Aurora Investment Trust plc

Half Yearly Financial Report

For the six months ended 30 June 2020

Aurora
INVESTMENT TRUST

CONTENTS

FINANCIAL AND PERFORMANCE HIGHLIGHTS

Performance

	At 30 June 2020 (unaudited)	At 30 June 2019 (unaudited)	At 31 December 2019 (audited)
Net Asset Value ('NAV') per Ordinary Share	161.61p	191.03p	232.07p
Ordinary Share price	168.00p	190.00p	237.00p
Premium/(discount)[1]	3.95%	(0.54)%	2.12%
FTSE All-Share Index ('Benchmark')	6,465.24	7,430.61	7,837.96
Gearing (net)	Nil	Nil	Nil

The total returns in sterling for the period were as follows:

	Six months to 30 June 2020 (unaudited) %	Six months to 30 June 2019 (unaudited) %	Year to 31 December 2019 (audited) %
NAV total return per Ordinary Share[1,2]	(28.27)	6.89	29.90
Ordinary Share price total returns[1,2]	(26.97)	5.79	32.00
FTSE All-Share Index ('Benchmark')	(17.43)	12.97	19.10

[1] Definitions of these Alternative Performance Measure ("APMs") together with how these have been calculated can be found on pages 26 to 27.
[2] Including dividend reinvested.

Source: Bloomberg.

OBJECTIVE AND INVESTMENT POLICY

Investment Objective

To provide Shareholders with long-term returns through capital and income growth by investing predominantly in a portfolio of UK listed companies.

Investment Policy

The Company seeks to achieve its investment objective by investing predominantly in a portfolio of UK listed companies. The Company may from time to time also invest in companies listed outside the UK and unlisted securities. The investment policy is subject to the following restrictions, all of which are at the time of investment:

- The maximum permitted investment in companies listed outside the UK at cost price is 20% of the Company's gross assets.
- The maximum permitted investment in unlisted securities at cost price is 10% of the Company's gross assets.
- There are no pre-defined maximum or minimum sector exposure levels but these sector exposures are reported to and monitored by, the Board in order to ensure that adequate diversification is achieved.
- The Company's policy is not to invest more than 15% of its gross assets in any one underlying issuer.
- The Company may from time to time invest in other UK listed investment companies, but the Company will not invest more than 10% in aggregate of the gross assets of the Company in other listed closed-ended investment funds.
- The Company will not invest in any other fund managed by the Investment Manager.

While there is a comparable index for the purposes of measuring performance over relevant performance periods, no attention is paid to the composition of this index when constructing the portfolio and the composition of the portfolio is likely to vary substantially from that of the index. The portfolio will be relatively concentrated. The exact number of individual holdings will vary over time but typically the portfolio will consist of holdings in 15 to 20 companies. The Company may use derivatives and similar instruments for the purpose of capital preservation.

The Company does not currently intend to use gearing. However, if the Board did decide to utilise gearing the aggregate borrowings of the Company would be restricted to 30% of the aggregate of the paid up nominal capital plus the capital and revenue reserves.

Any material change to the investment policy of the Company will only be made with the approval of Shareholders at a general meeting. In the event of a breach of the Company's investment policy, the Directors will announce, through a Regulatory Information Service the actions which will be taken to rectify the breach.

INVESTMENT MANAGER'S REVIEW

Performance

The NAV total return fell during the half year by 28.3% and the share price total return by 27.0%. At the end of June, the shares were trading at a 3.9% premium to NAV. The FTSE All-Share Index fell by 17.4% over the same period.

As at the end of August, performance has improved, with the NAV falling on the year 23.6% versus the FTSE All-Share falling 18.5%. The share price meanwhile has fallen 28.5% having recently moved to a discount to NAV.

The half year was split into two phases. The first saw significant decreases in the early part of the year as the implications of COVID-19 became clear. By early April, the NAV had fallen approximately 42% at its worst point. Since then, while conditions have continued to be volatile, the performance has recovered to its present levels.

There were price falls across the whole portfolio during the period. The holdings most impacted were **Lloyds**, **easyJet** and **Dignity** with decreases over 50% and the **housebuilders**, **JD Wetherspoons**, **Frasers Group** and **Stanley Gibbons**, all fallers by over 30%. More resilient performers included **Glaxo** and **Randall and Quilter**, which fell by less than 10%.

Following the half year end, the most significant movement in the portfolio has been a very strong recovery in the share price of **Dignity**. The holding has rallied well over 100% as the Competition and Markets Authority ("CMA") published its provisional decision report into the funeral market. There were concerns that the CMA may impose price controls, but due to disruption as a result of COVID, the CMA has decided it will monitor the price transparency of the industry. However, the CMA has retained the option to revisit the issue of pricing in a supplementary market investigation if the industry does not address its price transparency concerns.

Again, following the half year end, the Government re-imposed quarantine measures on firstly Spain followed by France. While not helpful to our **low-cost airline** holdings, we believe the long-term impact to intrinsic value will not be material and our overall investment premise for the sector still holds true. Travel will gradually recover, and we believe these holdings are well placed to emerge stronger from a relative competitive position perspective, as the flag carriers and charter airlines struggle with additional debt and higher cost bases.

Finally, on a more positive note, our **housebuilding** holdings have reported largely robust trading conditions as they have benefitted from strong sales' rates since re-opening post COVID and **Frasers Group** reported good numbers in the context of the difficult trading conditions they have experienced.

