Astrea III Pte Ltd.

New Issue Report

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Capital Structure

Class	Rating	Amount (Mil.)	Currency	Final Maturity	Approx.% of NAV	Approx. NAV OC (%)
A-1	Asf	228	SGD	July 2026	15	70
A-2	Asf	170	USD	July 2026	15	70
B	BBBsf	100	USD	July 2026	10	60
C	NR	70	USD	July 2026	5	55
Equity	NR	631.6	USD	n.a.	55	n.a.

Fitch Ratings rates the Class A-1, A-2, and B notes issued by Astrea III Pte Ltd. (Astrea III) as described in the table above. Ratings are not a recommendation to buy, sell or hold any security. The offering circular and other materials should be reviewed prior to any purchase.

Transaction Overview

Astrea III is a collateralized fund obligation sponsored by Astrea Capital Pte. Ltd. (Astrea Capital), a direct wholly owned subsidiary of Azalea Asset Management Pte. Ltd. (Azalea), which is in turn an indirect wholly-owned subsidiary of Temasek Holdings (Private) Limited (Temasek), based in Singapore.

Astrea III owns interests in a diversified pool of private equity funds, with approximately $1.14 billion net asset value (NAV) of funded commitments and $201.4 million of unfunded capital commitments across 34 private equity funds as of March 31, 2016. The underlying private equity funds will distribute cash as they exit investments and will make capital calls when they require additional cash to invest. The cash flows generated by the funds will be used to pay off the notes, as well as interest and other expenses.

As the timing and size of the cash flows is unknown, Fitch used historical data from a well-known third-party data provider, which covers all performance quartiles of buyout and growth equity funds with vintages ranging from 1990 to 2014, to model expected distributions, capital calls and NAVs of the private equity funds, and apply those to the waterfall of Astrea III. The notes were marketed to non-US institutional and high net worth investors. They are listed in Singapore.

Key Rating Factors

Diversified Portfolio: Astrea III's portfolio of private equity interests is well diversified, mitigating the market cyclicality and idiosyncratic factors that drive private equity fund performance. The portfolio is comprised of 34 funds of various vintages, managed by 26 general partners (GP), with 592 underlying investments across different sectors and regions.

NAV Overcollateralization (OC): The rated notes made up approximately 39% of the NAV at issuance, providing a sufficient level of OC at the indicated rating levels. The OC provides the notes with a cushion in case private equity distributions are realized at lower levels than expected. Loan-to-value (LTV) tests will trap cash to cap leverage at descending thresholds during the transaction's life.

Structural Protection: Structural features aim to protect noteholders from delays in cash flow realization of the NAV driven by down markets, as private equity distributions are highly cyclical. Key structural protection includes a trust account to cover capital calls, a Liquidity Facility to bridge liquidity gaps to cover interest and expenses, a reserve account for the A-1 and A-2 notes, currency hedges to pay interest and principal of Series A-1 in Singapore dollars and hedge euro exposure and long final maturities on the notes to allow the structure time to weather a down market.

Capabilities of Sponsor and Manager: The sponsor (Astrea Capital, who is owned by Azalea and ultimately Temasek) and manager (Fullerton Fund Management Company Ltd. (Fullerton)) have the capability and resources required to manage this transaction. Astrea III is the third in a series of similar transactions launched by the sponsor and its affiliates, with the previous transactions launched in 2006 and 2014. Fullerton has a robust operational infrastructure, with assets under management of approximately $10 billion as of December 31, 2015. While Fullerton lacks a record in private equity investing, it draws on and benefits from Temasek's significant experience investing in private equity.

Alignment of Interests: The sponsor's and noteholders' interests are strongly aligned, as the sponsor currently holds the entire equity stake (approximately 55% of NAV) in Astrea III and will retain it for the life of the transaction. In addition, the sponsor's motivation for launching the transaction has a non-financial aspect, as Azalea and Temasek wish to contribute to the development of investment products in Singapore based on private equity funds.

Counterparty Exposure: Certain structural features of the transaction involve significant reliance on counterparties, such as the liquidity facility provider, bank account providers and hedge counterparties. In some cases, provision for replacement and collateralization of these counterparties does not fully align with the approach described in Fitch's current counterparty criteria. Therefore, the notes' ratings may be linked to the ratings of the various counterparties, and therefore may be downgraded under certain circumstances as described in this report.

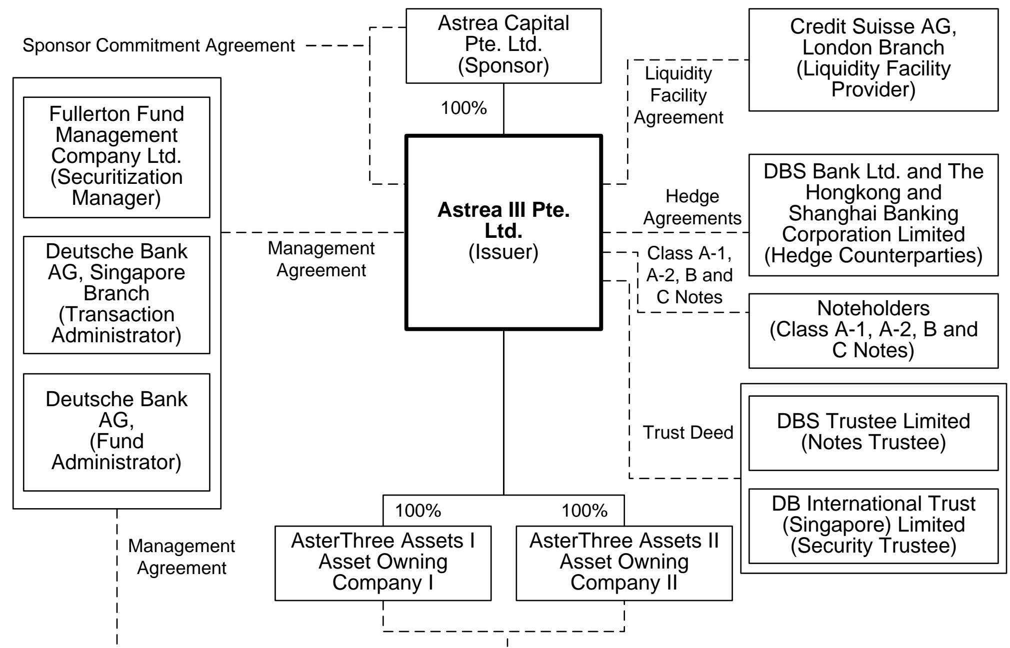
Access to Information: Fitch received a high level of access to relevant information to conduct its analysis, including data on the portfolio's funds and underlying investments. Fitch will continue receiving sufficient data for ongoing surveillance. Please see the "Surveillance of the Transaction" section of this report for a description of ongoing surveillance.

Structure Overview

The issuer has assumed the role of a special purpose entity and holds 100% of the ordinary shares, preference shares and shareholder loans of two asset-owning companies (AOC). Issuer capitalization also includes Class A-1, Class A-2, Class B and Class C notes. The net cash received by the issuer via the issuance of the notes will be used by the AOCs to repay a certain portion of existing sponsor shareholder loans, which were incurred in connection with the AOCs' acquisition of the fund investments.

The AOCs will hold the fund investments; acting as limited partners (LPs) for each of the underlying interests. They will transfer cash distributions from the fund investments to the issuer, who will apply the distributions semi-annually in accordance with the Priority of Payments. No existing funds are permitted to be sold or purchased, ensuring the portfolio is static through the course of the transaction. AsterThree Assets I Pte. Ltd. will hold 10 fund investments and AsterThree Assets II Pte. Ltd. will hold 24 fund investments. The structure of the AOCs and allocations of specific private equity funds to each AOC is for tax reporting purposes.

Structure Diagram



Source: Fitch, Transaction documents

Portfolio Overview

The portfolio is well diversified across a number of metrics, which will mitigate some of the risk from the uncertain nature of private equity cash flows.

Funds with a buyout strategy comprise 77% of the portfolio, with the remaining exposure in funds with a growth equity strategy. The buyout emphasis mitigates the risk of uncertain cash flow distributions, as buyout mandates are typically invested in mature and well established companies compared with growth equity investments, which typically involve companies that are profitable but still maturing.

Geographically, the portfolio is US-centric, with 67% of the NAV coming from US-based funds, slightly higher than the average fund exposure to the US for vintages from 1990-2014, as measured by a third-party data provider. The remaining exposure is in Asia and Europe.

Many of the 26 GPs are large and established, but a number of GPs manage less money or have a shorter track record than the more established ones. However, the risk of GPs with a shorter track record or more limited resources is mitigated by their limited exposure in the portfolio. The portfolio is diversified by GP, with the three largest representing 9%, 8%, and 8% of the portfolio.

