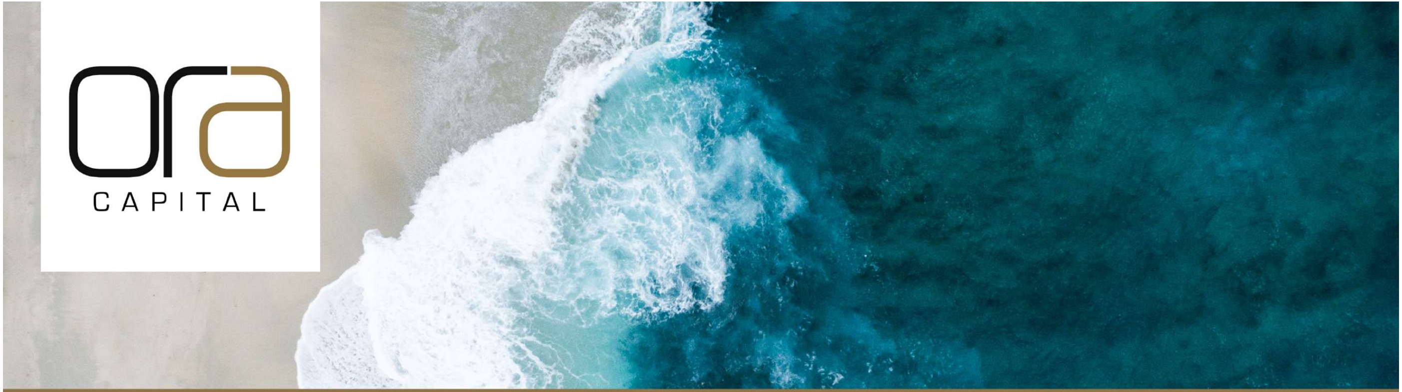

Ora Capital

An approved 12J company investing in operating rental businesses that generate attractive dividends.

Fully Tax Deductible	Quarterly Dividends	CPI+15% Per Annum	Lower Risk Profile
	Providing Investors with Regular Cash Flow	Net After-tax Target Return for Individual Investors	Than Traditional Private Equity Investments

March 2020 Newsletter

About Ora Capital

Ora Capital Limited (Ora Capital), is a Section 12J company and licensed financial services provider, and member of the Section 12J Association of South Africa. It offers investors a fully tax-deductible investment uncorrelated to conventional investment markets.

The pooled portfolio consists of contractual cash flow businesses, generating predictable revenue, with a lower risk vs. return profile than traditional private equity. This provides investors with stable dividend returns and capital preservation, with a liquidity profile that facilitates an efficient exit at the end of the investment term.

Why We Prefer Our Strategy

Conservative

The strategy has a lower risk profile than conventional private equity investments. Each new investment is asset-backed, with counterparties of good credit standing.

Scalable

Simple structure and deal volumes mean we can deploy cash into several transactions quicker than complex private equity or real estate deals. This minimises cash drag on the portfolio return.

Diversified

Operating rental businesses are present in most sectors, meaning we can build a portfolio that is diversified and reduce concentration risk to any one sector in the economy.

Dividend generative

The underlying rental deals produce predictable revenue streams, translating into stable quarterly dividends. This means our investors don't have to wait long to see a return on their investment.

Efficient exit

The term structure of these transactions (ie. contracts of 3, 5 or 7 years) allows us to stagger the maturity dates over time, in line with the future liquidity needs of our investors, making it easier to exit than complex real estate or private equity investments.

Latest News

Impact of Covid-19

Most to all South African businesses, and the greater world economy, are severely negatively affected by the impact of the Covid-19 virus, with current predictions indicating that our economy could retract by more than 5% during the year. The South African economy entered the crisis in an already weak position. We can expect unemployment, cash flow and liquidity to be the biggest challenges that South Africa will have to face. The amount of time the South African economy will take to overcome this is uncertain, but the impact will be felt for several years to come.

As a Section 12J Venture Capital Company, we are committed to investing our capital in suitable opportunities that can generate attractive returns as well as help mitigate potential job losses.

Ora Capital's Contractual cash flow businesses

These businesses include Seam, Konig Coffee Rentals and Broadreach Solar E.

Ora Capital's portfolio consists predominantly of contractual cash flow businesses, which receives income monthly via debit orders or invoice payments. Whilst the portfolio is not excluded from the impact of Covid-19, our investee companies have diverse operating rental books with many lessees, such as food retailers and banks, which are operating during the national lockdown.

We have been pleasantly surprised by the resilience of our investee companies during this time, as they have worked hard to ensure minimum disruption to their monthly collections. Arrangements have been made with some lessees, predominantly consisting of payment holidays, with a catch up and rectification addendum of the unpaid amounts during the remaining life of the contract.

We are optimistic on the performance of these companies and their ability to persevere through the Covid-19 crisis. We are staying in regular communication with these companies.

Ora Capital's non-contractual cash flow business

This includes Thunderbolt.

Certain divisions of Thunderbolt were unable to trade during the lockdown, with other divisions able to trade certain permissible products which protected the company against a complete shutdown.

