

---

# Aurora Investment Trust plc

## Half Yearly Financial Report

For the six months ended 30 June 2022

# CONTENTS

	Page
Financial and Performance Highlights	1
Objective and Investment Policy	2
Investment Manager's Review	3
Top Holdings	12
Sector Breakdown	13
Interim Management Report	14
Statement of Directors' Responsibilities	16
Condensed Statement of Comprehensive Income	17
Condensed Statement of Financial Position	18
Condensed Statement of Changes in Equity	19
Cash Flow Statement	22
Notes to the Financial Statements	23
Alternative Performance Measures	29
Corporate Information	31

## FINANCIAL AND PERFORMANCE HIGHLIGHTS

### Performance

	At 30 June 2022 (unaudited)	At 30 June 2021 (unaudited)	At 31 December 2021 (audited)
Net Asset Value ('NAV') per Ordinary Share <sup>1</sup>	209.86p	230.90p	253.78p
Ordinary Share price	193.00p	232.00p	234.50p
(Discount)/Premium <sup>1</sup>	(8.03)%	0.48%	(7.60)%
FTSE All-Share Index ('Benchmark')	7,981.32	7,852.35	8,363.85
Gearing (net)	Nil	Nil	Nil

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

	Six months to 30 June 2022 (unaudited) %	Six months to 30 June 2021 (unaudited) %	Year to 31 December 2021 (audited) %
NAV total return per Ordinary Share <sup>1,2</sup>	-17.31	+6.69	+19.10
Ordinary Share price total return <sup>1,2</sup>	-17.70	+12.30	+13.54
FTSE All-Share Index ('Benchmark')	-4.60	+11.07	+18.32

<sup>1</sup> Definitions of these Alternative Performance Measures ("APMs") together with how these have been calculated can be found on pages 29 and 30.

<sup>2</sup> Including dividend reinvested.

# OBJECTIVE AND INVESTMENT POLICY

## Investment Objective

Aurora Investment Trust plc's (the "Company") objective is to provide Shareholders with long-term returns through capital and income growth.

## 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 (measured at the time of investment) including in respect of any indirect exposure through Castelnau Group Limited.
- 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.
- Save for Castelnau Group Limited, 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 material 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 purposes 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 per share fell 17.3% during the half year with the share price down 17.7%. At the end of June, the shares were trading at an 8.0% discount to NAV. The FTSE All Share Index fell 4.6% over the same period.

As at the time of writing in late July, performance has recovered to some extent, with the NAV now down 10.4% on the year, versus the FTSE All Share which has fallen 1.7%. The main driver behind the recovery has been the performance of **Frasers Group** following the announcement of annual results in early July.

The fall in NAV during the half year was a reflection of a number of events, which to varying degrees were headwinds for the portfolio. Concerns over inflation and the war in Ukraine were macro factors negatively impacting sentiment. Our low-cost airline holdings suffered from ongoing travel restrictions in the early part of the year and operational difficulties in the second quarter as travel re-opened. Our housebuilders were impacted by inflationary concerns and by ongoing uncertainty over government policy in relation to historic "cladding" issues.

Every holding in the portfolio suffered a price fall and particular fallers of note in the half year were **Barratt Developments**, **Bellway**, **easyJet** and **RHI Magnesita**, whose share prices fell by more than 30%. Whilst the negative performance has been difficult, we believe the portfolio is well positioned, and in the Outlook section of this report we outline the very attractive value which exists today.

From a contribution perspective, the most significant contribution came from the inflation hedge we instigated last year. This was fully unwound early in the half year, and it contributed a further 7% to NAV on top of the 10% contribution in 2021. The largest negative contribution came from **Barratt Developments**, which contributed 5.3% of the 16.6% fall in NAV.

### Activity

Activity of note included a reduction in the **easyJet** holding in the early part of the half year. We participated in their rights issue in September 2021 to avoid dilution but indicated the size of our holding was not appropriate for the long term. We took advantage of the subsequent price recovery to sell the proportion of the holding added through the rights issue.

Two new holdings, **AO World** and **Netflix**, have been added in the period as we took advantage of price weakness. The rationale was published in our monthly factsheets in March and June respectively and is outlined below.

The other major changes in the portfolio were a 4% increase in the **Barratt Developments** holding, as we took advantage of share price weakness in a company and sector which we know very well and which we believe offers exceptional value. We also added to our holding in **Randall & Quilter** in their recent fundraising.

