

Standard Bank Africa Total Return Index (SBAFRITR Index)

Executive Summary

The objective of the Standard Bank Africa Index (“**SBAFRITR Index**”) is to provide access to the broad stock market in Africa excluding South Africa.

Twice a year, the SBAFRITR Index Selection Committee (the “**Committee**”) will identify companies that will make up the composition of the Index.

Stocks in the Index will be selected from the equities listed in major stock exchanges outside Africa (the “**International shares**”) and which have exposure to Africa, and from equities listed in relevant stock exchanges in Africa (the “**Local shares**”).

In addition, criteria related to market capitalization, liquidity and a quantitative optimisation methodology will be applied to determine the Index constituents and their respective weightings (as further discussed below).

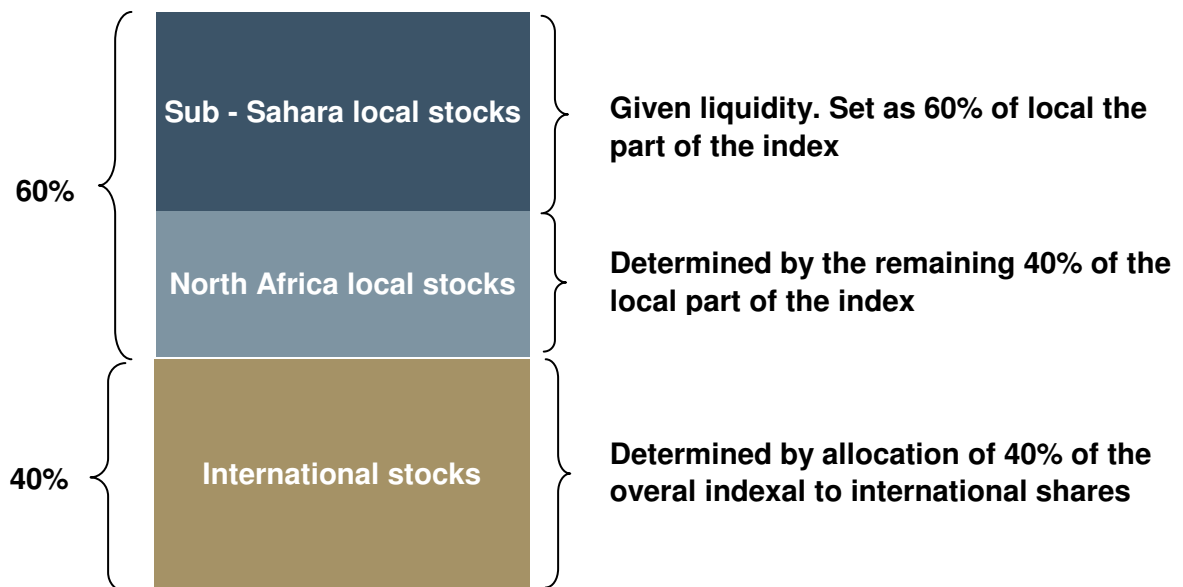
The Committee will also oversee the maintenance of the Index on a semi-annual basis and ensure that the rules continue to be applicable.

Summary of SBAFRITR Index Methodology

The Index is constructed on the basis of a set of rigid and transparent procedures and this can be categorised into the two main stages summarised below:

Stock selection: The initial set of stocks comprising the International and Local shares undergo a filtering process whereby only shares with the geographical allocation of business, market capitalisation and liquidity that meet specific criteria (discussed below) are selected for further analysis.

Broad allocation by the region and type of stocks: In the methodology of constructing the Index we pursue several goals: achieving the maximum liquidity, a fair representation of Africa by its local shares, emphasis on the Sub-Saharan region that is of particular interest to investors and broadest possible distribution of stocks among African countries. Given the fact that local shares in the Sub-Saharan region are the least liquid, the combined value of the selected shares in that region will determine the final value of the Index based on the pre-set weights of the North African local and International stocks as shown in the diagram below.



Stock weight determination: The selected shares then undergo an optimisation process to determine the weight allocation of shares to create the most liquid Index as broadly distributed among African countries, subject to the limits set on individual stocks and countries.

SBAFRITR Index stock selection

The composition of the Index will be reviewed twice a year, on the nineteenth trading day of each May and November.

The Index review will be carried out by the Committee.

The Committee will consist of relevant research analysts, sales and trading personnel and local markets professionals across Africa within Standard Bank to provide insights and knowledge needed for international investors.

The Committee will identify the initial pool of International and Local shares listed in relevant stock exchanges from which will be selected stocks for inclusion in the Index. As research coverage is not a prerequisite for the selection process, stocks that are not within the research coverage of the Standard Bank Research may also be included.

First selection based on the stock's relevance to Africa, market capitalisation and liquidity

The stocks within the initial pool will be subject to the three criteria set out below for screening purposes to ensure an adequate degree of relevance and tradability of the Index:

1. Exposure of the company to Africa, as a rule, shall be in excess of 85% of the company's total revenue (for more details, please refer to the section headed, "Company's Exposure to Africa" in the Appendix herein);
2. A minimum market capitalization requirement of US\$20 million;
3. The stock's liquidity which is approximated by the average daily trading turnover over the last 6 months (for more details, please refer to the section headed, "Minimum Liquidity Requirement" in the Appendix herein) shall not be less than a minimum turnover of US\$30,000 per trading day for the local African shares and US\$1,000,000 for the International shares;

In the case of a company having multiple listing, the security listed in the primary stock exchange was taken.

