

Unaudited Interim Financial Results for the period ended 31 December 2019



INAV Per Share Increase of 3.4%
to R9.52 (31 December 2018: R9.21)



IFRS NAV Per Share Increase of 4.2%
to R9.67 (31 December 2018: R9.28)



Intrinsic Portfolio Value R9 904 million
(30 June 2019: R9 359 million)



Cash in the ARC Fund at year-end R437 million
(30 June 2019: R725 million)



rain Fair value increase of R183 million and
rain launched 5G successfully



TymeBank 1.1 million customers, of
which 440 000 are active

COMMENTARY

African Rainbow Capital Investments Limited (ARC Investments) is a public company which is incorporated in the Republic of Mauritius and holds a Category One Global Business Licence under the Mauritian Financial Services Act 2007 and is regulated by the Mauritian Financial Services Commission.

OPERATING ENVIRONMENT

The six month period under review has been characterised by challenging economic conditions which adversely impacted most of the companies in our portfolio. Our investee companies have traded in an environment with low consumer demand, and decreased business and investor confidence.

PERFORMANCE HIGHLIGHTS

The Company's investment in the ARC Fund's intrinsic value increased by 1.9% (3.9% annualised) over the six-month period from R9 740 million at 30 June 2019 to R9 931 million at 31 December 2019, mainly as a result of the increased value in Rain. The Intrinsic Net Asset Value (INAV) of the Company increased from R9.34 per share at 30 June 2019 to R9.52 per share at 31 December 2019 which also amounts to an increase of 1.9% (3.9% annualised). Whilst growth remains below the medium to long-term expectation of 16% per annum, it remains encouraging that portfolio growth was achieved considering the current economic environment. The IFRS Net Asset Value (NAV) per share increased from R9.45 at 30 June 2019 to R9.67 per share at 31 December 2019. The 10% hurdle for the Performance Participation has not been met for the six-month period ended 31 December 2019.

The ARC Fund's Intrinsic Portfolio Value (IPV) at 31 December 2019 was R9 904 million (30 June 2019: R9 359 million). Net acquisitions and disposals during the period under review amounted to R339 million (30 June 2019: R1 130 million), including no deferred consideration arrangements (30 June 2019: R148 million). At year end, cash resources available in the ARC Fund for further investments amounted to R437 million (30 June 2019: R725 million).

Investment in ARC Fund R million	Net Asset Value 30 June 2019	Net Investment	Net Increase in Net Asset Value	Net Asset Value 31 Dec 2019	Growth in Net Asset Value
Intrinsic Portfolio Value	9 359	339	206	9 904	5.8%
Cash in the ARC Fund	725	(330)	42	437	(39.7%)
Other net assets in the ARC Fund	(344)	–	(66)	(410)	19.2%
Intrinsic Investment in the ARC Fund at FVTPL*	9 740	9	182	9 931	1.9%

* FVTPL: Fair Value Through Profit or Loss

ACQUISITIONS & DISPOSALS DURING THE PERIOD

The developments during the six-months under review resulted in acquisitions of R399 million and disposals of R60 million. The most significant included:

TymeBank

African Rainbow Capital Financial Services Holdings Proprietary Limited (ARC FinHoldCo) acquired a controlling interest in TymeBank during November 2018. The ARC Fund contributed R150 million for its 49.9% share of ARC FinHoldCo shareholding of 66.5% in TymeBank during the six months under review. This forms part of scheduled capital injections into the bank. The ARC Fund's effective interest in TymeBank is 33.3%.

Capital Legacy

ARC FinHoldCo acquired a 25% shareholding in specialist financial services firm Capital Legacy during the period for a consideration of R159 million. Capital Legacy is a significant provider of services in respect of wills and estate administration. Operating since 2012, the company has identified improved, efficient and cost-effective solutions for the preparation of wills, estate planning and execution.

Kropz Plc

ARC subscribed for additional shares worth US\$3.25 million (R45 million) as part of a short-term working capital injection in Kropz Plc, a holding company listed on the Alternative Investment Market of the London Stock Exchange.

Santam

During the six-month period ARC FinHoldCo disposed of its shares in Santam Limited for a total consideration of R120 million, realising a profit R21 million net of capital gains tax.

PERFORMANCE REVIEW FOR THE PERIOD

The ARC Fund increased by R545 million from R9 359 million to R9 904 million, being the net impact of acquisitions including deferred consideration and interest capitalised (R399 million), net disposal in the period (R60 million), fair value write-ups including foreign net exchange gains and profit or loss on disposal of investments of R373 million and fair value write-downs of R169 million.

Key Comments: Diversified Investments Portfolio (72.0% of Fund Value, 30 June 2019: 72.5%)

Rain (27.4% of Fund Value, 30 June 2019: 26.8%)

Rain is aiming to become a full-service mobile network operator, focusing on data as a primary offering. The major assets constitute spectrum licences.

Rain's income sources consist of roaming income, 4G data sales, 5G subscriptions and reseller income. The Rain Network is expanding according to plan to achieve nationwide connectivity. During October 2019, Rain launched the country's first 5G network for fixed wireless internet connectivity.

