ACTUARIAL SOCIETY OF SOUTH AFRICA

QUANTIFYING RISK, ENABLING OPPORTUNITY

Mark Randall – JSE

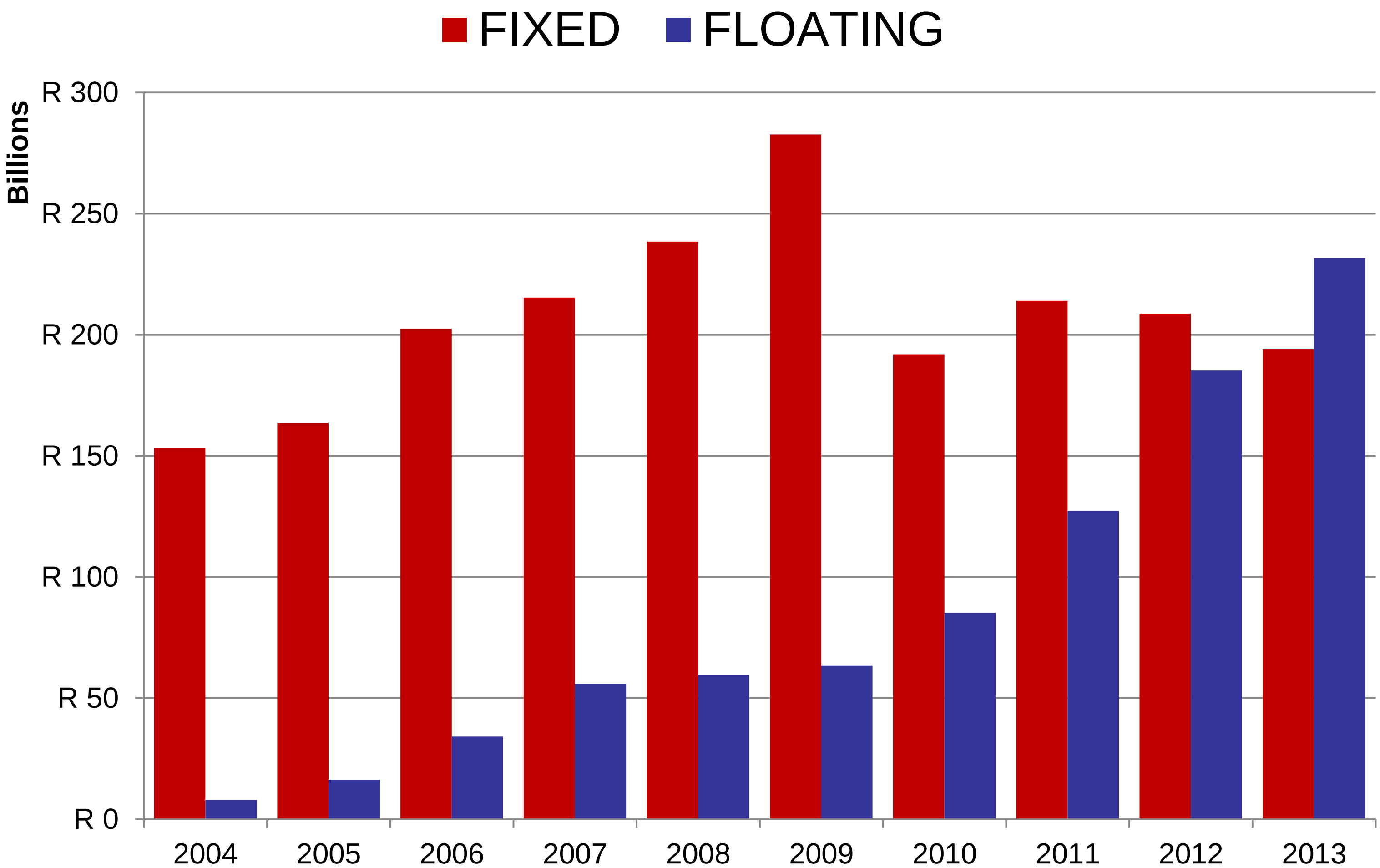
The Creation of a Credit Benchmark

Investments Seminar – 23 May 2014

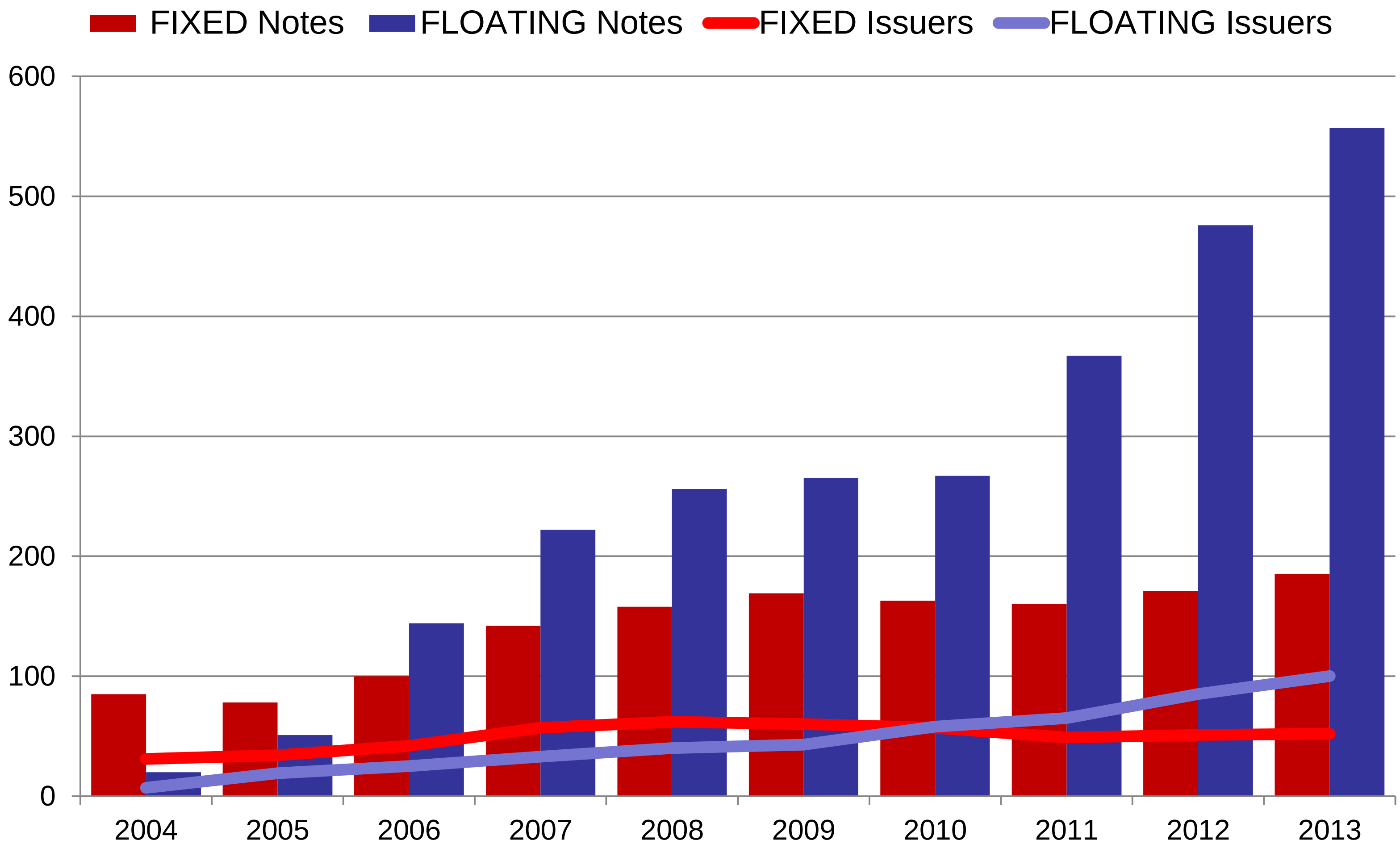
Government Guarantees

Issuer	Bonds	Amount Issued Rand Billion
Republic of South Africa	71	1,141
Eskom Holdings	11	102
The SA National Roads Agency	12	30
Trans-Caledon Tunnel Authority	7	16
Credit Bonds	1305	541