All stocks that meet the above criteria will make up the stocks forming the initial pool from which the constituents of Index will be chosen.

The initial pool will then be subject to an optimisation process (as further described in the section "Calculation of the SBAFRITR Index") which will determine the optimal number of stocks (i.e. being the number of stocks comprising of the Index) and the optimal weight for each stock selected to achieve as broad as possible representation of the Index among African countries, subject to the cap on individual stock weights and individual countries and to the ratio of International to Local shares.

SBAFRITR Index rules

Within the initial pool from which the constituents of Index are chosen, the stocks are selected and weighted in accordance with the optimisation process (i) to ensure that maximum level of liquidity in respect of the Index is maintained and (ii) to ensure that constraints on the weights of individual country, individual stock and on the ratio of International to Local shares is maintained at a level which the Committee believes to be acceptable.

After each Index review the new Index composition will be implemented from the start of the next day on which the relevant stock exchanges are scheduled to be opened for trading for regular trading session (a

“**Trading Day**”) and up to the twentieth Trading Day thereafter. The Committee may at its discretion extend such period as explained more fully below.

The Index will be calculated daily on a price total return basis (described below in the section “Treatment of cash dividends”) and will be published on Bloomberg under the ticker SBAFRITR Index (US\$).

In addition to the above function, the Committee will have the following responsibilities:

Ensuring the rules of the Index remain relevant following any structural changes to the market.

Extending the timeframe for implementing changes to the Index beyond the twentieth Trading Day period. This will be done in the event that a material increase in the liquidity/capacity of the Index is required in order to minimize market impact (i.e. the potential impact on the market price of the stocks (“**Affected Stocks**”) affected by such implementation and Committee’s re-weighting of such stocks). The Committee may in its discretion extend such timeframe if it believes it is necessary to maintain the price of the Affected Stocks within a range of the target weighted average price of such stock per day which it considers appropriate. Any such decision will be published in advance on the relevant Bloomberg page (SBAE <GO>).

The Committee may decide to make downward adjustments to the weighting of any constituent stock between review dates if it determines that there is a material deterioration to the liquidity levels of any stocks comprising of the Index. Moreover, the committee may exercise discretion on the treatment of non-standard corporate events (e.g. take-overs of constituents by co-constituents, spin-offs, etc) and to make any related re-weighting. Should either of these two events occur, the committee may, in its discretion, conduct an interim review to determine the composition of the Index by (i) reducing the weighting of the stock(s) affected by the occurrence of such event to zero until the next review date and leaving the weighting of each remaining constituent stocks unchanged or (ii) reducing such affected stock(s) to zero until the next review date and rebalancing the composition of the Index as it determines appropriate. Any such decision will be announced in advance on the relevant Bloomberg page.

The Committee may, at any time and in its sole discretion, make any adjustments, re-weighting or changes to the composition of the Index and take such other actions it considers necessary if it determines that a force majeure event has occurred in respect of the Index.

SBAFRITR Index composition

The Committee will apply the rules outlined in the above section to determine the composition of the Index. For more information refer to the *Methodology, Calculations and Sources* section.

The composition of the SBAFRITR Index is liquidity weighted as of 17 April 2019 (for a list of individual shares, refer to the *List of shares included in SBAFRITR Index with weights* section).

Composition of the SBAFRITR Index per country		
Country	Daily liquidity, \$m	Weight
Botswana	0.68	4.74%
Burkina Faso	0.68	4.74%
Cote D Ivoire	0.42	2.98%
DRC	0.68	4.73%
Egypt	2.19	15.35%
Eq Guinea	0.04	0.28%
Gabon	0.06	0.41%
Ghana	0.85	5.92%
Kenya	1.73	12.15%
Mali	0.81	5.65%
Mauritania	0.05	0.35%
Mauritius	0.45	3.15%
Morocco	0.86	6.00%
Namibia	0.27	1.90%

Nigeria	2.28	15.97%
Senegal	0.24	1.68%
Tanzania	0.68	4.74%
Tunisia	0.43	3.00%
Zambia	0.66	4.65%
Zimbabwe	0.23	1.62%

Source: Bloomberg, Global Markets Research

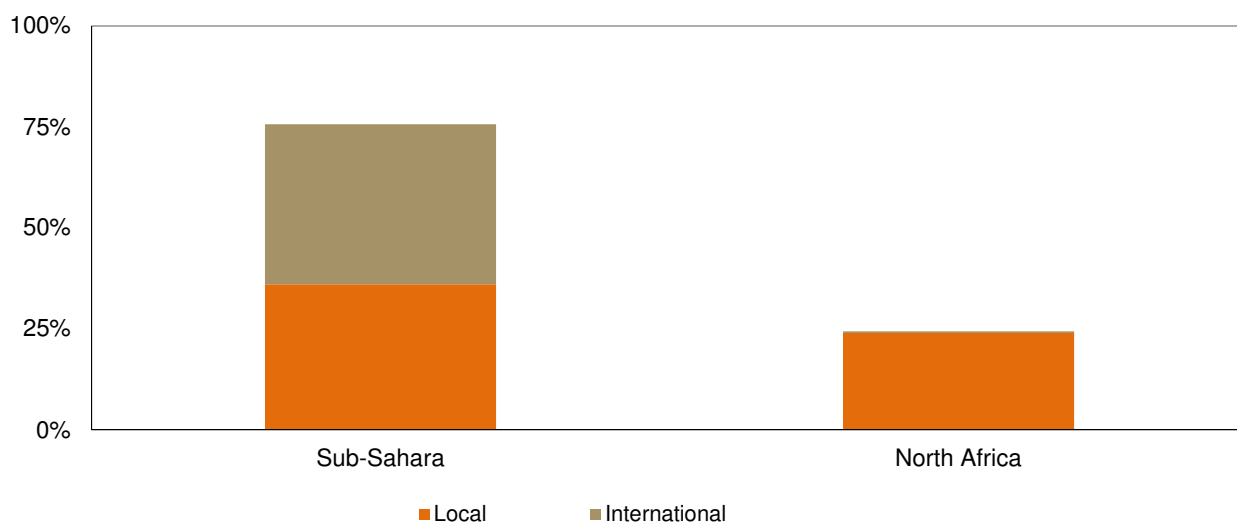
Based on the liquidity numbers we are able to estimate the overall liquidity of the Index.