Since Phoenix was appointed Investment Manager in January 2016, the NAV has risen 12% versus the market, which is up 23%. Net assets were £125 million at 30 June 2020 (30 June 2019: £123 million). £12.3 million of new equity was issued in the half year, as investors responded to the valuation message which we communicated to highlight the attractive upside to intrinsic value. The Company also received a boost when it was included in the FTSE All-Share Index in June.

Since the half year end the share price has fallen to a discount which we along with the Board are monitoring carefully. We have previously communicated to shareholders

that Phoenix manages other fund vehicles which have the same portfolio as Aurora and if Aurora's shares traded at a persistent discount it may make sense for those vehicles to buy the Trust. In recent weeks Aurora's shares have traded at discount levels which makes it appropriate for Phoenix to purchase the Trust for one of our other funds and we have done so. Shareholders in Aurora should be aware that the ability of Phoenix to buy is not a formal discount management policy, as we owe a fiduciary duty to investors in all our funds to ensure any investment is in their own interest.

The payment of a dividend by a portfolio company is not a core component of the Phoenix investment approach. A company is judged on its overall approach to capital allocation and if it makes more sense to reinvest profits or buy back shares, we would be happy that it does so. Accordingly, Aurora's investment policy does not include any fixed dividend policy. Several of our portfolio companies have suspended or cut their dividends during 2020 as a result of Covid-19, so this may lead to the Trust declaring a lower annual dividend for this year compared to previous years.

Portfolio Review

The first six months have seen significant activity, but this has consisted mainly of intensive work analysing the financial strength of the companies in the portfolio to ensure they had the financial resource to survive lockdown and the period of subsequent recovery owing to COVID -19. In terms of trading activity, the most notable change was the addition, in cost price weight terms of 6.8% in **Barratt Developments**. There were also smaller increases in **Ryanair**, **easyJet** and **Hornby PLC**.

Excerpts from the Phoenix 1st and 2nd Quarter Reports

In his 1st quarter review published on 2 April 2020 Gary Channon, Phoenix CIO and Founder, outlined how we approached the emergence of COVID-19 and the work that was done to stress test the companies in the portfolio in relation to virus. He also outlined the rationale for the addition in **Barratt Developments**:

Excerpt from Phoenix 1st Quarter Report

The view from the depths of the valley is always dark, by their very nature you end up in financial valleys because something bad has happened, prices crash because of bad news and you remain in the valley because the air is thick with gloom and so it is now. The crisis came on very quickly and the impact on share prices was very rapid.

Sharp falls are inevitable because some rush to sell at a time when buyers are thin on the ground and therefore the clearing price for willing buyers and sellers is substantially lower and therein lies the ingredients for an overreaction.

Financial valleys can be depressing places, thick with cortisol and often participants just want to leave. The gloom leads people to make poor decisions. In reality, valleys are where the gold is buried and those with a level head, the correct perspective and a long-term horizon can do wonderful things.

Our strategy for these types of conditions is first to survive and then to thrive. We came into the crisis having assessed that all our businesses would survive the coming lockdowns and that on the other side their competitive positions would either be maintained or strengthened. Now we are in the heart of the lockdowns and have a better idea of government responses, all those assessments still hold true. That is

not to say that there isn't a loss of value for businesses who have had to shut down their operations, there is, and those losses will mainly be borne by shareholders. That damage took circa 15% off the pre downturn intrinsic value of the portfolio.

Having passed the survival test we now set about sowing the seeds to thrive. We have been deploying cash to invest at around 1/3 of intrinsic value, in other words, with 200% of upside. Those IVs reflect the impact of COVID-19 and our expectations for the recession that will follow.

You might reasonably ask how we can incorporate into our valuations the unwinding of a crisis for which there is no real precedent. Here is our framework, we split every assessment into these two components:

a) what is the value of this business when society returns to normal?

b) what is the value or cost of the period during the lockdowns and gradual unwind and then the final assumption we need is when do we go from a.) to b.)?

Part a.) is the easy bit because we assume that by and large the underlying motivations that drive human behaviours won't change. It's true in most crises there is much talk of how different society will be in the future but that rarely persists for long and people go back to wanting a job, love, family, homes, nice clothing, holidays, etc. We expect the same to be true when this is well and truly behind us. At a government level we do expect there to be post crisis changes so that we don't get a repeat. Just as the financial crisis ended up in measures that have made the banking system so much safer, so we expect the same for pandemic early detection and preparation. Governments will never want to be caught out like this again.

Part b.) involves estimating the epidemic curve and then the likely unwind strategy which is particularly tricky. Coming into the European part of this crisis we had case studies of past epidemic models and lockdown strategies, but they were all for Asian countries with different governance regimes. We applied those models to European countries and expected that it would take 2 weeks from full lockdown to peak new cases.

It's one thing to pass the peak, it's quite another to want to risk lifting restrictions. We have models in Korea and Singapore of how societies can stay open and cope with the virus. Ultimately, the solution is likely to be medical, but that looks some time off. We deal with all of that uncertainty by flexing the model.

Let's use an extreme example to illustrate the point. The part a) value of ***Barratt Developments*** *is, we think, around £12 a share normally, but let's assume it's a depressed market of lower prices and volumes and cut that to £10. Until they reach the point when things get back to normal, they have virtually no staff, houses are built by contractors. But let's assume they burn through £100 million a year waiting and let's assume an extreme of 18 months. We don't know the current status of all the current completions, so let's take a pessimistic view of that, we still estimate they have cash resources of £500 million, so they can comfortably sit it out.*

In the market today you pay £4 for that business. £4billion for that cash and that future value of circa £10 billion whenever that comes. The only assumptions you need to make are that one day the lockdowns will be over, and that people will still wish to reside in houses either owned or rented. We like those odds and so we have been

buying **Barratt**. *Inverting the equation, we cannot come up with the scenario where £4 is the right price, it's an enormous margin of safety.*

This is the way we are approaching all our assessments. We are making investments that are in the first instance safe and that offer very substantial future returns. We expect to come out of this crisis with more value than we went in it with, thereby setting ourselves up for the next upswing when those values start to be reflected in the market.

We don't enjoy reporting poor numbers, it's always incredibly painful. What makes it worse is the mistakes we make on the way down. In 2008 we were early, and we invested in HBOS, this time we decided not to deploy a virus hedge or lighten up on our airlines, both turned out to be mistakes. We accept making mistakes is an inevitable consequence of trying to do what we do, but it never stops them hurting and we apologise for them. That said, for all the errors we make in downturns we do on balance make more good judgements that more than compensate. We have never had a drawdown that we haven't come out of in a stronger position in which we went in, and where we haven't added considerable future value. That is our focus now. Maximising the opportunity, first deploying the cash we still have and after that switching within the portfolio to create the most future value. As always, we never know when prices will start rising to reflect that value, but we have every confidence that at some point they will. The irony as always is that we look dumb when we are doing our best work and we look smart later when we aren't doing anything.

In his 2nd Quarter report published on 2 July 2020, Gary Channon focused on the effects of lockdown and outlined some thoughts on the prospects for companies in the portfolio:

Excerpt from Phoenix 2nd Quarter Report

COVID-19

Lockdown hits incomes for those whose jobs that cannot be done at home and those who work for companies whose business is impacted by the lockdown. The government has made enormous efforts to try to hold up those incomes through furlough schemes, self-employed support, and general income support. They haven't filled all the gaps, pay above the furlough level that companies haven't matched, and salaries lost above the support level are gone. The estimated loss of income during lockdown so far is circa £50 billion (about 18% of what would be earned in a quarter). So even if households spent all their income there would be a £50 billion drop in consumption, but actually they didn't spend at the same rate. Even allowing for those that had to draw on savings the net increase in savings during lockdown has been circa £50 billion, this a combination of the loss of activities that money would be spent on normally (like driving) and caution about future prospects. Combined, that is £100 billion of lost consumption which will have come out of corporate profits. That £50 billion of net savings may be available for future consumption but the lost income is not. £100 billion is 4.5% of annual GDP, but when judged over one quarter it is 18%.

When we look at the business sector, we can see the government has done a lot to support the solvency of businesses some of which helps with profits like the furlough

scheme, rate relief and self-employed support. We estimate the amount spent so far to be £50 billion to £60 billion. The rest of the support is some form of a loan, whether it is tax payment delays, or government guarantees for loans. It keeps businesses from going bust, but it doesn't help with profitability. So, company profits have taken something like a £40 billion to £50 billion net hit already (£100 billion less £50 billion to £60 billion), that is a 50% hit for a quarter. Companies have survived by borrowing and not paying the other two buckets in this way of measuring GDP, i.e. rent and interest, but that doesn't stop them being owed. The losses that companies suffer fall to shareholders. Some companies can draw on their prior reserves of capital and many have come back to shareholders for more equity. £14billion so far in the UK. We have been dealing with capital requests on a daily basis, there will most likely be many more to come to fill that hole.

When considered at a top down level this all looks manageable. Households have lost £50 billion of income so far versus total net wealth of say over £12 trillion, and households with the lowest incomes and no savings have had their income fully supported. At an individual level there will be some that are very badly impacted. For the corporate sector not only is aggregate damage very bad, but the distortions mean the damage has fallen disproportionately on those businesses who could not switch to an online model or stay open. Some of those sectors were already going through difficult times, like retail, hospitality and travel, and so the lockdown has pushed businesses over the edge or is leaving them crippled with excessive levels of debt. It has accelerated trends already underway, exposed underlying frailties and triggered a cathartic purge.

Slowdown and temporary interruptions can be recovered from, but when whole businesses fail or downsize then there is a permanent loss of economic activity. The recovery from there needs those voids to be filled by growth of the survivors and new entrants, which will create employment for those that lost their jobs. This process takes longer, but there is no reason to believe it will not happen again this time as it has every other downturn.

Lasting Impact of COVID

When trying to predict future human behaviour the best starting point is to extrapolate from the past (plus ça change, plus c'est la même chose) and then, like water running down a hillside, know that if a quicker path is opened up the water will flow down that channel and so if easier or safer ways of living are discovered, humans adopt them. The lockdown will accelerate some of these and reveal new ones. Online retailing is often far more efficient than going to a shop and that trend is likely to have had a permanent acceleration. Many will have discovered that working from home is at times more effective than at work and employers have had a demonstration of the benefits and drawbacks, again that trend is likely to have had a permanent jump.

The shift to online retail has accelerated the process of resetting rents to levels justified by the realities of the shift to online. Because of the rigidity of commercial leases (upward only rent changes) and the rates system it is happening through the bankrupting of landlords. Simon Wolfson, whose prophetic piece in the Next report that we recommended in the quarter one 2019 Quarterly Report, showed that rents need at least to halve. COVID is likely to accelerate that and we believe the government is

about to allow retail stores to be converted to residential, which will really accelerate the switch. Anyone who visited Phoenix 10 years ago would have found us in the only road full of commercial premises in Barnes outside of the High Street. If you come now you will see three quarters of the street has been converted to residential following that short period when conversion was permitted. If the government allows it then much retail space will end up as something else. We don't think it will be the end of the shop or the high street because there are still some things that the online experience cannot replace, and which consumers enjoy. (Even during lockdown, when the initial rush had passed and there were online alternatives, many could be seen queuing outside food shops).

