Report to Astoria Investments Ltd for the information of Astoria shareholders

Investment Manager's report at 30 June 2016

Astoria Investments Ltd ("Astoria") is moving into its third quarter as a listed business. The global market conditions in the initial seven months have been volatile and it has been challenging to generate positive returns. As a result, we have been very conservative in the deployment of capital and as at 30 June 2016 the portfolio was still 42% invested in US$ cash, which has ironically been one of the best places to be in current market conditions.

As investment managers, we have been entrusted with the task of generating meaningful dollar returns over a reasonable time period. The thesis of Astoria is to create a diversified quality offshore portfolio "in one share", which can be purchased on the JSE or Stock Exchange of Mauritius. We are well on the way to establishing this position, although we are in a cautious frame of mind.

One of the great advantages of a permanent capital vehicle is that time is on our side and we are not pressured to beat peers on a daily or monthly basis, which often results in short termism and inappropriate risk-taking. Astoria can take long term views and focus on quality businesses with strong cash flows – these are the winners over time. Retaining a reasonable cash balance also allows us to have the flexibility to take quick decisions when opportunities present themselves.

Equities tend to deliver the best returns over reasonable time periods and Astoria will typically be exposed to underlying businesses, although they could be "packaged" in four different ways:
1) Shares on global stock markets will usually dominate the portfolio, although there are times when the overall market conditions limit the growth of a share portfolio;
2) Other funds whose fund managers have specific areas of expertise will be used when we identify a theme or geography which requires specialised skills;
3) We like the big private equity companies, who have industry experts, the broadest access to investment opportunities and can secure the best financing deals to enhance returns; and
4) Co-investment private equity deals, where we participate along with a lead investor who is an industry expert.

We balance the exposure to the different ways of gaining exposure to growth assets, depending on our expectation of short to medium term returns and where opportunities present themselves. We will only invest where we see value and quality.

Listed equity exposure

At the end of the period 41% of the portfolio was invested in global developed market equities, with a split of 67% US, 19% Europe and 13% UK. Developed market equities have been broadly flat in US$ for the last 18 months. The timing of market performance is unpredictable and hence we will always tend to have material equity exposure, but in periods of low conviction we will tend to be underweight relative to the portfolio benchmark of 60%. This gives us the capacity to invest at lower prices when markets dip. Our focus is on growth businesses with strong franchises and cash flows.

The top 15 shares in the portfolio (which comprise 75% of the equity positions) are as follows: Amazon, Apple, Johnson & Johnson, Spire Healthcare, Unilever, Admiral Group, Pandora, Facebook, Activision Blizzard, Walt Disney, Beacon Roofing Supply, JP Morgan, Nike, Google and MasterCard. The biggest exposure is Amazon, with a 3% weighting.

The performance of the equity portfolio has been marginally negative (less than 1%) since inception.

Niche funds

The only niche fund at present is the Capricorn Global Emerging Markets Fund, with 3.6% exposure.

Private Equity

Astoria's capital is of a long term nature and this makes investment in private equity funds viable. These are long term commitments and are usually drawn down by the private equity companies in line with their investment of capital. With global interest rates at historically low levels, significant returns can be generated by private equity funds by appropriately gearing company investments on a long term basis. The reported value can often lag the increase in underlying value, but we are excited about the potential for returns in this sector.

At the period end we had committed US$4.6m to CS Capital Partners (only a portion drawn down). Our other commitments made post quarter end are to Apollo Natural Resources Partners II, L.P. ($5m) and DSG Consumer Partners II ($750,000). Neither of the latter two have drawn down as yet. We are in the process of closing a commitment to STAR Strategic Assets Fund III, a EUR4.5m commitment.

These global private equity firms have big minimum investment criteria and Astoria offers investors the opportunity to gain exposure to this investment class which would otherwise not be accessible.

Astoria has also invested 0.6% of the portfolio in Just Buy, a higher risk play on Indian technology-driven wholesale distribution. The upside in this investment is conceptually exciting, but the risk inherent in the stage of business led us to limit the extent of our investment.

Private Equity co-investment

In subdued equity markets, we are placing increased emphasis on identifying co-investment opportunities with companies who are industry specialists. Returns will come by way of cash flows, listing of the investment or exiting by way of sale.

The first investment in this asset class is a 12% exposure to the underlying business of Echo Prime Properties in Poland, which is the biggest ever property transaction in the territory. The primary investor is JSE-listed Redefine Properties Limited, which owns 49% of the investment. One of the key attractions to us is the underlying company's ability to access debt at low cost against the property portfolio. Seven year debt at less than 2% increases the property yield of 6% to over 9% distribution yield in Euros. This is an extremely attractive relative yield in global markets and comparable companies listed on the JSE trade at yields of between 4% and 6%. The MSCI World Real Estate index shows a forward 3.6% dividend yield 12 months out.

We are positive about the yield accumulation and capital appreciation prospects of this investment.

Portfolio exposure

The actual portfolio exposure at 30 June 2016 was as follows:

Asset Allocation	%
Direct Equity	41.4%
Niche Funds	3.6%
Private Equity	12.7%
Private Equity Commitments	3.6%
Cash	38.6%
Portfolio Total	**100.0%**

*Note that the Private Equity Commitments and the Cash total 42% US$ cash referred to elsewhere in this report.

Performance

After listing costs of around 2% of the portfolio value, the investment manager has managed roughly 98% of capital raised in November 2015. The investment portfolio value is down just over 1% in dollars since inception. Costs, foreign exchange losses and transaction/structure fees have reduced the reported Astoria NAV to USD 0.95 as at 30 June 2016. The portfolio value is measured in US$ and there will be foreign exchange losses or profits in every period as a result of the moves in global exchange rates. This is a reasonable outcome in a low interest rate and low return global environment. The benefits of the commitments and investments made will take some time to flow through into reported NAV. It is evident that the investment managers have been very busy committing capital in line with the initial mandate and a well-diversified portfolio is emerging which has the potential for meaningful returns over the medium term. The direction of global equity markets will obviously play a significant role in short term investment performance. For JSE investors, Astoria offers a unique opportunity to gain exposure to a quality, diversified global equity-centric portfolio.

Fees

The Investment Manager earns a fee of 1% per annum of portfolio value, with no performance fee. This is reduced to 0.5% when other fund managers are utilised. This is comparable to the average global fee earned by unit trust managers. The utilisation of ourselves as Investment Managers limits the central costs in Astoria, which does not need to incur the cost of an investment and due diligence team.

Events after 30 June 2016

We have made reference to commitments made to private equity firms earlier in this document. Global developed equity markets have delivered positive performance since the period end and the NAV per share had increased at the time of writing.

Bryan J Rudd
Chief Investment Officer
Anchor Capital (Mauritius) Ltd
18 July 2016