In particular, we calculate that a US\$4.3 m program trade across all the names in the Index would represent 30% of the average daily turnover of each stock.

The local Sub-Saharan shares constitute a 60% of all the local shares, whereas the International shares constitute a 40% of the overall Index. In total, the Index consists of a 42 shares, of which 29 are local shares, i.e. listed in the African stock exchanges (Sub-Sahara: 17 and North Africa: 12) and 18 international.

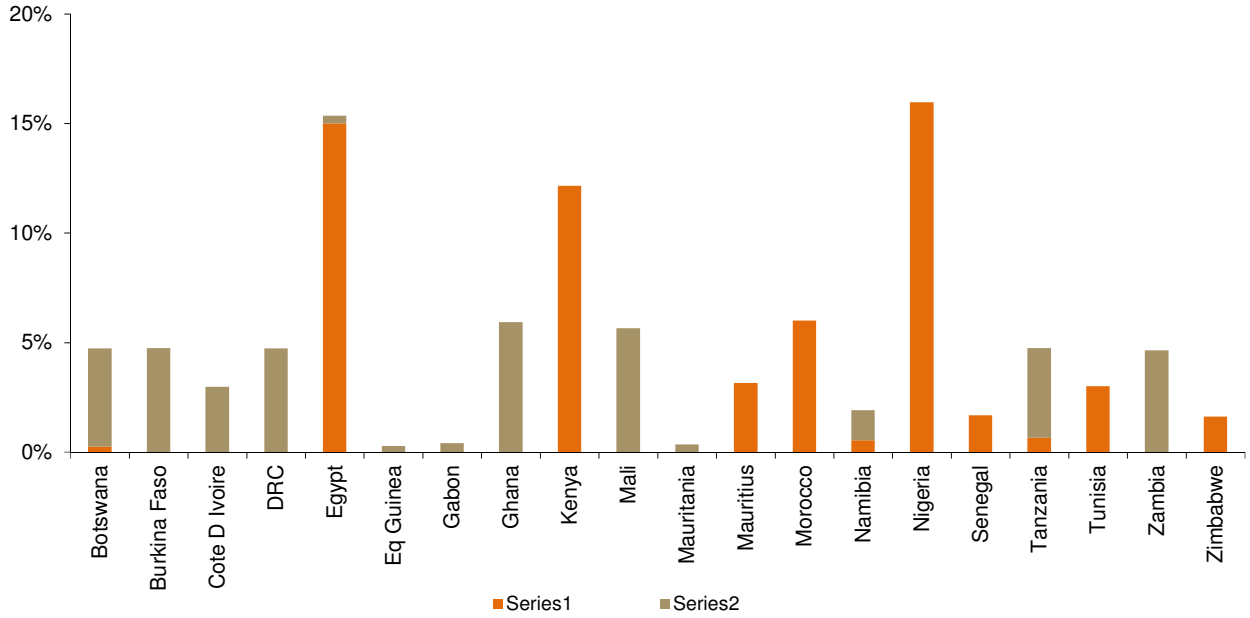
Stocks comprising the Index				
Exchanges	Regions	Number of stocks	Median daily liquidity, \$ m	Median market capitalisation, \$bn
Local	Sub-Sahara	17	0.272	1.592
	North Africa	12	0.820	1.264
International		13	5.532	1.586
Total/Weighted average		42	2.507	1.511

Composition of the SBAFRITR Index by region of operations and exchanges



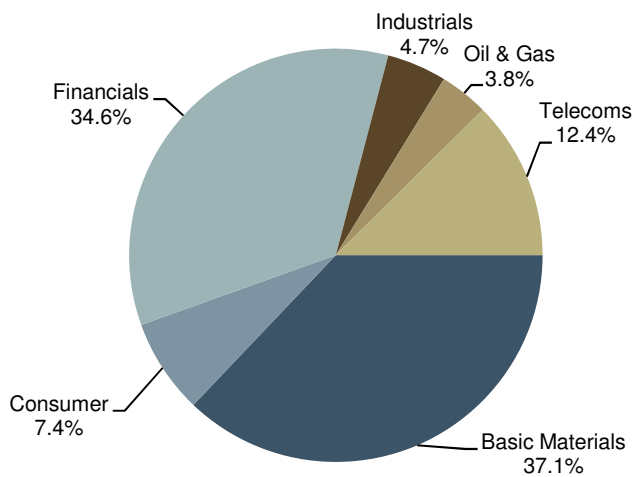
Source: Bloomberg, Global Markets Research

