
AFRICAN PHOENIX INVESTMENTS LIMITED

Incorporated in the Republic of South Africa

(Registration number 1946/021193/06)

Ordinary share code: AXL ISIN: ZAE000221370

Hybrid instrument code: AXLP ISIN: ZAE000221388

("API" or "the Company")

VOLUNTARY TRANSACTION AND CAUTIONARY ANNOUNCEMENT

1. Overview

- 1.1. API is an investment holding company with 1 427 005 272 ordinary shares with a par value of R0.025 per share ("Ordinary Shares") and 13 523 029 non-redeemable, non-cumulative, non-participating preference shares with a par value of R0.01 per share ("Preference Shares") listed on the securities exchange ("JSE") operated by the JSE Limited. The Preference Shares are, in terms of section 20 of the JSE Listings Requirements ("Listings Requirements"), listed on the JSE as hybrid financial instruments.
- 1.2. API wishes to advise holders of Ordinary Shares ("Ordinary Shareholders") and holders of Preference Shares ("Preference Shareholders") (collectively "Shareholders") that it proposes to implement certain strategic transactions, the details of which are set out below. The transactions are subject to obtaining all necessary approvals from Shareholders and regulatory authorities, including the JSE Limited (which is currently formally considering certain structuring elements of the transactions).

2. Proposed Transactions

- 2.1. API has been in confidential discussions with certain of its major Shareholders to obtain support to implement certain proposed strategic transactions that include:
 - 2.1.1. a voluntary repurchase of up to all of API's Preference Shares from the Preference Shareholders ("Repurchase") in terms of sections 48, 114 and 115 of the Companies Act, 2008 as amended ("Companies Act"). The consideration payable to the Preference Shareholders is proposed to be left outstanding on loan account, which loan claim will be settled in cash ("Repurchase Consideration"). Preference Shareholders may also elect to retain their Preference Shares;
 - 2.1.2. the acquisition by API of a limited partnership interest in a private equity fund to be established as a South African *en commandite* partnership, to be known as the "API Capital Fund" ("API Fund"), through the contribution of cash only to the API Fund. The API Fund will be managed by a black-owned fund manager ("BFM"), in accordance with the Codes of Good Practice on Broad-Based Black Economic Empowerment issued under the Broad-Based Black Economic Empowerment Act, 2003 as amended. The API Fund will be established through API (as a limited partner of the API Fund) entering into a limited partnership agreement ("Partnership Agreement") with the BFM (as the general partner of the API Fund) ("BFM Structure");
 - 2.1.3. amendments to API's memorandum of incorporation ("MOI") to (i) create a new class of unlisted, non-voting, non-participating convertible ordinary shares ("Class

B Shares”) which Class B Shares are to be issued to the management team of the BFM for purposes of settling performance participation entitlements of the management team (see paragraph 4 below); and (ii) re-classify the Ordinary Shares as “Class A Shares” in order to distinguish the existing Ordinary Shares from the Class B Shares. The re-classification of the Ordinary Shares as Class A Shares will not vary or amend the rights or the terms of the Class A Shares (collectively the “MOI Amendments”); and

2.1.4. the proposed change of JSE classification of API to an “investment entity” (“Re-Classification”) pursuant to section 15 of the Listings Requirements and the adoption of a new investment policy for API, which new investment policy will be approved by the Shareholders as part of the Proposed Transactions, resulting in the Company, subject to the requisite approvals being obtained from the JSE Limited, being classified under the “Investment Companies” sub-sector of the FTSE Global Classification System.

2.2. The Repurchase, the BFM Structure, the MOI Amendments and the Re-Classification are collectively referred to hereinafter as the “Proposed Transactions”.

3. Repurchase Consideration

It is currently anticipated that the Repurchase Consideration will be an amount of R37.00 per Preference Share, but such Repurchase Consideration (i) is subject to final determination by the API board of directors; and (ii) will be informed by the findings of an independent expert's opinion as envisaged in section 114 of the Companies Act and which is required to be prepared in relation to the Repurchase. The independent expert's opinion will be included in a circular to be issued by API in due course.