The Portfolio

We went into the downturn with a view that we had strong businesses with robust balance sheets that could withstand major interruptions to their operations. So far, everything that has happened has supported those assessments. Some of them have raised capital, ***R&Q*** *for opportunistic reasons,* ***JD Wetherspoons*** *out of caution and* ***easyJet*** *to repair a balance sheet for the losses to equity from the lockdown. None of them had to and so none were done at distressed levels and we didn't participate in any. Stronger balance sheets protect us from worst case scenarios at the cost of diluting some of the upside.*

We also believe we have a portfolio of companies with competitive advantages and so as they emerge from lockdown, we see many opportunities to grow share. The above effects in retail mean that ***Frasers Group*** *returns from lockdown to less competition, lower rents, and eventually lower rates. The downturn has also given them opportunities to buy businesses at attractive prices.* ***easyJet*** *and* ***Ryanair*** *are poised to benefit from changes in air travel. Our polling during the downturn shows no loss of appetite for leisure travel, but there does seem likely to be less business travel, at least initially because of the alternative of video meetings and the economic recession. Significant amounts of capacity have been taken out of the commercial airline space in Europe, a number of marginal players have failed and those major players who have taken government support look hamstrung by the terms of that support.* ***easyJet*** *and* ***Ryanair****, already the no.1 and no.2 airlines in Europe and profitable lowest cost producers look set to gain share, fill the void, and satisfy the pent-up demand to travel that COVID has not permanently damaged.*

Boris Johnson has made it clear that a big part of the government's plan to boost growth is from building and that includes more houses and easier planning rules. There will be many ways in which this can happen, but it won't be possible without the major housebuilders of which we own three ***Barratt****,* ***Bellway*** *and* ***Redrow****. Government is able to create the tailwinds to increase output and assist demand as we have seen. The market is concerned about house prices, which as we've explained on many occasions, do not impact intrinsic values in the way they do short term earnings.*

2020 was shaping up to be a great year for our controlled businesses who were all growing strongly going into COVID. ***Stanley Gibbons*** *and* ***Hornby*** *were on course to return to profitability this year. They were all hit by the lockdown in different ways and our direct involvement gave us a good understanding of what other businesses were going through and helped us in assessing other managements in the portfolio and*

beyond. The sheer logistics at the beginning of shutting down operations and switching to home working were then followed by attempts to adapt to serve what market could be served online. ***Stanley Gibbons*** *was midway through the major refurbishment of our home on the Strand, which finally opened last week (please go and take a look and buy something). The leaderships of all the businesses rose to the challenge in an exemplary way and* ***Hornby*** *along the way managed to raise £140,000 for NHS charities.*

Lockdown may have obscured it, but when the dust clears you will see that we have businesses that are performing well, and we expect them all to be profitable next year. Hornby is increasingly grasping the opportunity of the internet to communicate and transact with its customers directly. It has a wonderful pipeline of new products which you will see keep selling out even before they reach the warehouse. ***Hornby*** *is 100 this year, and at last has much to celebrate.* ***Stanley Gibbons*** *is rebranded, has new websites and now has a contemporary new premises from which to build on this early momentum. It is 164, we only celebrate round numbers.*

Outlook

At Phoenix we put great store in the upside to intrinsic value as an indicator of the attractiveness of our portfolio. As at 30 June 2020, the portfolio stood at a significant discount to intrinsic value with the upside being 138%. At the time of writing the upside is around the same level. Using historical performance, future three-year returns from both these levels have been good when the portfolio is this cheap.

In early July Gary Channon wrote the following, which still holds true today:

"We believe our portfolio of businesses have achieved the first goal, which was survival, and are now well placed for the next, which is to thrive. As Government support reduces and lockdown ends, we expect more corporate distress, failures and businesses struggling with too much debt. The opportunity to add more value in the second half is probably high even from a fully invested position. We continue to prepare ourselves and will update you when we act."

Steve Tatters
Phoenix Asset Management Partners Ltd
22 September 2020

Top holdings

As at 30 June 2020

Company	Sector	Holding in Company	Amount	Percentage of net assets
			£'000	%
Frasers Group (formerly Sports Direct International)	Retail	15,887,385	15,577	12.8
easyJet	Leisure	1,928,363	13,113	10.8
Barratt Developments	Construction	2,224,612	11,030	9.1
Randall & Quilter Investment Holdings	Insurance	5,949,781	9,222	7.6
Ryanair Holdings	Leisure	928,600	8,931	7.4
Bellway	Construction	336,040	8,556	7.0
Hornby	Leisure	23,624,991	7,796	6.4
Phoenix SG[1]	Financial	3,277	7,601	6.3
Glaxosmithkline	Pharmaceuticals	419,227	6,859	5.7
Lloyds Banking Group	Financial	19,618,000	6,116	5.0
Dignity	Retail	1,980,558	4,842	4.0
Redrow	Construction	1,115,186	4,804	4.0
Vesuvius	Industrials	1,236,834	4,794	3.9
Other holdings (less than 3%)	n/a	n/a	5,709	4.7
Total holdings			**114,950**	**94.7**
Other current assets and liabilities			6,425	5.3
Net assets			**121,375**	**100.0**

[1] Comprises the assets which make up the investment in Stanley Gibbons plc.