Market Size – Amount Issued



Market Size - Instruments



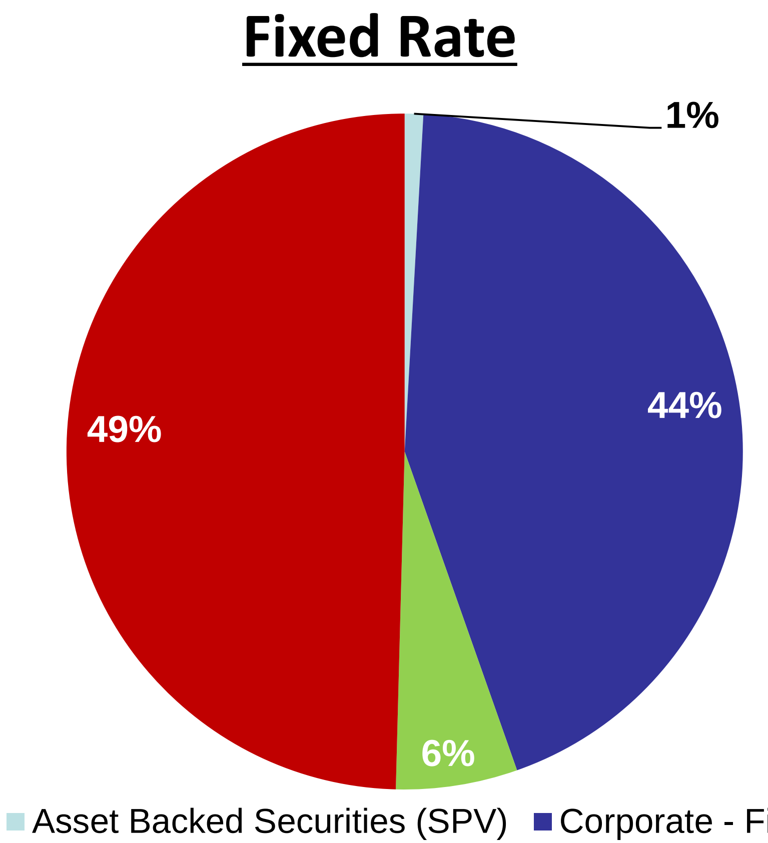
Eligible Index Universe

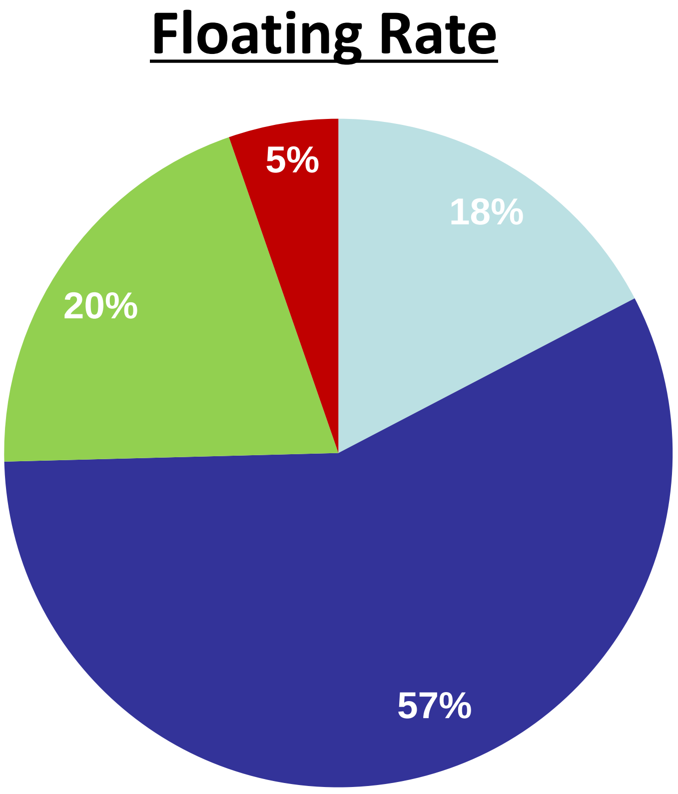
- Fixed Coupon – Semi Annual, or
- Floating Coupon – Quarterly
- Term to Maturity > 1 year
- Listed for at least two months
- Clean MCAP > 100 Million Rand
- No Credit-Linked Notes

