Aurora Investment Trust – September 2024

Share Price: £2.50 Net Asset Value: £2.81 Discount: 11.0%

Market Cap: £191m

Data as of 30 September 2024

Holdings >3% on 30 September 2024	(%)
Frasers Group	19.4
Castelnau Group Ltd	16.4
Barratt Developments	13.2
Lloyds Banking Group	8.6
Ryanair	6.4
Bellway	4.5
RHI Magnesita	4.2
AO World	3.4
Others <3%	13.5
Cash & Cash Equivalents	10.4

In September, the NAV was down 1.0% for the month, versus the FTSE All Share (incl. dividends), which was down 1.3%.

There were no individual share price moves of note during the month.

This is a reminder that our annual Aurora Shareholder Event will take place next week, on Wednesday, October 9th, 2024, at the Queen Elizabeth II Centre in London. The event is open to both current and prospective Aurora shareholders. Gary Channon and the team will discuss performance and provide updates on the portfolio holdings. Should you wish to attend, please RSVP using the link provided here.

The following contains extracts from Gary Channon's Quarter end report to Phoenix investors...

Outlook

One of the challenges of reporting on performance over short periods is the disconnect between share prices and fundamentals over anything other than long periods. Sometimes an explanation seems obvious, but we try to resist the temptation to connect them because often the opposite is true. If we write that "the share price went up following good results", then we have to be willing to write that, "the share price went down after good results". We experience both, but the latter shows the futility of trying to make a causal connection. We know why this is, the market is not just a barometer of the here and now, it is trying to gauge the future, and so fluctuations are based on what current developments tell us about changing expectations of the future rather than a record of the present.

We overcome this noise by thinking in terms of intrinsic values and how they are impacted by unfolding realities. We report to you on intrinsic values using single numbers for a business, but as you will know from how we talk about individual stocks, that is an oversimplification of how we think, intrinsic values sit in a probabilistic range and we report on the central, highest probability point in that range. Sometimes developments change the shape and probabilities in that range and that reflects the experiences we have had this quarter.

The outcome of a general election, with a strong majority and sight of some of the actual policies to be implemented, removes uncertainties (impacting intrinsic value ranges and probabilities). Overall, they are favourable for the portfolio, especially with regards to the prospect for housebuilding volumes. It was a good quarter fundamentally for housebuilding. Inflation continued to moderate and interest rates started to decline. Anticipation of more of this has lowered mortgage rates and increased demand for mortgages and house buying and so volumes and prices have started to rise. The shock to the housing market that saw interest rates rise quite sharply in the UK from 0.1% to 5.25% (Dec 2021 to July 2023) has now started to unwind.

None of this has changed our central expectations of what will happen, but it has removed downside risks. If the Government succeeds in raising new housebuilding output, then it will increase the upside. Allowing some probability for that happening is appropriate, although we don't think they will be able to get anywhere near their target of 1.5 million new homes in the parliamentary term of 5 years.

The overall market had a wobble in August, which it soon reversed. It was led by the technology businesses in the US which dominate that market but dragged everything down with it. Valuations in that area are hard for us to opine on in general but it does include a business we own, which is the least attractively priced holding in the portfolio, and that is Netflix, having more than trebled since we bought it in 2022. We have subsequently reduced the holding because we think we will be able to deploy that capital for a higher risk adjusted return either in another market setback or in the ordinary course of business.

Subsequently, we did get an opportunity to deploy some capital in September in a new investment. The business we have invested in has been formally in our candidate universe (what we call PICU) since September 2016. That was eight years ago, and it only entered PICU after we had worked on the stock and the sector (which is new for us) for a couple of years. The price at which we have invested at is one third of where it traded then, and the lowest in the time we have been watching and working on it.

For those of you who haven't heard us talk about how we disclose holdings, we don't show them until they are more than 3% of the portfolio. It is to protect us from a liquidity perspective, if by drawing attention to a stock we cause others to take an interest and signal to sellers that there is a buyer, then we might not complete our order, or we might pay a higher price to do so. The other reason is that you pay us to manage your money and if we disclosed everything we did when we did it then it would be easy for others to replicate our strategy without paying any of the cost for the considerable work that goes into it.

When it takes eight years to translate an approved candidate for investment into an actual holding, and that occurs at a time not of our choosing, and when price fluctuations don't really relate to the fundamentals we use to make investment judgements, then it is hard to show how what we do every day relates to the investment performance at the time. The main engine of wealth creation with our approach to investing is the underlying performance of the businesses themselves, not turnover in the portfolio, and we are happy in that regard with our holdings. We also continue to add and build a pool of potential future investments so that we are prepared in case an opportunity to act comes along. The best measure of the store of value is in the intrinsic value, which now sits 120% above NAV.

