Aurora Investment Trust – July 2019

Share Price: £1.91 Net Asset Value: £1.85 Premium: 3.2%

Market Cap: £123m

Data as at 31 July 2019

Holdings >3% at 31 July 2019	(%)
easyJet	11.1
Sports Direct	8.9
Randall & Quilter	8.4
Bellway	8.1
Dignity	7.4
Lloyds Banking Group	7.2
Tesco	7.0
GlaxoSmithKline	6.8
Phoenix SG Ltd (Stanley Gibbons)	6.0
Redrow	5.1
Vesuvius	4.7
Hornby	4.5
JD Wetherspoon	3.5
Others <3% (4)	7.7
Cash Position	3.5

The NAV was down 3.1% with the FTSE All Share (incl. dividends) up 2.0% for the month.

July was a difficult month from a performance perspective with the NAV underperforming the FTSE All Share Index by over 5%. From an activity perspective, it was a quiet month with the last major portfolio change of note being the increase in the easyJet holding during June.

The main contributors to the negative performance were Sports Direct and Dignity, which fell by 18% & 17% respectively. In a note to Phoenix investors published 5th August, Gary Channon, Phoenix CIO, outlined some observations on both companies. It is reproduced below.

On a positive note, the housebuilding holdings were strong during the month, along with JD Wetherspoon and GlaxoSmithKline.

Note from Gary Channon

***Sports Direct** has been in the news a lot lately. Firstly, they delayed the announcement of their results saying they weren't ready. When they were ready, there was a further delay on the day because of the apparently unexpected receipt of a large tax demand from the Belgian tax authorities the day before. Slightly lost in all the headlines was that the financial results were very resilient, outperforming most UK retailers and although House of Fraser was loss making, it wasn't any worse than expected.*

When we are considering our investments, and this is especially the case with Sports Direct, we need to distinguish between information that matters, i.e. that tells us something significant, and that which doesn't. Despite all the hullabaloo about these goings on, in our opinion most of it tells us very little that matters. We've found nothing that goes to integrity or even corporate governance. This isn't intended as a rebuttal piece, it would be too long if we went through every twist and turn and our evidence, deductions and interpretations, I just want to say that from our perspective, as investors who have followed Sports Direct very closely for a decade, that we have found nothing that isn't consistent with either their explanation of it, or their way of operating. In the manner of Occam's Razor, the simplest explanation is usually the correct one, so we believe the results were late because the Sports Direct audit is incredibly complicated this year due to all of the acquisitions, and that Grant Thornton, who are under enormous pressure to improve their audits, were unable to meet the deadline despite putting three times as many staff on the audit as last year. The actual results day was impacted by the receipt of a demand from the Belgian authorities the day before. That's it, these facts are not systematic of some wider malaise or failing.

We have watched entrepreneurs like Ken Morrison say, push their organisations hard when there is a big opportunity. In his case buying Safeway. They focus on what matters, on seizing the opportunity, on creating the most future value and they don't pay much attention to the short-term optics or the desire to have everything looking smooth and under control. When you do this in the public domain as a listed company you suffer bad headlines and a volatile share price. For the investor who separates out what matters and is able to judge value, then these times often present opportunities.

We were buyers of Morrisons at that time when they told the City they couldn't produce figures and we were recent buyers of Sports Direct when they initially plunged on the latest news. These situations do look ugly and they don't help with the short-term perception of Phoenix, but we believe that in reality it is an opportunity, and that in time that will be borne out and our investors will prosper as a result. The shareholders of Debenhams, judged by the feedback given on corporate governance and how they voted at AGMs, were happy with the stewardship of the company and yet that board wiped out the shareholders and handed it to the buyers of its debt, even when there was an offer to underwrite a rights issue to rescue some value for shareholders. Somehow, Mike Ashley is the villain in that saga, and he is the one in need of better corporate governance despite his stewardship of Sports Direct, which has seen it generate strong profits in the business its shareholders own.

The key point I would like to make about Sports Direct is that our estimation of its value has not changed negatively in the past few months. We are always happy to acknowledge when that does happen, and it happens a lot, but not here and neither is the case with Dignity *where it is harder for us to comment now that we have a team member on the board. However, our view of the long-term value of Dignity if it pursues the sort of strategy that we think makes sense has not changed. The recent results showed the real effect of the recent price changes, which were somewhat masked last year by a cold snap that pushed up the death rate. This year shows a reversion (people can't die twice) and that Dignity is still in transition to the right strategy in a more price transparent world.*

We will support and encourage Dignity to pursue the right strategy which, we believe is one of price and service leadership which makes the most of the economies of scale.