Eligible Index Universe

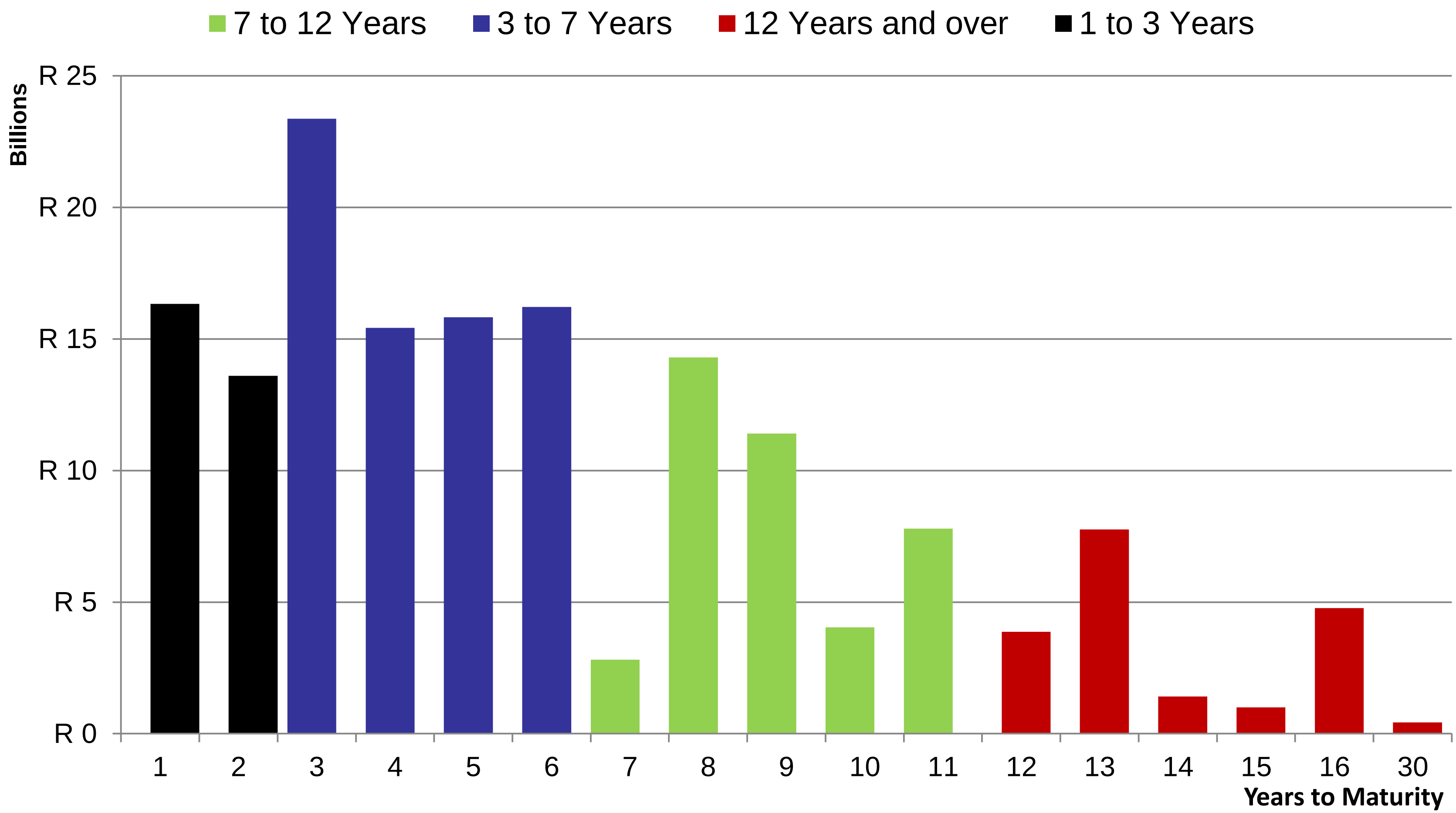
Note	Issuers	Bonds	Issued Amt Rand Million	Turnover Rand Million
Fixed Rate	45	127	160 363	3 634
Floating Rate	77	252	158 164	3 130