Detailed information on each investee company is available in ***Annexure 1*** at the end of this document.

Cash reserves

Following the February 2020 capital raise we are currently sitting with 50% of our portfolio in cash. The timing of the capital raise has provided us with some "dry powder" (cash reserves) to protect us against the negative effect of Covid-19 during the short term, and assists us in implementing transactions once businesses have reopened.

We anticipate that many companies will require capital as the economy restarts in the coming months, putting us in the ideal position to take advantage of these opportunities.

Dividend Declared

Despite the tough local business environment, we are pleased to announce the March 2020 dividend of R200 000 (R7.26 per share), which will be paid in June 2020.

Activity during the last quarter

During the first quarter of 2020, Ora Capital invested an additional R3.3 million in Konig Coffee Rentals, who secured a contract to provide hot vending solutions to the head office of one of the largest JSE listed banks.

New business opportunities

The investment pipeline continues to expand, and we have received a number of new business requests to assist in setting up contractual cash flow businesses. Whilst banks are risk averse during this time, it does open a large funding requirement gap. We have positioned ourselves to take full advantage of the funding needs of the market once the lockdown relaxes and businesses reopen.

Current Portfolio (Pooled A-Share Class)

Thunderbolt

Founded in 1999, Thunderbolt is a leading black-owned and managed supplier of capital equipment and consumables to the graphic arts and printing industry, representing as agent principals such as Muller Martini, Agfa, Kodak and Weilburger. It is also launching a Company providing right of use of graphics and printing equipment, together with contracted term consumables supply to clients.

SEAM

As a niche rental company, SEAM owns specialised assets, which it leases to corporate clients in the security and hospitality sectors.

König COFFEE

Established in 2001, Konig Coffee rents premium automated coffee machines to corporate clients, and supplies maintenance and consumables. Since launching, Konig has grown to over 36 franchisees nationally.

BR BROADREACH CAPITAL

Ora Capital has partnered with Broadreach Capital to fund and implement energy efficiency projects for retail, commercial and industrial clients, which are structured as shared energy savings contracts.

Investment Pipeline

Ora Capital has identified at least seven investment opportunities which require aggregate funding of at least **R50 million** in 2020:

Opportunity	Investment Amount (R'm)
Available cash	18
Pending drawdown commitments	
Konig Coffee	2
Broadreach	4
Seam	4
New pooled fund investments	
Thunderbolt Rentals	8
Renewable Energy	5 – 30
Water Solutions	5 – 10

Access to special opportunities

Special opportunities in private equity investments, other than operating rental businesses, are packaged as look-through investments via a different class of Ora Capital's shares. Existing and prospective investors will be offered an opportunity to invest, allowing them to diversify into potentially high growth private equity, and claim additional tax deductions. These investments will be structured through a separate share class in Ora Capital.

MAGICORANGE

During December 2019, Ora Capital invested in such an opportunity through its limited recourse Class B Venture Capital share class. Magic Orange processes financial and asset data to reveal insight into cost, value and utilisation of Technology and its true relationship to business services and products. This allows Technology, Finance and Business Units to make informed data-driven decisions enabling cost optimisation, efficient planning and smarter business aligned investments. Ora Capital raised R10 million from 11 investors to acquire a 20% stake in Magic Orange (www.magicorange.com).

For more information on Magic Orange please contact us at info@oracapital.co.za.

Key Features

Investment	Unlisted A-Ordinary Shares in Ora Capital.
Fund size	R48 million (incl. Callable Loan Facility).
Risk profile	Medium.
Minimum investment	R100 000 during a Prospectus period. R1 million outside Prospectus period.
Maximum allowable deduction per annum	R2.5 million for individuals and trusts. R5 million for companies.
Net after-tax target return[1]	Annualised CPI + 15%.
Target dividend yield on net investment[2]	9% - 11%.
Callable Loan Facility	TBI has committed a R10 million Callable Loan Facility to Ora Capital.
Investment Horizon	Minimum five years.
Liquidity	Liquidity is offered on two year's notice, given at least five years after subscription.
Capital Gains Tax	Payable by investors on the entire investment realisation.
Fees and expenses	Capped at 2% (plus VAT) per annum, excluding Specified Expenses.
Performance participation payable to Administrator	Cumulative annual participation dividend of 10% of net investment profits, with a high-watermark arrangement to recover shortfalls.
Financial year-end	31 December.
Next AGM	2021.
Next Dividend	Declaration date 30 June 2020.

Corporate Information

Administrator	TBI Investment Managers (FSP number: 42968).
Company Secretary	Adams Schouw & Cain 2 Inc.
Tax Advisors	Norton Rose Fulbright (SA) Inc.
Reporting Accountants & Auditors	PKF Cape Town.
Commercial Bankers	First National Bank Limited.

Leadership

The management team and Board have a proven track record in private and strategic equity investments and in tax and investment structuring. This blend of experience is a significant advantage in a Section 12J company, such as Ora Capital.