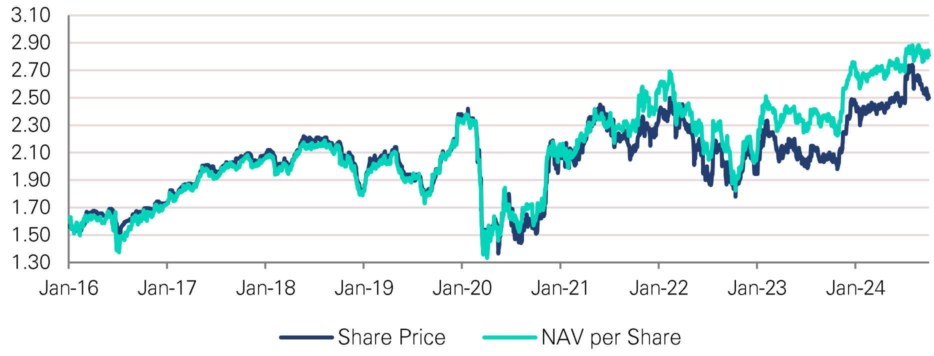
There is always much to be concerned about as a member of civilization and right now developments in the Middle East are to the fore. We invest in a way and build a portfolio that will deliver whatever happens, because it doesn't rely upon macro and global factors. Provided that human behaviour and motivation remains similar in the future to how it has always been, then our businesses should collectively prosper. That's not to say there won't be fluctuations, but you know how we feel about those; they usually create more opportunity to add future value than they damage in current value, but only for those with prepared knowledge, an ability and willingness to act in a crisis and investors who support that approach.

Aurora Track Record

Performance	NAV Return %	Share Price Total Return** %	FTSE All-Share Total Return Index %**	Relative NAV to ASX %
2024 (to 30 September)	4.1	2.6	9.9	-5.8
2023	33.2	28.8	7.9	25.3
2022	-17.4	-16.3	0.3	-17.7
2021	19.1	13.5	18.3	0.8
2020	-5.5	-10.0	-9.7	4.2
2019	29.7	31.9	19.1	10.6
Cumulative*	92.9	79.9	80.8	12.1

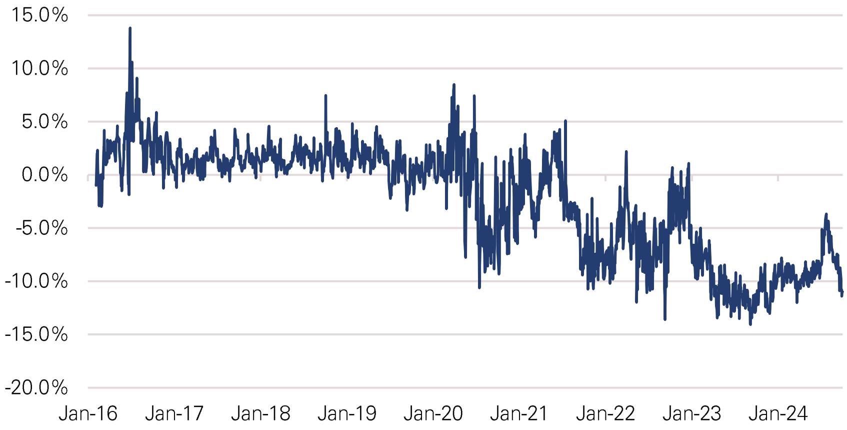
* Since 1 January 2016
**Share price return with dividends reinvested; FTSE All Share Total Return Index with dividends reinvested.
Past performance is not a reliable indicator of future performance.

Aurora Share Price & NAV per Share – 30 September 2024



Past performance is not a reliable indicator of future performance.

Aurora Premium / (Discount) – 30 September 2024



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Aurora shares are eligible to be invested in an ISA or SIPP. Neither the Aurora Investment Trust nor Phoenix Asset Management Partners run such a scheme. You should consult a financial adviser regarding a suitable self-select ISA or SIPP provider.

Investment Objective

We seek to achieve long-term returns by investing in UK-listed equities using a value-based philosophy inspired by the teachings of Warren Buffett, Charlie Munger, Benjamin Graham and Phillip Fisher. Our approach, combined with thorough research, invests in high quality businesses run by honest and competent management purchased at prices that, even with low expectations, will deliver excellent returns.

Target Market

The Aurora Investment Trust is a long-term investment vehicle, appropriate for those making investments with at least a three year time horizon. It is aimed at investors looking for a manager with a business and value orientated approach, achieved through investments in predominantly UK companies demonstrating a high return on capital and control over their profitability through the strength of their business franchise. Aurora's portfolio is typically concentrated in a small number of deeply researched stocks, which can result in above average volatility. An investment in Aurora may be best suited to investors with at least an underlying knowledge of equity investments. The Trust is measured against a benchmark but does not follow the benchmark in its portfolio construction. It is intended for investors looking for capital appreciation rather than income, and while it does distribute a dividend, this is not the strategic aim of its investment approach.

Contact

Phoenix Asset Management Partners Ltd
64 – 66 Glentham Road London SW13 9JJ
Tel: +44 (0) 208 600 0100

Fund Manager since 28 January 2016

Portfolio Manager: Gary Channon
Listing: London Stock Exchange
Inception Date: 13 March 1997
ISIN: GB0000633262
Bloomberg: ARR

Fees

Management: None
Performance: One third of returns in excess of the market

Regulatory Notice:

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