

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, the ARC Fund Partnership SA ("ARC Fund").

This announcement provides shareholders with a high-level update of the Company's progress and an overview of the significant investments in the ARC Fund for the first quarter following the financial year ended 30 June 2020, as well as a commentary regarding significant developments up to the end of November 2020 ("review period").

DIVERSIFIED INVESTMENTS

rain

The telecommunications business rain continued to expand its 4G and 5G data network in the metro areas in South Africa. The high demand for data solutions during the initial phases of the national lockdown has tapered off somewhat, but new customer flows remained strong, especially for rain's unlimited data packages.

rain launched its 5G network in September 2019, making South Africa one of the first countries in the world to deploy this new technology, and the roll out has continued successfully in Johannesburg and Cape Town during the review period.

The business has experienced certain customer service challenges following the strong growth in enrolling new customers as significantly more people than expected engaged in online and digital activity during the lockdown period. Significant progress has been made to improve customer service levels.

rain recently announced that the current Group CEO, Willem Roos, will become a non-executive director on 1 March 2021, after the completion of his three-year contract. He will be succeeded by Brandon Leigh, the current Head of Strategy, as incoming CEO, in line with the Company's succession planning. There will be a six-month handover period to ensure a smooth transition.

Afrimat

The ARC Fund holds an 18.4% interest in Afrimat. Afrimat is listed on the JSE and announced very pleasing interim financial results for the six months ended 31 August 2020, on 29 October 2020. It demonstrated consistent delivery, based on its diversification strategy. The share price of Afrimat has responded positively following publication of these results. The interim financial results announcement is available on Afrimat's website.

Kropz Plc

The Company's investment in the Kropz Plc group has faced various challenges resulting in several delays in bringing the plant to production, which have been reported on in the past. Following the further capitalisation of the group in June 2020, the project to modify the processing plant at Kropz Elandsfontein is progressing well and, despite certain challenges resulting from the Covid-19 pandemic, the estimated date for the first ore through the plant remains unchanged at 30 September 2021.

Kropz Plc is considering a review and update of the feasibility study to exploit the phosphate ore body which is owned by its subsidiary, Cominco. The asset was acquired in November 2018 when Kropz Plc was listed. Prior to the acquisition by Kropz Plc, approximately US\$50 million had been spent on developing the asset, which included exploration, extensive geological drilling, and numerous metallurgical test campaigns.

GemCap

The ARC Fund owns 100% of Gemcap following the buy-out of minority interests during September 2020. Gemcap is a holding company with a portfolio of investments involved in business process outsourcing. The various businesses were described in the 30 June 2020 annual financial statements of the Company and have been performing relatively well after the initial impact of the national lockdown.

Fledge Capital

During the review period Fledge Capital bought back shares from the ARC Fund for an amount of R274 million, reducing the ARC Fund's interest from 51.5% to 28%.

Fledge Capital invests in privately held companies that can demonstrate sustainable cashflow generation. The largest investment in its portfolio is a 16% interest in We Buy Cars. Transaction Capital recently acquired a 49.9% non-controlling interest in We Buy Cars from various parties including Fledge Capital.

DIVERSIFIED FINANCIAL SERVICES

Alexander Forbes

The Company's majority shareholder, African Rainbow Capital, has an indirect interest in Alexander Forbes Group Holdings ("AFGH") of 35.1%, of which the effective interest held by the ARC Fund is 17.5%.

AFGH is listed on the JSE and announced its interim financial results for the six months ended 30 September 2020, on 4 December 2020. The interim financial results announcement is available on AFGH's website.

We are satisfied with the recent results and the progress of strategy implementation.

TymeBank

Following its official launch on 26 February 2019, TymeBank succeeded in acquiring one million clients by November 2019. As at 30 November 2020, the bank had acquired 2.5 million clients, of which approximately 1.5 million were actively using their accounts.

TymeBank is tracking slightly behind its projections to attract clients, largely due to the national lockdown and the sustained financial pressure on consumers. It continues to onboard on average 100 000 customers per month or an average of 25 000 customers each week.

In terms of growing the bank's product portfolio, it has concluded one bancassurance partnership and is in the process of piloting a second bancassurance partnership which will enable TymeBank to provide a broader suite of products to its clients. It is further planning to enter the market with innovative lending products in the first half of 2021.

Rand Mutual Holdings

ARC Investments' parent company and majority shareholder African Rainbow Capital has a total indirect ownership in Rand Mutual Holdings ("RMH") of 30% of which the ARC Fund holds an effective 15% interest.

The impact of the Covid-19 pandemic and national lockdown had been significant on the mining and metals sectors which form the client base of RMH. With the easing of the lockdown regulations, the business prospects of these sectors have gradually improved. RMH has nevertheless performed reasonably well and within expectations.

As part of implementing its strategy the RMH group reviewed its capital efficiency which resulted in some excess capital being returned to shareholders. In addition, the management team was strengthened to ensure succession.

OTHER MATTERS

Rights Offer

The Company successfully concluded its R750 million rights offer during the review period and shareholders were informed of the results on 5 October 2020. The proceeds from the rights offer were injected into the ARC Fund by the Company as an additional contribution as the Limited Partner.

Sanlam Third Party Asset Management transaction

The Company recently announced that African Rainbow Capital Financial Services Holdings Pty Limited (ARC FS), of which the ARC Fund holds 49.9%, was in the process of acquiring a 25% interest in Sanlam's Third-Party Asset Management business. This transaction was concluded for a total consideration of R816.8 million and funded by equity (R 163.8m) and part utilisation of a preference share facility (R 653 m) made available to Ubuntu-Botho Investments Pty Limited, the holding company of both ARCI and ARC FS.

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 its interim financial results for the six months ending 31 December 2020, expected to be released on or about 18 March 2021.

Ebène, Mauritius (with simultaneous circulation in Johannesburg)

15 December 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