Issuer Class Splits

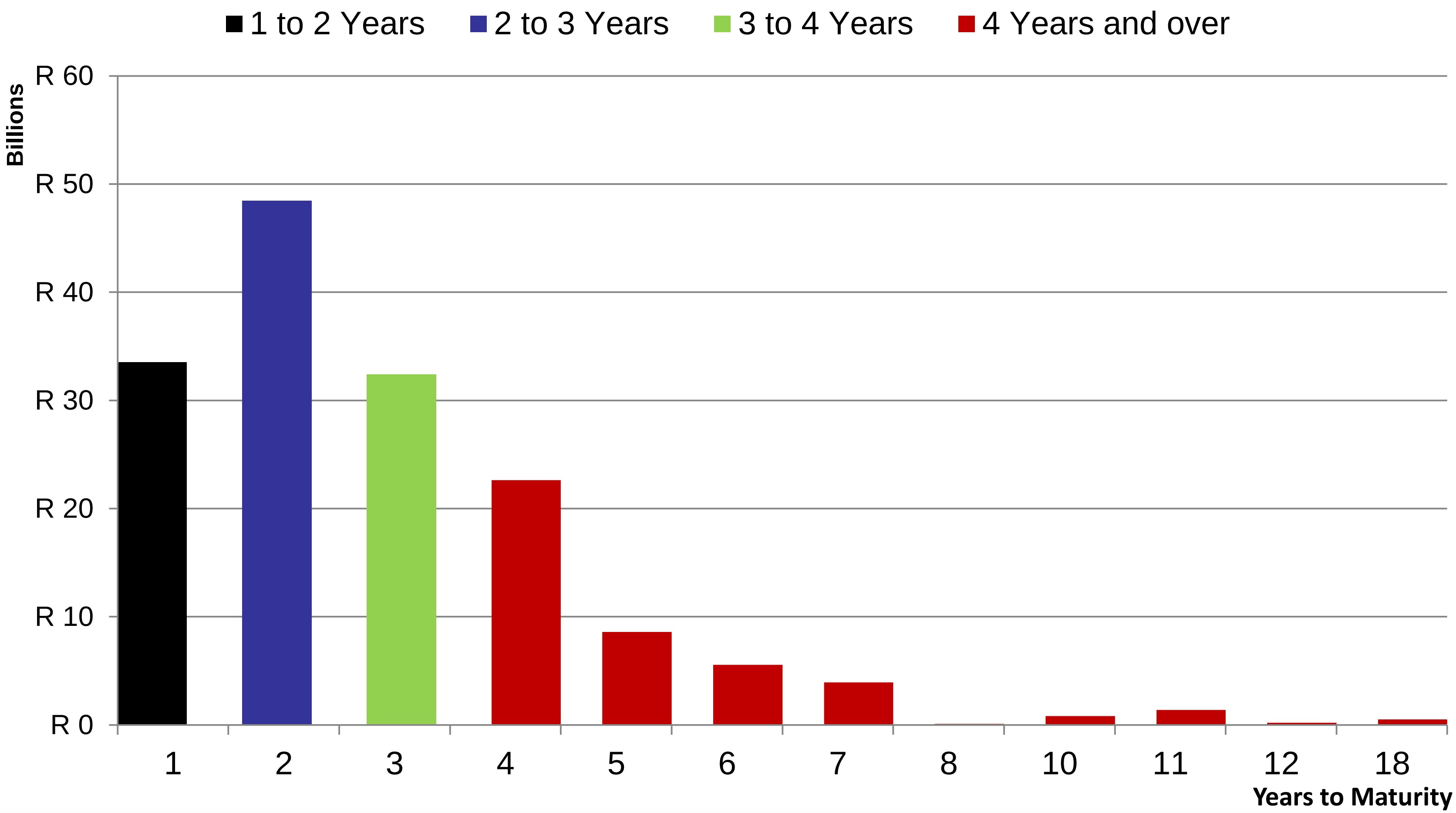




Term Splits – Fixed Rate



Term Splits – Floating Rate



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Index Progression

All Listed Bonds

Eligible Universe

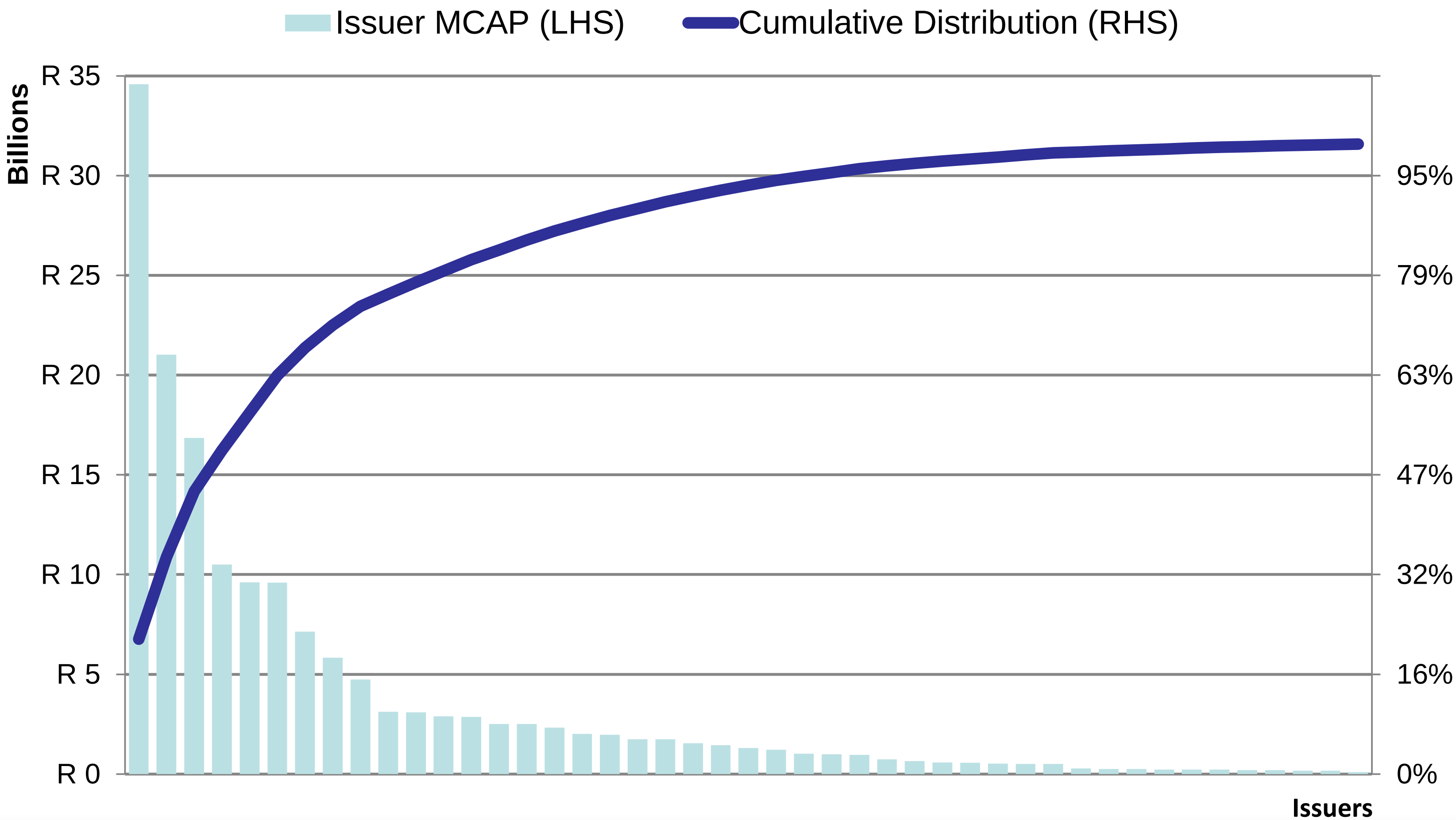
Representative Index

Replicable Index

Representative Indices

- Benchmark for Entire Market
- 95% Issuer Coverage
- No Liquidity Screen
- Separate Fixed and Floating Index
- Issuer Class and Term Split Sub-Indices

Representative Index – Fixed Rate



Representative Indices

Fixed Rate	Issuers	Bonds	Issued Amt Rand Million	Turnover Rand Million
Eligible Universe	45	127	160 363	3 634
CFIX 95	**26**	**108**	**153 153**	**3 510**

