


 Strong share price performance increases Afrimat fair value by R601 million

 Intrinsic Portfolio Value increased by 16.3% to R12 275 million (30 June 2020: R10 556 million)
The R1 719 million comprised of R909 million net fair value gains and net investments of R810 million which was funded through bank debt and capital from the rights issue.

 INAV Per Share of R8.77
(30 June 2020: R9.54)

 TymeBank has 3.45 million customers at 30 June 2021

 IFRS NAV Per Share of R8.85
(30 June 2020: R9.57)

 Successful capital raise of R750 million through a rights offer in October 2020

NATURE OF BUSINESS

African Rainbow Capital Investments Limited (ARC Investments) is incorporated in the Republic of Mauritius, holds a Category One Global Business Licence under the Mauritian Financial Services Act 2007 and is regulated by the Mauritian Financial Services Commission. It is listed on the JSE Limited with a secondary listing on A2X in South Africa.

OPERATING ENVIRONMENT

The year under review has been characterised by strained trading conditions, mainly resulting from the contracting economy and the continued impact of the government implemented National Lockdowns to curb the spread of the Covid-19 virus. 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. There has been some recovery from the pandemic but the operating environment remains challenging. Market sentiment and activity in certain sectors have also seen improvement, especially with the positive news of an ongoing, albeit gradual, vaccine roll-out.

PERFORMANCE HIGHLIGHTS#

The Company's intrinsic investment value in the ARC Fund increased by 16.0% from R9 948 million at 30 June 2020 to R11 541 million as at 30 June 2021. Its effective share of the invested assets (or the IPV) has increased by 16.3% from R10 556 million at 30 June 2020 to R 12 275 million at 30 June 2021, as a result of new net investments of R 810 million and increased asset values of R909 million.

The diluted Intrinsic Net Asset Value (INAV) per share, however, decreased from R9.54 per share at 30 June 2020 to R8.77 per share at 30 June 2021. 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. The rights issue was done at an approximately 10% discount to the then prevailing market price which was at a significant 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 year.

The IFRS Net Asset Value (NAV) per share decreased by 7.5% from R9.57 per share at 30 June 2020 to R8.85 at 30 June 2021.

The growth in the Company's share in the Intrinsic Portfolio Value (IPV) of the ARC Fund before the impact of acquisitions and disposals for the year, was 8.6%. The achieved growth is below the 10% Performance Participation hurdle and consequently no provision has been raised in terms of IFRS 2 for the issue of Performance participation shares to UBI Proprietary Limited. The provision that was raised at 30 December 2020 was reversed.

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 have started working on a process to review the fee.

The strategic focus of the ARC Fund is on consolidating its capital in specific businesses and working with its investment partners to unlock synergies that will derive additional value in the underlying businesses. 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 Jun 21	Growth in Net Asset Value
Investment in ARC Fund					
Intrinsic Portfolio Value	10 556	810	909	12 275	16.3%
Cash in the ARC Fund	35	(406)	610	239	582.9%
Debt the ARC Fund	(440)	(399)	(30)	(869)	97.5%
Other net assets/(liabilities) in the ARC Fund	(203)	-	99	(104)	(48.8%)
UBI GP fee payable	(194)	-	94	(100)	(48.5%)
Other assets/(liabilities) in the ARC Fund	(9)	-	5	(4)	(55.6%)
Intrinsic Investment in the ARC Fund at FVTPL*	9 948	5	1 588	11 541	16.0%

* FVTPL: Fair Value Through Profit or Loss

In the current year, ARC Financial Services has been disclosed as a one-line item in the ARC Fund segment tables with sub-notes detailing the break-down of the ARC Financial Services Portfolio. The prior year Segment tables have also been adjusted. This was done to improve disclosure.

SIGNIFICANT EFFECTIVE ACQUISITIONS AND DISPOSALS IN THE DIVERSIFIED INVESTMENTS PORTFOLIO THROUGH ARC FUND

Acquisition of ARC Investments shares

During the year, the ARC Fund invested R295 million in ARC Investments at share prices well below its intrinsic value.

Kropz Plc

A total investment of R455 million has been made. The ARC Fund subscribed for additional shares in various tranches during the year in terms of a convertible loan facility of up to US\$ 40 million previously entered into with Kropz Plc. The funding is required to finance the Elandsfontein mine until production commences in Q4 2021. At 30 June 2021, R569 million of the facility had been drawn.

ARCH Emerging Market Partners Limited (ARCH EM)

During the year ARC Investments effectively invested R 155 million, consisting of R106 million and R49 million in the ARCH Renewable Power Fund and ARCH Cold Chain Solutions East Africa Fund respectively. Both funds are managed by ARCH EM, which 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 as part of Fledge Capital's share buy-back transaction for R 270 million, realising an internal rate of return 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%.

ACQUISITIONS IN THE FINANCIAL SERVICES PORTFOLIO

During the year, the Company effectively made the following significant investments through the ARC Fund's interest in African Rainbow Capital Financial Services Holdings (ARC FSH):

Sanlam Third Party Asset Management Business

One of the largest black-empowered asset managers was established when ARC FSH 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.

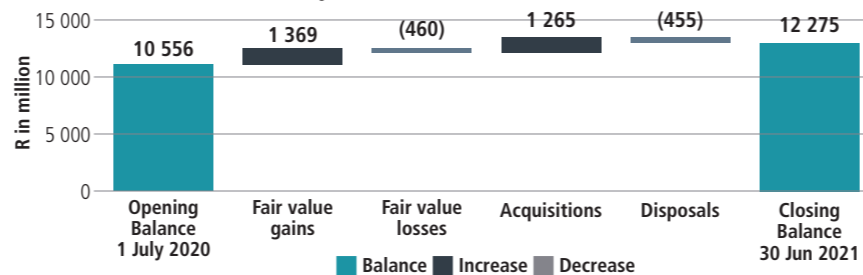
TymeBank

ARC FSH injected an additional R505 million into TymeBank during the reporting period as part of the scheduled capital requirements for the bank. At 30 June 2021, the ARC Fund had an effective ownership interest of 28.8% in TymeBank, being 49.9% of the 57.7% interest held by ARC FSH. TymeBank and TymeGlobal have secured additional equity funding of US\$110 million from ARC FSH and two new international shareholders, Apis Growth Fund II and JG Summit Holdings.

GROWTH IN INTRINSIC PORTFOLIO VALUE#

The Company's effective investment in the IPV of the ARC Fund increased by R1 719 million, comprising net acquisitions of R810 million (detailed above), fair value gains including net foreign exchange movements and accrued interest on loans of R1 369 million and fair value losses of R460 million.

Portfolio movement from 1 July 2020 to 30 June 2021



Key Comments: Diversified Investments (74.8% of Fund Value, 30 June 2020: 73.2%)

Rain (27.0% of Fund Value, 30 June 2020: 29.5%)

Rain continued to surpass expectations in terms of performance and has managed to sustain its high level of customer growth throughout the reporting period. It exceeded its subscriber targets in both the 4G and the 5G market. A key focus area of Rain remains to improve its customer experience and it continues to make progress in addressing customer queries and complaints. The business has been experiencing an unprecedented surge in demand for its products and services. Rain is expected to fully participate in the upcoming government-initiated spectrum auction. In this regard it should be noted that a modest capital raise from Rain's shareholders is in progress. The Company's share in the value of the investment in Rain increased from R3 111 million at 30 June 2020 to R3 314 million at 30 June 2021, as a result of R56 million additional investment and a fair value gain of R147 million over the year.

Afrimat Plc (10.0% of Fund Value, 30 June 2020: 7.3%)

Afrimat is a leading Black-empowered supplier to the resources, industrial minerals, mining, road, rail and construction sectors, listed on the Johannesburg Stock Exchange, with a footprint across Southern Africa. As the company is listed, its financial performance is publicly available. Afrimat continues to report impressive performance, largely as a result of excellent management, as well as significant improvements in certain commodity prices. During the year, the ARC Fund reduced its shareholding in the business from 18.4% to 16.1%. The Company's effective share in the fair value of the Afrimat investment amounted to R1 231 million at 30 June 2021. The ARC Fund sold further 8.4 million Afrimat shares for a consideration of R496 million during July 2021. Following this transaction, the ARC Fund's effective interest in Afrimat decreased to approximately 10%.

Kropz Plc (8.9% of Fund Value, 30 June 2020: 7.0%)

The Kropz Group is a nutrient producer with an advanced development stage phosphate mine in South Africa and exploration assets in the Republic of Congo. Kropz Elandsfontein is situated on the West Coast of South Africa. After the project suffered initial setbacks, significant progress has been made and the construction of the reconfigured

processing plant is largely on track. It is anticipated that first ore through the plant will be processed during December 2021. Kropz Plc is performing an updated feasibility study regarding its asset in the Republic of the Congo. This process is expected to be completed during October 2021. The Company effectively invested R455 million in the Kropz Group in the year under review to fund both the construction of the required modification of the plant at Elandsfontein as well as the cost to complete an updated feasibility study for Hinda (Cominco). The ARC Fund holds 82.7% 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. The Company's effective investment value as at 30 June 2021 amounts to R1 092 million.