Composition of the SBAFRITR Index by country of operation and exchanges



Source: Bloomberg, Global Markets Research

SBAFRITR Index sector allocation



Source: Bloomberg, Global Markets Research

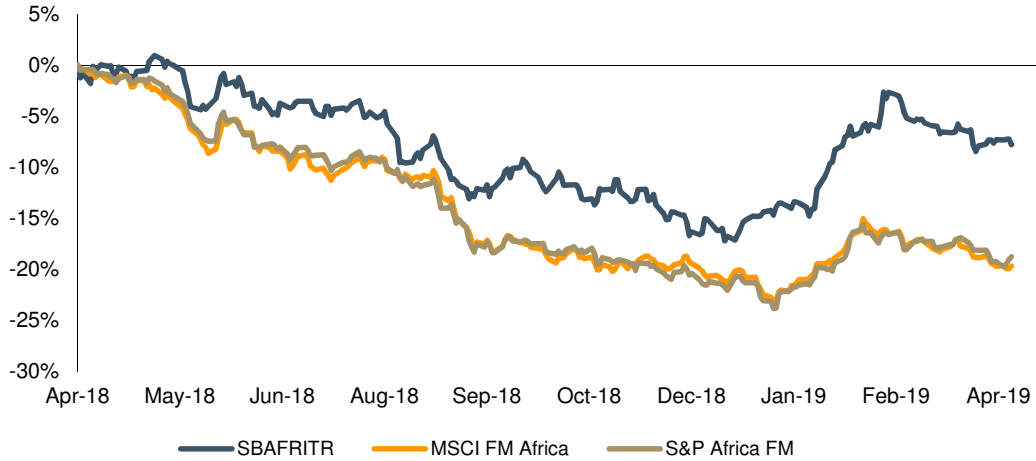
The SBAFRITR Index is well diversified across different sectors. The Basic Materials and the Financials sectors are dominant which is reflective of the International shares, which tend to be involved in mining operations, and a large weighting of banking stocks on the local exchanges.

Top 10 shares in SBAFRITR Index

Bloomberg ticker	Company name	Sector	Weight (as of Apr 17, 2019)
SAFCOM KN	SAFARICOM PLC	Telecom	5.00%
GUARANTY NL	GUARANTY TRUST BANK	Financials	5.00%
ZENITHBA NL	ZENITH BANK PLC	Financials	5.00%
COMI EY	COMMERCIAL INTERNATIONAL BAN	Financials	5.00%
FM CN	FIRST QUANTUM MINERALS LTD	Basic Materials	4.99%
BTO CN	B2GOLD CORP	Basic Materials	4.98%
LUC CN	LUCARA DIAMOND CORP	Basic Materials	4.93%
IVN CN	IVANHOE MINES LTD-CL A	Basic Materials	4.73%
PRU AU	PERSEUS MINING LTD	Basic Materials	4.49%
CCAP EY	CITADEL CAPITAL SAE	Financials	4.40%

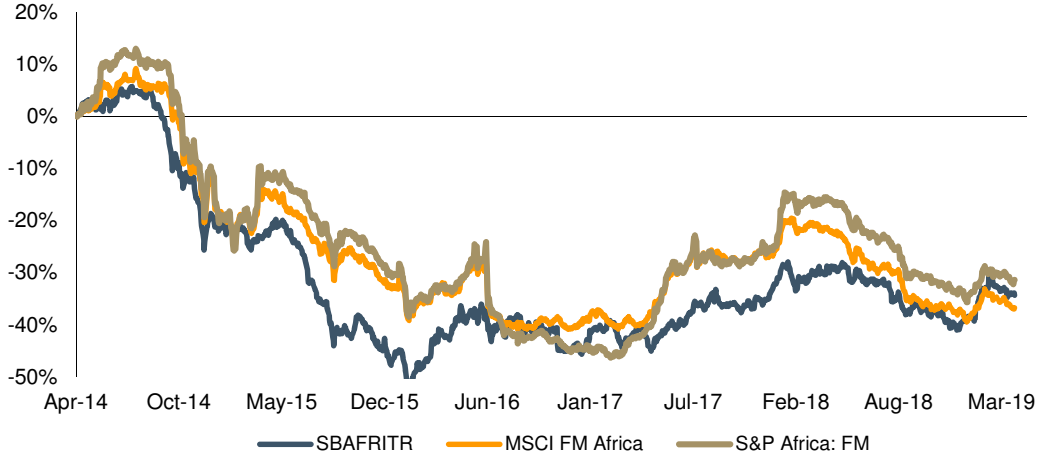
Simulated historical performance of SBAFRITR Index (in USD)

SBAFRITR Index (TR) performance vs. MSCI and S&P African Frontier Indices (1-year)



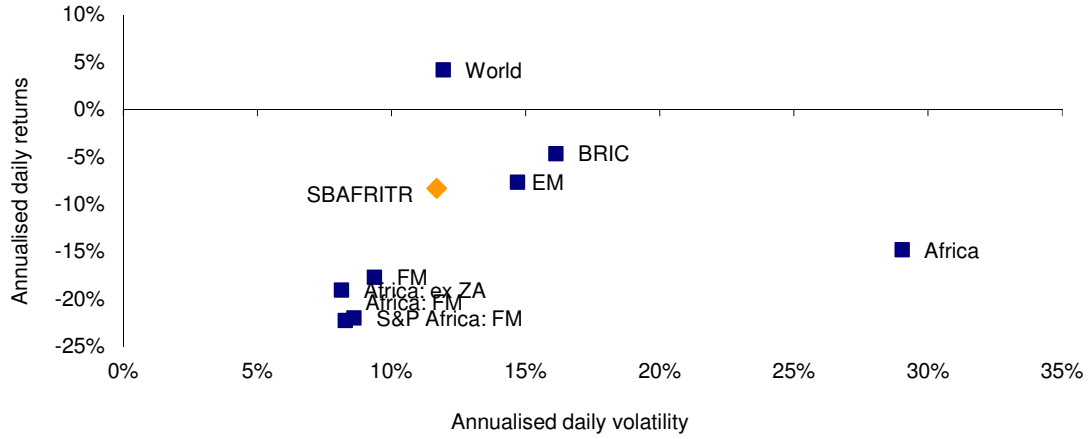
Source: Bloomberg, Global Markets Research

