

Question 1: Something here

Hendri van Zyl^a

^a*Stellenbosch, South Africa*

Abstract

Compare SWIX and ALSI methodologies by looking at different sector exposures and stock concentration over time.

Keywords: Portfolio Construction, SWIX vs ALSI, JSE

Introduction

The SWIX (Shareholder Weighted Indices) and ALSI (All Share Index) are both methodologies used in the South African financial markets for index construction, but they differ in their approaches and compositions.

SWIX (Shareholder Weighted Indices):

The SWIX methodology adjusts the market capitalization of companies based on the portion of shares that are available to local investors. It reduces the weighting of companies in the index that have a large proportion of their shares held by foreign or strategic investors, who are less likely to trade these shares actively. This methodology is designed to provide a more accurate reflection of the investable market for local investors, as it focuses on the free-float shares that are actually available for trading in the domestic market. SWIX is considered to give a better indication of what local investors are likely to experience in terms of market movements and is often used by local fund managers for benchmarking.

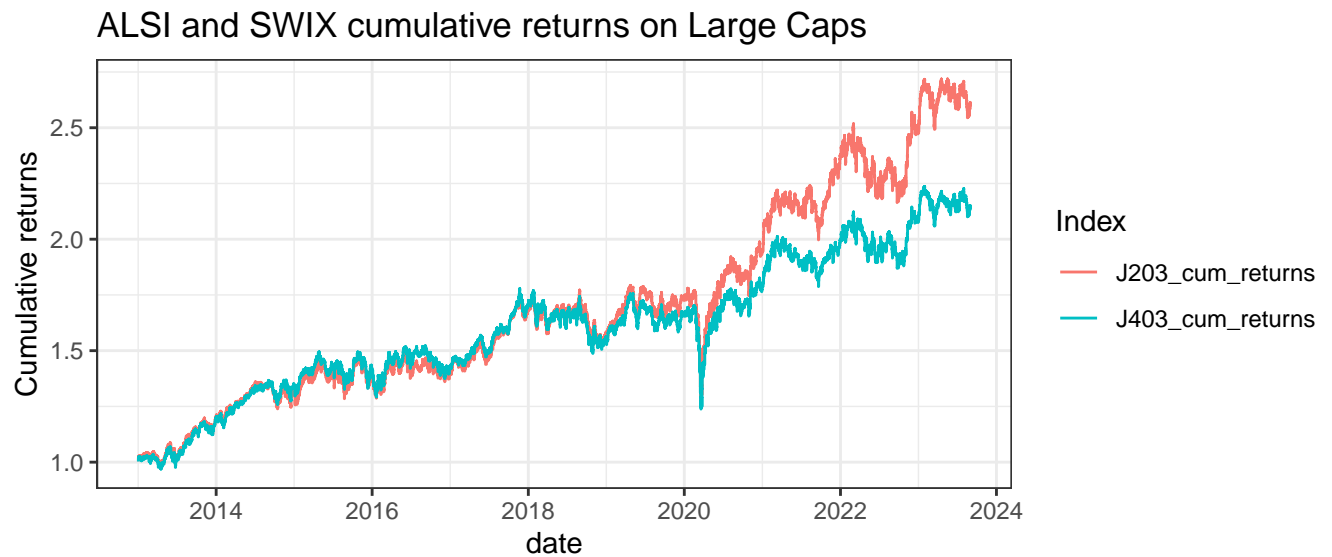
ALSI (All Share Index):

The ALSI represents the performance of the South African stock market by including all listed companies on the Johannesburg Stock Exchange (JSE). It is a market capitalization-weighted index, meaning that companies with a higher market cap have a larger influence on the index's performance. The

ALSI does not adjust for the shareholder base, so it includes both domestic and foreign-held shares in its calculation. It provides a broad representation of the South African stock market, making it a useful tool for understanding overall market performance.

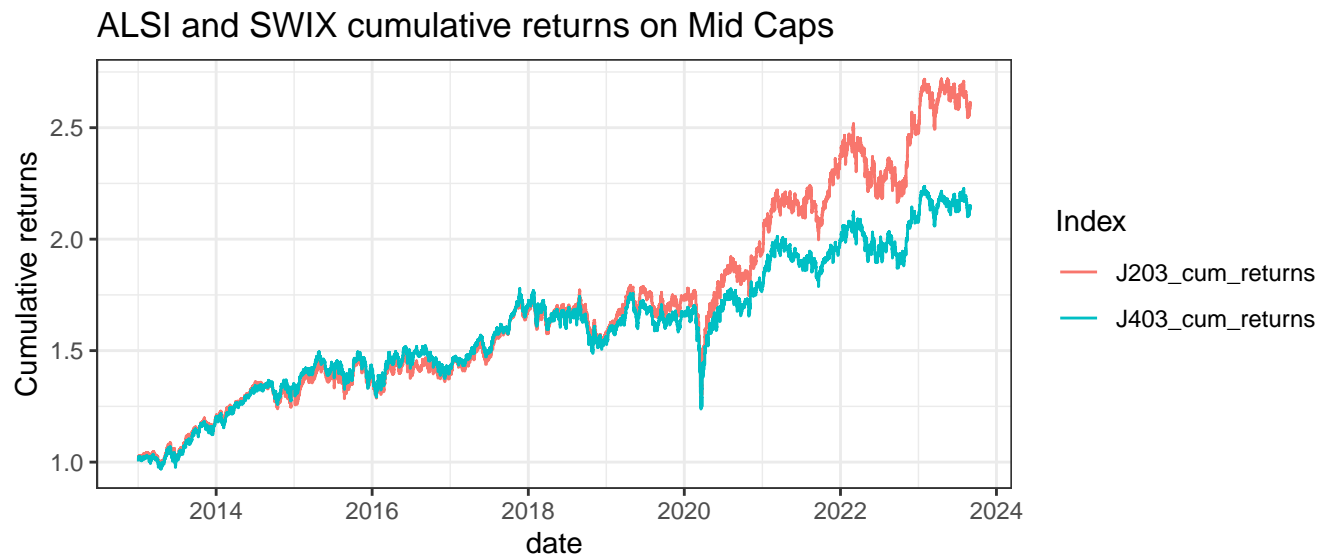
Compare cumulative returns for various cap sizes

