Aurora Investment Trust – March 2018

Share Price: £1.99 **Net Asset Value: £1.98** **Premium: 0.5%**

Data as at 31 March 2018

Equities >3% at 31 March 2018	(%)
Lloyds Banking Group	10.7
Tesco	10.3
GlaxoSmithKline	9.0
Sports Direct	8.7
Randall & Quilter	7.7
Vesuvius	6.2
Bellway	6.1
Morrisons	4.8
Hornby	4.4
Redrow	4.1
easyJet	3.7
JD Wetherspoon	3.4
Others <3% (3)	7.0
Cash Position	13.9

Trust Performance

The appointment of Phoenix Asset Management Partners ("PAMP") as Aurora's investment manager came into effect in January 2016.

The NAV was down 0.5% and the market was down 1.8%.

Regular readers of these factsheets will know that each quarter, Gary Channon, CIO of Phoenix, writes a report to all investors in the Phoenix UK Fund, which has the same investment strategy as Aurora. The following is taken from the latest Q1 report, published this week.

The UK was the worst performing major stock market in the world in the first quarter of 2018. According to the latest Bank of America Merrill Lynch (BAML) Survey of Fund Managers the UK is not only the most out of favour market, currently it is more disliked and "under weighted" (by fund managers) than at any point in the history of the survey, which has been running since 1999.

The reasons are well understood and often articulated, i.e. fund managers fear Brexit, political uncertainty and the London market lacks much of a weighting in technology businesses (which have performed better, globally, over the period). But does it make sense to neglect ("underweight") a market because of a poor outlook? We think not, because investment returns are driven by the difference between what you pay and what you get, in other words by the cheapness of the purchase price. You will do better buying £1 for 50p than you do buying £2 for £1.50.

The prices of markets, like those for horse racing, already reflect the consensus outlook. Fast horses and good jockeys get short odds in the same way that strong economies, good companies and strong managements sell at higher prices. So, if investment returns are driven by the cheapness of the purchase price then the question is where are you more likely to find undervaluation; in our opinion, that is in markets that are out of favour.

The historic record of the BAML Fund Manager Survey shows that fund managers tend to favour asset classes and markets with good prospects, and they have a poor record of making allocations when markets and asset classes are cheap. This is almost an inevitable outcome, as it is this collective action of fund managers that is largely responsible for these moves. "Cheap" and "popular" are unlikely bedfellows.

There are many reasons for the clouded outlook in the UK and so many investors, especially professionals, have deserted it and for that reason we are very excited by the investment opportunities *that this throws up for us. The late great value investor, Peter Cundill, made a virtue of this. He would make one big trip a year to the country with the worst performing stock market in search of bargains.*

Therefore, after 5 quarters without a new investment, we have purchased 5% of **Dignity** *in this quarter. We will not write about in this report as it hasn't yet passed our 3% threshold, above which we explain the basis for the investment. We are willing to name it because the holding is in the public domain (we had to make a regulatory disclosure due to the size of the investment) and we discussed it at the Annual Phoenix Meeting on March 8th.*

The most significant investment this quarter has been a reduction in our holding of ***housebuilders*** *from c.18% of the portfolio to c.10%, which includes selling all of our remaining* **Barratt Developments***. This move was the result of an internal process at Phoenix whereby we subject all our investments to a test of repurchase at least once every three years. Essentially, the weight reduction reflects the findings of that process, that although housebuilders are good value and likely to deliver attractive long-term returns, we must recognise that the current conditions could not be more favourable in every regard and so it is reasonable to expect that the most likely future path is for a deterioration in some of these positives. With that in mind, we decided that our overall exposure was too high and we have reduced it. The net effect of these sales and the purchase of Dignity leaves our cash position at 13.9%.*

That we have a cash position at all is an indicator that the UK market is not obviously cheap in absolute terms, even if it may be cheap relative to other markets and asset classes. If it were genuinely in overall bargain territory, then we have enough candidates in our universe (stocks that have been through our process, where we like the business but not the price) to be fully invested. The opportunities we are currently tending to find is in companies with problems specific to them, like Dignity, whose share price has fallen over 60% in 6 months. We continue to look for new candidates and wait for the opportunity to invest; we have waited 14 years for the chance to buy Dignity at an attractive price!!!

In summary, the portfolio is attractively priced in an unpopular market, in a country with an uncertain political outlook. That means we expect to have the opportunity to do some great things from an investing perspective.

