

-  **INAV Per Share of R8.82** (31 December 2019: R9.52)
-  **IFRS NAV Per Share of R8.84** (31 December 2019: R9.67)
-  **Rain fair value increase of R382 million**
-  **Intrinsic Portfolio Value R12 814 million** (30 June 2020: R11 139 million) R537 million of the increase was funded by Diversified Investments and Financial Services Portfolio debt
-  **TymeBank has signed on 2.66 million customers** of which 50% were active at 31 December 2020
-  **The Company raised additional capital of R750 million** through a rights offer in October 2020
-  **Cash in the ARC Fund of R455 million** (31 December 2019: R61 million)
-  **ARC Fund acquired an effective 12.5% in Sanlam Third Party Asset Manager** during December 2020

NATURE OF BUSINESS

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 period under review has been characterised by strained trading conditions, mainly resulting from the contracting economy and the continued impact of the government implemented National Lockdown to curb the ongoing Covid-19 pandemic. The impact and measures to mitigate the effects on the Company and the underlying investee companies were fully disclosed in the Audited Financial Statements for the year ended 30 June 2020 and are ongoing. It does appear as if some of the shock and uncertainty resulting from the pandemic have started to abate and many companies have adjusted to the new conditions. Market sentiment and activity in certain sectors have also seen improvement, especially with the prospect of some effective vaccines becoming available.

PERFORMANCE HIGHLIGHTS

The Company's intrinsic investment value in the ARC Fund increased by 16.6% from R9 948 million at 30 June 2020 to R11 604 million as at 31 December 2020. Its share of the **invested assets (or the IPV)** has increased by 15% from R11 139 million at 30 June 2020 to R 12 814 million at 31 December, mainly as a result of new net investments of R 929 million and increased asset values of R 746 million. The diluted **Intrinsic Net Asset Value (INAV)** per share, however, decreased from R9.54 per share at 30 June 2020 to R8.71 per share at 31 December 2020 (31 December 2019: R9.52 per share). This decrease in the diluted INAV per share is attributable to the dilutory impact of the increase in issued shares emanating from the R750 million rights issue in October 2020 which was done at a discount to the intrinsic share value. The impact of the dilution was countered to some extent by the performance of the ARC Fund during the reporting period.

The **IFRS Net Asset Value (NAV)** per share decreased by 7.6% from R9.57 per share at 30 June 2020 to R8.84 at 31 December 2020 (31 December 2019: R9.67 per share).

The annualised growth in the ARC Fund's IPV before the impact of acquisitions and disposals for the six months was 15.8% which is above the 10% Performance Participation hurdle.

Consequently, a provision has been recognised in terms of IFRS 2 for the issue of Performance Participation shares to UBI Proprietary Limited according to the terms of the Pre-Listing Statement of the Company. The Performance Participation is based on annual performance and will only finally be measured at 30 June 2021.

During the process of listing ARC Investments in 2017, the Company and the General Partner indicated that they would review the fee structure of the ARC Fund after five years. The global and domestic environment has changed considerably since listing and consequently the parties are discussing the possibility of accelerating this review.

As noted in the Integrated Annual Report the strategic focus for the year is on consolidating its capital in specific businesses and working with its investment partners to unlock synergies that will drive the value of the underlying business units. This, combined with the progress being made by start-ups such as TymeBank and Rain as they move along the maturity curve, should go some way to closing the gap between the intrinsic and market value.

	Net Asset Value 30 June 20	Net Investment	Net Increase in Net Asset Value	Net Asset Value 31 Dec 20	Growth in Net Asset Value
Investment in ARC Fund					
Intrinsic Portfolio Value	11 139	929	746	12 814	15.4%
Cash in the ARC Fund	61	(374)	768	455	645.9%
Debt in Diversified Investments and Financial Services Portfolio	(1 037)	(537)	(29)	(1 603)	54.6%
Other net liabilities	(215)	59	94	(62)	(71.2%)
Intrinsic Investment in the ARC Fund at FVTPL*	9 948	77	1 579	11 604	16.6%

FVTPL: Fair Value Through Profit or Loss

ACQUISITIONS AND DISPOSALS DURING THE PERIOD

During the period under review, in line with the strategy to unlock value, the ARC Fund made acquisitions and disposals amounting to R1 210 million and R281 million respectively. The following significant changes in capital allocation were made during the reporting period:

Sanlam Third Party Asset Management Business

One of the largest black-empowered asset managers was established when ARC Financial Services acquired a 25% economic interest in Sanlam's South African Third Party Asset Management Business (other than the investment management business conducted by Sanlam Private Wealth (Pty) Ltd and the Sanlam Specialised Finance division) for R817 million in December 2020. This acquisition completes the foundational building blocks of the financial services business, provides critical mass and the opportunity to forge synergies between the portfolio of businesses.

TymeBank

ARC Financial Services injected an additional R505 million into TymeBank during the reporting period as part of the scheduled capital requirements for the bank. At 31 December 2020, the ARC Fund had an effective ownership interest of 36% in TymeBank, being its 49.9% of the 73.7% interest that ARC Financial Services holds in TymeBank. The ARC Fund's effective capital contribution to TymeBank was R252 million for the six-month period ending 31 December 2020.

Acquisition of ARC Investments shares

During the reporting period, the ARC Fund invested R186 million in ARC Investments at share prices well below its intrinsic value.

Kropz Plc

The ARC Fund subscribed for additional shares amounting to R141 million in Kropz Plc in various tranches during the reporting period in terms of a convertible loan facility of up to US\$ 40 million (not exceeding a maximum of ZAR 680 million) previously entered into. The funding is required to finance the Kropz Elandsfontein phosphate mine until production commences in the last quarter of 2021. At 31 December 2020 R332 million of the total facility had been drawn.

ARCH Emerging Market Partners Limited (ARCH EM)

During the reporting period, the ARC Fund invested R106 million in the ARCH Renewable Power Fund as well as the Cold Chain Solutions East Africa Fund. ARCH EM aims to capitalise on investment opportunities elsewhere on the African continent and to attract flows from the established developed world investors looking to partner with experienced professionals who understand the investment destination, specifically in the renewable energy, cold chain solutions and financial services space. The company is a joint venture between JCH & Partners LLP and ARC.

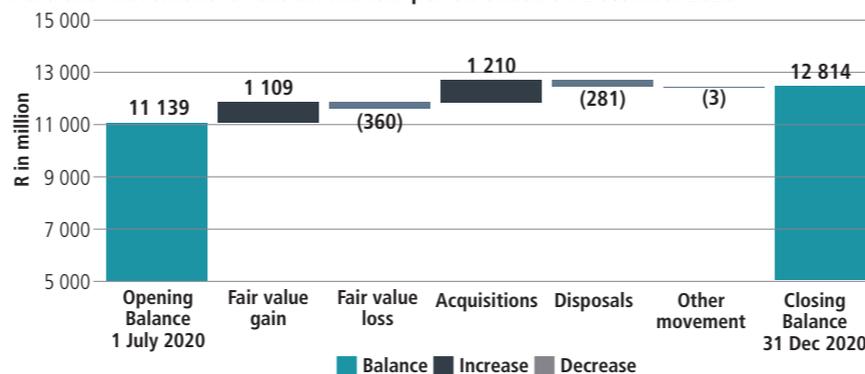
Fledge Capital share buy-back

The ARC Fund sold 30% of its interest in Fledge Capital for R270 million as part of a share buy-back transaction realising an IRR of 15.9%. Fledge Capital furthermore issued additional shares to new shareholders during the review period. Following these transactions, the ARC Fund's effective interest in Fledge reduced from 51.5% to 25.9%.

GROWTH IN INTRINSIC PORTFOLIO VALUE

The Intrinsic Portfolio Value (IPV) increased by R1 675 million, comprising of net acquisitions of R929 million (detailed above), fair value write-ups of R1 109 million and fair value write-downs of R360 million.

Portfolio movement for the six-months period ended 31 December 2020



Key Comments: Diversified Investments (68.8% of Fund Value, 30 June 2020: 69.4%)

Rain (27.3% of Fund Value, 30 June 2020: 27.9%)

Rain is aiming to become a full-service Mobile Network Operator, focusing on data as a primary offering. Rain is making good progress with the roll-out of its strategy to establish a data network in metropolitan South Africa and experienced strong growth in clients and data usage since the onset of the Covid-19 pandemic and the resultant National Lockdown. Its 4G expansion has progressed well with nearly 7 000 active live sites as at the end of December 2020. Rain launched a 5G network in September 2019, making South Africa one of the first countries in the world to deploy this new technology. By 31 December 2020, 685 5G towers have been activated and the aim is to increase this to 1150 towers by February 2022. Ultimately more than 2000 5G towers in larger metropolitan areas throughout South Africa are planned, bringing ultra-fast broadband connections to homes and small businesses at affordable cost. The ARC Fund's investment in Rain increased from R3 111 million at 30 June 2020 to R3 493 million at 31 December 2020, as a result of a fair value gain of R382 million over the six month period.

