

Joint announcement

Anchor Group Ltd and Capricorn Fund Managers

Acquisition of stake of CFM by Anchor Group

Anchor Group Ltd (“Anchor”) and Capricorn Fund Managers (“CFM”) are delighted to announce they are at an advanced stage in negotiations such that commercial agreement, subject to certain conditions precedent and regulatory approvals, has been reached for Anchor to acquire 47.41% of CFM.

The price set for the deal is R348 million, comprising R256 million in cash and the balance of R92 million through the issue of 7.7m Anchor shares at R12.00 per share. The purchase consideration will be reduced by Anchor’s pro-rata share of profit after tax for the period 1 July 2015 to 1 February 2016, or alternatively the effective date.

The founders and management of CFM have retained majority economic interest in the business, will reinvest a significant portion of the cash proceeds and, in the case of certain key managers, agreed to minimum three year employment contracts.

For CFM and its investor base, this new partner will help the company fulfil its global growth objectives and represents a source of new assets, enhanced distribution capabilities and talent attraction. For Anchor this represents an investment into a global high-performance hedge fund business and represents an exciting new investment range for its growing client base.

The CFM fund managers maintain significant economic interest in the business and there is no change in the style, team, process, investment, philosophy or any other aspects of how the funds are managed. A material part of the deal is the issue of Anchor shares to the CFM vendors (26% of the value of the transaction is in Anchor shares), further aligning the interests of all parties. “It makes sense to have a highly respected fund management company as a partner, bringing with it vast amounts of complementary experience in the asset management sector,” said Rob Fihrer, the CEO of CFM.

CFM, which has over R6 billion (\$450m) of assets under management, was one of the pioneers of the South African hedge fund industry. CFM has been active in managing hedge funds since 2003 with the launch of the Hollard Stable Strategy in South Africa. CFM established an office in London in 2008 which coincided with the launch of the global emerging market fund, Capricorn GEM Fund LP/Inc. This strategy, now represents more than half the AUM of the CFM Group, has an excellent track record and recently won the HFM Award for the best five year track record in Europe for a fund under US\$500 million. The compound return of the fund since inception is 11.9% per annum in US\$. In addition to the Hollard Stable Strategy and the Capricorn Gem Fund, the CFM Group manages a South African Market Neutral Strategy (winner of the Market Neutral and Quantitative Category of the 2013 HedgeNews Africa Awards) with over ZAR 200 million AUM and a CAGR of 16.5% since launch, as well as a supremely successful Capricorn Performer Fund (a South African long short equity hedge fund), which includes a Cayman USD class, with over ZAR 500 million AUM and a CAGR of 29%

since launch. CFM covers and invests in companies situated in, among others, South Africa, South America, Malaysia, Russia, Turkey, Indonesia, India, Mexico and the Philippines.

The Chief Investment Officer and co-founder of CFM, London-based Damon Hoff, is enthused by the transaction: "All of the top team members retain material economic interest in the business and we are excited by the Anchor partnership. Anchor are a rising star in the South African asset management environment and are the perfect partner."

"Existing CFM investors will not be impacted by the transaction and can only gain by the partnership, with Anchor providing a source of new assets, enhanced distribution capabilities and talent attraction. We look forward to the next 10 years with our new partners who have a great track record in the development of an asset management business. CFM has tremendous potential and has shown material growth from offshore investors in the last 12 months."

The Anchor Group is a JSE-listed financial services holding company with a market capitalisation of over R2.3 billion (US\$170m) as at 9 October 2015. Its share price has risen from R2 to over R14 in its first year of listing, reflecting the market's assessment of future growth prospects. The primary business in the group is Anchor Capital, which is South Africa's fastest growing asset manager, with R21 billion (US\$1.6 billion) of assets under management and advice. The fundamentally-driven investment team is over 20-strong and the company is the top performing equity manager in SA over the last 12 and 24 months.

"We are on a fast-track to building out our suite of asset management offerings and CFM supplements our hedge fund offering and is the first step in realising our global ambitions," said Peter Armitage, CEO of Anchor Group. "Our international contribution to earnings should now be in excess of 30% of profits."

"This will provide some exciting new products for our ever-growing investor base and it is our intention to add substantial value to CFM. One of the key criteria in our acquisition strategy is quality and the quality of the CFM team stands out for us. They have been together since the inception of the business and the full team will stay on board," added Armitage.

Armitage also pointed out that the hedge fund industry in South Africa is about to enter a period of significant change. Recent legislation provides the opportunity for hedge funds to launch as collective investment schemes in coming months. This will make them accessible to financial advisors and the general investment public and this could see a period of strong growth for the industry. "We want to be positioned in partnership with a well-established hedge fund brand and CFM is right up there in terms of the established players, having seen significant growth in demand for and investment into its offshore funds and we expect this trend to continue" added Armitage.

Various conditions precedent remain to be fulfilled and various regulatory bodies will need to give their approval, with the anticipation as such that the effective date will be 1 February 2016

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