Sector Breakdown

As at 30 June 2020

SECTOR	Percentage of net assets %
Leisure	24.6
Construction	21.9
Retail	16.8
Financial	13.0
Insurance	7.6
Pharmaceuticals	5.7
Industrials	3.9
Food & Beverage	1.2
Other current assets and liabilities	5.3
Total	**100.0**

INTERIM MANAGEMENT REPORT

The Directors are required to provide an Interim Management Report in accordance with the Financial Conduct Authority's ("FCA") Disclosure Guidance and Transparency Rules ("DTR"). The Directors consider that the Investment Manager's Review on pages 3 to 9 of this Half Yearly Financial Report provide details of the important events which have occurred during the period and their impact on the financial statements. The following statement on the Principal Risks and Uncertainties, the Related Party Transactions, the Statement of Directors' Responsibilities and the Investment Manager's Review together constitute the Interim Management Report of the Company for the six months ended 30 June 2020. The outlook for the Company for the remaining six months of the year ending 31 December 2020 is discussed in the Investment Manager's Review.

Details of the investments held at the period end and the structure of the portfolio at the period end are provided on pages 10 and 11.

Principal Risks and Uncertainties

The principal risks and uncertainties of the Company are detailed on pages 25 to 26 of the Company's most recent Annual Report for the year ended 31 December 2019 which can be found on the Company's website at **www.aurorainvestmenttrust.com**. The principal risks and uncertainties facing the Company remain unchanged from those disclosed in the Annual Report for the year ended 31 December 2019 and the Board are of the opinion that they will continue to remain unchanged for the forthcoming six month period.

The principal risks and uncertainties facing the Company are as follows:

- Market risks including: poor stock market performance caused by economic and political concerns or poor corporate results;
- Poor asset management by the Investment Manager; and
- Corporate governance and internal control risks;

The Board are of the opinion that these key principal risks remain. The Board has also reviewed emerging risks which may impact the forthcoming six-month period. These emerging risk include:

- The ongoing impact of the COVID-19 pandemic; and
- Brexit.

Related Party Transactions

The Company's Investment Manager is Phoenix Asset Management Partners Limited, ('Phoenix' or the 'Investment Manger'). Phoenix is considered a related party in accordance with the Listing Rules. Phoenix does not earn an ongoing annual management fee. It will be paid an annual performance fee equal to one third of the outperformance of the Company's net asset value total return (including dividends and adjusted for the impact of share buybacks and the issue of new shares) over the FTSE All-Share Index total return for each financial year. Details of the investment

management arrangements are detailed on pages 33 to 34 of the Company's Annual Report. There have been no material changes to the related party transactions described in the Annual Report that could have an effect on the financial position or performance of the Company. Amounts payable to the Investment Manager in the period are detailed in the Statement of Comprehensive Income on page 15 and note 5.

Going Concern

The financial statements have been prepared on the going concern basis. The Directors have a reasonable expectation, after making enquiries, that the Company has adequate resources to continue in existence for at least twelve months from the date of approval of this document. In reaching this conclusion, the Directors have considered the liquidity of the Company's portfolio of investments as well as its cash position, income and expense flows. As at 30 June 2020, the Company held £6,591,000 (30 June 2019: £5,144,000) in cash, £107,349,000 (30 June 2019: £110,817,000) in quoted investments and £7,601,000 (30 June 2019: £7,583,000) in an unquoted investment. It is estimated that the majority of the portfolio could be realised in seven days under normal conditions. The total operating expenses for the six months to 30 June 2020 was £299,000 (30 June 2019: £281,000).

In light of the COVID-19 pandemic, the Directors have fully considered and assessed the Company's portfolio of investments. A prolonged and deep market decline could lead to falling values in the Company's investments or interruptions to cashflow. However, the Company currently has more than sufficient liquidity available to meet any future obligations.

The market and operational risks associated with the COVID-19 pandemic, and the ongoing economic impact of measures introduced to combat its spread were discussed and are continually monitored by the Board. The Investment Manager, Administrator and other key service providers are providing regular updates on operational resilience in light of the COVID-19 pandemic. The Board is satisfied that the key service providers have the ability to continue their operations efficiently in a remote or virtual working environment.

For and on behalf of the Board of Directors
Lord Flight
Chairman
22 September 2020

STATEMENT OF DIRECTORS' RESPONSIBILITY FOR THE HALF YEARLY REPORT

The Directors confirm to the best of their knowledge that:

- The condensed set of financial statements contained within the Half Yearly Financial Report have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting", gives a true and fair view of the assets, liabilities, financial position and profit and loss of the Company; and
- The Interim Management Report includes a fair review of the information required by 4.2.7R and 4.2.8R of the FCA's DTR Rules.