Gemcap (5.3% of Fund Value, 30 June 2020: 5.2%)

Gemcap is an investment holding company. In the year under review the ARC Fund acquired the minority interests in Gemcap resulting in the latter being wholly owned by the ARC Fund. The Gemcap portfolio demonstrated resilience in the financial year, and operations are recovering to pre-Covid levels in most of its portfolio companies. These companies continue to yield significant cash and capital returns. The Company's effective investment in Gemcap increased by R98 million from R553 million at 30 June 2020 to R651 million at 30 June 2021, comprising of a fair value gain of R86 million and additional investments amounting to R12 million.

Key Comments: Financial Services Portfolio (27.3% of Fund Value, 30 June 2020: 26.8%)

The Company's effective interest in the gross IPV of the Financial Services Portfolio decreased from R3 411 million at 30 June 2020 to R3 346 million at 30 June 2021, resulting in a 2% decrease during the year. The decrease was mainly as a result of the sale of 25% of the investment in the Financial Services Portfolio assets (excluding banking assets) to Sanlam. The Net IPV of the Financial Services Portfolio, taking into account ARC Investments' indirect share of the debt funding and other assets and liabilities in the Financial Services structure, increased by 9.4% from R2 828 million at 30 June 2020 to R3 092 million at 30 June 2021. The increase in the Net IPV resulted from a further capital contribution of R151 million to ARC FSH and ARC Investments' share of the fair value gains in the Financial Services Portfolio.

Alexander Forbes (6.2% of Fund Value, 30 June 2020: 11.5%)

ARC Financial Services Investments (ARC FSI) holds a 35.1% interest in Alexander Forbes Group Holdings Limited (AFGH), which is listed on the JSE. The ARC Fund therefore has an effective shareholding of 13.1% in AFGH through its interest in ARC FSH. The Company's effective investment in AFGH decreased from R1 218 million at 30 June 2020 to R767 million at 30 June 2021, mainly as a result of the AFGH share price being impacted by the payment of special dividends as well as the effective impact of the transaction with Sanlam. The Company's indirect share of dividends received from AFGH during the year amounted to R184 million.

TymeBank (9.6% of Fund Value, 30 June 2020: 8.8%)

TymeBank is a digital bank that leverages the use of digital technology to make banking simple and affordable. The business managed to achieve its revenue and cost targets, despite experiencing some significant headwinds during this financial year. TymeBank forecasts to break even in 2022. It successfully onboarded 3.45 million customers in just over two years since launching. TymeBank management enhanced their value proposition to consumers by adding insurance, as well as a buy-now-pay-later product called MoreTyme. The progress on strategy implementation to date, combined with the additional capital that has been injected up to 30 June 2021, results in the Company's share in the fair value of TymeBank amounting to R1 173 million at 30 June 2021. The Company's effective additional investment in TymeBank during the year under review amounted to R232 million.

MAJOR EVENTS SUBSEQUENT TO REPORTING PERIOD

Sales of Afrimat shares

The ARC Fund sold 8.4 million Afrimat shares for a consideration of R496 million after the reporting date.

Kropz Elandsfontein

On 6 September 2021 the appeal against the Water Use Licence which was issued to Elandsfontein during April 2017, was dismissed by The Water Tribunal.

LEVEL OF ASSURANCE

The annual results have been audited by the Company's auditors, PricewaterhouseCoopers Inc. who expressed an unmodified audit opinion thereon. Their report also includes communication of key audit matters. This opinion is available, along with the annual financial statements on the Company's website at <https://arci.mu/investor-relations/#sens> on 14 September 2021 and available for inspection at the Company's registered office¹.

GOVERNANCE & LEADERSHIP

ARC Investments is managed and controlled in Mauritius by an experienced, multinational Board of Directors (the Board) of which the majority is 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/FRResults21.pdf> and on the ARC Investments' website <https://arci.mu/investor-relations/#sens> on 14 September 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. Ebebe, Mauritius (with simultaneous circulation in Johannesburg) 14 September 2021.

SPONSOR

RAND MERCHANT BANK (A division of FirstRand Bank Limited)