ANCHOR CAPITAL MAURITIUS

Investment Manager Report as per 31 December 2015

Dear Astoria Board

It is with great pleasure that we present the inaugural investment management report to newly-listed Astoria Investments Limited. In this report, we present an overview of the portfolio, investment thesis on some of the key holdings and reiterate the Anchor Capital (Mauritius) Ltd strategy and broad investment philosophy for the management of the portfolio.

As at the 31st December 2015, the Astoria mandate was approximately five weeks into the investment process. Astoria listed on the JSE on the 25th November 2015, while at this point it had been listed in Mauritius for two weeks. The Mauritian listing constituted the original US$1 million portfolio that began trading in late June 2015. The JSE listing was used as the primary capital raise, where Astoria was able to set a record for a private client IPO in South Africa in raising almost $127m. The initial capital raise had a NAV per share of R14.23, and following this process the funds were externalized at an average exchange rate of R14.39/$. This proved timely as shortly after, the USDZAR exchange rate came under material pressure as the unexpected dismissal of South Africa's market-respected Finance Minister resulted in material weakness in the Rand. Despite some strength year to date, at the time of writing the Rand remains weaker than levels at which Astoria externalized its IPO proceeds.

The key objective of the business is to achieve a strong compound growth in US$ net asset value per share. This will be achieved through an investment mix comprising listed equities, niche funds and private equity opportunities. The benchmark for listed equities is 60% of the net asset value and this comprised 28% of the portfolio at the 2015 year-end. The benchmark for niche funds is 20%, although the investment proportion will depend on where we see value globally and from a thematic perspective. The remaining 20% has been earmarked for private equity opportunities. Astoria made commitments to some big global private equity fund managers in the first half of 2016. Given the uncertain short-term outlook for equities, we are actively exploring global private equity co-investment opportunities and hence the weighting to private equity might exceed the longer term benchmarks. We will always endeavour to position the company funds in the sectors where the strongest growth potential exists.

December saw the commencement of investment of the IPO proceeds, however due to significant global market volatility we have elected to adopt a cautious approach in deployment of the cash. The first direct equity investments mirrored some of the existing holdings pre-IPO, adding weight to high conviction stocks and holding back on others. During the roadshow we highlighted areas we believed were attractive to investors, including niche funds and private equity. We began the subscription process into our first niche fund, the Capricorn GEM fund, an emerging-market focused long/short equity hedge fund with an exceptional track record of returns in varying market conditions. This investment was completed on 4th January 2016. The due diligence and investment process for Astoria's first private equity opportunity, Just Buy, was finalized on 14th January 2016. This is Indian mobile technology company, is a business which seeks to improve retail and goods distribution between major FMCG manufacturers and the fragmented "mom and pop" retailer base comprising a significant chunk of consumption expenditure within major Indian cities. This comprises less than 1% of the net asset value.

With regard to the portfolio's direct equity investment, we have concentrated on high quality, attractively priced and premium brand companies. As at the end of the period the top 10 holdings (comprising 18.7% of the NAV of Astoria, or 55.9% of the direct equity portfolio) included:

- Pandora A/S
- Unilever Plc
- JP Morgan
- Johnson & Johnson
- Alphabet (previously Google)
- Facebook
- Admiral Group Plc
- Amazon
- Mastercard
- Wells Fargo

Geographically, we concentrated on developed markets in the deployment of capital into direct equities, although the underlying companies may have geographical exposures which differ from the below split:

North America	68.20%
Europe	15.99%
United Kingdom	15.70%
Other	0.11%

Individual Company Overviews

Alphabet (Google)

Alphabet remains categorically represented by Google, which accounts for 99% of group revenue and 120% of group EBIT. Revenues are primarily generated through ads served on a group of ubiquitous Google-owned online properties, including Google.com, YouTube, Gmail, Google Finance, Google Maps & Google Apps. A growing network of affiliated websites also serves ads via Google's ad delivery platform in a revenue sharing model. The company's profits are being reinvested into several "next generation" ventures at an increasing rate, which now warrant investors' attention.

Why we like it

The group's core business, Google, continues to dominate online advertising through its consolidated "adtech" stack. Rather than depend on content providers for traffic, Google has developed a group of prize internet properties which collectively allow for the aggregation, consumption and even creation of content across the "multi-screen" ecosystem in which we live. We believe relentless innovation within this ecosystem will continue to drive growth in user count, usage levels and ultimately revenues over the long term ahead of the apparent systemic deflation in online ad prices. The group's new structure under holding company "Alphabet" provides improved visibility and implies a shareholder-friendly approach to the deployment of capital into new ventures. A rerating may well occur over time as investors attribute value to both the returns that these new ventures earn and the new markets they define.

Pandora A/S

Pandora A/S was established in 1982 and is a Danish-headquartered manufacturer of affordable jewellery. The group's products include charm bracelets, rings, earrings, necklaces and pendants. The group's production facilities are located in Thailand, while products are sold in over 100 countries around the world in 9,300 points of sale. The company is listed on the Copenhagen Stock Exchange.

Why we like it

Pandora's business model of locating its production facilities in low-cost Thailand, while selling its products principally developed markets results in high margins (70% GP, 35% EBIT) and returns on equity (55%+). In addition, the group's refocus on core product lines in recent years as well as its strategy to drive branded concept store expansions around the world (at the expense of third-party, "silver" sales outlets) has raised the profile of the brand with consumers and continues to drive strong top-line growth in key markets. The group is increasingly focussing its efforts on jewellery categories outside of charm bracelets (rings, earrings etc) and thus diversifying its product set. The group's collaboration with the Walt Disney Company will, in our opinion, serve to entrench the brand in the eyes of consumers. New markets such as China and Japan (almost 1/3 of the global jewellery market) represent a large untapped opportunity for Pandora.

Anchor Capital Investment Philosophy and Approach

Our core investment beliefs and what we look for in companies

- Quality first – while we are valuation-centric, we are happy to pay premium ratings for premium businesses where growth outlook, return metrics and cash flows warrant this
- To our minds, value is a function of growth and these concepts cannot be separated
- Liquidity (or lack thereof) deserves a big premium (discount)
- We place a premium on good management – entrepreneurial teams are serial value creators, and this often cannot be captured easily in a spreadsheet
- Simple, easy to understand business models.
- Businesses that possess optionality and the opportunity to scale their business models.
- Businesses with the clear opportunity to deploy the incremental capital they are generating.
- Where the above is not possible, a clear intention to return excess capital to shareholders via buy-backs or more aggressive dividend policy.
- Capital-light business models. We love businesses that generate earnings without having to deploy their own capital. Growing franchise businesses especially fit this mould.
- Market consolidators where the business has the opportunity to grow accretively via acquisitions and organically. High margin businesses are preferable, but return on equity is more important. We don't mind investing in structurally low margin companies as long as the balance sheet structure allows for superior returns on capital.

____

Bryan Rudd
Chief Investment Officer
Anchor Capital (Mauritius) Limited