The Half Yearly Financial Report was approved by the Board on 22 September 2020 and the above responsibility statement was signed on its behalf by:

Lord Flight
Chairman
22 September 2020

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

Note		Six months to 30 June 2020 (unaudited)			Six months to 30 June 2019 (unaudited)		
		Revenue	Capital	Total	Revenue	Capital	Total
		£'000	£'000	£'000	£'000	£'000	£'000
	(Losses)/gains on investments	–	(43,590)	(43,590)	–	4,515	4,515
	Losses on currency	–	(20)	(20)	–	–	–
4	Income	803	–	803	2,314	–	2,314
	Total income	**803**	**(43,610)**	**(42,807)**	**2,314**	**4,515**	**6,829**
5	Investment management fees	–	–	–	–	–	–
	Other expenses	(299)	–	(299)	(281)	–	(281)
	Profit before tax	504	(43,610)	(43,106)	2,033	4,515	6,548
	Tax	–	–	–	–	–	–
	Profit/(loss) and total comprehensive income for the period	**504**	**(43,610)**	**(43,106)**	**2,033**	**4,515**	**6,548**
8	**Earnings/(loss) per share – Basic and diluted**	**0.72p**	**(62.32p)**	**(61.60p)**	**3.46p**	**7.68p**	**11.14p**

The revenue and capital columns, including the revenue and capital earnings per Ordinary Share data, are supplementary information prepared under guidance published by the AIC.

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued during the period. All revenue is attributable to the equity holders of the Company.

CONDENSED STATEMENT OF FINANCIAL POSITION

Note		At 30 June 2020 (unaudited)	At 30 June 2019 (unaudited)	At 31 December 2019 (audited)
		£'000	£'000	£'000
	Non-current assets			
3	Investments held at fair value through profit or loss	114,950	118,400	138,813
	Current assets			
	Trade and other receivables	91	452	422
	Cash and cash equivalents	6,591	5,144	16,602
		6,682	5,596	17,024
	Total assets	121,632	123,996	155,837
	Current liabilities:			
	Investment management fees payable	(171)	–	(1,361)
	Other operating expenses payable	(86)	(98)	(116)
		(257)	(98)	(1,477)
	Net assets	121,375	123,898	154,360
	Equity:			
7	Called up share capital	18,776	16,215	16,628
	Capital redemption reserve	179	179	179
	Share premium account	108,454	94,172	97,186
	Investment holding (losses)/gains	(20,610)	(1,991)	23,231
	Other capital reserve	13,648	12,861	13,417
	Revenue reserve	928	2,462	3,719
	Total equity	121,375	123,898	154,360
7	No. of Ordinary Shares in issue	75,103,743	64,859,316	66,513,561
	NAV per Ordinary Share	161.61p	191.03p	232.07p

The notes on pages 20 to 25 form part of these accounts.

CONDENSED STATEMENT OF CHANGES IN EQUITY

Note		Share capital	Capital redemption reserve	Share premium account	Unrealised capital gains	Other capital gains	Revenue reserve	Total
	Six months to 30 June 2020 (unaudited)	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
	Opening equity	16,628	179	97,186	23,231	13,417	3,719	**154,360**
	Profit/(loss) for the period	–	–	–	(43,841)	231	504	**(43,106)**
6	Dividends paid	–	–	–	–	–	(3,295)	**(3,295)**
7	Issue of new Ordinary Shares	2,148	–	11,409	–	–	–	**13,557**
	Ordinary Share issue costs	–	–	(141)	–	–	–	**(141)**
	Closing equity	**18,776**	**179**	**108,454**	**(20,610)**	**13,648**	**928**	**121,375**

		Share capital	Capital redemption reserve	Share premium account	Unrealised capital gains	Other capital gains	Revenue reserve	Total
	Six months to 30 June 2019 (unaudited)	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
	Opening equity	13,855	179	77,764	(5,218)	11,573	2,843	**100,996**
	Profit for the period	–	–	–	3,227	1,288	2,033	**6,548**
6	Dividends paid	2,360	–	16,481	–	–	–	**18,841**
7	Issue of new Ordinary Shares	–	–	(73)	–	–	–	**(73)**
	Ordinary Share issue costs	–	–	–	–	–	(2,414)	**(2,414)**
	Closing equity	**16,215**	**179**	**94,172**	**(1,991)**	**12,861**	**2,462**	**123,898**

The notes on pages 20 to 25 form part of these accounts.

CONDENSED STATEMENT OF CHANGES IN EQUITY continued

Note		Share capital	Capital redemption reserve	Share premium account	Unrealised capital gains	Other capital gains	Revenue reserve	Total
	Year to 31 December 2019 (audited)	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
	Opening equity	13,855	179	77,764	(5,218)	11,573	2,843	100,996
	Profit for the year	–	–	–	28,449	1,844	3,289	33,582
6	Dividends paid	–	–	–	–	–	(2,413)	(2,413)
7	Issue of new Ordinary Shares	2,773	–	19,706	–	–	–	22,479
	Ordinary Share issue costs	–	–	(284)	–	–	–	(284)
	Closing equity	16,628	179	97,186	23,231	13,417	3,719	154,360

The notes on pages 20 to 25 form part of these accounts.

CONDENSED CASH FLOW STATEMENT

	Six months to 30 June 2020 (unaudited)	Six months to 30 June 2019 (unaudited)	Year to 31 December 2019 (audited)
	£'000	£'000	£'000
Net operating activities cash flow			
Cash inflow from investment income and interest	1,132	2,331	3,877
Cash outflow from operating expenses	(1,518)	(282)	(525)
Payments to acquire non-current asset investments	(35,223)	(27,609)	(36,950)
Receipts on disposal of non-current asset investments	15,477	12,342	28,410
Net operating activities cash flow	**(20,132)**	**(13,218)**	**(5,188)**
Financing activities cash flow			
Net proceeds from issues of new Ordinary Shares	13,416	18,768	22,195
Dividends paid	(3,295)	(2,414)	(2,413)
Financing activities cash flow	**10,121**	**16,354**	**19,782**
(Decrease)/increase in cash and cash equivalents	**(10,011)**	**3,136**	**14,594**
Cash and cash equivalents at beginning of period/year	16,602	2,008	2,008
(Decrease)/increase in cash and cash equivalents	(10,011)	3,136	14,594
Cash and cash equivalents at end of period/year	**6,591**	**5,144**	**16,602**

The notes on pages 20 to 25 form part of these accounts.