Astrea III Portfolio

No.	Funds	Vintage	Geography	Strategy	Commitment (USD)	NAV (USD)	% of NAV	Undrawn capital commitments (USD)	Total exposure (USD)	% of total exposure
1	AEA Investors 2006 Fund L.P.	2006	US	Buyout	30.0	16.0	1.4	3.2	19.2	1.4
2	AEA Investors Fund V LP	2011	US	Buyout	60.0	67.9	5.9	6.6	74.5	5.5
3	Blackstone Capital Partners V L.P. and BCP V-S L.P.	2005	US	Buyout	134.4	52.4	4.6	7.7	60.1	4.5
4	CITIC Capital China Partners II, L.P.	2010	Asia	Buyout	40.0	44.2	3.9	5.5	49.7	3.7
5	DBAG Fund V International GmbH & Co. KG	2006	Europe	Buyout	27.3	26.2	2.3	6.5	32.7	2.4
6	EQT Mid Market (No. 1) Feeder Limited Partnership	2012	Europe	Buyout	45.5	39.8	3.5	11.1	50.9	3.8
7	EQT VI (No. 1) Limited Partnership	2011	Europe	Buyout	46.9	50.5	4.4	8.6	59.1	4.4
8	Hahn & Company I L.P.	2011	Asia	Buyout	40.6	52.6	4.6	3.2	55.8	4.2
9	Hony Capital Fund V, L.P.	2011	Asia	Buyout	50.0	66.4	5.8	4.7	71.1	5.3
10	Kelso Investment Associates VIII, L.P.	2007	US	Buyout	25.0	18.9	1.7	4.3	23.2	1.7
11	KKR 2006 Fund L.P.	2006	US	Buyout	100.8	62.4	5.5	2.4	64.8	4.8
12	KKR North America Fund XI L.P.	2012	US	Buyout	50.0	39.6	3.5	21.0	60.6	4.5
13	Lindsay Goldberg III L.P.	2008	US	Buyout	25.0	16.2	1.4	1.8	18.0	1.3
14	Metalmark Capital Partners Cayman II, L.P.	2011	US	Buyout	60.0	31.6	2.8	22.4	54.0	4.0
15	PAG Asia I LP	2011	Asia	Buyout	50.0	36.1	3.2	6.0	42.1	3.1
16	Permira IV L.P.2	2006	Europe	Buyout	45.5	23.8	2.1	1.9	25.7	1.9
17	Raine Partners I LP	2010	US	Growth equity	40.0	57.7	5.1	9.1	66.8	5.0
18	RRJ Capital Master Fund II, L.P.	2013	Asia	Growth equity	50.0	42.9	3.8	9.0	51.9	3.9
19	Silver Lake Partners III, L.P.	2007	US	Buyout	105.0	67.6	5.9	16.4	84.0	6.3
20	Summit Partners Growth Equity Fund VIII-A, L.P.	2012	US	Growth equity	31.3	26.7	2.3	5.4	32.1	2.4
21	TA Atlantic and Pacific VI L.P.	2008	US	Growth equity	60.0	36.6	3.2	1.2	37.8	2.8
22	TA XI, L.P.	2010	US	Growth equity	25.0	24.2	2.1	1.1	25.3	1.9
23	TPG Partners V, L.P.	2006	US	Buyout	50.0	25.3	2.2	4.4	29.7	2.2
24	TPG Partners VI, L.P.	2008	US	Buyout	85.0	60.9	5.3	8.1	69.0	5.1
25	Warburg Pincus Private Equity XI, L.P.	2012	US	Growth equity	80.0	76.1	6.7	11.8	87.9	6.5
26-34	Remaining 9 Funds	Various	US	Buyout	200.0	79.0	6.8	18.0	97.0	7.4
Total - Astrea III Portfolio					**1,557.3**	**1,141.6**	**100.0**	**201.4**	**1,343.0**	**100.0**

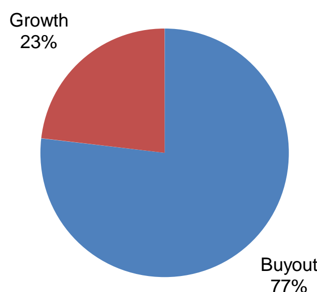
Source: Transaction documents, Fitch. As of March 31, 2016 (based on latest available information).

Approximately 77% of Astrea III's NAV falls in the top two performance quartiles, based on data from Preqin Ltd and as shown in the table below. Five funds, consisting of approximately 8% of the portfolio's NAV, are in the bottom quartile of returns, which was reflected in Fitch's projections of performance.

The underlying company investments are spread across 592 companies. The largest holding makes up approximately 2% of NAV and the top five holdings make up approximately 9% of NAV.

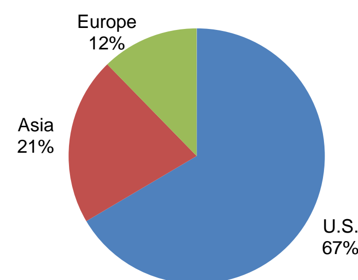
In addition to the diversification characteristics mentioned above, the funds are mature with low unfunded capital commitments, a weighted average vintage of 2009 and a weighted average investee company investment holding period of approximately four years, as shown below.

Portfolio NAV by Fund Strategy



Source: Transaction documents. As of March 31, 2016

Portfolio NAV by Geography



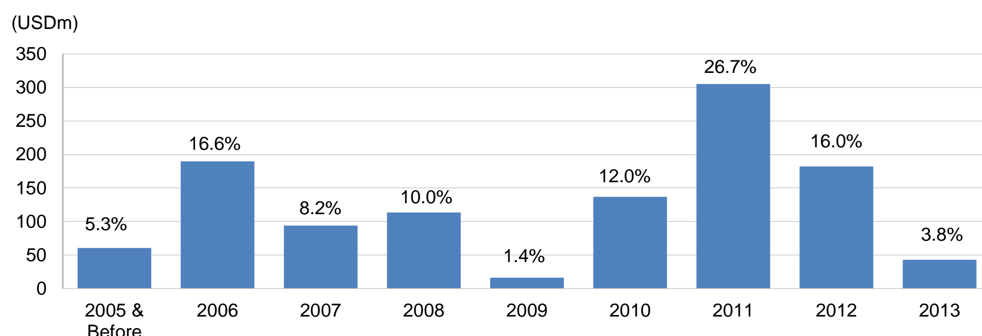
Source: Transaction documents. As of March 31, 2016

Underlying Investment Sector Breakdown

	(%)
Software and services	16.8
Healthcare equipment and services	10.4
Consumer services	7.4
Capital goods	7.1
Commercial and professional services	5.7
Media	5.6
Retailing	5.2
Energy	4.9
Technology hardware and equipment	4.3
Real estate	4.1
Materials	3.8
Pharmaceuticals, biotechnology and life sciences	3.9
Diversified financials	3.6
Automobiles and components	3.4
Food and staples retailing	3.6
Insurance	2.0
Consumer durables and apparel	1.8
Food, beverage and tobacco	1.8
Transportation	1.7
Telecommunication services	1.1
Semiconductors and semiconductor equipment	0.9
Banks	0.7
Utilities	0.2
Household and personal products	0.0

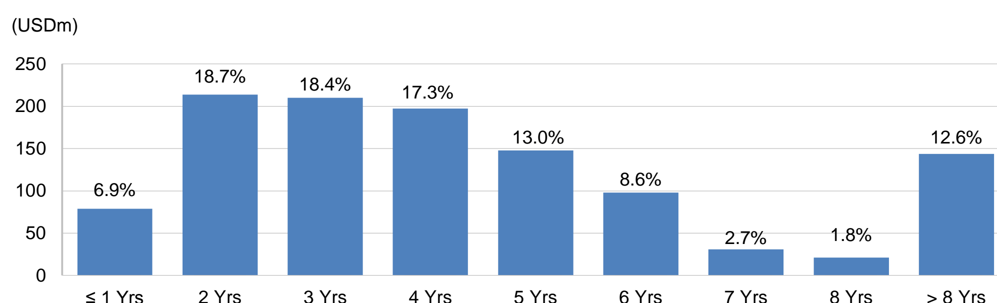
Source: Transaction documents. As of December 31, 2015.

Portfolio NAV by Vintage Year



Source: Transaction documents. As of March 31, 2016

Portfolio NAV by Investment Holding Period



Source: Transaction documents. As of March 31, 2016

NAV Breakdown by Fund Performance

Fund quartile	% of NAV
1st	18
2nd	59
3rd	16
4th	8

Source: Preqin

Structural Protections and Legal Aspects

Given the uncertain nature of private equity fund distributions and the reliance on market valuations, the transaction includes structural protection to allow the rated notes to weather a market cycle and depressed valuations when private equity distributions may be low. The Class A1 and Class A2 notes have expected maturities of three and five years respectively, but these notes as well as the Class B notes have long legal maturities of 10 years, which should be sufficient to weather a market downturn. Fitch's ratings address the timely repayment of the notes at their legal final maturities. The reserve account for repayment of Class A notes will capture cash distributions until the scheduled maturity date. The structure also has a Liquidity Facility sized to fully cover operating expenses and interest on the notes for three years of expected outlays. These features mitigate the cyclicality of private equity funds that Fitch considered in its analysis.

Reserve Account

The $170 million (US dollar equivalent of SGD228 million) principal amount of the Class A-1 notes and the $170 million Class A-2 notes are to be reserved on a straight-line basis over their expected maturities and funded as provided in the Priority of Payments. Payments to the reserve account will be made on semi-annual Distribution Dates to provide sufficient funds to fully repay the Class A-1 notes at year three and the Class A-2 notes at year five, per the table on the following page. In addition, 100% of cash flow remaining after clauses 1 through 15 in

the Priority of Payments will be transferred to the reserve account on each Distribution Date until the A-1 notes are reserved in full.

