

African Rainbow Capital Investments Limited
(Incorporated in the Republic of Mauritius)
(Registration number C148430)
JSE share code: AIL
ISIN: MU0553S00000
("ARC Investments" or "the Company")

INVESTMENT UPDATE

ARC Investments is a Limited Partner in an *en-commandite* partnership, ARC Fund Partnership SA ("ARC Fund").

This announcement provides shareholders with a high-level update of the Company's progress on strategy implementation. It covers the first calendar quarter of 2020 as well as additional commentary regarding significant developments up to the end of May 2020.

TymeBank

Following its official launch on 26 February 2019, TymeBank succeeded in acquiring one million customers by November 2019 and continued to acquire 1.8 million customers by the end of May 2020. This milestone is well ahead of its growth schedule, as the bank was expected to achieve a milestone of 2 million customers by end of December 2020. TymeBank is now likely to onboard 2 million customers before August this year.

The bank continues to onboard on average 100 000 customers per month or between 20 000 and 30 000 customers each week. In March, when Government announced and implemented level 5 lockdown, the bank experienced some lower footfall to its kiosks located in Pick n Pay and Boxer stores. Coupled with ambassadors having worked less hours as a precautionary measure, and therefore translating to less assistance to onboard customers and deal with customer queries, it resulted in the bank onboarding approximately 20% less customers in April.

Of the current 1.8 million customers who have opened bank accounts, approximately 900 000 are active accounts. The average number of transactions per active customer is consistently increasing.

Customer deposits achieved the R1 billion mark in April and the growth in deposits remains strong and ahead of the business plan.

In February the bank announced its partnership with the Zion Christian Church (ZCC), which would see it offer banking services to some six million adult church members. Following the announcement of the partnership, early success was achieved. However, the onset of Covid-19 and the resultant national lockdown has made it impossible to assist churchgoers at Moria, the ZCC's central place of worship, and elsewhere in the country where church gatherings are held to onboard as TymeBank customers. The roll-out to ZCC members will proceed as soon as it is reasonably safe to do so.

In terms of the bank's credit business, and specifically its unsecured lending proposition to customers, which has been piloted but not formally launched, management is exercising significant caution in the context of a challenging economic environment. The bank is considering alternative credit products which do not carry the same longer-term risk as an unsecured term loan.

The Bank has also concluded one bancassurance partnership and is in advanced negotiations on another possible partnership. This will enable the Bank to provide a broader suite of products to its customers while obtaining the best in practice capabilities of recognised and well-established insurance partners.

TymeBank also successfully launched a transactional account for small businesses, largely sole proprietors. This segment is not served well by the incumbents but represents a large component of entrepreneurs in South Africa.

Alexander Forbes

Alexander Forbes Group Holdings (AFGH) is listed on the JSE and announced its full year financial results for the period to 31 March 2020 on Monday 8 June 2020. The full details are available on the company's website.

African Rainbow Capital Financial Services Holdings Proprietary Limited (ARC FS) acquired 193 000 000 AFGH ordinary shares from Mercer Africa Limited for a total cash consideration of R1 013 million. This transaction was announced to shareholders in January this year.

Following this transaction, ARC FS has also successfully concluded the 'flip-up' of its shareholding in Alexander Forbes Limited, the operating entity, to AFGH, which brought the total shareholding of ARC FS in AFGH to 35.09%. ARC FS obtained approval from AFGH shareholders to not make a mandatory offer to AFGH minority shareholders for the total shareholding of AFGH.

The transaction is in line with the stated strategy of ARC Investments, which sees AFGH as a key part of its broader financial services strategy going forward.

rain

rain is making good progress with the roll-out of its strategy, which is to establish a data network in metropolitan South Africa.

With the onset of Covid-19 and the resultant national lockdown, the business experienced strong growth in clients and data usage.

rain 4G roll-out has progressed well with 5,500 active sites live as at end of April. *rain* has an infrastructure and services agreement with Vodacom that has enabled the rapid growth of the 4G network. Vodacom roams on the *rain* 4G network, providing a significant proportion of *rain*'s revenue.

rain has also launched a 5G network in September 2019, making South Africa one of the first countries in the world to deploy this new technology. By the end of April, *rain* has rolled out 447 5G towers and aims to increase this to 1500 by December 2020. Ultimately more than

2000 5G towers in larger metro areas throughout South Africa is planned, bringing ultra-fast broadband connections to homes and small businesses at affordable cost.

