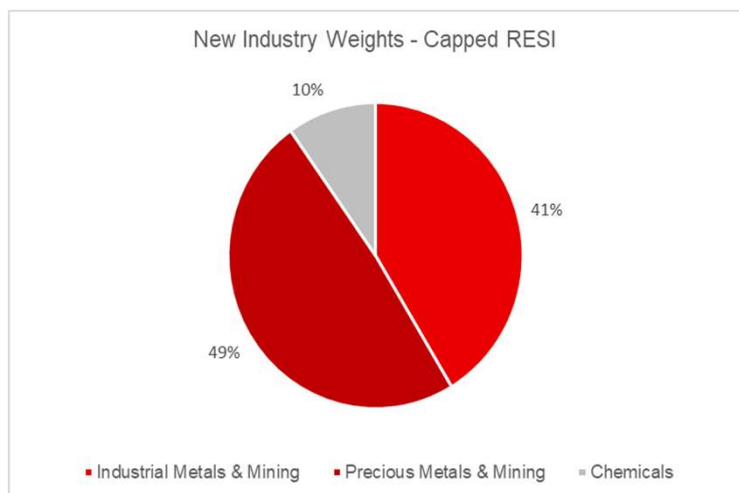
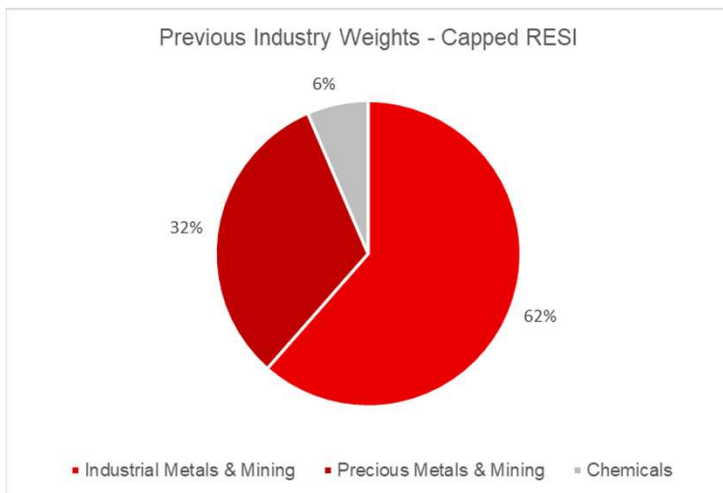
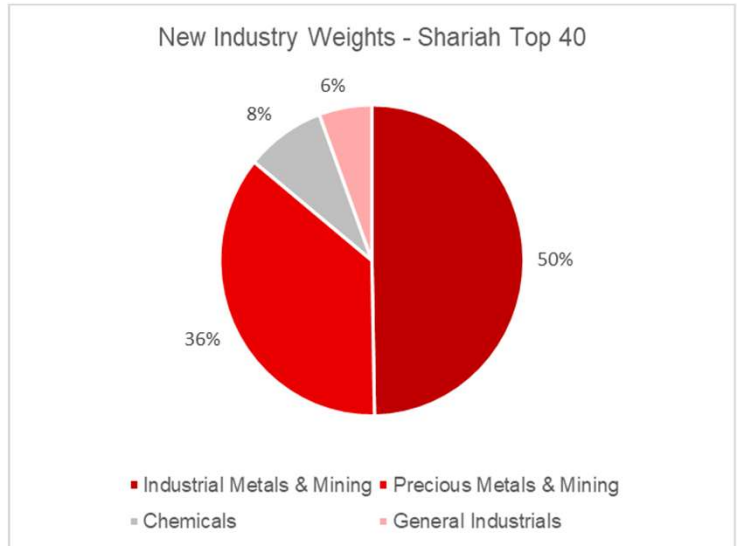
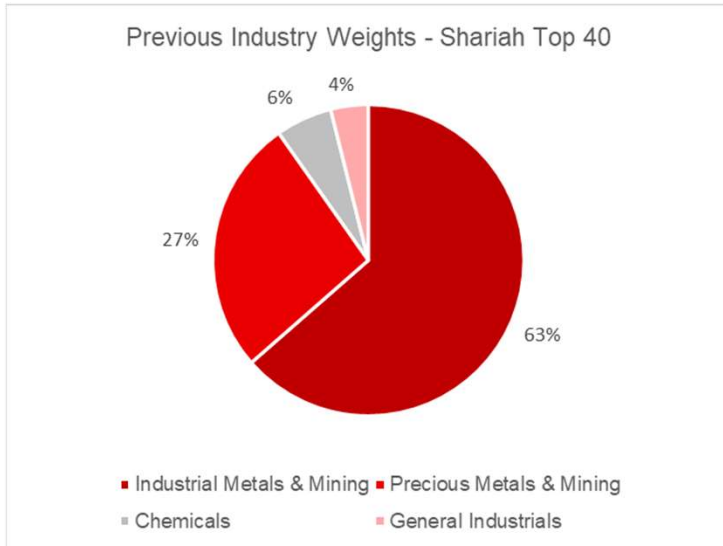
- **Invest Top 40 (ETFT40)**
- **FNB Top 40 (FNBT40)**
- **Satrix Top 40 (STX40)**
- **Sygnia Itrix Top 40 (SYGT40)**