So, although some of our key holdings have suffered price declines and poor headlines I wanted to write because I do not feel we have suffered any changes in intrinsic value. I remain very excited about the upside in the portfolio and therefore expect it to show high returns in the long-term.

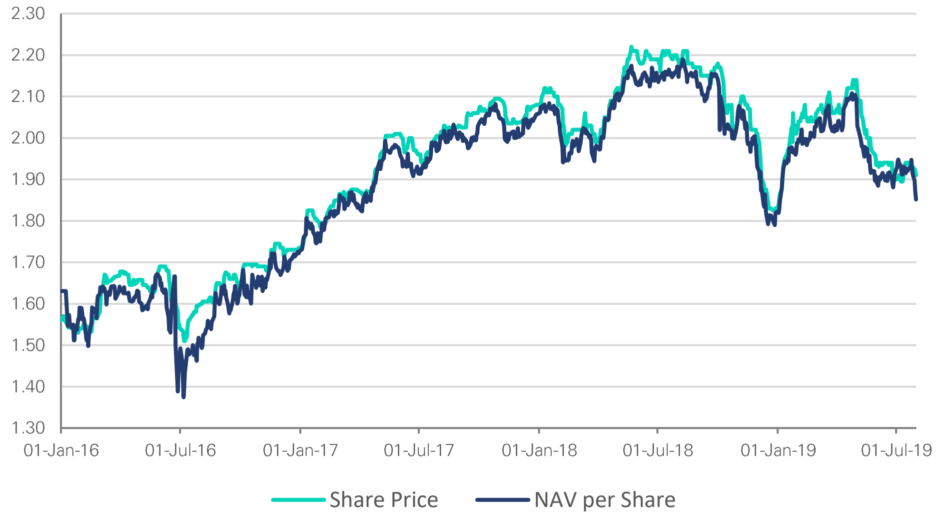
The appointment of Phoenix Asset Management Partners ("PAMP") as Aurora's investment manager came into effect in January 2016.

Aurora Track Record

Performance	NAV Return %	Share Price Total Return** %	All-Share Index %**	Relative NAV to ASX %
2019 (to 31 July)	3.7	6.4	15.2	-11.5
2018	-10.3	-10.9	-9.5	-0.9
2017	20.4	21.2	13.1	7.3
2016	6.6	12.0	16.8	-10.1
Cumulative*	19.4	28.5	37.7	-18.3
2015	-2.3	4.3	0.9	-3.2
2014	-11.3	-10.6	1.2	-12.5

* Since 1 January 2016
**Share price return with dividends reinvested; All Share Index returns with dividends reinvested.

Aurora Share Price & NAV per Share – 31 July 2019



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

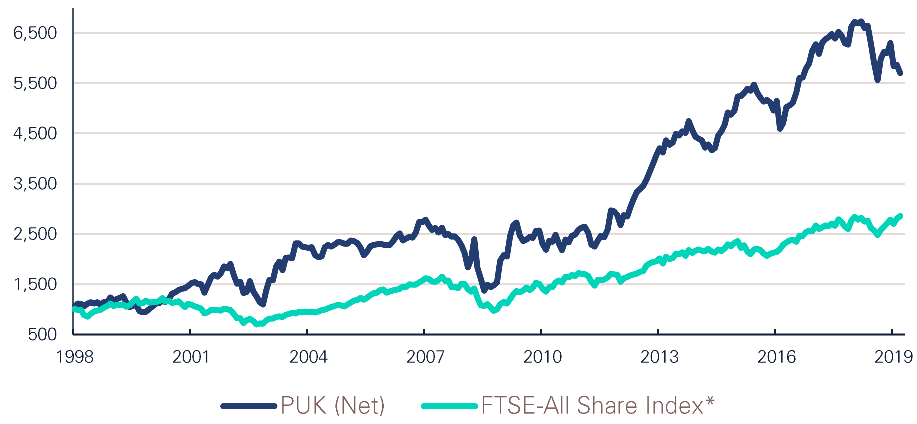
Fund Performance (%)	Gross Return	Net Return	FTSE All-Share Index*	Relative NAV to ASX
Cumulative Since Inception**	860.1	470.2	201.2	269.0
Since Inception Annualised**	11.2	8.5	5.3	3.2

* All-Share Index Returns with dividends reinvested

**From May 1998 to 31 July 2019

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

Phoenix UK Fund
Value of £1,000 invested at launch to 31 July 2019



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

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

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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: