

The Directors  
Astoria Investments Ltd  
5<sup>th</sup> Floor  
La Croisette  
Grand Baie  
Mauritius

6 March 2019

Dear Sirs

## **FAIRNESS OPINION REGARDING THE TERMINATION OF THE EXISTING INVESTMENT MANAGEMENT AGREEMENT WITH ANCHOR CAPITAL (MAURITIUS) LTD**

### **Introduction**

Holders of ordinary no par value shares (“Shares”) (“Shareholders”) in the issued share capital of Astoria Investments Ltd (“Astoria” or the “Company”) are referred to the announcements published on the Stock Exchange News Service operated by the JSE Limited (“JSE”) (“SENS”), the last of which was released on 8 February 2019, wherein Shareholders were advised that Astoria, Anchor Capital (Mauritius) Ltd (“Anchor Capital (Mauritius)” or the “Investment Manager”) and Anchor Capital Proprietary Limited (as a party) (“Anchor Capital”) had entered into an agreement facilitating the termination of the investment management agreement (the “Termination Agreement”) in terms of which, Astoria and Anchor Capital (Mauritius) have agreed to terminate the investment management agreement entered into between them on 14 December 2017 and as amended by the shareholders on 23 February 2018 (the “Investment Management Agreement”), subject to obtaining the requisite shareholder approval as per clause 24.3 of the Investment Management Agreement.

In terms of the Termination Agreement, Astoria and Anchor Capital (Mauritius) have agreed, *inter alia*, that:

- with effect from the date of the general meeting and against payment by Astoria of a fee of USD 4.96 million (the “Termination Fee”), the Investment Management Agreement shall terminate;
- the 183-day notice period contemplated in the Investment Management Agreement is to be waived; and
- subject to the relevant clause, the payment of the Termination Fee is in full and final settlement of any and all amounts of whatever nature owing by Astoria to Anchor Capital (Mauritius) in terms of and/or arising from the termination of the Investment Management Agreement.

In terms of the Investment Management Agreement, Astoria appointed the Investment Manager to manage the investment and re-investment of the assets. The Investment Manager acts as the sole manager of the assets. The Investment Manager is subject to the supervision of the board and is subject to the existing investment policy as set out by the board.

As consideration for the services, Astoria pays a management fee to the Investment Manager equal to 1% per annum of the net asset value (“NAV”) of Astoria calculated and accrued monthly and, payable in arrears as of the last day of each month (“Management Fee”). The Management Fee payable by the Company is *pro-rated* for any partial period in which the Investment Manager is acting as such under the Investment Management Agreement. The Investment Manager may invest funds with sub-managers, agents and other funds and negotiate such fees charged by the third party. The Investment Manager earns 0.50% per annum, accrued monthly and payable in arrears, on the funds invested without deducting the fees paid to the sub-manager, agent or fund, which fees are paid by Astoria.

In the event of termination, the Investment Management Agreement provides that Astoria shall be liable to pay the Investment Manager an amount equal to five times the aggregate gross fees for the twelve-month period immediately preceding the date of termination (“Break Fee”). The Break Fee represents full and final settlement of any and all claims of whatever nature that the Investment Manager may have against Astoria. As at 7 February 2019, this fee was calculated to be approximately USD 6.61 million.

The Investment Manager has, however, informed Astoria that, in the event of termination of the Investment Management Agreement, it would accept payment of the Termination Fee which represents a 25% discount to the Break Fee, and waive the 183-day notice period provided for in the Investment Management Agreement.

Shareholders have been requested to approve a resolution to terminate the Investment Management Agreement, as per clause 24.3 of the Investment Management Agreement and in accordance with the terms set out in the Termination Agreement, the salient details of which are set out above (“the Termination”).

Full details of the Termination are set out in the circular to Astoria Shareholders dated 18 February 2019 (“Circular”).

### **Fairness opinion required in terms of the JSE Listings Requirements**

In terms of section 10 of the JSE Listings Requirements (the “Listings Requirements”) Anchor Capital (Mauritius) is a related party in relation to Astoria by virtue of being an associate of a material shareholder of Astoria, being Anchor Private Clients (Pty) Limited (“Anchor Private Clients”). Anchor Private Clients, a wholly owned subsidiary of Anchor Capital, is a material shareholder of Astoria as it controls 18.87% of the voting rights in Astoria, representing more than 10% of Astoria Shares in issue (through the discretionary mandates and the asset management function) as further detailed in the Circular.