NOTES TO THE FINANCIAL STATEMENTS

1. Status of the financial statements

The financial information contained in this Half Yearly Report does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. The financial information for the six month periods ended 30 June 2020 and 30 June 2019 have not been audited or reviewed by the Company's Auditor. The unaudited Half Yearly Financial Report will be made available to the public at the registered office of the Company. The report will also be available in electronic format on the Company's website, https://www.aurorainvestmenttrust.com/.

The information for the year ended 31 December 2019 has been extracted from the last published Annual Report, unless otherwise stated. The audited financial statements for the year to 31 December 2019 have been delivered to the Registrar of Companies. The Auditors reported on those accounts and their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under sections 498(2) or 498(3) of the Companies Act 2006.

The Half Yearly Financial Report was approved by the Board of Directors on 22 September 2020.

2. Accounting policies

The half yearly financial information has been prepared in accordance with IAS34 Interim Financial Reporting. The accounting policies are unchanged from those used in the last published annual financial statements except where otherwise stated.

3. Investments held at Fair Value Through Profit or Loss ('FVTPL')

	At 30 June 2020	At 30 June 2019	At 31 December 2019
	£'000	£'000	£'000
UK listed securities	98,102	103,592	122,272
Securities traded on AIM	9,247	7,225	8,054
Unquoted securities	7,601	7,583	8,487
Total non-current investments held at 'FVTPL'	**114,950**	**118,400**	**138,813**

Under IFRS13 investment companies are required to disclose the fair value hierarchy that classifies financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair values.

Classification	Input
Level 1	Valued using quoted prices in active markets for identical assets
Level 2	Valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1
Level 3	Valued by reference to valuation techniques using inputs that are not based on observable market data

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset.

Classification	At 30 June 2020	At 30 June 2019	At 31 December 2019
	£'000	£'000	£'000
Level 1	107,349	110,817	130,326
Level 2	–	–	–
Level 3	7,601	7,583	8,487
Total non-current investments held at 'FVTPL'	114,950	118,400	138,813

There were no transfers between levels during the period/year.

3. Investments held at Fair Value Through Profit or Loss ('FVTPL') continued

The movement on the Level 3 unquoted investments during the period is shown below:

	At 30 June 2020	At 30 June 2019	At 31 December 2019
		£'000	£'000
Opening balance	8,487	7,010	7,010
Additions during the period/year	–	2,000	2,000
Unrealised gains at period/year end	(886)	(1,427)	(523)
Closing balance	**7,601**	**7,583**	**8,487**

The Company's unquoted investment represents investment in Phoenix SG Limited (Phoenix SG). The fair value of the investment in Phoenix SG includes its shares in Stanley Gibbons Group Plc (Stanley Gibbons) and some other assets related to Stanley Gibbons.

4. Income

	Six months to 30 June 2020	Six months to 30 June 2019
	£'000	£'000
Income from investments:		
Dividends from listed or quoted investments	799	2,312
Other income:		
Deposit interest	4	2
Total income	**803**	**2,314**

5. Investment management fees

The Company has an agreement with Phoenix. Under the terms of this agreement, the Investment Manager does not earn an ongoing annual management fee, but will be paid an annual performance fee equal to one third of any outperformance of the Company's NAV per Ordinary Share total return (including dividends and adjusted for the impact of share buybacks and the issue of new shares) over the FTSE All-Share Index total return for each financial year.

The total annual performance fee is capped at 4% per annum of the NAV of the Company at the end of the relevant financial year, in the event that the NAV per Ordinary Share has increased in absolute terms over the period, and 2% in the event that the NAV per Ordinary Share has decreased in absolute terms over the period. Any outperformance that exceeds these caps will be carried forward and only paid if the Company outperforms, and the annual cap is not exceeded, in subsequent years.

The performance fee is subject to a high-water mark so that no fee will be payable in any year until all underperformance of the Company's net asset value since the last performance fee was paid has been made up.

Performance fees are settled by issuance of the Company's Ordinary Shares. Such Ordinary Shares are issued at the NAV per Ordinary Share on the date of issue, so that the then current value of the Ordinary Shares equates in terms of NAV to the performance fees liability.

Any part of the performance fee that relates to the performance of Phoenix SG will be accrued but will not be paid until such time as the Company's investment in Phoenix SG has been realised or is capable of realisation. The position will be reviewed at that time by reference to the realised proceeds of sale or the fully realisable value of Phoenix SG as compared to the original cost of acquisition.

All other performance fees are subject to a review and claw-back procedure if the Company has underperformed its benchmark during a period of three years following the end of the financial year in respect of which the relevant fee was paid. Ordinary Shares received by the Investment Manager under this arrangement must be retained by the Investment Manager throughout the three year period to which the claw-back procedure applies.

As a result of the above reviewed procedures all or any part of the performance fees might become recoverable, but the Company accrues for them in full and would not recognise any asset or diminution of liability relating thereto unless a recovery had become reasonably certain.

An accrual of £171,440 will be retained in the Company's balance sheet in respect of that part of the fee related to Phoenix SG in accordance with the claw-back mechanism.

