



African Rainbow Capital Investments Limited

("AIL" or "the Company")

Investment guidelines

ARC INVESTMENTS LIMITED

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ARC INVESTMENTS LIMITED

PART A – BACKGROUND

ARC Investments is a Category One Business License Company incorporated under the laws of Mauritius, and has made application to the JSE for its issued Ordinary Shares to be inward listed in the “Financials – Speciality Finance” sector on the Main Board of the Johannesburg Stock Exchange under the abbreviated name “ARCINVEST”, JSE code “AIL” and ISIN MU0553S00000 with effect from the commencement of trade on Thursday, 7 September 2017. These Investment Guidelines include ARC Investments’ Investment Policy, which has been formulated in compliance with section 15 of the Listings Requirements, as well as certain other ancillary matters.

PART B – INVESTMENT POLICY

1. DEFINITIONS

Capitalised words and expressions used in this Investment Policy shall, unless expressly defined herein or indicated otherwise by the context, bear the meanings ascribed to them in the Investment Guidelines.

2. INVESTMENT OBJECTIVE

ARC Investments' investment objective, through its investment into the ARC Fund, is to invest in a diversified portfolio of underlying investments that will provide its Shareholders with superior long-term returns.

3. INVESTMENT FOCUS

- 3.1 ARC Investments' investment objective will be achieved exclusively through its commitment to the ARC Fund.
- 3.2 In order to meet its short-term liquidity requirements, ARC Investments' surplus cash will be invested in a portfolio of Cash Management Investments.
- 3.3 The Board will be responsible for making the relevant Investment decisions in respect of the ARC Fund Investment and all Cash Management Investments.

4. SECTORS AND GEOGRAPHIES

- 4.1 The ARC Fund will provide ARC Investments (as the Limited Partner) with exposure to a broad range of sectors and the ARC Fund's investment policy may be implemented through a variety of types of financial instruments.
- 4.2 The ARC Fund will not invest in any prospective portfolio company where a material portion of such portfolio company's business activities and operations (as at the date of investment) constitute a Prohibited Activity (other than a Prohibited Activity contemplated in paragraph 6.16.11, where the prohibition on investment shall be absolute).
- 4.3 The ARC Fund will focus on transactions in South Africa and other select countries in Africa. The ARC Fund may, however, invest in Portfolio Companies with interests and/or operations elsewhere in the world.

5. OTHER PARAMETERS

- 5.1 ARC Investments will:
 - 5.1.1 through the ARC Fund Investment, seek to gain exposure to growth and early-maturity stage businesses in which management teams are appropriately incentivised; and
 - 5.1.2 make Cash Management Investments for cash management purposes, as appropriate.
- 5.2 Furthermore, all of ARC Investments' net resources are available for investment in accordance with the Investment Policy, including for use in share repurchases or other returns of capital to Shareholders.

PART C – GENERAL

6. DEFINITIONS

- 6.1 “**ARC**” African Rainbow Capital Proprietary Limited, a company incorporated under the laws of South Africa with registration number: 2015/000394/07;
- 6.2 “**ARC Fund**” an *en commandite* partnership established in South Africa;
- 6.3 “**ARC Fund Investment**” investment by ARC Investments in the ARC Fund as the Limited Partner;
- 6.4 “**Associate**” as defined in the Listings Requirements;
- 6.5 “**Board**” the board of directors of ARC Investments;
- 6.6 “**Cash Management Investments**” investments in (i) cash or cash equivalents; (ii) money market instruments, commercial paper or other short-term debt obligations; (iii) interest bearing accounts at a registered broker-dealer; (iv) money market mutual funds; (v) pooled investment funds or accounts that invest only in instruments of the type described in (i) through (iv);
- 6.7 “**Category 1**” as defined in the Listings Requirements;
- 6.8 “**Category 2**” as defined in the Listings Requirements;
- 6.9 “**Investments**” the ARC Fund Investment and Cash Management Investments;
- 6.10 “**Investment Guidelines**” this document, including the Investment Policy;
- 6.11 “**Investment Policy**” the investment policy and policy set out in Part B of the Investment Guidelines issued in accordance with paragraph 15.7 of the Listings Requirements;
- 6.12 “**Financial Markets Act**” the South African Financial Markets Act, 19 of 2012, as amended;
- 6.13 “**JSE**” JSE Limited, a company incorporated under the laws of South Africa with registration number: 2005/022939/06, licensed as an exchange under the Financial Markets Act;
- 6.14 “**Limited Partner**” a commanditarian partner of the ARC Fund;
- 6.15 “**Listings Requirements**” the listings requirements issued by the JSE under the Financial Markets Act to be observed by issuers of equity securities listed on the Johannesburg Stock Exchange, as amended;

6.16 **"Prohibited Activity"** any one or more of the following activities:

- 6.16.1 production or activities involving harmful or exploitative forms of forced labour or harmful child labour. In this context "forced labour" means all work or service, not voluntarily performed, extracted from an individual under threat of force or penalty and "harmful child labour" means the employment of children that is economically exploitative, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or mental, spiritual, moral or social development;
- 6.16.2 production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements;
- 6.16.3 the manufacture of equipment (including nuclear products) primarily designed or primarily designated for military purposes;
- 6.16.4 production or manufacture of or trade in tobacco or tobacco-related products;
- 6.16.5 trade in wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora;
- 6.16.6 production or trade in radioactive materials, excluding the purchase of medical equipment, quality control (measurement) equipment and any equipment where the radioactive source is trivial and/or adequately shielded;
- 6.16.7 production or trade in or use of unbonded asbestos fibres, excluding the purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%;
- 6.16.8 commercial logging operations or the purchase of logging equipment for use in primary tropical moist forest or carrying on business in a country which is not compliant with the International Tropical Timber Agreement;
- 6.16.9 production or trade in products containing polychlorinated biphenyls;
- 6.16.10 production or trade in pharmaceuticals subject to international phase out or bans;
- 6.16.11 the production, processing or distribution of illegal drugs or substances;
- 6.16.12 production or trade in pesticides/herbicides subject to international phase out;
- 6.16.13 production or trade in ozone depleting substances subject to international phase out;
- 6.16.14 trading in rough diamonds with any country which is not a Participant (as defined in the Kimberley Process Certification Scheme) in the Kimberley Process Certification Scheme;
- 6.16.15 production or trade in products or sectors which are subject to United Nations or European Union embargoes;
- 6.16.16 drift net fishing in the marine environment using nets in excess of 2.5 km in length; and
- 6.16.17 pornography or the provision of products or services of a substantially similar nature;

- 6.17 “**SENS**” the Stock Exchange News Service of the exchange operated by the JSE;
- 6.18 “**Shareholders**” the holders of Ordinary Shares from time to time and, where the context requires, the holder of the B Share and/or the C Shares from time to time; and
- 6.19 “**Transaction**” as defined in section 9 of the Listings Requirements. For the avoidance of doubt, to the extent that a transaction involving a non-related party is concluded in the ordinary course of business of ARC Investments and constitutes less than or equal to 10 per cent of the market capitalisation of ARC Investments, such transaction will not be subject to section 9 of the Listings Requirements in accordance with section 9.1(d) of the Listings Requirements.

7. ARC INVESTMENTS’ OBJECTIVE

- 7.1 ARC Investments’ medium- to long-term objective is to grow its NAV by at least 16% per annum, risk adjusted, gross of dividend distributions, any management fees paid to the general partner of the ARC Fund and any performance participation. Each investment opportunity will be expected to exceed this minimum risk-adjusted return hurdle on a stand-alone basis (i.e. without taking into account potential synergy benefits that can be derived from being part of a diversified portfolio). The return threshold applicable to start-ups may be significantly higher than the 16% per annum hurdle, reflecting the higher risks attaching to such ventures relative to established businesses.

8. SHAREHOLDER APPROVALS

- 8.1 All Transactions concluded in accordance with the Investment Policy will be regarded as being in the ordinary course of business, unless circumstances dictate otherwise.
- 8.2 Shareholder approval will consequently not be required for non-related party Transactions of any size to the extent such Transactions are entered into in the ordinary course of business of ARC Investments, as envisaged in paragraph 8.1.
- 8.3 In addition, shareholder approval will not be required for Transactions triggered by the enforcement of provisions in agreements entered into between ARC Investments, the ARC Fund and other investee shareholders or partners:
- 8.3.1 where such Transactions (if otherwise required to be approved by Shareholders) are pre-approved by Shareholders upon initial investment or acquisition of such investments or subsequently (whether implicitly or explicitly); or
- 8.3.2 where the initial Transaction was, or the subsequent Transaction is, in the ordinary course of business (and as a result, was or is not required).

- 8.4 Shareholder approval by way of ordinary resolution will be required for all Category 1 Transactions not entered into in the ordinary course of business of ARC Investments with non-related parties.
- 8.5 Shareholder approval will be required for related party transactions in accordance with the thresholds and requirements for such approvals contained in section 10 of the Listings Requirements.
- 8.6 Notwithstanding this paragraph 8, the Listings Requirements pertaining to shareholder approvals and communications will apply if any Transaction is categorised as a reverse take-over in terms of the Listings Requirements.

9. ARC, THE ARC FUND AND THEIR RESPECTIVE ASSOCIATES ARE NOT RELATED PARTIES

- 9.1 The JSE has approved that Transactions entered into in the ordinary course of business of ARC Investments involving ARC, ARC Investments, the ARC Fund or their respective Associates, and which fall within the ambit of the Investment Policy, will not be regarded as related party Transactions for purposes of the Listings Requirements, and that ARC, the ARC Fund and their respective Associates will not constitute related parties for purposes of the Listings Requirements and these Investment Guidelines, to the extent that the relevant Transaction is entered into in the ordinary course of business of ARC Investments and falls within the ambit of the Investment Policy.
- 9.2 For the avoidance of doubt, to the extent that a Transaction involving the parties outlined in paragraph 9.1 is not entered into in the ordinary course of business of ARC Investments, such Transactions will be regarded as related party Transactions for purposes of the Listings Requirements to the extent that the Transaction meets the relevant requirements of the Listings Requirements.



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