Reserve Account

Distribution Date	A-1 Reserve Amount (USDm)	A-2 Reserve Amount (USDm)	Total Reserve Amount (USDm)
Jan 2017	28.33	17.00	45.33
Jul 2017	28.33	17.00	45.33
Jan 2018	28.33	17.00	45.33
Jul 2018	28.33	17.00	45.33
Jan 2019	28.33	17.00	45.33
Jul 2019	28.33	17.00	45.33
Jan 2020	-	17.00	17.00
Jul 2020	-	17.00	17.00
Jan 2021	-	17.00	17.00
Jul 2021	-	17.00	17.00
Total (USD)	170.00	170.00	340.00

Source: Transaction documents

If available cash on any Distribution Date is insufficient to satisfy the Reserve Amount, the unpaid balance carries forward to subsequent Distribution Dates until paid through the Priority of Payments. Amounts transferred to the Reserve Account are capped (the Reserves Accounts Caps) prior to the Class A-1 note redemption at $340 million, which is the combined principal amount of the Class A-1 and A-2 notes. After the Class A-1 notes are redeemed, the reserve account is capped at $170 million, which is the principal amount of the Class A-2 notes. No further payments will be made to the reserve account after the Class A-2 notes are paid in full.

Liquidity Facility

The Liquidity Facility is a Senior Standby Multi-Currency Liquidity Facility established with the London branch of Credit Suisse AG (Credit Suisse: 'A'/'F1') to fund the issuer's and AOCs' taxes, administrative expenses, management fees, hedging-related payments and interest payments on the Class A-1, Class A-2 and Class B notes in the event of a cash flow shortfall. The Liquidity Facility fully matures upon the earlier of end-of-year (EOY) eight or the date on which only the Class C notes remain outstanding (Termination Date). The facility steps down in accordance with note redemptions as shown in the table below:

Liquidity Facility

Step-down provision	Amount (USDm)
Closing – Scheduled Maturity of the Class A-1 notes, (the day immediately after which is the First LF Step Down Date)	90.0
First LF Step Down Date – Scheduled Maturity Date of the Class A-2 notes, (the day immediately after which is the Second LF Step Down Date)	55.0
Second LF Step Down Date – Termination Date	35.0

Source: Transaction documents

Interest on the amount drawn is paid at a rate of the relevant London Interbank Offering Rate (LIBOR) plus 2.0%. There is an annual 70 basis point commitment fee on the undrawn portion.

Per clause 6 of the Priority of Payments in Appendix A, any cash in the Operating Account on any Distribution Date will be used to pay the loan amount, up to the lesser of the outstanding loan balance or the full amount of cash in the Operating Account. Any loan amount outstanding after this payment is repayable on the next Distribution Date if there is sufficient cash in the Operating Account. In any event, the full amount of the loan balance must be repaid by the Termination Date.

The fact that the Liquidity Facility expires prior to final maturity of the notes adds an element of liquidity risk to the transaction. However, this is mitigated by transaction modeling results (see "Stress on Parameters" later in this report for detailed discussion). The results demonstrated

that for each stress scenario the transaction's cash flow was sufficient to make timely interest and principal payments on the rated notes out to their legal final maturities without the need to borrow under the Liquidity Facility. In addition, Fitch's modelling suggests that by EOY eight, any outstanding note balances would be relatively modest and any associated interest payments (which are the most material expense items covered by the Liquidity Facility) at that time would be relatively small.

Credit Suisse can cancel the commitment or declare the outstanding amount due and payable if there is an event of default under the Liquidity Facility agreement. Such events include non-payment of loan principal or interest when due, insolvency or non-payment of any debt of the issuer and any event of default under the notes.

The issuer can replace the liquidity provider if the liquidity provider's rating falls below the lower of 'BBB+' and 'F2' or the then prevailing rating of the most senior class of notes (Liquidity Facility Provider Minimum Rating Requirement), provided the replacement would not cause a downgrade to the then prevailing rating of the most senior class of notes. The documents provide that the issuer and lender make "commercially reasonable" efforts to effect the replacement within 60 days.

The "commercially reasonable" replacement provision does not align with Fitch's criteria guideline that a direct-support counterparty, such as a liquidity facility provider, is expected to be replaced within 30 days if it becomes ineligible. Fitch believes a potential extension of the replacement period beyond 30 days is credit negative; however, this is mitigated by Fitch's transaction modeling, which demonstrates that the Liquidity Facility is not utilized under stress conditions. Therefore, Fitch does not currently view the transaction's exposure to counterparty risk resulting from the Liquidity Facility replacement provision as material to the ratings on the notes and those ratings are not currently constrained by the ratings on the lender.

Fitch published an exposure draft of its Counterparty Criteria for Structured Finance and Covered Bonds on April 14, 2016, which serves as the operative criteria report for this ratings analysis. The criteria states that a direct support counterparty bank would be expected to have a long-term rating of 'BBB' or a minimum short-term Issuer Default Rating of 'F2' to support, without the need to post collateral, structured finance note ratings at the level of 'A', which is the rating on the Class A-1 and A-2 notes. If in the future, a downgrade of the Liquidity Facility provider below these levels occurs and the Liquidity Facility is determined at that time to be material to the ratings, the rating of the senior-most notes outstanding at that time could potentially be capped at the then current rating of the Liquidity Facility provider.

Maximum LTV Ratio

The Priority of Payments provides for the deleveraging of the issuer on any Distribution Date at which LTV exceeds the following levels (Maximum LTV Ratio). The purpose of the ratio is to provide triggers to maintain sufficient equity in the structure to protect noteholders from the risk of cash flow exiting the structure too quickly and rendering the portfolio too small to provide sufficient distributions to support the notes.

Maximum LTV Ratio

Period	Maximum LTV ratio (%)
Closing to first anniversary of closing	45
First anniversary of closing to second anniversary of closing	40
Second anniversary of closing to third anniversary of closing	35
Third anniversary of closing to fourth anniversary of closing	30
Fourth anniversary of closing to fifth anniversary of closing	25
Fifth anniversary of closing to tenth anniversary of closing	20

Source: Transaction documents

LTV is calculated as the outstanding balance of the Liquidity Facility and the notes (net of the Reserves Accounts balance and any principal repayments on the Class B and Class C notes) divided by the total portfolio NAV. If LTV exceeds the maximum LTV ratio in any time period listed in the Maximum LTV Ratio table, 100% of cash flow remaining after payment of amounts due under clauses 1 through 13 of the Priority of Payments in Appendix A will be paid to the Reserves Accounts. If the Reserves Accounts Caps have been met, the cash flows will be applied to principal repayment of the Class B notes or, if the Class B notes have been fully repaid, to the principal repayment of the Class C notes, until the maximum LTV ratio is no longer exceeded. Payments to the Reserves Accounts under the maximum LTV ratio are subject to the Reserves Accounts Caps.

Funding of Future Capital Calls

It is the issuer's intention to fund capital calls out of cash flow from the Operating Accounts as provided in clause 15 from the Priority of Payments in Appendix A. However, should available cash in the Operating Account prove insufficient to fund all or a portion of a capital call, the shortfall will be funded from the capital calls trust account pursuant to the sponsor commitment agreement.

At closing, the capital calls trust account was funded with a balance equivalent to the full amount of the undrawn capital commitment of the 34 fund investments as of May 31, 2016. On any Distribution Date, the sponsor can withdraw any amount of cash from the capital calls trust account that exceeds the initial maximum balance less any draws made through that date.

The capital calls trust account is maintained under the Payment Purpose Trust (PPT), as governed by the terms of the PPT deed. DBS Trustee Limited, in its role as PPT Trustee, holds the capital calls trust account in trust for the issuer and the sponsor beneficiaries of the PPT. The PPT Account Bank is DBS Bank Limited (see Reliance on DBS below for additional information).

The trust account is used to fund capital calls made by the sponsor as needed by the issuer as PPT beneficiary related to fund investments. Draws from the trust account are made in the amount of any shortfall between the cash needed to fund capital calls and any balance in the Operating Account (as funded by the Priority of Payments).

Hedging

Full principal on the A-1 notes and semi-annual interest is payable in Singapore dollars, unlike the other note classes, which are payable in US dollars. The fund investments are denominated in US dollars and euros, creating a currency mismatch between Astrea III's assets and liabilities. The issuer employs hedge agreements to mitigate the risk that volatility in foreign exchange rates may negatively impact the cash flows needed to fund the required payments under the notes.

Fitch notes clause 18 of the priority of payments is a "flip clause", which places any termination payments due to a hedge counterparty that is in default in a junior position in the transaction's priority of payments. The purpose of this provision is to mitigate the potential impact caused by the default or non-performance of the counterparty. In case the issuer does not pay a hedge counterparty, the transaction documents include a "non-petition" clause that prevents the counterparty from causing the issuer to file for bankruptcy.

Class A-1 Notes - Principal Amounts

To mitigate the A-1 notes' foreign currency (FX) mismatch risk, at closing the issuer entered into a three-year forward contract to buy Singapore dollars and sell US dollars to hedge 100% of the principal amount of the A-1 notes at their scheduled maturity with The Hongkong and Shanghai Banking Corporation Limited (HSBC: 'AA-'/'F1+'), with whom the issuer has set up an International Swaps and Derivatives Association (ISDA) Master Agreement.

If, at EOY three, the Reserves Account is funded with at least $170 million US dollars, the issuer will settle forward and take delivery of SGD228 million to fully repay the A-1 notes. If, at EOY three, the Reserves Account is funded with less than $170 million US dollars, the issuer will settle forward for the amount of US dollar that has been accumulated. For the unfunded US dollar amount, the issuer has the discretion to roll-over the hedge by entering into a six-month FX forward transaction with the counterparty. The forward transaction will result in cash flows to the issuer based on the difference between the initial forward transaction versus the spot rate of the forward. There would be a net cash inflow if the US dollar has depreciated and a net cash outflow if the US dollar has appreciated since closing.