There were no performance fees accrued at the end of the six months period to 30 June 2020 (30 June 2019: nil and 31 December 2019: £1,360,824).

6. Dividends

In accordance with the stated policy of the Company, the Directors do not recommend an interim dividend.

The interim dividend of 4.50p per Ordinary Share in respect of the year ended on 31 December 2019 went ex-dividend on 21 May 2020. The dividend was paid on 26 June 2020. This dividend was not reflected in the financial statements for the year ended 31 December 2019 but is reflected in the financial statements for the period to 30 June 2020.

7. Share Capital

		At 30 June 2020	At 30 June 2019	At 31 December 2019
Allotted, called up and fully paid	Number	75,103,743	64,859,316	66,513,561
Ordinary Shares of 25p	£'000	18,776	16,215	16,628

The Company did not purchase any of its own shares during the period ended 30 June 2020 or the period ended 30 June 2019. No shares were cancelled during either year or period.

No shares were held in Treasury or sold from Treasury during the period ended 30 June 2020 or period ended 30 June 2019.

Placings

There were no placings during the period ended 30 June 2020.

Block listings

The Company had established on 11 June 2019 a block listing facility for up to 12,194,444 new shares to meet market demand arising from time to time. A total of 8,059,871 new Ordinary Shares were issued from its block listing facility during the period 1 January 2020 to 30 June 2020, raising £12,366,956.90 net of commission.

A new block listing facility for up to 14,450,605 new Ordinary Shares was established on 17 April 2020.

Further Shares Issued to the Investment Manager

In addition to the shares issued from its block listing facility, the Company issued 469,695 New Ordinary Shares at a price of 231.78 pence per share on 3 February 2020 to the Company's Investment Manager in relation to 80% of the performance fee which had been earned in respect of the Company's outperformance against its benchmark in respect of the year to 31 December 2019. On 9 June 2020, a further 60,616 New Ordinary shares were issued at a price of 166.17 pence per share to the Company's Investment Manager representing the 20% balance of the performance fee earned.

These New Ordinary Shares were issued pursuant to the Investment Management Agreement dated 28 January 2016 and are subject to a 36-month lock-in following

the date of issue of the New Ordinary Shares and will be subject to a fixed three year clawback period.

Total Voting Rights

At 30 June 2020, the Company had 75,103,743 (30 June 2019: 64,859,316) Ordinary Shares in issue. The number of voting shares at 30 June 2020 was 75,103,743 (30 June 2019: 64,859,316).

8. Earnings/(loss) per share

Earnings/(loss) for the period to 30 June 2020 are stated by reference to the weighted average of 69,978,967 (30 June 2019: 58,792,018) Ordinary Shares in issue during the period, excluding shares held in Treasury.

9. Related party transactions

The Board and Phoenix are considered related parties in accordance with the Listing Rules. Fees payable to the Investment Manager are detailed in the Statement of Comprehensive Income and note 5.

Fees payable to the Directors in respect of the period to 30 June 2020 were £89,000 (including National Insurance Contribution or VAT as applicable)(30 June 2019: £69,075).

10. Post Period End Events

There are no other post period end events other than those disclosed in this Half yearly report.

ALTERNATIVE PERFORMANCE MEASURES

Gearing

A way to magnify income and capital returns, but which can also magnify losses. A bank loan is a common method of gearing.

		Page	At 30 June 2020 (unaudited)
Total assets	a	16	121,632
Cash and cash equivalents	b	16	6,591
Total assets less cash and cash equivalents	c=a-b		115,041
Loan	d	n/a	–
Gearing	d÷c	1	Nil

Ongoing charges

A measure of the regular, recurring annual costs of running an investment company, expressed as a percentage of average net assets. The measure is calculated by expressing the regular expenses of the year as a percentage of the average net assets during the year.

		Page	As at 30 June 2020 (unaudited)
Average NAV	a	n/a	128,311
Annualised expenses	b	n/a	598
Ongoing charges figure	b÷a	n/a	0.47%

Premium or Discount

The amount, expressed as a percentage, by which the share price is more (or less) than the NAV per share.

		Page	At 30 June 2020 (unaudited)
NAV per Ordinary Share	a	1	161.61
Share price	b	1	168.00
Premium or (Discount)	(b÷a)-1	1	3.95%

Total return

A measure of performance that includes both income and capital returns. This takes into account capital gains and reinvestment of dividends paid out by the Company into its Ordinary Shares on the ex-dividend date.

Six months to 30 June 2020 (unaudited)		Page	NAV	Share price
Opening at 1 January 2020	a	1	232.07	237.00
Closing at 30 June 2020	b	1	161.61	168.00
Price movement (b÷a)-1	c	n/a	(30.4%)	(29.1%)
Dividend reinvestment	d	n/a	2.1%	2.1%
Total return	(c+d)	1	(28.3%)	(27.0%)

n/a = not applicable

CORPORATE INFORMATION

DIRECTORS

Lord Flight (Chairman)
The Honourable James Nelson
D Stevenson
Lady R Robathan
L Walker

ALTERNATIVE FUND MANAGER ('AIFM') AND INVESTMENT MANAGER

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ISIN	GB0000633262
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EPIC	ARR
Website	www.aurorainvestmenttrust.com
Registered in	England and Wales
Company Number	03300814
Bloomberg	ARR:LN
Legal Entity Identifier	2138007OUWIZFMAGO575

Aurora
INVESTMENT TRUST