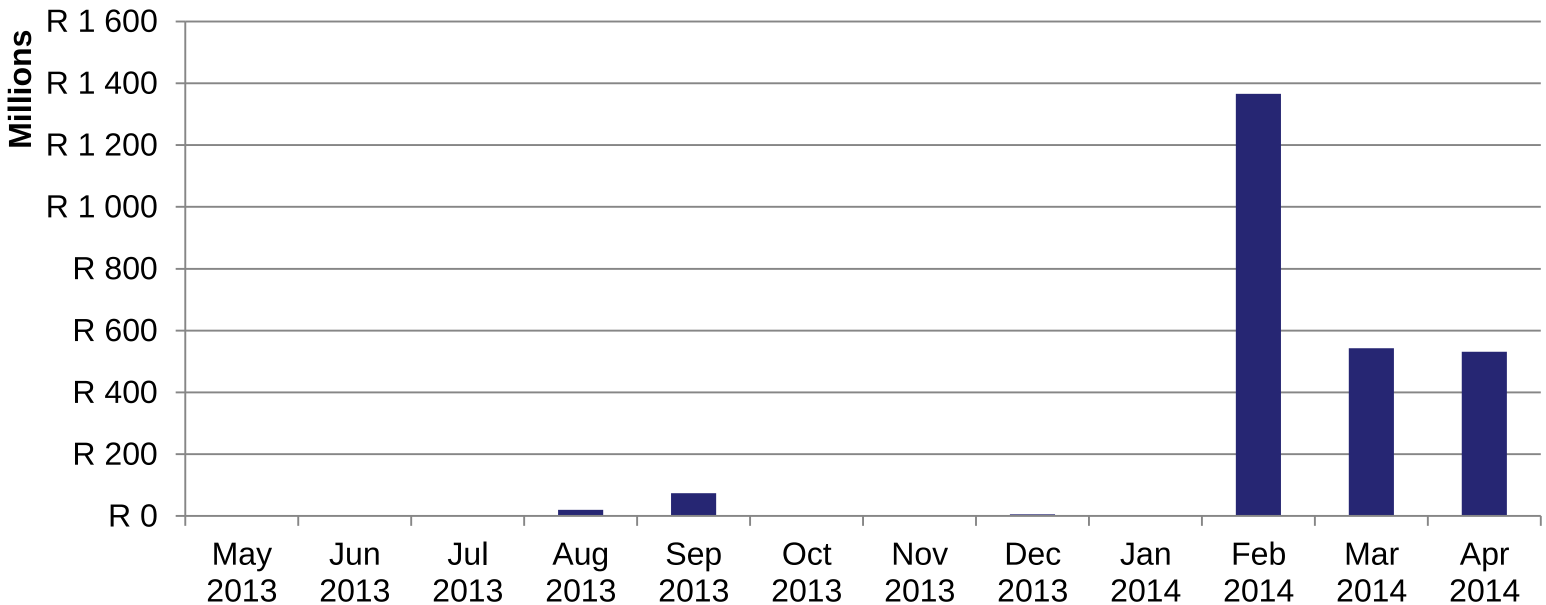
Floating Rate	Issuers	Bonds	Issued Amt Rand Million	Turnover Rand Million
Eligible Universe	77	252	158 164	3 130
CFLO 95	**53**	**226**	**149 606**	**2 913**

Replicable Indices

- Liquidity Consideration
- Top *n* Instruments by Dual Ranking
- Dual Ranking Methodology:
  - Average Clean Market Capitalisation
  - Average Clean Consideration (Turnover)
- 12 Month Averaging Period
- Max 5 Bonds per Issuer
- Issuer cap at 15%