SBAFRITR Index (TR) performance vs. MSCI Frontier Indices (5-year)



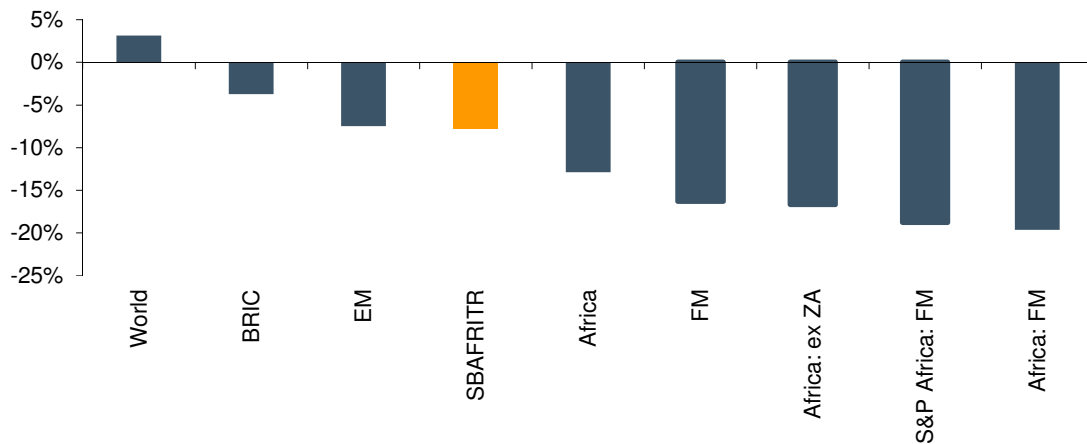
Source: Bloomberg, Global Markets Research

Risk-adjusted return: SBAFRITR Index vs. MSCI set of indices (1-year)



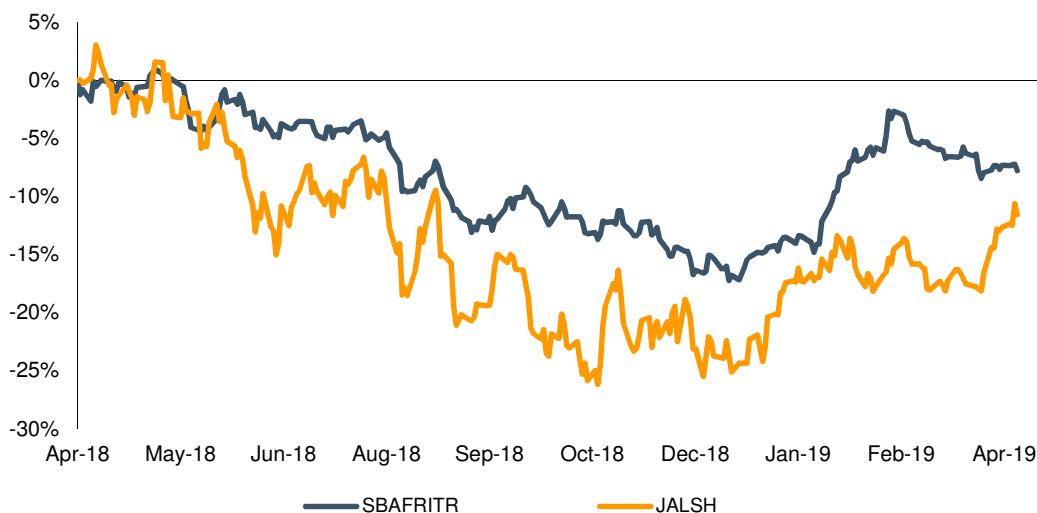
Source: Bloomberg, Global Markets Research

Total returns in the past 12 months: SBAFRITR Index (TR) vs. MSCI indices



Source: Bloomberg, Global Markets Research

SBAFRITR Index performance vs. Johannesburg All Share Index (in USD) - 1-y



Source: Bloomberg, Global Markets Research

Methodology, calculations and sources for SBAFRITR

Deriving the Eligible Securities included in SBAFRITR Index

Eligible securities are securities derived by applying investability criteria to individual companies and securities that are classified in that market (“**Eligible Securities**”). The investability screens used to determine the SBAFRITR Index constituents are:

- Company’s Exposure to Africa
- Minimum Market Capitalisation
- Minimum Liquidity Levels

Company’s Exposure to Africa

In order to be included as Eligible Securities, a company must have the required minimum exposure to operations in Africa. Exposure is determined as a percentage of the company’s revenue, income or assets attributable to operations in Africa (as per the latest Annual Report) to the total (in descending order of importance). Exposure should be in excess of 40%. Based on their exposures to Africa, the stocks are divided into two categories:

1. Exposure in excess of 85% is defined as “direct involvement in Africa”
2. Exposure in the range between 40% and 85% as “substantial involvement in Africa”

These criteria are applicable to the International shares only as the Local shares are assumed to be 100% exposed to Africa.