GC Swanepoel

Non-executive Board Chairman and Member of the Audit Committee

BCompt (Hons), CA (SA)

Wynand Marais

Executive Director and CEO

MCom Finance and Risk Management, BCom (Hons) Financial Analysis and Portfolio Management

Abrie du Preez

Non-executive Director and Member of the Audit Committee

BCom (Hons) Accounting, CA (SA)

Ockert Goosen

Executive Director and Member of the Investment Committee

BCom (Hons)(Acc), MBA (Wits), CA (SA)

Tienie van der Mescht

Non-executive Director and Member of the Audit Committee

BSc, MBA

Frequently Asked Questions

Tax Deductibility

Ora Capital is registered with SARS as a Venture Capital Company in terms of Section 12J of the Income Tax Act *(Section 12J)*. This entitles investors to deduct 100% of their investment in *Venture Capital Shares* issued against taxable income, providing up to 45% upfront tax relief for individuals and trusts, or 28% for corporate investors.

Claiming the Tax Deduction

A Tax Certificate to substantiate a claim for tax deduction is provided. Investors simply quote Ora Capital's reference number when completing their tax returns.

[1] Applicable to individuals with a marginal tax rate of 45%. The return incorporates the upfront income tax relief from the investment, dividend withholding tax and the capital gains tax payable on realisation after 5 years, net of management fees, expenses and performance participation.

[2] Subject to solvency and liquidity. Applicable to individuals with a marginal tax rate of 45%, based on net after-tax capital invested and before dividend withholding tax.

Investment Horizon

Investors should remain invested for a minimum of five years if they wish to avoid a recoupment. If an investor sells their Section 12J investment within the five years, the upfront tax deduction is recovered under the general recoupment rules of section 8(4) of the Income Tax Act.

Underlying investee companies

The investee companies that Ora Capital invests in (referred to in the Income Tax Act as Qualifying Companies), must meet the following Section 12J criteria:

- Is unlisted and a South African tax resident;
- Has less than 70% of its equity shares held, directly or indirectly, by a Venture Capital Company and group companies;
- Does not invest in immovable property (other than a trade carried on as a hotel keeper);
- Trades mainly in South Africa; and
- Does not trade in the financial services, gambling, liquor, tobacco, arms or ammunition industries.

Return illustration (Pooled A-Share Class)

The below model illustrates how the net after-tax target return of CPI + 15% per annum is calculated for an individual investor.

Assumptions	
Initial Gross Investment	1 000 000
Corporate Income Tax Rate	28.00%
Corporate Capital Gains Tax Rate	22.40%
Individual Investor Income Tax Rate	45%
Individual Investor Capital Gains Tax Rate	18%
Individual Investor Dividends Tax Rate	20%
Investment Period	5
Management Fee (Excluding VAT)	2%
Profit Participation	10%
Dividend Return from Underlying Investment	14%

Net after-tax return of more than 21% per annum.

Ora Capital Investor	Year 0	Years 1 - 5	Exit after 5 Years
Initial Investment	-1 000 000		
Upfront Tax Relief	450 000		
Quarterly Dividends p.a.*		108 000	
Dividends Tax @ 20% p.a.		-21 600	
Investment Realisation			1 000 000
Capital Gains Tax @ 18%			-180 000
Total Net After-Tax Flows	-550 000	432 000	820 000

**Dividends are net of management and performance fees.*

Contact Details

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Disclaimer

Annexure 1: Investee Companies

Our largest investee company is Konig Coffee Rental, which has exposure to a variety of counterparties with different credit qualities and appetites. Konig Coffee Rental currently holds more than 170 rental agreements, of different sizes. Most of these clients have been affected by Covid-19 and only started trading recently under lockdown level 3.

This portfolio has however held up remarkably during the Covid-19 crisis. At the end of May 2020, 15% of the monthly rental income was uncollected. These clients requested a payment holiday and signed addendums to the rental agreement to catch up on payments in arrears.

In a business with such a diverse client spread we have been very impressed with how this investment has performed during the lockdown period.

Broadreach's clients are mostly franchises such as SPAR, Pick n Pay and Jumbo Stores. Most of these clients have been able to trade during the lockdown period. We have not received any requests from clients for a payment holiday or any indication that any of the clients are unable to pay.

All collections for this investee company are up to date and we are comfortable with its defensive nature.

Seam currently has exposure to three large clients in completely different industries. One client, who makes up the majority of the portfolio indicated that they require a payment holiday. This client has exposure to a State Owned Enterprise, putting its cashflow under pressure.

Although we are keeping a close eye on this client, we are comfortable with the resilience the business has shown since its incorporation in 2012. Seam has also taken a significant amount of security over the client's business, including personal gaurentees. All other clients in Seam's portfolio are up to date.

Thunderbolt is our non-contractual cash flow business, making up less than 3% of the investments in the Pooled A-Share Class.

Being in the printing and paper business, sales have slowed down severely as some divisions were unable to trade during the lockdown. Fortunately, one division was able to trade certain permissible products which protected the company against a complete shutdown during this period. This will undoubtedly have a negative impact on the company's results.