These ETFs aim to track the performance of the FTSE/JSE Top 40, which is an equity index that is comprised of the 40 largest companies weighted by market capitalization. Taking the BHP unification trades into account (post 18 March 2022), the sector exposure of the Top 10 Holdings in the index looks quite different (see Figure F). There is approximately 24% exposure to the Industrial Metals & Mining sector, down from 43%, with a significant upweight in Precious Metals & Mining (approximately 16%, up from 5%). The sectors for Personal Goods increases slightly to approximately 23%, along with Telecommunication Services Providers (approximately 9%), Banks (approximately 14%), and Chemicals (approximately 5%), respectively. The exposure to Software & Computer Services sector is approximately down weighted to 9%.

**Index Tracked: FTSE/JSE Capped All Share****Affected ETF: The Satrix Capped ALSI (STXCAP)**

The Satrix Capped ALSI aims to track the performance of the FTSE/JSE Capped All Share Index, which represents a cap on the 99% of the full market cap value of all eligible securities. Taking the BHP unification trades into account (post 18 March 2022), the sector exposure of the Top 10 Holdings in the index also looks quite different (see Figure F). There is approximately 21% exposure to the Industrial Metals & Mining sector, down from 44%, with a significant upweight in Precious Metals & Mining (approximately 17%, up from 5%). The sectors for Personal Goods increases slightly to approximately 21%, along with Telecommunication Services Providers (approximately 10%), Banks (approximately 15%), and Chemicals (approximately 6%), respectively. The exposure to Software & Computer Services sector is approximately down weighted to 10%.

Figure F: BHG Weight Change – Sector Analysis of the Top 10 Holdings



\*Weightings are as of 15 March 2022 and have been rounded up

**Figure F: BHG Weight Change – Sector Analysis of the Top 10 Holdings (continued)**



\*Weightings are as of 15 March 2022 and have been rounded up

### In Summary

Overall, three of the four FTSE/JSE Indices are seeing a decreased exposure to the Industrial Metals & Mining Sector, with an upweight of Precious Metals & Mining in the Top 10 Holdings, The Capped RESI, however, is seeing an increase in Industrial Metals & Mining, with a down weight in Precious Metals & Mining. In future, the performance and direction of the "market" - represented by the FTSE/JSE All Share Index (ALSI), the most widely reported metric for South African equities - will be dominated by Anglo American (AGL) and Richemont (CFR), representing almost 25% of the index.

The most common benchmark index used by institutional asset managers in South Africa, is the FTSE/JSE Capped SWIX Index, and this is dominated by MTN and Naspers (NPN), capped out at 6% each, followed by Firstrand (FSR), Anglo American (AGL), Standard Bank (SBK), Sasol (SOL), Implats (IMP), Prosus (PRX), Capitec (CPI) and Sibyane-Stillwater (SSW) rounding out the Top 10 holdings, representing 42% of the index.

Figure D: Look through of JSE Indices Before and After the Trades (Top 10 Holdings)

J140: FTSE/JSE Shariah Top 40					
Code	Security	Previous Weight	Code	Security	New Weight
BHG	BHP Group Ltd	29%	AGL	Anglo American	34%
AGL	Anglo American	24%	IMP	Impala Platinum Hlds	8%
IMP	Impala Platinum Hlds	6%	SOL	Sasol	7%
SOL	Sasol	5%	SSW	Sibanye Stillwater	7%
SSW	Sibanye Stillwater	5%	GFI	Gold Fields	7%
GFI	Gold Fields	5%	ANG	Anglogold Ashanti	6%
ANG	Anglogold Ashanti	4%	BHG	BHP Group Ltd	5%
AMS	Anglo American Platinum	4%	MNP	Mondi Plc	5%
MNP	Mondi Plc	3%	NPH	Northam Platinum Holdings	3%
GLN	Glencore	2%	GLN	Glencore	3%