Share price weakness of late has produced a number of buying opportunities, which Gary Channon refers to as “*Christmas in Valueland*” in the Outlook section below. We have taken advantage of this and purchased a small number of additional new holdings which remain under a 3% weight and are therefore not disclosed at this time.

Finally, in our June factsheet we reported: “*Glaxo has been below a 3% weight for some time and therefore has not appeared in the detailed breakdown of holdings, but we can now report it has been sold. It was sold for relative value reasons, but it is worth noting that when we first invested, we thought a combination of a drug discovery business and a consumer healthcare operation that could turn those discoveries into consumer products and brands was a combination well suited to the world of the self-informed and self-medicating consumer. Glaxo, responding admittedly to pressures from some shareholders, is now breaking up that structure.*”

## New Holdings

### AO World

John Roberts who grew up in Bolton, Lancashire, wasn’t good at school, and in his sixth form said he didn’t want to go to university; instead, he wanted to be a double-glazing salesman. The teacher was dismayed and told him he wouldn’t succeed if he didn’t go. John then managed to fail all his A-Levels and was unable to get hired into double glazing and ended up in a warehouse, and warehouses by and large have been the essence of what made him one of the country’s richest men.

At the height of the dot.com bubble in 1999 he had a pub discussion with a friend about businesses that would succeed online, which ended up with John winning a £1 bet that he wouldn’t leave his job and set up on his own. He did, setting up Appliances Online (DRL Limited initially and ultimately AO World). Just as the internet bubble burst and whilst the world was just getting used to books being delivered online, John chose the inauspicious field of large domestic appliances.

The concept from the beginning has been an online only customer focused supplier without retail premises. That customer focus permeates everything they do, combined with a continuous improvement ethos.

Over the next 14 years, John and his team built a business that they floated on the LSE at a valuation of £1.2bn. John retained a 29% stake and pocketed £86m. By that time, AO had become the biggest online retailer in the UK for domestic appliances; sales had grown to £275m, which was 25% of the online market and 11% of the overall market. AO were growing strongly on the back of high customer satisfaction, reputation and reviews.

By 2019, before the pandemic, UK sales had reached £750m, serving 6.5 million customers, then COVID hit and sales reached £900m in 2020, and over £1.4bn in 2021 as consumers were forced to stay at home and physical retailers were closed.

Throughout all that explosive growth, AO managed to retain very high levels of customer satisfaction, whether measured by NPS (Net Promoter Score) or Trust Pilot

reviews. They executed to a very high standard, which drew our attention to their underlying culture and operational excellence.

John stepped away from the business in early 2017 and then returned in 2019 as CEO. Like a number of great entrepreneurs that we have observed over the years, stepping away after realising enormous wealth only to return when money is clearly not a motivator, is a sign of someone realising where their true love lies and is often followed by a golden era of business performance.

John had been drawn back by problems too. AO had gone into Europe, especially Germany, in 2015, and in 2018 they bought a mobile phone business; these businesses were losing and using money. AO has always operated leanly and at low margins, putting gains in productivity and purchasing power back into improving the price and overall customer proposition, continually building what Warren Buffett calls the moat, the competitive advantage.

An example of AO's combination of customer service obsession and continual process improvement is when they realised that lots of customers were still calling them on the day of delivery to check times even though they emailed and texted them beforehand with the times. AO invested a few million pounds in a system that recognises the phone number calling, checks to see whether there is a high probability it is about a delivery, checks also where the current location of the delivery vehicle is, and then gives an automated message to the customer telling them in detail about their delivery and when it is happening. It also says to stay on the line if you want to talk about something else. Most customers are wowed, delighted and hang up, thereby saving time in the call centre.

AO has a mantra to treat every customer like your gran, and that you conduct yourself every day so that you can have dinner with your parents that night, tell them what you've been doing and have them be proud of you. These are emblematic of a strong culture that we think is AO's biggest competitive advantage and the primary reason why from a standing start they have built the no.1 business in 20 years. Even more so than their outstanding logistics expertise and unrivalled service levels. AO also has a unique commitment to recycling and operates its own recycling operation. They have recycled 5 million fridges in the past 5 years and found innovative new uses for the recycled materials. Increasingly, this matters to customers.