Minimum Market Capitalization Requirement

In order to be included as Eligible Securities, a company that satisfied the criteria of exposure to Africa must have the required minimum full market capitalization of \$20m.

Minimum Liquidity Requirement

The companies that meet the Minimum Market Capitalization Requirement are then evaluated against the Minimum Liquidity Requirement.

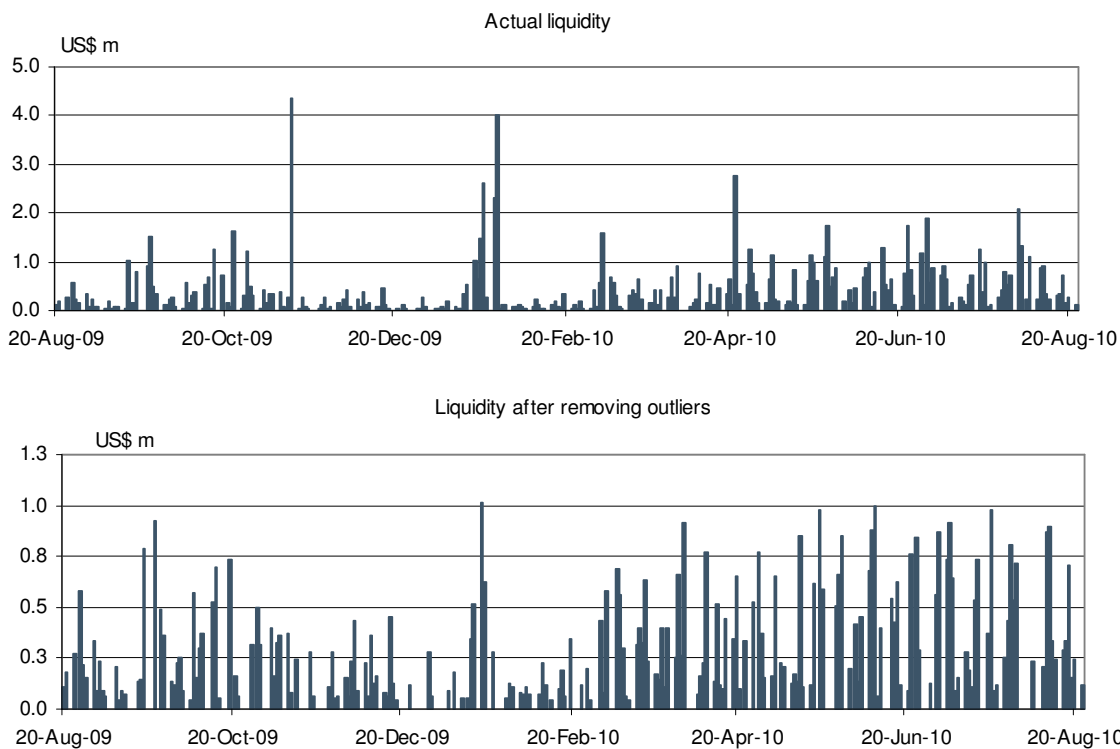
The liquidity of each security is approximated by the average daily trading turnover over the last 6 months (“Average Daily Turnover”) immediately preceding the rebalancing date. To calculate this, we first screen the security’s daily turnovers to establish days that are characterised by unusually high or low trading activities, which are defined as being outside the 90-10 percentile of the total trading range in the last 6 months. Such trading days are considered to be outliers and are eliminated from the averaging process to ensure that a more representative view of the liquidity is formed.

The resultant liquidity should exceed \$30,000 on average per trading day for the local shares and \$1,000,000 for the International shares

An example of liquidity screening is set out below for illustrative purposes:

Consider Equity Bank (EQBNK KN<Equity>) which is a listed in the Nairobi Stock Exchange, Kenya. The share’s trading has clearly picked up in November 2009 and January 2010 and on a couple of occasions exceeding US\$3m. Such event or similar events will fall outside our liquidity outlier range and are eliminated for the purposes of calculating the Average Daily Turnover.

Equity Bank’s daily liquidity profile before and after elimination of outliers



Source: Bloomberg, Global Markets Research

Constraints

At the time of rebalancing the SBAFRITR Index should meet the following goals and constraints:

1. Percentage of the Sub-Sahara local shares should be 60% among the shares listed in the African stock exchanges to give investors a larger access to the region that is typically under-represented in other financial products.
2. Percentage of the International shares should be 40% to boost the overall liquidity of the Index
3. The Index should be as diversified among the African countries as possible
4. The combined weight of stocks allocated to any country should not exceed 20%
5. The weight allocated to any stock should not exceed 5%.

Notes on Constraints

- a). Within the category “the International shares”, no less than 80% should go to the stocks with “direct exposure to Africa”, with the remaining International stock, if any, being those with “substantial exposure to Africa”
- b). In the case of a company that can do business in more than one African country (this is applicable only to the International shares) the respective country weights are calculated on a pro rata basis.

Calculation of the SBAFRITR Index

The securities that meet all the above criteria will form part of the initial pool of stocks which serves as a starting point in deriving the SBAFRITR Index.

Treatment of cash dividends

Any cash dividends payable during the semi-annual period between the relevant re-balancing dates are deemed to be invested into the separate USD cash account run at zero interest rate. At the end of the semi-annual period the monies accumulated in the cash account are re-invested into the equities at the same time as the Index re-weighting is done. The dividend is calculated as net of withholding tax. SBAFRITR uses the maximum withholding tax rate of the company’s country of incorporation applicable to institutional investors.