4. BFM Structure

As is customary in private equity structures, it is currently proposed that:

4.1. the BFM will be entitled to receive a management fee (“GP Fee”) of 1.00% per annum of the API Fund's invested net asset value (“NAV”), provided that the minimum annual fee will amount to R19 million for the financial year ended 30 September 2019 (and increasing by inflation for each subsequent financial year); and

4.2. in addition to the GP Fee, the management team of the BFM will be entitled to performance participation (“Performance Participation”), subject to certain hurdles and requirements being met. The Performance Participation is to be facilitated through the Class B Shares to be issued by API to the management team of the BFM in order to incentivise the BFM to maintain and grow the value of API Fund's investments and the market capitalisation of API. At the end of each six year performance period, a certain number of Class B Shares (to be determined in accordance with a formula linked to the value of the Class B Shares) shall automatically convert in accordance with the terms of the Class B Shares into Ordinary Shares in API (to be designated as “Class A Shares” at that time), and will be distributed to the management team of the BFM. The Performance Participation will allow the holders of the Class B Shares to receive 16% of the amount by which the aggregate of (i) 75% of the growth in API Fund's invested NAV and (ii) 25% of the growth in API's Class A Share price, exceeds the performance hurdle (10% compound annual growth rate (CAGR) calculated over the six year performance period) through the conversion of the Class B Shares into Class A Shares.

5. Key objectives of the Proposed Transactions

The key objectives of the Proposed Transactions include the following:

- 5.1. that the Repurchase of potentially all of the issued Preference Shares will simplify API's current capital structure;
- 5.2. the BFM Structure will lead to capital preservation for investments in line with API's investment holding company classification;
- 5.3. the establishment of a broad-based black economic empowerment investment platform, in the form of the API Fund, will provide Shareholders with access to unique investment opportunities not typically available to public market investors;
- 5.4. the BFM Structure will allow for funding of a growing pipeline of investments without negatively impacting on the broad-based economic empowerment status of API and/or its investee companies; and
- 5.5. the Proposed Transactions will ensure the long-term alignment of the interests of API, the BFM and Shareholders.

6. Shareholder support

API has obtained shareholder support from Ordinary and Preference Shareholders to vote in favour of the Proposed Transactions, jointly constituting 52% of the total issued Ordinary and Preference shares.

7. Salient dates and shareholder documentation

A detailed transaction announcement, including salient dates and additional information regarding the shareholder documentation, will be published in due course.

8. Cautionary announcement

Shareholders are advised that, until such time as the structure of the Proposed Transactions has been finalised and the aforementioned detailed transaction announcement has been published, which may have a material effect on the price of the Company's securities, caution should be exercised by shareholders when dealing in the Company's securities.

9. Disclaimer

The information contained in this voluntary transaction and cautionary announcement:

- 9.1. is not for publication, distribution or release, in whole or in part, directly or indirectly, in or into any jurisdiction where to do so would constitute a violation of the relevant laws of such jurisdiction;
- 9.2. does not constitute or form a part of any offer or an invitation or solicitation or advertisement to purchase and/or subscribe for securities in South Africa, including an offer to the public for the sale of, or subscription for, or an invitation or the solicitation of an offer to buy and/or subscribe for, securities as defined in the Companies Act or otherwise and will not be distributed to any person in South Africa in any manner that could be construed as an offer to the public as contemplated in the Companies Act. Accordingly, the information contained in this voluntary transaction and cautionary announcement does not, nor does it intend to, constitute a "registered prospectus", as contemplated by the Companies Act and no prospectus has been, or will be, filed with the South African Companies and Intellectual Property Commission in relation to the Proposed Transactions; and
- 9.3. may include forward-looking statements about API, its prospects and/or the Proposed Transactions, which are based on current expectations and projections about future

events. These statements may include, without limitation, any statements preceded by, followed by or including words such as "target", "believe", "expect", "aim", "intend", "may", "anticipate", "estimate", "plan", "project", "will", "can have", "likely", "should", "would", "could" and other words and terms of similar meaning or the negative thereof. These forward-looking statements are subject to risks, uncertainties and assumptions about the Company, its subsidiaries or affiliates and the Proposed Transactions, including, among other things, the development of API's strategy. In light of these risks, uncertainties and assumptions, the events in the forward-looking statements may not occur. No representation or warranty is made that any forward-looking statement will come to pass and, in particular, no representation or warranty is made that the Proposed Transactions will be implemented (either wholly or in part). No one undertakes to publicly update or revise any such forward-looking statement. The information contained in this voluntary transaction and cautionary announcement is provided as at the date of this voluntary transaction and cautionary announcement and is subject to change without notice. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in its expectations with regard thereto or any change in events, conditions or circumstances on which any of such statements are based.

10. A presentation to shareholders is available on the website of the Company at www.phoenixinvestments.co.za.

Johannesburg
7 September 2018

Transaction advisor
RAND MERCHANT BANK (A division of FirstRand Bank Limited)

Legal advisor
Webber Wentzel

Sponsor
MerchantecCapital