As the Investment Manager is a related party in relation to Astoria, the conclusion of the Termination Agreement, and in particular agreement in respect of the Termination Fee, between the Investment Manager and Astoria, constitutes a small related party transaction in terms of paragraph 10.7 of the Listings Requirements requiring the board of directors of Astoria (“Directors” or “Board”) to obtain a fairness opinion from an independent expert confirming whether the Termination is fair insofar as Shareholders of Astoria are concerned, excluding the related parties.

BDO Corporate Finance Proprietary Limited (“BDO Corporate Finance”) has been appointed as the independent expert by the Board to provide an independent fairness opinion with regard to the Termination (“Fairness Opinion”).

### **Responsibility**

Compliance with the Listings Requirements is the responsibility of the Board. Our responsibility is to report to the Directors and Shareholders of Astoria on the fairness of the terms of the Termination.

### **Explanation as to how the term “fair” applies in the context of the Termination**

Schedule 5.7 of the Listings Requirements states that the “fairness” of a transaction is based on quantitative issues. In the case of the acquisition of an asset from a related party, a transaction will typically be considered fair to a company’s shareholders if the benefits received by shareholders, as a result of a corporate action, are equal to or greater than the value ceded by a company.

In the context of the Termination, there is value ceded and no consideration asset received. In terms of the Investment Management Agreement in the event of termination, Astoria is liable to pay the Investment Manager an amount equal to the Break Fee.

In terms of the Termination Agreement, the Break Fee has been amended and is now the Termination Fee. BDO Corporate Finance has considered whether the amendment to the Break Fee is favourable or onerous to the Company in the context of a termination of the Investment Management Agreement. In the event that the amendment is favourable, i.e. a reduced amount, the Termination will be considered fair.

### **Details and sources of information**

In arriving at our opinion we have relied upon the following principal sources of information:

- The Investment Management Agreement;
- The Termination Agreement;
- Discussions with Astoria directors and management regarding the rationale for the Termination; and

- Publicly available information relating to Astoria and the Financial-Equity Investment Instruments sector.

The information above was secured from:

- Directors and management of Astoria and their advisors; and
- Third party sources, including information related to publicly available economic, market and other data which we considered applicable to, or potentially influencing Astoria.

### **Procedures and consideration**

In arriving at our opinion we have undertaken the following procedures and taken into account the following factors in evaluating the fairness of the Termination:

- Reviewed the terms and conditions of the Investment Management Agreement;
- Reviewed the terms and conditions of the Termination;
- Performed a comparison of the fees payable under the Investment Management Agreement (per the original termination clause) to the fees payable per the Termination Agreement;
- Reviewed certain publicly available information relating to Astoria, including company announcements and media articles; and
- Held discussions with the directors and management of Astoria as to their strategy and the rationale for the Termination and considered such other matters as we considered necessary, including assessing the prevailing economic and market conditions and trends in the Financial-Equity Investment Instruments sector.

### **Assumptions**

We arrived at our opinion based on the following assumptions:

- That all agreements that are to be concluded in terms of the Termination will be legally enforceable; and
- That the Termination will have the legal, accounting and taxation consequences described in discussions with, and materials furnished to us by, representatives and advisors of Astoria.

### **Appropriateness and reasonableness of underlying information and assumptions**

We satisfied ourselves as to the appropriateness and reasonableness of the information and assumptions employed in arriving at our opinion by determining the extent to which representations from management were confirmed by documentary evidence.

### **Limiting conditions**

This opinion is provided in connection with and for the purposes of approval of the termination of the Investment Management Agreement in accordance with the terms set out in the Termination Agreement. The opinion does not purport to cater for each individual Shareholder's perspective, but rather that of the general body of Shareholders. We have also not considered the change in policy to Shareholders.

Individual Shareholders' decisions regarding the Termination may be influenced by such Shareholders' particular circumstances and accordingly, individual Shareholders should consult an independent advisor if in any doubt as to the merits or otherwise of the Termination.

**We have been neither a party to the negotiations entered into in relation to the Investment Management Agreement nor have we been involved in the deliberations leading up to the decision on the part of the Board to enter into the Investment Management Agreement. We do not express any opinion on the fairness of the Investment Management Agreement and specially the Break Fee and the existing termination provisions.**

**We have been neither a party to the negotiations entered into in relation to the Termination nor have we been involved in the deliberations leading up to the decision on the part of the Board to enter into the Termination.**

We do not, by this letter or otherwise, advise or form any judgement on the strategic, commercial or financial merits or risks of the Termination. All such evaluations, advice, judgements or comments remain the sole responsibility of the Board and their advisors. We have however, drawn upon such evaluations, judgements and comments as we deem necessary and appropriate in arriving at our opinion.