At the discretion of the issuer, if at year 3.5 the Reserves Accounts are still not fully funded, the roll-over process would be repeated with another six-month FX forward for the unfunded US dollar amount. The FX forward would expire at the next Distribution Date and at the issuer's discretion, the process would repeat until Class A-1 notes are fully repaid.

If the Reserves Account is funded with less than $170 million at EOY three, the issuer will be required to make a payment to the counterparty to settle the hedge if US dollar appreciated against Singapore dollar compared to the forward rate. However, this situation is unlikely because even under the adverse scenarios Fitch modeled, Fitch's analysis indicates there will be sufficient funds in the Reserve Account to fully settle the hedge for the A-1 notes.

Class A-1 Notes - Interest Amounts

At closing, the issuer entered into six separate forward contracts in amounts to fully match the six semiannual interest payments on the Class A-1 notes with either of the hedge counterparties.

If the Reserves Accounts are underfunded at the scheduled maturity of the Class A-1 notes, the issuer may enter into a six-month forward contract for the interest payment due at year 3.5. If at year 3.5 the Reserves Accounts are still not fully funded, it will be at the discretion of the issuer to enter into a new six-month forward contract for the interest payment due at the next Distribution Date and, at the issuer's discretion, continue the process until the Class A-1 notes are fully repaid.

Euro NAV Hedge

FX risk in the portfolio is manageable, as the bulk of fund investments provide distributions in US dollars. Of the 34 funds in the portfolio, four funds, totaling about $140 million of NAV (12% of total NAV), are denominated in euros, with the balance of the funds denominated in US dollars. To mitigate FX risk posed by the euro-denominated funds (compared to the US dollar- and Singapore dollar-denominated notes), at closing the issuer entered into a series of fixed forward contracts (with fixed forward rates and fixed forward dates) with DBS Bank Ltd., ranging in tenor from six months to six years, to hedge 100% of the euro NAV. The tenors and notional amounts of euro hedges are set to match expected euro NAV distribution.

Any underperformance in the euro-denominated funds would create an additional foreign exchange risk, as the structure is required to deliver euros for each foreign exchange hedge as they become due. As discussed later in this report in "Stress on Parameters – Euro-Denominated Fund Underperformance", Fitch conducted stress scenarios to model the sensitivity of the structure to underperformance in European markets and to worst-case USD/EUR exchange rates and the rated notes passed at their assigned rating levels.

Hedge Counterparties

Hedge counterparties are DBS and HSBC. The issuer can replace either hedge counterparty if the counterparty's rating falls below the lower of 'BBB+' and 'F2' or the then prevailing rating of the most senior class of notes (Hedge Counterparty Minimum Rating Requirement), provided

the replacement would not cause a downgrade to the then prevailing rating of the most senior class of notes. The documents provide that the issuer and lender make "commercially reasonable" efforts to effect the replacement within 30 days.

As noted above, the counterparty criteria exposure draft provides that a direct support counterparty bank, such as the hedge counterparties, would be expected to have a long-term rating of 'BBB' or a minimum short-term Issuer Default Rating of 'F2' to support, without the need to post collateral, structured finance note ratings at the 'Asf' level of the Class A-1 and A-2 notes. The exposure draft also provides for a 60-day replacement period, without the need to post collateral, for banks such as the hedge counterparties that are rated at least 'AA-' or 'F1+', provided remedial action is specified in the transaction document in the event the counterparty rating is downgraded.

The "commercially reasonable" language leaves room for an extension of the replacement of downgraded hedge counterparties beyond the criteria guidelines and therefore does not completely align with Fitch's criteria. Although Fitch currently rates the hedge counterparties well above the minimum direct support criteria guidelines, if a downgrade below these levels were to occur and the counterparty was not replaced in a timely fashion, Fitch would review the circumstances at that time to determine if a rating action, which could potentially include capping the rating of the senior-most notes then outstanding at the then current rating of the downgraded hedge counterparty, would be warranted.

Euro NAV Hedge

No.	Forward tenor	Notional (% of NAV)
1	6 year	10
2	5.5 year	10
3	5 year	3
4	4.5 year	3
5	4 year	3
6	3.5 year	3
7	3 year	10
8	2.5 year	10
9	2 year	20
10	1.5 year	20
11	1 year	5
12	0.5 year	5

Source: Transaction documents.

Legal Aspects

The notes, Liquidity Facility and currency hedges are secured by a:

1. first fixed charge by the issuer of its shares in the AOCs and dividends associated with those shares, a first fixed charge by the issuer of its bank accounts and custody accounts and an assignment (as security) of its rights under the shareholder loan agreements between the issuer and the AOCs respectively and the sponsor commitment agreement
2. first floating charge by the issuer of its undertaking and all its assets
3. first fixed charge by the sponsor of its shares in the issuer.

Based on legal opinions provided by the issuer's legal counsel, Fitch assumes the issuer is bankruptcy remote, that its assets cannot be consolidated with those of the sponsor or those of the AOCs and that the transfer of the fund investments under the purchase agreements would be characterized as a sale of rights over the fund investments and would not be regarded as property of the seller in the event of the seller's insolvency.

Remedies Upon Default

If any event of default occurs under any class of notes, the trustee at its discretion and at the written request of the holders of at least 25% of the outstanding principal of the defaulted note class, shall declare the defaulted notes immediately due and payable, along with any applicable premium and unpaid accrued interest. In addition, the trustee can institute legal proceedings and appoint a receiver. The receiver has the authority to take charge of the equity interest in the AOCs and could attempt to sell interests in the AOCs or work with the GPs to receive consent to sell the LPs interests held by the AOCs.

However, Fitch notes there is a limited secondary market for private equity LPs interests of approximately $40 billion a year and any sales would likely take place at a discount and over a prolonged time period. Therefore, Fitch believes it is likely that the trustee and receiver would await the receipt of distributions from the underlying private equity holdings, which would be distributed per the post-default waterfall outlined in Appendix A.

Eligible Investments and Rating Sensitivity to Existing Counterparty Criteria

The funds in the PPT accounts, reserves accounts and Bonus Redemption Premium Reserves Accounts may be placed in security instruments as determined by a schedule of eligible investments.

Fitch published an exposure draft of its Counterparty Criteria for Structured Finance and Covered Bonds on April 14, 2016. The exposure draft serves as the operative criteria report for this ratings analysis. Under the exposure draft, a direct support counterparty is expected to maintain a long-term rating of at least ‘BBB or a short-term rating of at least ‘F2’ to support note ratings of up to ‘Asf’, or maintain a long-term rating of ‘BBB-' or a short-term rating of ‘F3’ to support note ratings of up to ‘BBBsf’. The framework regarding expectations for qualified investments has not materially changed between the existing criteria and the exposure draft.

The exposure draft specifies that as long as the highest rated note outstanding is rated ‘Asf’, investments maturing in 30 days or less must be rated no lower than ‘BBB’ or ‘F2’, and investments maturing between 31-365 days must be rated no lower than ‘AA-’ or ‘F1+’. As long as the highest rated note outstanding is rated ‘BBBsf’, investments maturing in 30 days or less must be rated no lower than ‘BBB-’ or ‘F3’ and investments maturing between 31-365 days must be rated no lower than ‘AA-’ or ‘F1+’. All invested money market funds must be rated no lower than ‘AAAmmf’.

The schedule of eligible investments, specified in the Eligible Investments definition as found in the Master Definitions and Interpretation Schedule document of the transaction, is in line with the current Counterparty Criteria for Structured Finance and Covered Bonds, and slightly more conservative than the parameters for eligible investments specified in the exposure draft. Risks arising from investment rating downgrades, defaults or market value shifts are mitigated by the structural protection in place and a clause within the Priority of Payments in Appendix A to make up losses.

Cash Flow Scenario Analysis

As described in the criteria *Rating Closed-End Funds and Market Value Structures*, Fitch reviews the private equity cash flow obligation’s projected performance and distributions over different historical periods to assess whether cash flows are sufficient to pay off the issuer’s rated obligations, taking into consideration the term of the rated obligations and relevant structural features. The historic data was sourced from a third-party data provider and organized in a way to match the transaction portfolio’s characteristics. As most of Astrea III’s portfolio is ranked in the first or second quartile of funds for each vintage (about 77% of Astrea III’s holdings), an initial analysis was performed using historical data for funds in all four

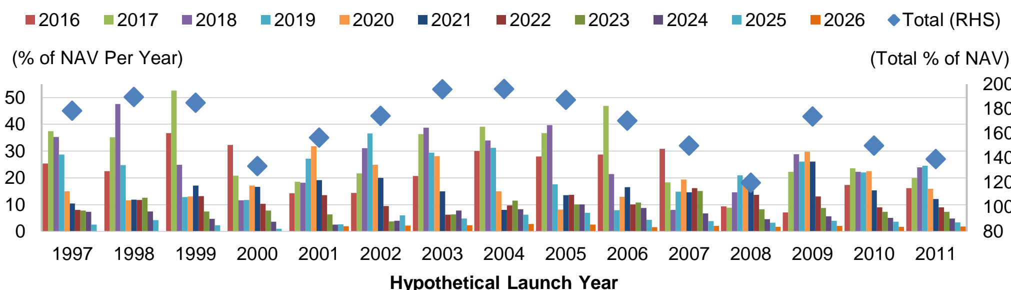
quartiles of performance. However, the analysis was then modified to forecast the transaction based on the historic performance of fourth-quartile funds. Similarly, a blend of buyout fund and growth equity fund performance data was used to align with the characteristics of the issuer's holdings.