Large caps

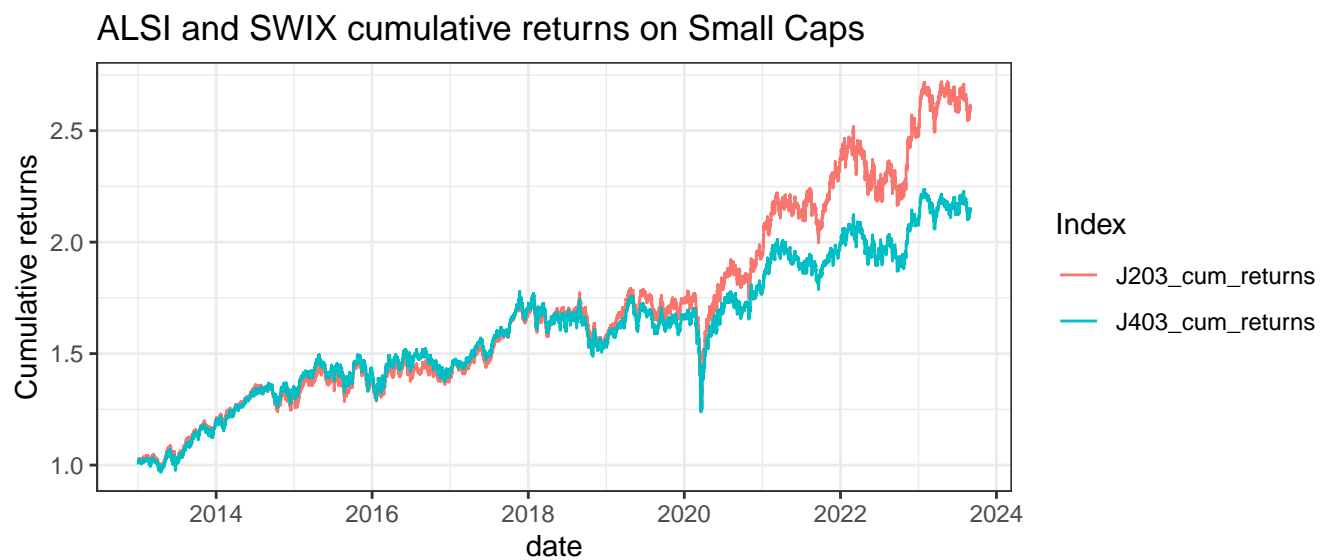


The cumulative return series for the J203 or ALSI appears to outperform the J403 or the SWIX method in the long run for large caps.

Medium Caps

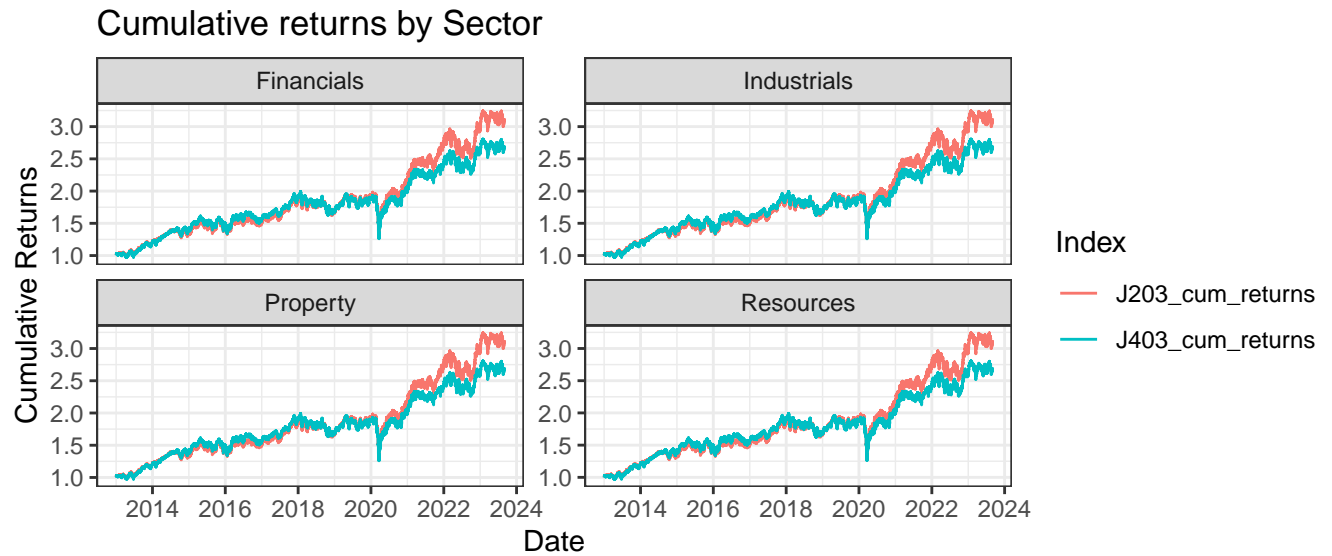


Small Caps



All three identical. What a coincidence!

Compare methods by cumulative returns per sector



Again identical. Amazing...

Conclusion

I'm sorry about this.