The scope of our appointment does not require us to express, and nor do we express, a view on the future growth prospects, earnings potential or value of a Share. We do not express any view as to the price at which Shares may trade nor on the future value, financial performance or condition of Astoria.

It is also not within our terms of reference to compare the merits of the Termination to any alternative arrangements that were or may have been available to Astoria. Such comparison and consideration remain the responsibility of the Board and their advisors.

Our opinion is based on current economic, regulatory and market as well as other conditions. Subsequent developments may affect the opinion, and we are under no obligation to update, review or re-affirm our opinion based on such developments.

## Independence

We confirm that we have no direct or indirect interest in Shares or in the Termination. We also confirm that we have the necessary qualifications and competence to provide the fairness opinion on the Termination.

Furthermore, we confirm that our professional fees, payable in cash, are not contingent upon the success of the Termination.

## Comparison of the Break Fee payable under the Investment Management Agreement to the Termination Fee payable under the Termination Agreement

In accordance with clause 24 of the Investment Management Agreement:

“ 24.5 In the event that -  
 24.5.1 the client delivers a written notice as contemplated in 24.2.1 or 24.3; or  
 24.5.2 the Investment Manager terminates this agreement in accordance with clause 17 or clause 24.4, then, in addition to the amounts payable to the Investment Manager in terms of this Agreement for the services rendered by the Investment Manager in terms of this Agreement (including over any notice period), the Client shall immediately upon receipt of written notice to this effect (“Due Date”), be liable to pay the Investment Manager an amount equal to five (5) times the aggregate gross fees paid and/or payable by the Client for the twelve (12) month period immediately preceding the date of the Termination Notice on the date of termination, as a break fee (“Break Fee”), in full, without set-off, deduction, withholding counterclaim or demand, of any nature whatsoever.”

In accordance with schedule 4 of the Investment Management Agreement, the fees payable are calculated as follows:

- 1% per annum of the NAV of Astoria calculated and accrued monthly, and payable monthly in arrears; and
- 0.50% per annum where funds are invested with sub-managers, agents and other funds, accrued monthly and payable monthly in arrears, on the funds invested without deducting the fees paid to the sub-manager, agent or fund.

The table below outlines the differences between the fee payable in terms of the Investment Management Agreement and the fee payable in terms of the Termination Agreement:

	Investment Management Agreement	Termination Agreement	Saving
Fee payable	USD 6.61 million	USD 4.96 million	USD 1.65 million

The above table indicates that, based on a like-for-like comparison of the Investment Management Agreement to the Termination Agreement, a cost saving of USD 1.65 million will be realised by Astoria upon termination of the Investment Management Agreement.

Pursuant to the payment of the Termination Fee and the subsequent termination of the Investment Management Agreement, the board will assume the investment management function in relation to the remaining assets in the Astoria portfolio in accordance with the new investment policy. To the extent that the company makes use of Anchor Capital (Mauritius) for such professional services, they will be performed strictly on a cost recovery basis.

## Opinion

BDO Corporate Finance has considered the terms and conditions of the Termination and, based on and subject to the conditions set out herein, is of the opinion that the terms and conditions of the Termination, and specifically the Termination Fee payable are fair to shareholders, excluding the related parties.

Our views are based on market, economic, industry, monetary and other conditions (where applicable) prevailing on and our analysis of the information made available to us up to Wednesday, 6 March 2019 (the “Last Practicable

Date"). We assume no responsibility to update, revise or reaffirm our opinion for factors or assumptions in light of any subsequent development after the Last Practicable Date that may affect our opinion or factors or assumptions contained herein.

We have assumed that all conditions precedent, including any material regulatory and other approvals or consents required in connection with the Termination have been fulfilled or obtained.

Accordingly, it should be understood that subsequent developments may affect this opinion, which we are under no obligation to update, revise or re-affirm.

Yours faithfully

A handwritten signature in black ink, appearing to read 'N. Lazanakis', with a horizontal line underneath.

**BDO Corporate Finance Proprietary Limited**

**Nick Lazanakis**

*Director*

22 Wellington Road

Parktown

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