To determine the appropriate ratings for the transaction, Fitch projected NAV and returns using a robust data-set of historical performance of private equity funds similar to those in the issuer's portfolio, sourced from a third-party data provider. For example, about 27% of the issuer's portfolio is comprised of 2011 private equity buyout funds, which are five-year old funds as at the end of 2015. Fitch reviewed how similar five-year old funds performed across the available data universe. The key data points in the analysis are (1) how much capital the underlying funds called, (2) how much capital the underlying funds distributed and (3) what was the NAV appreciation or depreciation that was driving distributions.

Fitch then applied a variety of scenarios to the structure, assuming fourth-quartile performance, to see how the transaction would have performed if launched at various points in time and, in turn, various points of the market cycle. For example, Fitch analysed a scenario in which Astrea III was assumed to have launched in 1998. Fitch looked at how a five-years old fund performed starting in 1998, and assuming a 10-year life to the transaction, how its performance developed each year subsequently (in 1999, (when it was a six-year old fund), 2000 (seven-years old) and so on). The observed performance was applied to 27% of the portfolio (the portion that the five-year old funds make up) and a similar analysis was performed for the remainder of the portfolio based on each fund's age. These scenarios were performed assuming the transaction was launched on any year between 1997 and 2011.

In all scenarios the rated notes of the transaction performed and made all timely interest and principal payments with respect to their legal final maturity. Fitch focused on certain metrics, including the total cash flow coverage of the principal of the A and B notes, total cash flow as a percentage of the transaction NAV, cash flow coverage of fees and expenses and how the various structural protections drove performance of the transaction (LTV triggers, reserve account, Liquidity Facility and so on). Cash flow coverage ratios varied between 4.7x and 2.9x for the A notes and 3.9x and 2.4x for the B notes when projections were based on data including all quartiles. When applying projections based on fourth-quartile performance coverage ratios varied between 3.3x and 2.0x for the A notes and 2.7x and 1.7x for the B notes. In all cases the cash flows were sufficient to pay off the A and B notes and the coverage ratios were in line for each notes' rating levels.

% NAV Distributed Per Launch Year Scenario Over Projected 10-Year Life of Astrea III - All Quartile Analysis

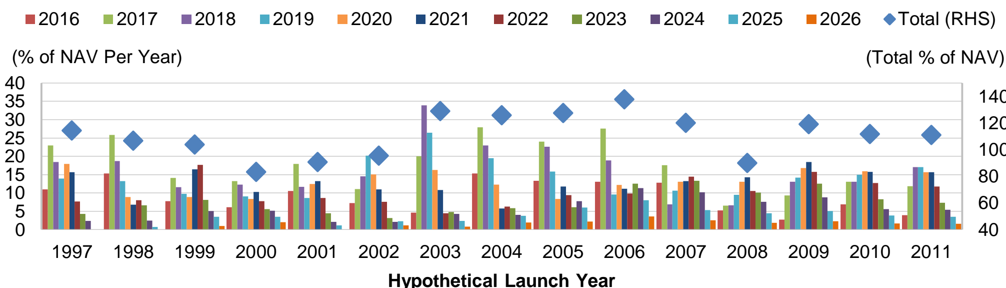


Source: Fitch. Note: The figures show the cash flow as a % of initial NAV projected to be distributed based on assumed historical launch years for the transaction, assuming all quartile fund performance.

The worst performance was observed in the launch year of 2000 (assuming Astrea III was launched in 2000 and liquidated in 2010) assuming fourth quartile performance, in which principal coverage ratios declined to 2.0x for the A notes and 1.7x for the B notes. The second-worst performance was observed in the launch year of 2008, in which principal coverage ratios

declined to 2.1x for the A notes and 1.8x for the B notes. The launch years 2000 and 2008 were also the worst-case start years in terms of the percentage of the starting NAV distributed. Launching in 2000 and 2008 corresponded with approximately 83% and 90% of the launch NAV being distributed, respectively. The year-by-year distributions as a percentage of original NAV can be seen in the below chart.

% NAV Distributed Per Launch Year Scenario Over Projected 10-Year Life of Astrea III - Fourth Quartile Analysis



Source: Fitch. Note: The figures show the cash flow as a % of initial NAV projected to be distributed based on assumed historical launch years for the transaction, assuming 4th quartile fund performance.

Stress on Parameters

Fitch identified that launching the transaction in 2000, with fourth quartile fund performance, would result in the worst performance of Astrea III out of the scenarios Fitch analyzed. Fitch applied further stresses, described below, to the transaction to test the sensitivity of the structure to certain scenarios. The results of each stress can be found in the table following the stress descriptions. Each of the stress scenarios described below uses the launch year of 2000 (and Fourth Quartile Fund Performance) as the starting point for further stress.

Euro-Denominated Fund Underperformance

Fitch considered the risk of underperformance in European markets and its effect on the structure. Underperformance in euro-denominated funds adds an additional foreign exchange risk, as the structure is required to deliver euros at each maturity of the EUR/USD hedges. A stress was applied in which the NAV of the euro-denominated funds immediately dropped to zero following the launch of the Astrea III transaction and the funds made no distributions throughout the life of the rated notes. The sizes of the notes remained unchanged and were based on the stated LTVs and the initial NAV. The structure is required to deliver euros at the maturity of each hedge and would need to purchase euros at the market rate. An additional foreign exchange rate stress was introduced where the euro appreciates 50% versus the US dollar six months into the transaction. The euro continues to appreciate an additional 10% per year until year 3.5, where the euro has appreciated 80% versus the US dollar and remains at that level permanently. The cash outflows to the structure associated with the hedge payments in this scenario totalled approximately 10% of the initial NAV. Fitch applied a further vintage concentration limit to the euro fund underperformance scenario in line with its criteria. The 2011 vintage, which accounts for approximately 27% of NAV, was cut to 25%, while keeping all other factors static. The resulting cash flows covered the A notes 1.4x and the B notes 1.2x.

Asian Fund Underperformance

Astrea III has a significant exposure to Asian funds at 21% of NAV. The majority of private equity performance data available for buyout and growth equity funds from a third-party data provider are concentrated in the US and Europe. As there is significant Asian exposure in Astrea III, Fitch applied a stress scenario to see how Asian underperformance affected the transaction. A severe stress was applied in which the NAV of the Asian funds immediately dropped to zero following the launch of the Astrea III transaction and the funds made no distributions throughout the life of the rated notes. The sizes of the notes remained unchanged and were based on the stated LTVs and the initial NAV. As the funds are denominated in US

dollars and no hedges are associated with these holdings, no additional foreign exchange cash outflows were included in the analysis.

Initial NAV Overvaluation

Fitch considered the risk that the valuations of the funds' private equity holdings may be overstated at launch. This could be driven by overvaluation of investments in underlying private equity funds, depreciation between valuation dates and launch or other factors. A stress was applied to the fourth quartile 2000 launch year analysis, in which the NAV of all funds was cut by 25% while keeping the size of the notes unchanged. This stress is equivalent to all funds being 25% overvalued at issuance and making proportionally less distributions throughout the life of the transaction. An overvaluation of funds denominated in euros would also cause additional cash outflows associated with the EUR/USD hedges at each hedge maturity. A foreign exchange stress, similar to the euro underperformance stress described above, was applied to the transaction, assuming the structure received 25% less euros than forecast. The total cash outflow associated with the hedges in this scenario totalled approximately 3% of the initial NAV. Fitch applied a further vintage concentration limit to the initial NAV overvaluation scenario in line with its criteria. The 2011 vintage, which accounts for approximately 27% of NAV, was cut to 25% while keeping all other factors static. The resulting cash flows covered the A notes 1.4x and the B notes 1.1x. Performance of this scenario can be seen in the row titled "Initial NAV Overvaluation With Concentration Haircut."

Older Vintage Underperformance

Fitch considered the risk of underperformance of older vintage funds, as their holdings may contain mature, less marketable and worse performing investments. A stress was applied to the fourth quartile 2000 launch year analysis in which the NAV of all 2006 vintage funds immediately drops to zero following issuance, while the size of the rated notes remains unchanged. This stress is equivalent to the 2006 vintage funds holding all unmarketable companies and, as a result, their realizable value is zero. Similar to the euro fund underperformance and Initial NAV overvaluation scenarios, this scenario would add some foreign exchange risk, as two 2006 vintage funds, accounting for approximately 4% of total NAV, are denominated in Euros. A foreign exchange rate stress similar to that described in the euro fund underperformance scenario was applied to this portion of the portfolio assuming these two funds made no distributions. As a result, the structure would receive approximately 4% less euro distributions than initially forecasted. The total cash outflow associated with the hedges in this scenario totalled approximately 0.4% of the initial NAV.