J200: FTSE/JSE Top 40					
Code	Security	Previous Weight	Code	Security	New Weight
BHG	BHP Group Ltd	15%	AGL	Anglo American	14%
AGL	Anglo American	12%	CFR	Compagnie Financiere Richemont AG	14%
CFR	Compagnie Financiere Richemont AG	12%	MTN	MTN Group	5%
MTN	MTN Group	4%	NPN	Naspers	5%
NPN	Naspers	4%	FSR	Firststrand Limited	5%
FSR	Firststrand Limited	4%	IMP	Impala Platinum Hlds	3%
IMP	Impala Platinum Hlds	3%	SBK	Standard Bank Group	3%
SBK	Standard Bank Group	3%	SOL	Sasol	3%
PRX	Prosus	3%	SSW	Sibanye Stillwater	3%
SOL	Sasol	3%	GFI	Gold Fields	3%

J303: FTSE/JSE Capped All Share					
Code	Security	Previous Weight	Code	Security	New Weight
AGL	Anglo American	12%	AGL	Anglo American	10%
BHG	BHP Group Ltd	12%	CFR	Compagnie Financiere Richemont AG	10%
CFR	Compagnie Financiere Richemont AG	7%	MTN	MTN Group	5%
MTN	MTN Group	4%	NPN	Naspers	5%
NPN	Naspers	4%	FSR	Firststrand Limited	4%
FSR	Firststrand Limited	4%	IMP	Impala Platinum Hlds	3%
IMP	Impala Platinum Hlds	3%	SBK	Standard Bank Group	3%
SBK	Standard Bank Group	3%	SOL	Sasol	3%
PRX	Prosus	3%	SSW	Sibanye Stillwater	3%
SOL	Sasol	2%	GFI	Gold Fields	3%

J310: FTSE/JSE Capped Resource 10					
Code	Security	Previous Weight	Code	Security	New Weight
AGL	Anglo American	30%	AGL	Anglo American	30%
BHG	BHP Group Ltd	28%	IMP	Impala Platinum Hlds	10%
IMP	Impala Platinum Hlds	7%	SOL	Sasol	10%
SOL	Sasol	6%	SSW	Sibanye Stillwater	10%
SSW	Sibanye Stillwater	6%	GFI	Gold Fields	10%
GFI	Gold Fields	6%	ANG	Anglogold Ashanti	8%
ANG	Anglogold Ashanti	5%	AMS	Anglo American Platinum	7%
AMS	Anglo American Platinum	5%	BHG	BHP Group Ltd	7%
GLN	Glencore	3%	NPH	Northam Platinum Holdings	4%
NPH	Northam Platinum Holdings	3%	GLN	Glencore	4%

\* Weightings are as of 15 March 2022 and have been rounded up

Source: JSE

## Disclaimer

The Exchange Traded Products (ETPs) contained herein are mainly Collective Investment Schemes in Securities (CIS) and other listed securities which are generally medium to long-term investments that contain elements of risk and can be affected by market values, interest rates, exchange rates, volatility, dividend yields and issuer credit ratings. ETPs are listed on the Johannesburg, or other Stock Exchanges, and trade at ruling prices on such Exchanges.

The price of ETPs can go up as well as down and past performance is not necessarily a guide to the future. The ETP's herein are listed on the Johannesburg Stock Exchange Limited and trading in ETP securities will incur trading and settlement costs. ETF securities are traded at ruling prices and can engage in scrip lending.

The information and opinions provided herein are of a general nature and do not constitute investment advice. Whilst every care has been taken, no representation, warranty or undertaking, expressed or implied, is given as to the accuracy or completeness thereof.

etfSA.co.za is managed by M F Brown, who is a registered financial services provider (FSP No. 39217). M F Brown has Professional Indemnity Insurance as required by FAIS. The etfSA Investment Services Company (Pty) Ltd (FSP No 40107) provides asset management as well as financial intermediary and advice services. It uses Exchange Traded Products to construct portfolios for use in Retirement Annuity, Tax-Free and Discretionary investments. It holds Professional Indemnity insurance and Fidelity Guarantee insurance as required by FAIS.

All opinions and information on this website may be changed at any time without notice. Redistribution, reproduction, the resale or transmission to any third party of the contents of this website, whether by email, newsletter, internet or website, is only possible with the written permission of etfSA. etfSA.co.za, its sponsors, administrators, contributors and product providers disclaim any liability for any loss, damage, or expense that might occur from the use of or reliance on the data and services provided through this website. etfSA.co.za® and etfSA The Home of Exchange Traded Funds® are registered trademarks in the Republic of South Africa.