Aurora Track Record

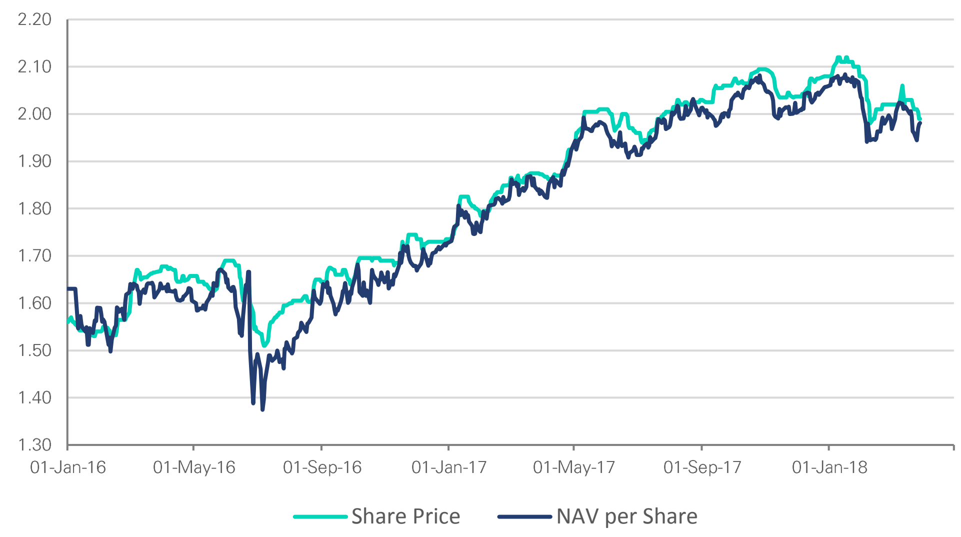
Performance	NAV Return %	Share Price Return % **	All-Share Index % **	Relative NAV to ASX %
2018 (31 March)	-3.8	-4.3	-6.9	3.1
2017	20.4*	21.2*	13.1	6.5
2016	6.6*	12.0	16.8	-5.2
2015	-2.3	4.3	0.9	-3.2
2014	-11.3	-10.6	1.2	-12.5
2013	3.6	14.2	20.8	-17.2

*Following an internal review these figures were amended in June 2018.
** Share price return with dividends reinvested; All Share Index returns with dividends reinvested.

Trust Performance

The appointment of Phoenix Asset Management Partners ("PAMP") as Aurora's investment manager came into effect in January 2016.

Aurora Share Price & NAV per Share – 31 March 2018



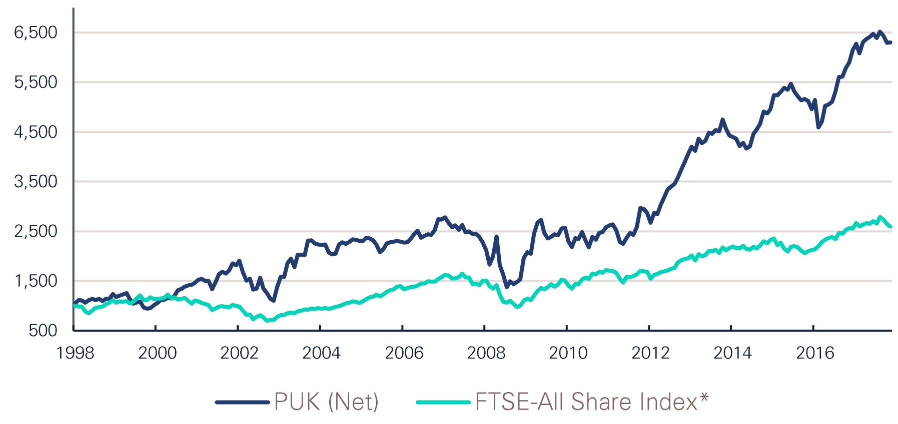
Aurora shares are eligible to be invested in an ISA. Neither the Aurora Investment Trust nor Phoenix Asset Management Partners run such a scheme. You should consult a financial adviser regarding a suitable self-select ISA provider.

Phoenix UK Fund Track Record

Fund Performance (%)	Gross Return	Net Return	FTSE All-Share Index*	Relative NAV to ASX
Cumulative Since Inception*	938.0	526.6	169.2	357.4
Since Inception Annualised*	12.5	9.7	5.1	4.6

*Since May 1998

Phoenix UK Fund Value of £1,000 invested at launch to 31 Mar 2018



* Data from 30 April 1998, All-Share Index Returns with dividends reinvested

The investment strategy of the Aurora Investment Trust is the same as that of the Phoenix UK Fund.

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.

Contact

Phoenix Asset Management Partners Ltd
64 – 66 Glentham Road London SW13 9JJ
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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:

Aurora Investment Trust Plc ("the Trust") is a UK investment trust listed on the London Stock Exchange. Past performance is no guarantee of future performance. The value of investments and any income from them may go down as well as up and investors may not get back the amount invested. There can be no assurance that the Company's investment objective will be achieved and investment results may vary substantially over time. This document is for information purposes only and does not constitute an offer or invitation to purchase shares in the Trust. Shares in an investment trust are traded on a stock market and the share price will fluctuate in accordance with supply and demand and may not reflect the underlying net asset value of the shares. This document is issued and approved by Phoenix Asset Management Partners Limited which is authorised and regulated by the Financial Conduct Authority.