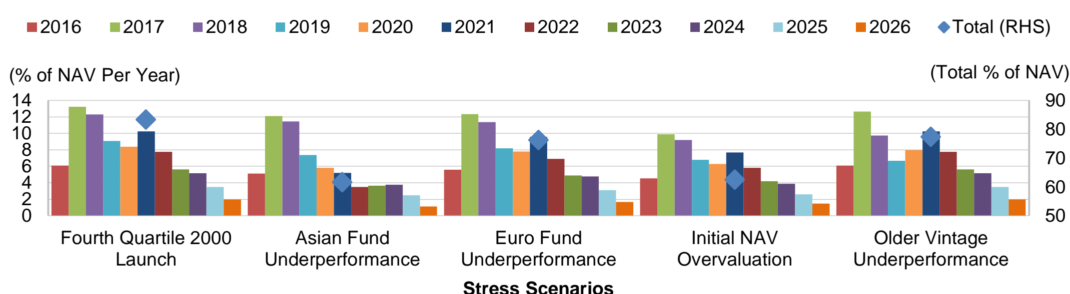
Stress Testing Results (Coverage Multiples)

Stress scenario	Distributions/ NAV	Distributions - hedge payments/ NAV	A notes principal coverage	B notes principal coverage
Fourth Quartile 2000 Launch – Starting Point Scenario	0.8	N.A.	2.0	1.7
Asian Fund Underperformance	0.6	N.A.	1.5	1.2
Euro Fund Underperformance	0.8	0.7	1.5	1.3
Initial NAV Overvaluation	0.6	0.6	1.4	1.2
Older Vintage Underperformance	0.8	0.8	1.8	1.5
Initial NAV Overvaluation With Concentration Haircut	0.6	0.6	1.4	1.1

Source: Fitch

In each stress scenario the portfolio evolution of Astrea III (NAV appreciation or depreciation, capital calls and distributions) was sufficient to make timely interest and principal payments on the rated notes with respect to their legal final maturities. In the stress scenarios the projected redemption of the A notes occurred between years 3 and 6, and between years 5 and 8 for the B notes. In the euro fund underperformance scenario, where distributions covered the A notes 1.5x and the B notes 1.2x, a significant portion of this scenario's underperformance can be attributed to the cash outflows associated with FX hedge payments. This scenario combined the stress of euro-denominated funds realizing no value across the life of the transaction, with the euro appreciating up to 80% against the US dollar, causing significant cash outflows in the first six years. However, even when modelling to these extremes, the distributions were sufficient to cover payments on the rated notes.

% NAV Distributed Per Stress Scenario Over Projected 10-Year Life of Astrea III



Source: Fitch. Note: The figures show the cash flow as a % of initial NAV projected to be distributed based on assumed historical launch years for the transaction, assuming 4th quartile fund performance. Figures do not include hedge associated outflows.

Valuations

Private equity fund valuations are made available quarterly on an unaudited basis and annually on an audited basis. GPs apply various valuation methods (discounted cash flow analysis, multiple analysis and so on) to the underlying holdings of funds, usually incorporating the trailing twelve months' financial performance of each asset. Valuations are made as of a certain date and are reported to the LPs a few months following the valuation reference date. Valuation methods can vary from fund to fund, as managers have discretion on the applied techniques. However, these valuations are generally prepared in accordance with International Financial Reporting Standards (IFRS) or generally accepted accounting principles in the US or elsewhere. The annual financial statements of all of the funds in the Astrea III portfolio were audited by major accounting firms (Ernst & Young, Deloitte, PricewaterhouseCoopers or KPMG).

Initial valuation of Astrea III is based on the most recent available financial statements of each of the underlying interests; either audited December 31, 2015 figures or unaudited March 31, 2016 figures. For funds whose valuations are based on December 31, 2015 figures, the NAV valuations for each fund were adjusted for any capital calls or distributions made between the time of valuation and March 31, 2016, but not for any appreciation or depreciation of assets. These adjusted valuations were then audited at the issuer level at time of issuance. A risk exists that a market downturn occurs between the valuation dates of each underlying fund and the launch of Astrea III, which would adversely affect the LTV of the structure. Going forward, valuations will be made at each Distribution Reference Date based on most recent audited or unaudited NAVs provided by the underlying LPs. These are reported by the LPs quarterly, typically with a six to seven week delay. The valuations will be based on the most recent valuations provided by each GP and adjusted for any distributions (subtracted from NAV) or capital calls (added to NAV) made between the reference date of the GP's valuation and the Distribution Reference Date of Astrea III's notes.

Approximately 30% of the portfolio's underlying investee companies are publicly listed. Fitch had access to the financial reports of the LPs for 96% of the NAV of the underlying funds as of March 7, 2016. Fitch analysed some of the valuations of the underlying companies in the funds and found them to be in line with industry levels. Fitch analysed some of the Level 3 valuations of underlying investee companies compared with industry levels, focusing on metrics such as EBITDA multiples and the discounted cash flow weighted average cost of capital (discount rate) used in the valuations. Weighted average EBITDA multiples ranged approximately 6x to 16x by fund, with a weighted average of approximately 10x across all of the funds reviewed.

Fitch considered the risk of a severe depreciation between the valuation date and launch date and believes the Initial NAV Overvaluation stress described above captures this scenario. In addition, the stress case scenario described above, in which each funds' NAV depreciates by 25% immediately after launch, is comparable to a hypothetical assumption that each funds' NAV was overvalued by 25%. In the case of the 25% NAV haircut, the transaction withstands the stress by continuing to perform and making timely interest and principal payments with respect to their legal final maturities, even when modelling to fourth quartile performance for a 2000 launch year.

Parties to the Transaction

Counterparty	Function	Fitch Rating
DBS Bank Ltd.	Currency hedge counter party	AA-/F1+
DBS Bank Ltd.	Bank accounts	AA-/F1+
DBS Trustee Limited	Notes trustee	NR
DB International Trust (Singapore) Limited	Security trustee	NR
DBS Trustee Limited	Payment Purpose Trust trustee	NR
Deutsche Bank AG	Transaction administrator	A-/F1
Deutsche Bank AG	Fund administrator/paying agent	A-/F1
Credit Suisse AG	Liquidity Facility	A/F1
The Hongkong and Shanghai Banking Corporation Limited	Currency hedge counter party	AA-/F1+
Fullerton Fund Management Company	Manager	NR

Source: Transaction documents. Ratings as of July 8, 2016.

The Manager

Fullerton is an investment manager and is the manager of Astrea III. The firm is an Asian and emerging market specialist, with investment capabilities that span equities, fixed-income and alternatives. Fullerton was incorporated in Singapore in 2003 and is a wholly-owned subsidiary of Temasek. Clients include government bodies, large institutions and corporates, as well as key distribution partners. Fullerton is licensed under the Securities and Futures Act and regulated by the Monetary Authority of Singapore (MAS). Fullerton has been regulated by the MAS since 2004 and holds a Capital Markets Services License issued by the MAS for carrying on business in fund management with all types of investors. As of 31 December, 2015, Fullerton has total assets under management of SGD13 billion.

Fitch's Funds and Asset Manager Ratings Group evaluated Fullerton and determined its capabilities are satisfactory in the context of the ratings assigned to the transaction and the investment parameters that govern the company's activities. The company employs over 100 investment professionals and has a robust operational infrastructure. Fullerton derives considerable benefit and support from the ultimate parent, Temasek, and the parent of the sponsor, Azalea. (However, Temasek is not providing financial support to the notes or the transaction). Strengths of Fullerton include a strong parent company, strong oversight procedures and third party capabilities and high levels of investment and operational capacity. One area of weakness is Fullerton's lack of direct institutional private equity experience. However, the experience and knowledge of Temasek as a long-term private equity investor and the private equity experience of the structure's key personnel mitigate this concern.

Responsibilities of Fullerton as the manager include monitoring private equity fund performance,

administering key fund matters, monitoring the performance of the transaction administrator and fund administrator, supervising the administration of assets and notes, operation of the Liquidity Facility and cash flows in accordance with the Priority of Payments, managing investor relations and reporting to stakeholders, cash management, hedging of non-US dollar assets and obligations and supervising the affairs of the issuer and AOCs. Fullerton is outsourcing most of the duties to the Singapore branch of Deutsche Bank AG (Deutsche Bank: 'A-'/'F1'), which is acting as the fund administrator and transaction administrator. Fitch believes Fullerton provides effective oversight of Deutsche Bank in these roles, as described below.

Either of the issuer or the two AOCs can terminate the services of Fullerton as manager for reasons including the breach of duty under the documents or bankruptcy. If an AOC terminates Fullerton from the role of manager, the AOC will use commercially reasonable efforts to appoint a substitute manager who agrees to perform the requisite duties and whose appointment would not result in a downgrade to the then prevailing rating of the most senior class of notes. Upon receipt of termination notice, the manager will use commercially reasonable efforts to assist the AOC in the appointment of a substitute.

Alternatively, Fullerton may choose to resign from the role of manager by providing 90 days written notice, however, the resignation will not be effective until a replacement that will not result in a downgrade to the then prevailing rating of the most senior class of notes is found. In the event the AOCs do not appoint a substitute within 90 days of the resignation date, Fullerton may select as substitute an entity willing to perform the requisite duties and whose selection will not result in a downgrade of the then prevailing rating of the most senior class of notes. Fitch believes these terms provide a sufficient procedural framework to find a suitable manager in the unlikely event it should become necessary.

The Fund Administrator and Transaction Administrator

Deutsche Bank is acting as both the fund administrator and transaction administrator. Fitch has evaluated Deutsche Bank and determined its capabilities to fulfil the requirements of these roles to be satisfactory.