Kropz Plc (6.8% of Fund Value, 30 June 2020: 6.6%)

The ARC Fund holds 73.4% of the issued share capital in the Kropz Group's holding company, Kropz Plc, which is listed on the Alternative Investment Market stock exchange in London. Elandsfontein is a phosphate mine and processing plant situated on the West Coast of South Africa. The project has suffered initial setbacks and operations were eventually postponed until additional laboratory and pilot plant testing could be conducted and funding

could be procured. Construction at Elandsfontein is currently underway to implement proposed circuit modifications and is on schedule. The Kropz Group valuation was left unchanged at the 30 June 2020 valuation plus additional investments of R142 million in the reporting period.

Gemcap (4.9% of Fund Value, 30 June 2020: 5.0%)

The GemCap portfolio performed well during the period under review with many of the start-up operations gaining traction and recovering from strained trading conditions in 2020. The portfolio has shown some resilience during the initial Covid-19 period and operations are recovering to pre-Covid levels in most of the businesses. The ARC Fund's investment in Gemcap increased by R73 million from R552 million at 30 June 2020 to R626 million at 31 December 2020, comprising a fair value write-up of R61 and additional investments amounting to R12 million.

Key Comments: Financial Services Portfolio (31.2% of Fund Value, 30 June 2020:30.6%)

Alexander Forbes (8.6% of Fund Value, 30 June 2020: 10.9%)

ARC Financial Services owns 35.09% of Alexander Forbes Group Holdings Limited (AFGH) which is listed on the JSE. The ARC Fund therefore has an effective shareholding of 17.51% in AFGH through its 49.9% interest in ARC Financial Services. The ARC Fund's investment in AFGH decreased from R1 218 million at 30 June 2020 to R1 108 million at 31 December 2020, mainly as a result of the AFGH share price being impacted by both the payment of special dividends and experiencing flat revenue growth over the period.

TymeBank (9.2% of Fund Value, 30 June 2020: 8.3%)

TymeBank had onboarded 2.66 million customers at 31 Dec 2020, with approximately 50% of customers actively using their accounts. It entered into an agreement with the Zionist Christian Church (ZCC) in February 2020 to onboard a large proportion of the ZCC's 9 million member base. This initiative has largely been postponed due to the impact of the COVID-19 pandemic and the National Lockdown and will only gain momentum once COVID-19 preventative measures are relaxed. A new executive, David Pfaff, has been employed effective 1 March 2021 to focus on treasury and business optimisation, both at TymeBank and the international operations at Tyme Global in Singapore. The progress to date, combined with the additional capital that has been injected up to 31 December 2020, results in a fair value of R2.36 billion in ARC Financial Services at 31 December 2020 (30 June 2020: R1.86 billion). The ARC Funds indirect investment in Tyme Bank therefore totals R1 179 million at 31 December 2020 (30 June 2020: R927 million).

MAJOR EVENTS SUBSEQUENT TO REPORTING PERIOD.

TymeBank Capital Raise

Tyme Bank and Tyme Global have secured additional equity funding of \$110 million from ARC Financial Services and two new shareholders, Apis Growth Fund II and JG Summit Holdings, subsequent to 31 December 2020. It will be contributed in two tranches. The first tranche of \$80 million will flow post signing of the agreements and is subject to regulatory approval. Following the conclusion of tranche one, ARC Financial Services will hold approximately 59% interest in TymeBank.

Dividend income from Alexander Forbes Group Holdings Limited

ARC Financial Services received a dividend of R64 million from Alexander Forbes Group Holdings Limited.

Disposal of shares – Afrimat

The ARC Fund disposed of 3.25 million Afrimat shares for a consideration of R143 million during February 2021.

GOVERNANCE & LEADERSHIP

ARC Investments is managed and controlled in Mauritius by an experienced, multinational Board of Directors (the Board) of which the majority are independent. The Board 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 Financial Results announcement and does not contain full or complete details. Any investment decision by investors and/or shareholders should be based on consideration of the full announcement that was released on <https://senspdf.jse.co.za/documents/2021/JSE/ISSE/AILE/IRResults21.pdf> and on the ARC Investments' website <https://arci.mu/investor-relations/#sens> on 18 March 2021. This short-form announcement does not contain any additional information not appearing in the full Financial Results released on SENS. The full announcement is available for inspection at the registered office¹ and designated office² of ARC Investments and the offices of the Sponsor³ 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) 18 March 2021

SPONSOR

RAND MERCHANT BANK (A division of FirstRand Bank Limited)