The shares are depressed this year as the unwind of COVID means there is a return to some retail shopping, the boom in work from home is receding and so, on a comparative basis, AO's performance is declining. This is in our opinion irrelevant for a proper assessment of the long term. Their business in the UK is 50% bigger than before COVID and millions of new customers have experienced AO for the first time. Domestic appliances are not frequent purchases, and so that goodwill does not show up immediately, but past experience suggests it will do. In the meantime, AO have pushed into smaller electrical items including phones and are looking to find a model that would make them the go-to supplier for all electrical items.

We have a long-term demographic view that spending on electrical appliances in the household will grow faster than GDP as internet technology finds its way into domestic appliances and robotics starts to have an impact. AO is the best positioned business to serve that need and the best led.

We value the business in our central case at £1.5 billion and we were able to purchase our stake at a £446m valuation.

## Netflix

Rather than cover the story of Netflix, which you probably know and has been covered well elsewhere, including in founder Reed Hasting's book collaboration with Erin Meyer called *No Rules Rule*, which is written up in the Phoenix Reading Room, we thought we should explain why we have invested in it.

Long-term holders will remember that we have owned media production broadcast businesses before, initially Carlton Communications and then, following its merger with Granada, ITV. At the time of that merger in 2003 the competition and media regulators decided that ITV would have too much power, and so restricted their ability to change their business and capped their prices and advertiser contracts at 2003 levels. This hobbled them in a changing world. They tried something called ITV Digital, which was a failure, but even in 2008 when this was reviewed by Ofcom, they were still thought to need restrictions. In that report, streaming, though mentioned, was not expected to be significant. What they called Broadband TV, or internet TV, was held back because only two thirds of households had access to the internet at the time. The internet itself was underestimated because they said it didn't allow the same ability to target audiences the way broadcast TV did.

We sold our ITV and our WPP viewing that the world was changing fast in a way that undermined both those businesses. All this time later, ITV trades 40% below where we sold it and whenever we have reconsidered it as an investment, for example in 2018 when Carolyn McCall moved there from easyJet, the fear of Netflix has undermined its attractiveness. A show like *The Crown* would have been a natural for ITV before the emergence of Netflix.

Now, 43% of UK households subscribe to Netflix, streaming services are in 59% of households and Netflix dominates the Top 10 list of most enjoyed titles watched according to Kantar. ITV finally got together with the BBC, and in 2017 created something called BritBox to compete. Currently Netflix has 100 times more subscribers.

What has been playing out in the UK has been going on everywhere at different paces and in different ways. Streaming is a superior way of receiving media content. To young people who have grown up with it, the idea of scheduled linear timed broadcasting is quaint, anachronistic, and not the way they tend to consume media unless it's a live broadcast. Around 300 million households around the world now utilise a streaming service and we think over the next 10 years that could grow to a range of numbers averaging about 1 billion. Netflix, as the first and biggest, we expect to lose share as others get up and running, but they will have a smaller share of a much bigger market. Their growth trajectory will be different to newcomers because they have reached points of deep penetration in many markets. The pandemic has distorted numbers and made trends harder to discern, but it seems reasonable to assume that lockdown had a positive impact upon them and so the end of lockdown should be negative. They entered the lockdown with 167m subscribers and have emerged with 220m. Netflix is not just the UK's no.1; it is the world's. Whilst many focus on Netflix versus Disney, we think the real pain points will be with the likes of ITV and their ilk around the world.

Netflix has built this business whilst charging for it. ITV is free. ITV doesn't have churn numbers because it is free, and advertisers pay for it. This dynamic gives Netflix a great opportunity to vary its business model to reduce subscription price as a point of friction. Netflix is already the streaming service that consumers say is their favourite and would be the last one they cancel. As Netflix experiments with the advertiser funded model that has served Google, YouTube, Facebook and most of the world's commercial broadcasters well, we believe it will increase its competitive advantage.

Netflix has a founder led culture that is always adapting and evolving, using trial and error combined with a good understanding of data to develop. We see this in many successful businesses and so when we consider the management team and culture at Netflix, we think it will outcompete its rivals.

There are many scenarios you can model at Netflix. Our base one gives a value of well over \$500, and our downside stress test comes out around \$200. We have now invested 3% of the portfolio at an average price of \$211.49 and, given that it represents a new area for us, we will restrict ourselves there until we believe we have developed our expertise further. In the past, that cap has taken years, not months, to lift.

For those who wonder whether we are constrained to UK listed equities, our mandate does allow us to have up to 20% of the portfolio in non-UK holdings, and so the only thing constraining us is our circle of competence and aversion to loss. Ryanair, for example, is another member of the portfolio not from the UK. When we stray outside of the UK it is to multinational businesses where we think we bring some initial knowledge and insight. Unilever is listed in the UK and P&G in the US, but the expertise required to understand one is highly applicable to the other.

## Outlook

### Christmas in Valueland

Valueland is a strange and wonderful place full of seemingly counterintuitive and unconventional thinking that its inhabitants think of as common sense. It's not for everyone, but it is for us. It's a place where people are happy when prices go down because lower prices mean more value. It is also a place where bad news is good news and bad times in the real world make for good times in Valueland.

That's because when the fundamental news is bad, the investment news is often good because you can buy the future for less. This is the essence of Valueland, the ability to buy the future for less and it follows that the less you pay for it the higher the returns you will earn from it. You can't change the future, but you do get to decide what you are willing to pay for it.

The best investments in Valueland are the ones that keep going down. Few make a full and final investment, going "all-in" as they say in poker, at the first go and so the very best thing that could happen to most investments is that they go down, and the further the better, so subsequent investments are cheaper and better.

One of the nicest gifts in Valueland is the £1 that you get to buy for 50p that then falls to 25p.

Right now, it's Christmas in Valueland, these gifts abound. No one knows how long it is going to last, nor how many gifts it will give. It's a strange kind of Christmas because it usually makes those involved look foolish while it lasts.

### Packing List for a trip to Valueland

Some essential things we think you need to make the most of the place:

1. A prepared mind. In other words, you need to have worked out your methods, your processes and your criterion
2. An ability to contextualise information, especially being able to put current news and data into a long-term context and weight it accordingly
3. A disregard for short-term performance
4. A readiness for bad news, genuinely bad news and value loss
5. The right investors. Ones who know where you are taking them and what to expect. It helps if they have been here before because no amount of words can truly prepare one for the bumpy horror of a real ValueFest
6. Humility. An acceptance that you will make mistakes because it's a dangerous place for those with too much confidence

## The Darkside

Like all utopias it has its darker side.

There are traps lurking that look like traditional value gifts but end up being empty boxes. Special care and attention are needed to avoid these. They do have some defining characteristics that can help their identification, but some still get through.

The longer that Christmas goes on in Valueland, the fewer partygoers make it through. The longer the gifting season, the more participants there are who “disappear”. It is a strange irony that many great careers in the field of value investing end during one of these prolonged “Christmas” periods.

## Recessions

It looks like we are most likely already in the beginnings of a recession in the UK, and perhaps the US and Europe too. It is not hard to see why. Even without other cyclical forces the spike in prices of some goods is enough. When comparing macroeconomic information and company financial information, there is an important distinction between volume and value.

To illustrate the point and to show why we are probably in a recession already, consider a household that has £600 a week of disposal income (the UK median) and say spends it on 10 products/services costing £60 each. If one of the items doubles in price to £120 then the household could either drop one of the other items, thereby consuming 9 items not 10, or trade down on the other 9 to a cheaper alternative and still consume 10. (It could also draw from its savings).

When the volume drops from 10 to 9 that is recessionary. If the volume stays at 10 then it isn't, although it clearly causes pain for those businesses that suffer from the trading down.

The latest (May 2022 from the ONS) set of retail sales for the UK illustrate the point. They were announced as having fallen, which they did by volume (-5.7% year on year) but they rose by value (up 5.0% year on year). This is the effect of inflationary rises above the growth in household incomes. If prices go up by 10% and there is only 5% more money, then volumes go down by 5%. GDP measures volumes of output and there are signs everywhere that these are falling. Companies, though, report values and rarely volumes.

The energy price spike caused by the Russian invasion of Ukraine would have had a recessionary impact on its own, but it is magnified by the rising interest rate cycle in response to the inflation caused by the excessive money supply increase around the Covid pandemic. The need for rate rises has probably already passed economically but they are still needed to restore the credibility of central banks. Raising the cost of borrowing as well as energy just takes even more money out of the median disposable income and leads to a reduction in consumption.

A recession in consumption demand and a rise in unemployment will start to reverse the forces that caused the recession and thereby sow the seeds for the next recovery. Recessions have a bad name, like storms, but they are a necessary and unsurprising component of economic progress. Plus ça change, plus ça meme chose.

Every cycle is different and the consequences on financial markets are usually related to where the greatest excesses have built. We have seen the unwinding of the froth in the world of cryptocurrencies and technology stocks, but the worst excesses look to be in the bond market and that adjustment is still underway and could be much more consequential.