As a transaction administrator, Deutsche Bank has led the market share on new fixed-income programmes and complex liability management in south Asia since 2013 and is a top-three global provider of trustee, agency and administration services on asset-backed securities across capital markets. As a fund administrator, Deutsche Bank has been servicing private equity, hedge fund and fund-of-fund clients since 2008 and currently has $150 billion of assets under administration.

Responsibilities of the fund administrator include reviewing capital calls received from GPs and arranging for payment, reviewing distribution notices received from GP and monitoring the receipt of monies, maintaining the fund investments repository and information database for the manager's reference, preparing all necessary reports for the AOCs, providing information relating to the AOCs to the appointed tax advisors for tax filings and processing of invoices to AOCs.

Responsibilities of the transaction administrator include administrative services on behalf of the manager and issuer to facilitate payments in accordance with the waterfall, making calculations regarding whether the maximum LTV ratios have been met, determining the minimum balance and giving notice to the sponsor of the minimum balance in accordance with the sponsor commitment agreement.

Either of the issuer or the two AOCs can terminate the services of Deutsche Bank in its role as the transaction administrator and/or the fund administrator for reasons including the breach of duty under the documents or bankruptcy. If this were to occur, the AOC would use commercially reasonable efforts to appoint a substitute who agrees to perform the requisite duties and whose appointment would not result in a downgrade to the then prevailing rating of

the most senior class of notes. Upon receipt of termination notice, the terminated transaction administrator or fund administrator would use commercially reasonable efforts to assist the AOC in the appointment of a substitute.

Alternatively, Deutsche Bank may choose to resign from the role of transaction administrator and/or the fund administrator by providing 90 days written notice, however, the resignation will not be effective until a replacement has been appointed that will not result in a downgrade to the then prevailing rating of the most senior class of notes. In the event the AOCs do not appoint a substitute within 90 days of the resignation date, Deutsche Bank may select as substitute an entity willing to perform the requisite duties and whose selection will not result in a downgrade of the then prevailing rating of the most senior class of notes. Fitch believes these terms provide a sufficient procedural framework to find a suitable substitute transaction administrator or fund administrator in the unlikely event it should become necessary.

Reliance on DBS

The issuer relies significantly on the services of DBS as a hedge counterparty, Account Bank and PPT Account Bank. In addition the PPT Trustee, DBS Trustee Limited is the bank's wholly-owned subsidiary. Fitch notes that DBS is a leading financial services group in Asia and believes any risks associated with the scale of DBS's participation in the transaction are mitigated by the bank's strong ratings and the replacement and rating termination provisions in the transaction documents.

The transaction documents stipulate that if the Account Bank or the PPT Account Bank ratings fall below the lower of 'BBB+' and 'F2' or the then prevailing level of the most senior class of notes (an Account Bank Downgrade Event), commercially reasonable efforts are to be used to move the bank accounts within 60 days to a bank meeting the rating requirements.

As noted above, the Fitch's counterparty criteria exposure draft provides that a direct support counterparty bank, such as DBS in its roles as Account Bank (including PPT Account Bank) or hedge counterparty, would be expected to have a long-term rating of 'BBB' or a minimum short-term Issuer Default Rating of 'F2' to support, without the need to post collateral, structured finance note ratings at the 'Asf' level of the Class A-1 and A-2 Notes. The exposure draft also provides for a 60-day replacement period, without the need to post collateral, for banks such as DBS that are rated at least 'AA-' or 'F1+', provided remedial action is specified in the transaction document in the event the counterparty rating is downgraded.

In the event of a downgrade to DBS, the "commercially reasonable" language leaves room for an extension of the replacement period beyond the criteria guidelines and therefore does not completely align with Fitch's criteria. Although Fitch currently rates DBS well above its minimum direct support criteria guidelines, if a downgrade below these levels were to occur in the future and DBS was not replaced in its role as PPT Account Bank, Account Bank or hedge counterparty in a timely fashion, Fitch would review the circumstances at that time to determine if a rating action, which could potentially include capping the rating of the senior-most notes then outstanding at the then current rating of DBS, would be warranted.

Fitch does not view Temasek's approximately 30% stake in DBS as a weakness in the transaction structure, and is comfortable that the executive powers of the bank lie in the hands of the board of directors and a well-qualified and stable senior management team.

The Sponsor

The sponsor of the transaction is Astrea Capital, a wholly-owned subsidiary of Azalea. Azalea is an indirect wholly-owned subsidiary of Temasek and a financially independent operating company with a board and management independent of Temasek. Azalea carries on the business of investing in private equity funds and developing new investment platforms and

products based on diversified portfolios of private equity funds.

Although Azalea is a relatively new firm, the firm has drawn on Temasek for key personnel with significant investment and management experience. Azalea benefits from the strong relationship with Temasek and is supported by Temasek's substantial private equity investing experience. Temasek has been investing in private equity funds for over two decades and remains an active investor in this space. Additionally, Temasek entities have successfully launched two prior Astrea vehicles as described in the section "Previous Astrea Vehicles". However, Temasek or its affiliates are not providing financial support to the notes or the transaction.

Roles of the sponsor in the transaction include selection of the fund investments for acquisition by the structure, funding of capital calls as per the sponsor commitment account in the event of any shortfall and acting as an authorized representative of the issuer under the management agreement on matters related to the funds.

The ultimate parent of the sponsor, Temasek, is an investment company owned by the Government of Singapore. Incorporated in 1974, Temasek owns and manages a net portfolio of SGD242 billion as of March 31, 2016, mainly in Singapore and Asia. Temasek and its investment vehicles have been investing in private equity funds for over two decades and continue to be active investors in private equity funds globally. Temasek has a multinational team of over 530 people in 10 offices globally.

Alignment of Interests

Fitch observes an alignment of interests in this transaction between the sponsor, parent and noteholders, as one of the sponsor's non-financial goals is the development of investment products in Singapore based on private equity funds.

One key consideration of the alignment of interests between the sponsor and noteholders is the sponsor's commitment to retain all equity in the transaction. The sponsor, Astrea Capital, is the sole owner of the equity tranche, totalling approximately 55% of NAV, and is not permitted to sell this investment as per the sponsor share charge. As the sole owner of the equity, the sponsor is subject to first losses of the structure prior to noteholders being affected, providing an incentive for the sponsor to act in noteholders' best interest.

Previous Astrea Vehicles

Astrea III is the third private equity structure launched by a Temasek entity. Astrea I was launched in 2006 and was intended to be the first transaction of a series of products based on portfolios of diversified private equity funds. The underlying portfolio consisted of 46 private equity interests sourced from Temasek entities, with an adjusted NAV at launch of $534 million. Two classes of notes were issued with senior notes totalling 35% of the transaction and subordinated notes totalling 25% of the transaction. An additional two classes of unrated subordinated instruments were issued totalling 18% and 22% of the transaction. Astrea I's rated notes performed throughout their life, including the global financial crisis, and were fully repaid ahead of maturity in 2011. A Temasek entity was and continues to remain as the largest investor in the two classes of Astrea I's subordinated instruments. Fitch did not rate the Astrea I transaction.

Astrea II was launched in 2014 and broadened the investor base of the Astrea platform to institutional investors, including sovereign wealth funds, pension funds, insurance and endowment funds. The underlying portfolio consisted of 36 private equity interests sourced from Temasek entities with a NAV at launch of $1.1 billion. No debt was issued by the structure, as all investors purchased portions of the equity of the structure. Similar to Astrea I and Astrea III, a Temasek entity was the single largest investor in the transaction.

The evolution of the Astrea platform displays the commitment of Azalea and Temasek to develop an investment platform based on diversified portfolios of private equity. Fitch views this commitment

positively in terms of the alignment of interests between the sponsor and noteholders.

The Model

Fitch performed the cash flow analysis of the structure using a model to forecast hypothetical portfolio cash flows using historic private equity data. Private equity data was sourced from a third-party data provider and covered all quartiles of funds with vintages ranging from 1990 to 2014. The dataset encompassed buyout and growth private equity funds to parallel the underlying breakdown of the Astrea III portfolio. The major data points driving the analysis include historic capital calls, historic distributions and historic NAV appreciation and depreciation. The historic data within each dataset was extrapolated to simulate the average historical cash flow of a representative private equity fund. The historical cash flows were built up, as described in the Cash Flow Scenario Analysis section of this report, to forecast the cash flows of Astrea III's portfolio of private equity holdings.

The model applied the base-case cash flows, as described above, to the Astrea III Priority of Payments (see Appendix A for the Priority of Payments) to simulate the base-case performance of the transaction.

Additionally, the model was modified to allow hypothetical launch dates for the transaction to forecast performance if Astrea III was launched at various stages of the market cycle. This analysis used historic observed cash flows where available and applied these to the underlying portfolio based on the private equity fund age and strategy profile of Astrea III's holdings. This model provided the ability to run the analyses described in the Cash Flow Scenario Analysis section of this report. For example, if the transaction was launched in 2005 and 10% of the NAV was two-year old buyout funds at that time, the model would apply the observed historic performance for two-year old buyout funds in 2005 to 10% of the portfolio. This is then replicated for the remaining 90% of the portfolio NAV for the observed performance of each age and strategy in 2005. The analysis then applies the same methodology to the remaining life of the transaction for where there is historic performance data available. If there is no data available for a certain age in a certain year, the model defaults to applying the average historic performance for that age and strategy across vintages.

Surveillance of the Transaction

Fitch relied on a high level of information into the underlying funds for this analysis and will continue to do so for the ongoing surveillance of Astrea III. These documents included, but were not limited to, unaudited quarterly LP reports, audited annual reports, capital account reports, limited partnership agreements and any amendments or restatements of the LP agreements. Fitch will also receive monthly and semi-annual reporting on an ongoing basis throughout the life of the transaction. Monthly reporting will detail any cash flows for the period (distributions, capital calls and so on), balances of assets and liabilities, mark-to-market updates on foreign exchange hedges and investments held in the reserve account. Semi-annual reporting will coincide with the Distribution Dates of the notes and will detail the cash flows of underlying funds within Astrea III, periodic and cumulative payments made at each level of the structure's waterfall, balances of assets and liabilities of the structure, LTV calculations, mark-to-market updates on foreign exchange hedges, updated valuation data for Astrea III's private equity holdings as well as a portfolio update. The semi-annual portfolio update will include commentary about performance of the funds as well as updated breakdowns of the portfolio by region, vintage year, sector and so on.

Rating Sensitivity

Private equity transactions have many inherent risks, including the uncertainty of income distributions, illiquid nature of investments, high concentration in funds with a buyout strategy, leverage, lack of reliability in NAV calculations and other unforeseen circumstances.

The ratings for the notes may be subject to downgrade as a result of the portfolio structure's sensitivity to the potential variability of key model assumptions. One key model assumption is the distribution of cash flows, which are uncertain and therefore may come in lower than model projections, creating a risk that the funds will not generate enough overall cash to repay noteholders. Another key model assumption is the financial health of the transaction's counterparties. A ratings downgrade of a counterparty may be linked to and materially affect the rating on the notes, given the reliance of the issuer on counterparties to provide functions, including currency hedging and acting as a bank account provider.

Finally, payments on the currency hedges that are larger than anticipated may leave fewer funds available to pay interest on the notes, fund the reserves account and meet capital calls, leading to increased reliance on the Liquidity Facility and capital calls trust account. Such an event could happen in scenarios such as high exchange rate volatility or underperformance in the European markets, which will negatively impact the European funds and subsequently the ability to deliver euros in the euro hedge transaction.

Appendix A: Terms of the Notes

The Priority of Payments

On each Distribution Date, the issuer will be required to disburse all available funds in the Operating Accounts, based on information as of the tenth business day preceding the Distribution Date (Distribution Reference Date), including interest income and realised gains received from the Reserves Accounts and Reserves Custody Account and the proceeds of any Liquidity Facility drawdowns and investments by the sponsor, but excluding proceeds from the issuance of the notes, according to the following Priority of Payments:

1. Taxes and administrative expenses (up to a cap of $2.5 million per annum) of the issuer and AOCs
2. Payment of any amounts due and outstanding to the hedge counterparties, other than amounts payable under clause 18 below
3. Manager fees
4. Liquidity Facility commitment fees
5. Liquidity Facility interest expense
6. Liquidity Facility principal repayment
7. Class A-1 and A-2 notes interest expense (on a pro-rata and pari-passu basis)
8. Class B notes interest expense
9. To the Reserves Accounts for the amount of any losses realised on investments held in the Reserves Custody Account until such losses have been recouped
10. To the Reserves Accounts for the Unpaid Reserve Amount applicable to such Distribution Date
11. To the Reserves Accounts for the Reserve Amount applicable to such Distribution Date
12. Upon the full repayment of the Class A-1 and Class A-2 notes, 90% of cash flow remaining after clauses 1 through 11 to the principal repayment of the Class B notes
13. Upon full repayment of the Class B notes, 90% of cash flow remaining after clauses 1 through 12 to the principal repayment of the Class C notes
14. If LTV exceeds the applicable maximum LTV ratio, then 100% of cash flow remaining after clauses 1 through 13 to the Reserves Accounts (or, if the Reserves Accounts Caps have been met (regardless of whether the Class A notes have been redeemed), to the principal repayment of the Class B notes (or, if the Class B notes have been repaid in full, to the principal repayment of the Class C notes)) until the maximum LTV ratio is no longer exceeded
15. Funding of capital calls on the fund investments
16. 100% of cash flow remaining after clauses 1 through 15 to the Reserves Accounts until the balance of the Reserves Accounts and the Reserves Custody Account (after (i) adding the amount deposited into the Reserves Accounts from all payments pursuant to clauses 9, 10, 11 and 14 on such Distribution Date, (ii) deducting the amount equal to the Cumulative Class A-2 Target Reserve Amount applicable to such Distribution Date, and (iii) deducting the amount equal to 50% of the cumulative payments made to the Reserves Accounts pursuant to clause 14 from the issue date up to and including such Distribution Date (50% Deduction)) is at least equal to the principal amount of the Class A-1 notes
17. Administrative expenses in excess of the cap set forth in clause 1

18. Payment of any hedge unwind costs incurred in relation to the hedge agreements due to an event of default with respect to which the hedge counterparty is the defaulting party or a termination event with respect to which the hedge counterparty is the affected party (as such terms are defined in the hedge agreements)
19. Bonus Redemption Premium Reserve Amount to the Bonus Redemption Premium Reserves Accounts, until the cumulative balance in the Bonus Redemption Premium Reserves Accounts and the Bonus Redemption Premium Reserves Custody Account is equal to 0.30% of the Class A-1 notes principal amount, subject to the amount of any cash remaining for distribution after clauses 1 through 18
20. 100% of cash flow remaining after clauses 1 – 19 to sponsor, until sponsor achieves a 15% sponsor IRR
21. 5% of cash flow remaining after clause 20 to Class C notes as redemption premium
22. 95% of cash flow remaining after clause 20 to sponsor

For any taxes or administrative expenses of the issuer and AOCs, or payment of any amounts due and outstanding to the hedge counterparties per clause 2, due on any date that is not a Distribution Date, the issuer will have the right to use available cash in the Operating Accounts to fund such payments when due. The amount of funds withdrawn from the Operating Accounts under this clause for payment of taxes or administrative expenses will, on the next Distribution Date, be included in the calculation of payments made under clause 1 of the Priority of Payments (including in the determination of whether the $2.5 million per annum cap has been met). The issuer will also have the right to use available cash in the Operating Accounts to fund capital calls or interest or principal repayment under the Liquidity Facility if such amounts are due on any date that is not a Distribution Date.

Sponsor will have the discretion, at any time, to make additional investments in the issuer to fund amounts due under clause 17 or clause 18 of the Priority of Payments should remaining cash flow be insufficient to fund such amounts.

Further, the above Priority of Payments is subject to an additional layer of risk as the fund NAV's may not have been current at the transaction's closing date, heightened by the typical six to seven week delay in quarterly reporting of financials, a common characteristic of the private equity sector. As mentioned earlier, the audited statements as of December 31, 2015 were brought forward to March 31, 2016, adjusting for capital calls or distributions. These adjustments will be made going forward.

The Post-Default Priority of Payments

If an event of default has occurred and the notes have been accelerated (together, an "Enforcement Event"), all cash in the Collection Accounts will be swept to the Operating Accounts (via a daily cash flow sweep) and all available funds in the Operating Accounts, Reserves Accounts and Bonus Redemption Premium Reserves Accounts will be applied according to the following Post-Enforcement Priority of Payments:

1. Payment of amounts due under clause 1 of the Priority of Payments. With regard to amounts due for payments of administrative expenses under clause 1 of the Priority of Payments, only those amounts required for enforcement of the Security or the notes will be paid under this clause. The amounts paid under clause 1 will be paid without regard to any caps
2. Payment of any amounts due and outstanding to the hedge counterparties, other than amounts payable under clause 12 below
3. Payment of accrued and unpaid interest on the Liquidity Facility
4. Payment of the outstanding balance of the Liquidity Facility

5. Payment of accrued and unpaid interest on the Class A-1 and Class A-2 notes (on a pro-rata and pari passu basis)
6. Repayment of outstanding principal amount (and, if applicable, premium) of the Class A-1 and Class A-2 notes (on a pro-rata and pari passu basis)
7. Payment of accrued and unpaid interest on the Class B notes
8. Repayment of outstanding principal amount of the Class B notes
9. Repayment of outstanding principal amount (and, if applicable, premium) of the Class C notes
10. Payment of any unpaid administrative expenses not included in clause 1 above
11. Payment to fund relevant capital calls on the fund investments
12. Payment of any hedge unwind costs incurred in relation to the hedge agreements due to an event of default with respect to which the hedge counterparty is the defaulting party or a termination event with respect to which the hedge counterparty is the affected party (as such terms are defined in the hedge agreements)
13. 100% of cash flow remaining after clauses 1 – 12 to sponsor

Events of Default Under the Notes

At the notes' trustee's discretion, or if requested by the holders of 25% of the notes outstanding, certain events constitute an event of default of the notes, causing them to become immediately due and payable. These events include:

(i) issuer non-payment of principal, interest or premium under any Class of the notes within 10 business days after becoming due and payable

(ii) issuer non-payment of any debts with any creditor within 10 business days after becoming due, issuer insolvency or a moratorium in respect of any debts of the issuer

(iii) any corporate action, legal proceeding or other procedure or step taken in relation to the suspension of any debts of the issuer;

   a. a composition, compromise, assignment or arrangement with any creditor of the issuer generally; or the appointment of a liquidator, receiver, judicial manager, administrative receiver, administrator, compulsory manager or other similar officer in respect of the issuer or any of its assets,

(iv) any event defined as an event of default under the Liquidity Facility agreement occurs that is continuing.

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

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