Kropz PLC

Our investment in the Kropz Plc group has faced a number of challenges resulting in several delays in commissioning as well as the need for additional capital to see the Elandsfontein project through until commissioning. However, the latest metallurgical test work on the Elandsfontein phosphate mine completed by Eriez, Pennsylvania, and JESA, Florida, has identified and confirmed a robust processing alternative to the previous flotation circuit.

The test work has consistently demonstrated that the Elandsfontein phosphate mine processing plant will produce a final saleable concentrate to expected specification of 68% BPL (approximately 31% P₂O₅) using a flotation configuration of direct flotation followed by reverse flotation. This type of circuit has been successfully employed throughout the industry for decades.

Supplementary design work has been completed to advance the front-end engineering, and has identified that additional equipment, infrastructure and modifications to the original plant are needed to cater for the requisite process modifications. Accordingly, the target date for commercial production at Elandsfontein is now Q4 2021.

Subsequent to Kropz Plc reaching an agreement with other third-party financiers, the ARC Fund entered into a conditional convertible Loan facility of up to US\$ 40 million (not exceeding a maximum of ZAR 680 million) which is required to bring the Elandsfontein phosphate project into production. The repayment of the Loan Facility and any interest thereon will be in the form of conversion into ordinary shares in Kropz Plc and issued to ARC Fund, at a conversion price of 6.75 pence per share. This will occur quarterly.

GemCap

The company has been making good progress to achieve its business objectives, but the onset of Covid-19 and the resultant national lockdown created a slowdown in overall economic activity in the country which adversely impacted the operations of some of Gemcap's underlying investee companies. Although it was possible for several companies in the Gemcap portfolio to trade, customer activity was subdued. It is expected that customer activity will recover, although not necessarily to pre-lockdown levels.

Rand Mutual Holdings

While earnings have been negatively impacted by volatility in investment markets, the business continues to meet its objectives and is demonstrating resilience in a challenging operating environment. Its annuity book remains matched (in terms of assets and liabilities). The company has done an *ad hoc* Own Risk and Solvency Assessment (ORSA) and remains well capitalised.

Management is closely assessing any developments that could have an adverse effect on the state of mining and manufacturing industries, due to the impact of Covid-19 and the resultant national lockdown.

Afrimat

The business is listed on the JSE and announced its full-year results on 21 May 2020 to the market. Afrimat announced a solid set of financial results, which showed consistent delivery based on its diversification strategy. Management is comfortable that the business has a strong balance sheet, which is key to navigating uncertainty in the operating environment. The full details are available on the company's website.

Fledge Capital

The business invests in privately held companies that can demonstrate sustainable cashflow generation. The key business in the stable is the vehicle trading platform We Buy Cars. Following earlier announcements that the Competition authorities ruled against a possible transaction with Naspers, the business had a number of unsolicited offers from investment entities. Management will consider a transaction at appropriate price levels.

In terms of the impact of Covid-19 and the national lockdown on the business, management reported that sales volumes reduced significantly as a result of sales not being registered through the motor licensing process during lockdown levels 5 and 4. Under level 3, with motor licensing processes now again available, management has seen a recovery in sales volumes to about 70% of pre-lockdown levels.

The commentary on these underlying investments represents 70% of the ARC Fund value.

Disclaimer

The financial information on which this announcement is based has not been reviewed or reported on by the Company's external auditors. The Company will be reporting in more detail on its performance after the finalisation of the financial results for the full year period to 30 June 2020, expected to be released on or about 15 September 2020.

Ebène, Mauritius (with simultaneous circulation in Johannesburg)

12 June 2020

Sponsor

RAND MERCHANT BANK (A division of FirstRand Bank Limited)

For further information on African Rainbow Capital Investments, please visit our website at www.arci.mu