Raw dividend data is provided by Bloomberg and Reuters data feed as well as by the Standard Bank corporate actions team and is checked for completeness and correctness. Only when the corporate actions team confirm that a dividend has been received then at that point the cash is introduced into the index.

Corporate actions

Corporate actions such as splits, stock dividends and rights issues, which affect the price of a security, require a price adjustment. The price of the affected share is adjusted on the ex-date of the event. The relevant Price Adjustment Factor are calculated using the formulas outlined in the “MSCI Corporate Events Methodology” (http://www.msicibarra.com/products/indices/international_equity_indices/gimi/stdindex/methodology.html)

Raw dividend data is provided by Bloomberg and Reuters data feed as well as by the Standard Bank Corporate Actions team and is checked for completeness and correctness.

Allocation of shares on rebalancing day

Local shares

We start the process by allocating the maximum possible amount to the most liquid local shares. We take 4 the most liquid eligible shares in each African stock exchange (the purpose of this limitation is not to increase overall number of shares in the Index unnecessary). The values assigned to such shares in the Sub-Sahara region are equal to their respective average liquidity. The total resultant liquidity of stocks in

the Sub-Sahara region, L_{SSA} , serves as an initial building block. Given our constraint that the local shares in the Sub-Sahara region should constitute a 60% of all the local shares; this will allow us to determine

$$L_{NorthAfrica} = L_{SSA} * \frac{1 - w_{SSA}}{w_{SSA}}$$

what amount should be allocated to North Africa, where $w_{SSA} = 60\%$. That is, the local North African shares constitute a 40% of all the local shares. North African shares are a lot

more liquid and distributing the amount of $L_{NorthAfrica}$ among the three countries (Egypt, Morocco and Tunisia) is not obvious. The Committee decided to split the North African local shares in such a way that the overall allocation of 40% is made of 25% for Egypt, 10% for Morocco and 5% for Tunisia.

Once the allocation for each country in North Africa is established, the values of individual stocks are assigned on the pro-rata basis according to their respective liquidity.

International shares

Once the value of the Index' shares in Sub-Sahara and North Africa regions are established, the total value of the International stocks is determined by the constraint that the latter should constitute a 40% of the overall Index.

Optimisation process

Since the allocation of the Index among the local shares is established in the above procedure, the optimisation process is applied only to the International shares. The goal of the optimisation procedure is to find such weights for the eligible International stocks in the Index that would make the Index as broadly distributed among African countries as possible. In mathematical terms, the optimisation seeks to minimise the standard deviation of the weights allocated to the countries. This means that the optimisation procedure tries putting a greater emphasis on those International shares that deal in the countries which were underrepresented in the initial allocation through local shares and vice versa. This process is conducted under the strict set of constraints such as the cap on individual countries and stock (20% and 5% respectively) and equalling the international portion to the preset 40% weight.

This optimisation was performed in Matlab, using the nonlinear constrained optimisation technique (the function 'fmincon').

FX sources and treatment

Closing Spot Rates

Standard Bank is using the Bloomberg/Reuters closing spot rates for the individual currencies involved. If live pricing is available the market mid-price is used from the same resources for indicative purposes only (for the avoidance of doubt, Standard Bank does not guarantee such rate to be the actual rate it can obtain at the time of execution).

In case Bloomberg/Reuters does not provide rates for a specific currency on any given day, the previous business day's rates are normally used for indicative purposes.

Standard Bank independently monitors the foreign exchange rates on all its indices. Standard Bank may under exceptional circumstances elect to use alternative sources of exchange rates if the Bloomberg/Reuters rates are not available or if it is determined that the Bloomberg/Reuters rates are not reflective of market circumstances for a given currency on a particular day. In such circumstances, an announcement would be published on the relevant Bloomberg page (SBAE) with the related information.

SBAFRITR Index maintenance

Index maintenance involves, amongst other things, conducting semi-annual reviews in the beginning of May and November of each year with the aim of determining the list of the most liquid securities and the inclusion of new Eligible Securities in the Index. During each review, new equity securities that are identified but were previously not available (i.e. new issuance or securities not meeting the investability screens on the previous review) may be evaluated for investability using the same investability screens.

These reviews are designed to ensure that the indices continue to be an accurate reflection of the evolving equity marketplace. This is achieved by a timely reflection of significant market driven changes that were not captured in the Index at the time of their actual occurrence but are significant enough to be reflected in the Index during a review (for example, new issuance or increased liquidity in respect of new or existing securities that results in such security satisfying the Minimum Market Capitalization and Minimum Liquidity Levels threshold). Only new investable companies which are regarded to be significant are considered for additions to the Index.

SBAFRITR Index calculation methodology

The Standard Bank Equity Indices measure the performance of a pool of equity securities over time. The SBAFRITR Indices are calculated using the idea of a weighted arithmetic average together with the concept of chain-linking. SBAFRITR Index is calculated in USD.

