



Intrinsic
Net Asset Value
**R9,076
billion**

Intrinsic Portfolio Value
R7 086 million
(31 December 2017)
(R4 473 million –
7 September 2017)

IFRS Portfolio Value
R7 280 million
(31 December 2017)
(R4 502 million –
7 September 2017)

Income for
the period
**R462
million**

INAV
R8,75
per share
(R8,46 per share –
7 September 2017)

Commentary

African Rainbow Capital Investments Limited (ARC Investments) listed on the JSE on 7 September 2017 and yesterday announced its maiden interim financial results for the period ended 31 December 2017.

ARC Investments is a subsidiary of African Rainbow Capital Proprietary Limited (ARC) which in turn is a wholly owned subsidiary of Ubuntu-Botho Investments Proprietary Limited (UBI).

The Company was incorporated in the Republic of Mauritius on 30 June 2017 as a private company limited by shares. The Company holds a Category one Global Business Licence under the Financial Services Act 2007 and is regulated by the Financial Services Commission.

This announcement provides a progress update of the business since listing in September 2017.

Strategy

The overriding objective in the listing of ARC Investments was to create a permanent capital vehicle that would offer public shareholders capital appreciation as they invest in a permanent broad-based Black controlled entity with an underlying diverse portfolio of investments.

The most significant benefit in this regard is access to high quality listed and unlisted companies which ARC facilitates. This allows ARC Investments' shareholders access to a diversified portfolio of investments that would otherwise not be available to them. In addition, investments are acquired at an appropriate Black Economic Empowerment (BEE) illiquidity discount where the investment carries a BEE lock-in period. We believe these factors offer a very attractive proposition to investors. The listed platform does facilitate liquidity, which in turn allows investors to exit when they choose to do so.

ARC has made more than 40 investments in portfolio companies since its formation in 2015 to the date of transfer to ARC Investments by following a deliberate building block approach. During this period, ARC acquired interests in businesses in specific financial and non-financial industries – with the objective and firm belief that empowerment would enhance the competitiveness of the business.

Operating environment

The sluggish economy has negatively impacted some of the ARC Fund's portfolio companies as they have traded in a slowed economy, low investor and business confidence, political uncertainty, increasing commodity prices and increasing fuel prices. These unfavourable economic conditions have negatively affected the performance of some of the investments. It is expected that these investments will show improved performance in the second half of the reporting period owing to the improved political landscape and revised economic outlook for the country in the medium-term.

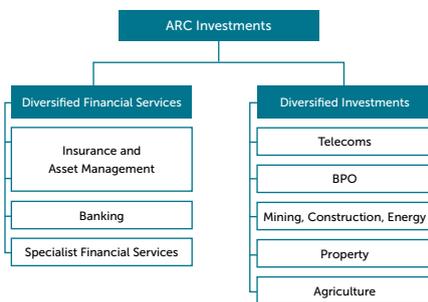
The broadly diversified portfolio of the ARC Fund has continued to demonstrate growth and performed satisfactorily against this background.

The Basic and Headline Earnings Per Share for the reporting period amounted to 96 cents.

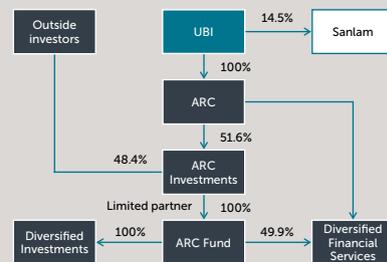
Investment strategy

The initial underlying investment portfolio in ARC Investments through its investment in the ARC Fund is comprised of:

- 100% of ARC's interests in its non-financial services portfolio companies (within the Diversified Investments portfolio).
- 49.9% of ARC's interests in its financial services portfolio companies (within the Diversified Financial Services portfolio).



Overview of structure



By investing in a broad range of sectors and through a variety of types of listed and unlisted equity, the ARC Fund generally seeks to gain exposure to growth and early-maturity stage businesses in which management teams are appropriately incentivised. The ARC Fund generally seeks to acquire significant minority equity interests in established and start-up businesses that meet one or more of the following attributes:

- experienced, qualified and capable management;
- a demonstrable track record;
- strong cash flow generation;
- solid growth prospects;
- established market position;
- the opportunity to consolidate their respective markets and/or existing businesses within the ARC Fund portfolio; and/or
- commercial prospects which can be enhanced by having strong B-BBEE credentials.

Where the ARC Fund holds majority or significant minority interests in portfolio companies, the ARC Fund, where appropriate, seeks to provide broad strategic guidance to such companies. This is generally provided through participation on their Board of directors. The ARC Fund has the flexibility to participate in opportunistic investments as and when they arise and seeks to focus on transactions in South Africa and other select countries in Africa but may also invest in portfolio companies with interests and/or operations elsewhere in the world. The ARC Fund does not have a target size and may be geared, as appropriate, to meet its investment strategy.

ARC Investments' medium to long-term objective is to grow its Intrinsic Portfolio Value by at least 16% per annum. Each investment opportunity is expected to exceed this minimum risk-adjusted return hurdle on a stand-alone basis (i.e., without considering potential synergistical 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.

Outlook

We welcome the positive political developments in South Africa and remain optimistic about the future of the country. Our businesses are exposed to conditions in SA and we therefore expect an improved performance from many of our portfolio businesses.

Our diverse portfolio will play a key role in us achieving our target returns. ARC Investments is presented with a healthy pipeline of potential investments. We look forward to making progress on our various initiatives as per our stated investment strategy.

For and on behalf of the board

MC Olivier
Chairperson

BN Radebe
Director

Sandton
12 March 2018

Detailed information

The contents of this short-form announcement are the responsibility of the ARC Investments board of directors. Shareholders are advised that this short-form announcement represents a summary of the condensed unaudited interim results, published on the SENS and on ARC Investment's website www.arci.mu yesterday, 13 March 2018. Any investment decisions by investors and/or shareholders should be based on a consideration of the full announcement as a whole and shareholders are encouraged to review the full announcement, which is available for viewing on SENS and on the company's website set out above. In addition, the full announcement is available for inspection at the registered office of ARC Investments and the offices of the Sponsor at no charge during normal business hours. Copies may further be requested and obtained in person or may be requested and obtained in person at the registered office of ARC Investments, Level 3, Alexander House, 35 Cybercity, Ebene, Mauritius.

ARC Investments **Company number:** C148430 **JSE share code:** AIL **ISIN:** MU0553300000 **Registered office:** Level 3, Alexander House, 35 Cybercity, Ebene, 72201, Mauritius

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Sponsor: Rand Merchant Bank, a division of FirstRand Bank Limited **Transfer Secretaries:** Computershare Investor Services Proprietary Limited (Registration number 2004/003647/07), Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, PO Box 61051, Marshalltown, 2107, South Africa **Company Secretary:** Intercontinental Trust Limited **Directors:** Mark Cyril Oliver (Chairperson)* Deans Tommy Lo Seen Chong* Clive Msipha* Renosi Mokate* Bridget Ntombenhle Radebe*

* Independent non-executive # Non-executive