Like storms, they can cause damage for the unprepared and unprotected, but when they pass the sun shines. Understandably they are not popular with businesspeople and politicians, but investors should welcome them because they present great opportunities to invest. As we mentioned earlier, the future costs less when bad news is around. In the past, stock markets have done worst in the 6 months before recession and in the early stages but turn well before the economy. If you wait for good news, you won't get good prices.

### Timing

The futility of timing is best illustrated by the action of the double pendulum which is a pendulum hanging from another pendulum. Think of these as two cyclical paths bound to each other. In physics it has been shown that although the path of each pendulum is individually predictable, the path of the double pendulum, i.e., the path of the end of the second limb, is unpredictable: it follows a chaotic path, does not repeat and is not forecastable. Now, that's just two simple cyclical forces, let alone the mass of cycles and trends that are at play in an economy and stock market. Avoid economic forecasters!

However, if you look at a plot of the path of that pendulum, although it's a mass of lines you can see that they are distributed across both sides of the page and you are able to say something like, "sometimes it's on the left and sometimes it's on the right", even if you can't predict the path that connects them. Likewise, we think you can say about stock market values that sometimes they are cheap and sometimes they are expensive without being able to predict when and how they will reverse.

We started pointing out the absurdities of negative interest rates 7 years ago and it's taken a long time and pandemic-induced inflation to bring about its reversal.

### Survive & Thrive

Our strategy in these conditions is what we call "survive and then thrive". To "Survive" we focus on risks, downsides, mistakes and communicating clearly with our investors. To "Thrive" we focus on making the most of the opportunity set that we are presented with to increase the future value of the portfolio, staying rational, minimising bias and emotion, maintaining a long-term perspective, being ready to act quickly, being willing to sell cheap, to buy cheaper and avoiding trying to time.

## Portfolio & Intrinsic Value

Although we can talk about the individual businesses within the portfolio, the best way to think about the expected long-term returns for the Fund is to look at the relationship between current prices and our estimate of intrinsic value. Where we are right now is unusually cheap. In the Phoenix UK Fund, which has the same portfolio as Aurora, whenever we have seen valuations at these levels previously, it has given an average 3-year return of 62% and on the 24 previous occasions (quarter ends) when that happened there were none that yielded a negative return in the subsequent 3 years.

We entered Christmas in Valueland with cash and we have been deploying it, the best sign of which is the rise in upside to intrinsic value to 150% above NAV. When combined with the ongoing fall in prices it creates one of those rare and highly attractive windows for investment. We expect great things from current levels over the long term.

**Steve Tatters**

**Phoenix Asset Management Partners Ltd**

**20 September 2022**

## Top holdings

As at 30 June 2022

Company	Sector	Holding in Company	Percentage of net assets	
			Amount £'000	%
Frasers Group Plc	Retail	5,114,011	34,034	21.17
Barratt Developments Plc	Construction	5,012,312	22,916	14.25
Castelnau Group Ltd	Financial	24,563,184	20,879	12.99
EasyJet Plc	Leisure	2,975,768	10,909	6.79
Ryanair Holdings Plc	Leisure	928,600	9,009	5.60
Lloyds Banking Group	Financial	19,618,000	8,299	5.16
Bellway Plc	Construction	306,940	6,587	4.10
Randall & Quilter Investment	Insurance	6,110,840	6,508	4.05
RHI Magnesita NV	Materials	260,970	5,196	3.23
UKTB 0 07/18/22 Corp	Financial	5,100,000	5,099	3.17
Netflix Inc	Communication Services	33,500	4,812	2.99
Other holdings (less than 3%)			20,762	12.92
<b>Total holdings</b>			<b>155,011</b>	<b>96.42</b>
Other current assets and liabilities			5,759	3.58
<b>Net assets</b>			<b>160,770</b>	<b>100.00</b>

## Sector Breakdown

As at 30 June 2022

SECTOR	Percentage of net assets %
Retail	25.80
Financial*	25.11
Construction	18.35
Leisure	13.76
Insurance	4.56
Materials	3.23
Communication Services	2.99
Industrials	1.65
Food & Beverage	0.84
Services	0.13
Other current assets and liabilities	3.58
<b>Total</b>	<b>100.00</b>

\* includes holding in Castelnau Group Ltd

## 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 11 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 2022. The outlook for the Company for the remaining six months of the year ending 31 December 2022 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 12 and 13.