Kropz Group (5.4% of Fund Value, 30 June 2019: 5.2%)

The Kropz Group is a nutrient producer with an advanced stage phosphate mining project on the West Coast of South Africa, a phosphate project in the Republic of Congo and an exploration asset in Ghana. The ARC Fund holds 49.3% of the issued shares in Kropz Plc. Commissioning of the mine has been delayed, owing to additional laboratory and pilot plant testing. The ore body at Elandsfontein was found to be more complex than initially anticipated.

Based on the additional test work that has been conducted over the past 14 months there is a high level of

confidence that the proposed modifications to the processing plant will produce the required final saleable concentrate at the desired yields.

Given the uncertainty regarding the current depressed phosphate market price and the timing of a potential recovery, coupled with the additional funding requirements, a prudent approach for valuation purposes was adopted. The ARC Fund's investment in the Kropz Group has been left unchanged since 30 June 2019. The increase in carrying value from R485 million at 30 June 2019 to R530 million at 31 December 2019 relates to a R45 million working capital injection made during the period under review.

Bluespec (3.2% of Fund Value, 30 June 2019: 2.9%)

The ARC Fund holds a 24.8% interest in Bluespec, which is a holding company comprised of several specialist businesses which collectively aim to transform the motor repair and recovery industry.

Bluespec has been able to turn the business around after facing difficult trading conditions in 2018 and the early part of 2019 when it effected internal changes and restructuring of certain operations.

The business has responded well by spreading its geographical presence and introducing innovative routes to market, increasing market share, focusing on core business units, reducing costs and improving efficiencies.

Key Comments: Financial Services Portfolio (28.0% of Fund Value, 30 June 2019: 27.5%)

Alexander Forbes (8.3% of Fund Value, 30 June 2019: 8.7%)

The effective combined shareholding in Alexander Forbes Group Limited on conversion is currently approximately 22.0% (after considering the dilution impact of the flip up on current shareholding in the listed entity). The ARC Fund (through its 49.9% in ARC FinHoldCo) therefore has an effective shareholding of 11.0%.

The ARC Fund investment in Alexander Forbes Group Holdings decreased from R495 million at 30 June 2019 to R486 million at 31 December 2019, as a result of a downward adjustment of the investment fair value of R9 million (30 June 2019: R29 write down) due to a reduction in the listed share price.

The ARC Fund investment in Alexander Forbes Limited, however, increased in value from R315 million at 30 June 2019 to R340 million at 31 December 2019, as a result of a partial unwind of the marketability discount.

Rand Mutual Holdings (RMH) (2.9% of Fund Value, 30 June 2019: 3.1%)

RMH is a subsidiary of Rand Mutual Assurance (RMA) whose core business is the receipt, adjudication and administration of workers' compensation claims, including the payment of medical costs, once-off disability payments and the ongoing payment of pensions in the case of severe disability and death.

RMH is well positioned to use its competitive advantage in the COID sector via its technology and administration platforms to potentially administer other classes/sectors for the Compensation Fund. It can also partner with other insurance companies/governments in the rest of Africa. We believe the inherent business can be grown and there is significant value that can be unlocked for all shareholders.

TymeBank (8.3% of Fund Value, 30 June 2019: 7.2%)

TymeBank is a digital bank that leverages the use of digital biometric technology to make banking simple and affordable and is focused on banking the unbanked in South Africa. ARC FinHoldCo invested R300 million during the six-month period, with R150 million contributed from the ARC Fund.

At 31 December 2019, the bank had cumulatively signed-up 1.1 million customers of whom 440 000 were actively using their accounts. The bank is signing up between 3 500 and 4 000 customers per day, with about 40% of bank accounts being active. The bank is well positioned within the SA banking sector to implement its unique low-cost banking fee model as well as customer experience value propositions.

OUTLOOK

A slow-down in the global economy is expected to have an unfavourable impact on the South African economy. Coupled with the current economic dynamic in South Africa, it is expected that the challenging operating environment will persist over the short to medium term. Given the ARC Fund's diverse investment portfolio, it is expected that the Fund will deliver a satisfactory performance.

GOVERNANCE & LEADERSHIP

ARC Investments is managed and controlled in Mauritius by an experienced, multinational and majority independent Board of Directors (the Board) that has final oversight and responsibility in respect of ARC Investments' business, strategy and key policies. This includes the investment in the ARC Fund. There are no executive directors on the Board of ARC Investments.



Mark Cyril Olivier
Chairman of the Board



Clive Msipha
Chairman of the Audit and Risk Committee



Karen Bodenstein
Chief Financial Officer

ABOUT THIS ANNOUNCEMENT

This short form announcement is the responsibility of the directors and the information contained herein is only a summary of the information in the full Unaudited Interim Financial Results announcement and does not contain full or complete details.

Any investment decision by investors and/or shareholders and/or bondholders should be based on consideration of the full announcement that was released on <https://senspdf.jse.co.za/documents/2020/JSE/ISSE/AILE/IRResults20.pdf> and on the ARC Investments' website http://www.arci.mu/2020_unaudited_interim_results.pdf on 19 March 2020. This short-form announcement does not contain any additional information not appearing in the full Unaudited Interim Financial Results released on SENS.

The full announcement is available for inspection at the registered office ¹ and designated office ² of ARC Investments and the offices of the Sponsor ³ at no charge during normal business hours. Copies of the full announcement may be requested by email from investors@arci.mu.

Ebène, Mauritius (with simultaneous circulation in Johannesburg)
19 March 2020

SPONSOR

RAND MERCHANT BANK (A division of FirstRand Bank Limited)