Pricing the SBAFRITR Index

Once the stock weights are allocated, the corresponding number of shares for each stock is determined based on the closing stock price in US\$ at the rebalancing day. The numbers of shares are then scaled to ensure that the Index is equal to its value in USD prior to the rebalancing using the relevant foreign exchange rate on that date and that the share positions will constitute one unit of the Index. Subsequent values of one unit of the Index (until the next revision date) is calculated as

$$TR_USD_t = \sum_i \frac{PR_{i,t} * NUM_i}{FX_i} + \sum_k CD_{k,t}$$

Where:

- TR_USD_t is the value of one unit of the Index at time t in US\$. It is equal to US\$100 at time t=0.
- $PR_{i,t}$ is the price of the share i at the time t
- NUM_i is the number of the share i in one unit of the Index
- FX_i is the exchange rate at the time t expressed the number of local currency units per US\$.
- $\sum_k CD_{k,t}$ is the sum of the cash dividends paid by the relevant companies “k” times into the cash account from the date of the last rebalancing to the day “t”

The Index (excluding dividends) was set at \$100 on the 1st of April 2010 and is deemed to constitute one unit.

Closing Index Market Capitalization

The Index capitalisation is calculated as the value of one unit of the Index in US\$ multiplied by the number of units.

Section 5: list of shares included in SBAFRITR Index with weights

Company Name	Bloomberg Ticker	Reuters RIC	Weight (as of Apr 17, 2019)	Liquidity, \$	Market cap, \$m
ACACIA MINING PLC	ACA LN	ACCAA.L	4.08%	1,527,642	1,061
ATTIJARIWafa BANK	ATW MC	ATW.CS	2.39%	1,333,317	9,288
B2GOLD CORP	BTO CN	BTO.TO	4.98%	16,149,098	2,759
BANQUE CENTRALE POPULAIRE	BCP MC	BCP.CS	1.06%	591,535	5,048
BANQUE DE TUNISIE	BT TU	BT.TN	0.48%	46,808	592
BANQUE INTL ARABE DE TUNISIE	BIAT TU	BIAT.TN	0.62%	60,508	653
CENTAMIN PLC	CEY LN	CEY.L	0.35%	7,127,254	1,329
CITADEL CAPITAL SAE	CCAP EY	CCAP.CA	4.40%	3,676,421	431
COMMERCIAL INTERNATIONAL BAN	COMI EY	COMI.CA	5.00%	4,353,932	6,262
DANGOTE CEMENT PLC	DANGCEM NL	DANGCEM.LG	2.98%	408,774	8,817
DELTA CORPORATION LTD	DLTA ZH	DLTA.ZI	1.03%	26,598	921
EAST AFRICAN BREWERIES LTD	EABL KN	EABL.NR	1.77%	271,990	1,661
ECONET WIRELESS ZIMBABWE LTD	ECO ZH	ECO.ZI	0.38%	9,946	1,249
ENDEAVOUR MINING CORP	EDV CN	EDV.TO	3.09%	5,319,646	1,610
EQUITY GROUP HOLDINGS PLC	EQBNK KN	EQTY.NR	2.81%	567,947	1,592
FIRST QUANTUM MINERALS LTD	FM CN	FM.TO	4.99%	49,971,323	8,155
GLOBAL TELECOM HOLDING	GTHE EY	GTHE.CA	3.49%	2,908,365	1,268
GUARANTY TRUST BANK	GUARANTY NL	GUARANT.LG	5.00%	1,598,726	2,804
IAMGOLD CORP	IMG CN	IMG.TO	2.12%	9,735,718	1,586
INDUSTRIES CHIMIQUES DU FLUO	ICF TU	ICF.TN	0.92%	89,935	149
INNSCOR AFRICA LTD	INN ZH	INN.ZI	0.21%	5,549	258
IVANHOE MINES LTD-CL A	IVN CN	IVN.TO	4.73%	3,154,141	2,319
KCB GROUP LTD	KNCB KN	KCB.NR	2.57%	500,579	1,374
KOSMOS ENERGY LTD	KOS US	KOS	0.35%	20,249,056	2,568
LUCARA DIAMOND CORP	LUC CN	LUC.TO	4.93%	1,019,428	479
MAROC TELECOM	IAM MC	IAM.CS	1.88%	1,047,963	13,365
MARSA MAROC	MSA MC	MSA.MC	0.68%	378,700	1,380
MCB GROUP LTD	MCBG MP	MCBG.MZ	2.78%	396,152	1,909
NAMIBIA BREWERIES LTD	NBS NW	NBS.NM	0.53%	75,845	725
NESTLE NIGERIA PLC	NESTLE NL	NESTLE.LG	2.99%	411,109	3,197
PALM HILLS DEVELOPMENTS SAE	PHDC EY	PHDC.CA	2.11%	1,741,048	452
PERSEUS MINING LTD	PRU AU	PRU.AX	4.49%	1,050,802	363
RESOLUTE MINING LTD	RSG AU	RSG.AX	0.35%	5,531,524	659
SAFARICOM PLC	SAFCOM KN	SCOM.NR	5.00%	2,125,674	11,078
SBM HOLDINGS LTD	SBMH MP	SBMH.MZ	0.37%	52,713	514
SECHABA BREWERIES HOLDINGS L	SCHB BG	SECH.BT	0.25%	35,747	258
SEMAFO INC	SMF CN	SMF.TO	2.08%	4,083,625	940
SOC FRIGORIFIQUE ET BRASSERI	SFBT TU	SFBT.TN	0.99%	97,388	1,259
SONATEL	SNTS BC	SNTS.CI	1.68%	239,211	3,347
TANZANIA BREWERIES LTD	TBL TZ	TBL.TZ	0.66%	93,538	1,452
TULLOW OIL PLC	TLW LN	TLW.L	3.44%	16,336,922	4,357
ZENITH BANK PLC	ZENITHBA NL	ZENITHB.LG	5.00%	1,378,679	1,786

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