### Principal Risks and Uncertainties

The principal risks and uncertainties of the Company are detailed on pages 26 to 28 of the Company's most recent Annual Report for the year ended 31 December 2021 which can be found on the Company's website at [www.aurorainvestmenttrust.com](http://www.aurorainvestmenttrust.com).

The principal risks and uncertainties facing the Company remain largely unchanged from those disclosed in the Annual Report for the year ended 31 December 2021, although many are now at an elevated state, particularly inflation and the prospect of a recession. 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:

- Portfolio Risk: including poor stock selection, poor use of gearing, illiquid stock and a concentrated portfolio;
- Geopolitical Risks: particularly the war in Ukraine;
- Economic Risks: including, but not limited to, rates of inflation, interest and foreign exchange;
- Operational Risks: including cyber-security; and
- Corporate governance and regulatory risks.

### Related Party Transactions

The Company's Investment Manager is Phoenix Asset Management Partners Limited, ('Phoenix' or the 'Investment Manager'). 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 shown in Note 5 on pages 25 and 26 of these accounts.

The Board are also considered related parties. Further details of the Board's remuneration and shareholdings can be found on page 54 of the Company's Annual Report.

Castelnau Group Limited, one of the Company's holdings, is also managed by Phoenix and is considered a related party.

### 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 12 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 2022, the Company held £5,850,000 (30 June 2021: £10,605,000) in cash, £151,820,000 (30 June 2021: £157,855,000) in quoted investments and £3,191,000 (30 June 2021: £8,259,000) 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 2022 was £380,000 (30 June 2021: £349,000). The total income during the half-year period was £1.11 million (30 June 2021: £982,000). The Company currently has more than sufficient liquidity available to meet any future obligations.

The Directors have considered the impact of the macroeconomic backdrop, such as rising inflation, higher interest rates and a possible recession. The war in Ukraine and the secondary effects of the COVID-19 pandemic have exacerbated these market-related risks. However, as explained above, the Company has remained resilient in the current extreme market conditions and has more than sufficient liquidity available to meet its expected future obligations.

**For and on behalf of the Board of Directors**

**Lucy Walker**

**Chair**

**20 September 2022**

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 20 September 2022 and the above responsibility statement was signed on its behalf by:

**Lucy Walker**  
Chair  
20 September 2022

## CONDENSED STATEMENT OF COMPREHENSIVE INCOME

Note	Six months to 30 June 2022 (unaudited)			Six months to 30 June 2021 (unaudited)			
	Revenue	Capital	Total	Revenue	Capital	Total	
	£'000	£'000	£'000	£'000	£'000	£'000	
	(Losses)/gains on investments	–	(32,707)	(32,707)	–	13,314	13,314
	Gains/(losses) on currency	–	11	11	–	(1)	(1)
4	Income	1,111	–	1,111	982	–	982
	<b>Total (loss)/income</b>	<b>1,111</b>	<b>(32,696)</b>	<b>(31,585)</b>	<b>982</b>	<b>13,313</b>	<b>14,295</b>
5	Investment management fees	–	(220)	(220)	–	(332)	(332)
	Other expenses	(380)	–	(380)	(349)	–	(349)
	<b>(Loss)/profit before tax</b>	<b>731</b>	<b>(32,916)</b>	<b>(32,185)</b>	<b>633</b>	<b>12,981</b>	<b>13,614</b>
	Tax	(33)	–	(33)	(20)	–	(20)
	<b>(Loss)/profit and total comprehensive income for the period</b>	<b>698</b>	<b>(32,916)</b>	<b>(32,218)</b>	<b>613</b>	<b>12,981</b>	<b>13,594</b>
8	<b>(Loss)/earnings per share – Basic and diluted</b>	<b>0.91p</b>	<b>(42.98p)</b>	<b>(42.07p)</b>	<b>0.81p</b>	<b>17.08p</b>	<b>17.89p</b>

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 2022 (unaudited) £'000	At 30 June 2021 (unaudited) £'000	At 31 December 2021 (audited) £'000
<b>Non-current assets</b>			
	155,011	166,114	186,637
<b>Current assets</b>			
	151	219	222
	5,850	10,605	7,664
	6,001	10,824	7,886
<b>Total assets</b>	<b>161,012</b>	<b>176,938</b>	<b>194,523</b>
<b>Current liabilities:</b>			
	(175)	(174)	(174)
	(67)	(79)	(156)
	(242)	(253)	(330)
<b>Net assets</b>	<b>160,770</b>	<b>176,685</b>	<b>194,193</b>
<b>Equity:</b>			
7	19,152	19,130	19,130
	179	179	179
	111,166	108,342	110,984
	(1,271)	997	(1,271)
	(15,648)	34,043	48,641
	45,887	12,778	14,514
	1,305	1,216	2,016
<b>Total equity</b>	<b>160,770</b>	<b>176,685</b>	<b>194,193</b>
7	76,608,771	76,519,675	76,519,675
	209.86p	230.90p	253.78

The notes on pages 23 to 28 form part of these accounts.

## CONDENSED STATEMENT OF CHANGES IN EQUITY

Note		Called-up share capital	Capital redemption reserve	Share premium account	Other reserve	Investment holding gains	Other capital reserve	Revenue reserve	Total
	Six months to 30 June 2022 (unaudited)	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Opening equity	19,130	179	110,984	(1,271)	48,641	14,514	2,016	194,193
	Loss for the period	–	–	–	–	(64,289)	31,373	698	(32,218)
5	Performance fee charge	–	–	–	–	–	–	–	–
6	Dividends paid	–	–	–	–	–	–	(1,409)	(1,409)
7	Issue of new Ordinary Shares	22	–	198	–	–	–	–	220
	Ordinary Share issue costs	–	–	(16)	–	–	–	–	(16)
	<b>Closing equity</b>	<b>19,152</b>	<b>179</b>	<b>111,166</b>	<b>(1,271)</b>	<b>(15,648)</b>	<b>45,887</b>	<b>1,305</b>	<b>160,770</b>

The notes on pages 23 to 28 form part of these accounts.

## CONDENSED STATEMENT OF CHANGES IN EQUITY continued

Note	Called-up share capital	Capital redemption reserve	Share premium account	Other reserve	Investment holding gains	Other capital reserve	Revenue reserve	Total
Six months to 30 June 2021 (unaudited)	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Opening equity	18,776	179	108,438	665	20,621	13,219	1,023	162,921
Profit for the period	–	–	–	–	13,422	(441)	613	13,594
5 Performance fee charge	–	–	(2,659)	332	–	–	–	(2,327)
6 Dividends paid	–	–	–	–	–	–	(420)	(420)
7 Issue of new Ordinary Shares	354	–	2,600	–	–	–	–	2,954
Ordinary Share issue costs	–	–	(37)	–	–	–	–	(37)
<b>Closing equity</b>	<b>19,130</b>	<b>179</b>	<b>108,342</b>	<b>997</b>	<b>34,043</b>	<b>12,778</b>	<b>1,216</b>	<b>176,685</b>

The notes on pages 23 to 28 form part of these accounts.

## CONDENSED STATEMENT OF CHANGES IN EQUITY continued

Note	Called-up share capital	Capital redemption reserve	Share premium account	Other reserve	Investment holding gains	Other capital reserve	Revenue reserve	Total
Year to 31 December 2021 (audited)	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Opening equity	18,776	179	108,438	665	20,621	13,219	1,023	162,921
Profit for the year	–	–	–	–	28,020	1,295	1,413	30,728
5 Performance fee charge	–	–	–	720	–	–	–	720
6 Dividends paid	–	–	–	–	–	–	(420)	(420)
7 Issue of new Ordinary Shares	354	–	2,599	(2,656)	–	–	–	297
Ordinary Share issue costs	–	–	(53)	–	–	–	–	(53)
<b>Closing equity</b>	<b>19,130</b>	<b>179</b>	<b>110,984</b>	<b>(1,271)</b>	<b>48,641</b>	<b>14,514</b>	<b>2,016</b>	<b>194,193</b>

The notes on pages 23 to 28 form part of these accounts.