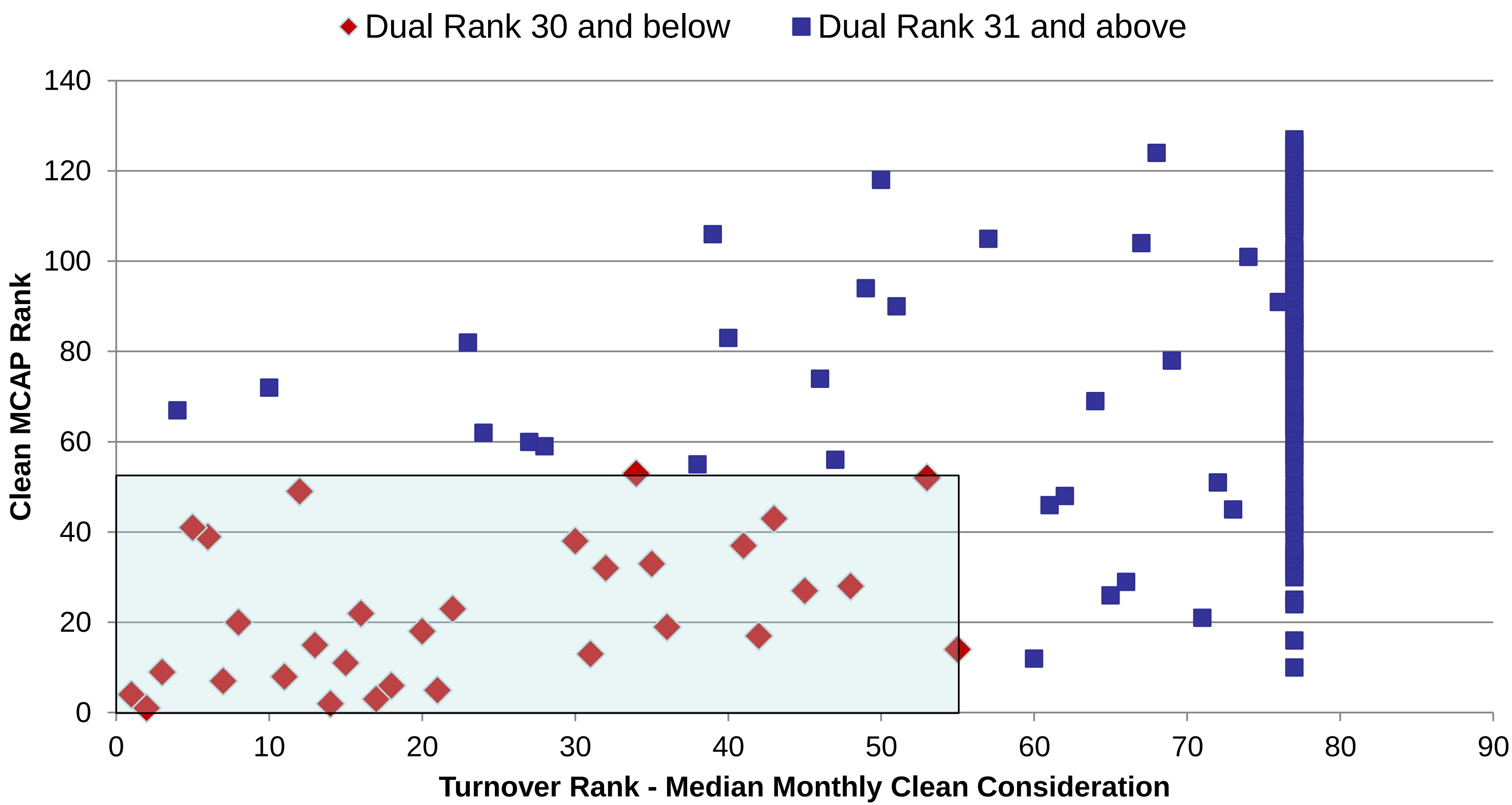
12 Month Average Liquidity

- SBS24, listed 2012/05/24



- Average Monthly Turnover = Rm 211 (First)
- Median Monthly Turnover = R 0 (Last)

Dual Ranking Methodology



Replicable Indices

Fixed Rate	Issuers	Bonds	Issued Amt Rand Million	Turnover Rand Million
Eligible Universe	45	127	160 363	3 634
CFIX 30	13	30	98 898	2 618
CFIX 20	9	20	82 566	2 180

Fixed Rate	Issuers	Bonds	Issued Amt Rand Million	Turnover Rand Million
Eligible Universe	77	252	158 164	3 130
CFLO 30	13	30	51 726	1 294
CFLO 20	8	20	40 648	997

CFLO 20 Sample

Issuer	Bonds	Uncapped Weight	Capped Weight
The Standard Bank of SA Ltd	5	27 %	15 %
ABSA Bank Ltd	3	14 %	15 %
Nedbank Ltd	3	13 %	15 %
Transnet SOC Ltd	2	12 %	14 %
Mercedes-Benz South Africa Ltd	3	12 %	14 %
Investec Bank Ltd	2	10 %	12 %
Firstrand Bank Ltd	1	9 %	11 %
Bidvestco Ltd	1	3 %	4 %

Open Questions

- Form of Replicable Index:
  - Top 20 vs. Top 30
  - Issuer cap at 15% or 20%
- Index level Credit Spread metric
- Combined Fixed and Floating Rate Index

Questions

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