## CASH FLOW STATEMENT

	Six months to 30 June 2022 (unaudited)	Six months to 30 June 2021 (unaudited)	Year to 31 December 2021 (audited)
	£'000	£'000	£'000
<b>Net operating activities cash flow</b>			
Cash inflow from investment income and interest	1,182	843	2,318
Cash outflow for expenses	(464)	(316)	(825)
Payments to acquire non-current asset investments	(85,419)	(996)	(45,092)
Receipts on disposal of non-current asset investments	84,396	6,199	46,458
Transaction costs on Investments	(62)	–	(71)
Cash outflow for withholding tax	(33)	(20)	–
<b>Net operating activities cash flow</b>	<b>(400)</b>	<b>5,710</b>	<b>2,788</b>
<b>Financing activities cash flow</b>			
Proceeds from issues of new Ordinary Shares	–	298	297
Ordinary Share issue costs	(16)	(37)	(53)
Dividends paid	(1,409)	(420)	(420)
<b>Financing activities cash flow</b>	<b>(1,425)</b>	<b>(159)</b>	<b>(176)</b>
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>(1,825)</b>	<b>5,551</b>	<b>2,612</b>
Cash and cash equivalents at beginning of period/year	7,664	5,055	5,055
Gains/(losses) on currency	11	(1)	(3)
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>(1,825)</b>	<b>5,551</b>	<b>2,612</b>
<b>Cash and cash equivalents at end of period/year</b>	<b>5,850</b>	<b>10,605</b>	<b>7,664</b>

The notes on pages 23 to 28 form part of these accounts.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Status of the financial statements

The financial information contained in this Half Yearly Financial Report does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. The financial information for the six months period ended 30 June 2022 and 30 June 2021 have not been reviewed or audited 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 2021 has been extracted from the last published Annual Report, unless otherwise stated. The audited financial statement has 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 20 September 2022.

## 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 2022 (unaudited)	At 30 June 2021 (unaudited)	At 31 December 2021 (audited)
	£'000	£'000	£'000
UK listed securities	138,156	144,528	150,063
Other listed securities	8,016	–	19,388
Securities traded on AIM	5,648	13,327	13,786
Unquoted securities	3,191	8,259	3,400
<b>Total non-current investments held at 'FVTPL'</b>	<b>155,011</b>	<b>166,114</b>	<b>186,637</b>

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

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 2022	At 30 June 2021	At 31 December 2021
	£'000	£'000	£'000
Level 1	151,820	157,855	183,237
Level 2	–	–	–
Level 3	3,191	8,259	3,400
<b>Total non-current investments held at 'FVTPL'</b>	<b>155,011</b>	<b>166,114</b>	<b>186,637</b>

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

	At 30 June 2022	At 30 June 2021	At 31 December 2021
	£'000	£'000	£'000
<b>Opening balance</b>	<b>3,400</b>	<b>8,066</b>	<b>8,066</b>
Additions during the period/year	–	–	(4,523)
Unrealised (losses)/gains at period/year end	(209)	193	(143)
<b>Closing balance</b>	<b>3,191</b>	<b>8,259</b>	<b>3,400</b>

## 4. Income

	Six months to 30 June 2022	Six months to 30 June 2021
	£'000	£'000
<b>Income from investments:</b>		
Dividends from listed or quoted investments	882	909
Unfranked income from overseas dividends	222	73
<b>Other income:</b>		
Deposit interest	7	–
<b>Total income</b>	<b>1,111</b>	<b>982</b>

## 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.

## 5. Investment management fees continued

Any performance of Castlenau Group Limited will be excluded from the calculation of the performance fee payable by the Company to Phoenix.

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, the Company reflects this in the charge recognised in subsequent accounting periods within the vesting period of the Investment Manager through the true-up mechanism in IFRS 2.

The proportion of performance fee for the period ended 30 June 2022 was £221,000 (30 June 2021: £332,000).

## 6. Dividends

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

The final dividend of 1.84p per Ordinary Share in respect of the year ended on 31 December 2021 went ex-dividend on 9 June 2022 and had a record date of 10 June 2022. The dividend was paid on 1 July 2022. This dividend was not reflected in the financial statements for the year ended 31 December 2021, but is reflected in the financial statements for the period to 30 June 2022.

## 7. Share capital

		At 30 June 2022	At 30 June 2021	At 31 December 2021
Allotted, called up and fully paid	Number	76,608,771	76,519,675	76,519,675
Ordinary Shares of 25p	£'000	19,152	19,130	19,130

The Company did not purchase any of its own shares during the period ended 30 June 2022 or the period ended 30 June 2021. The Company did not purchase any of its own shares during the year ended 31 December 2021. No shares were cancelled during either year or period.

### Share Issued under the Company's Block Listing Facility

The Company established a Block Listing Facility on 17 April 2020 for up to 14,450,605 new Ordinary Shares. As at period end, 40,244,516 Ordinary Shares remained unallotted under the facility. No shares were issued from the Block Listing Facility during the period under review.

### Further Shares Issued to the Investment Manager

The Company issued 69,738 new Ordinary Shares at a price of 254.37 pence per share on 7 February 2022 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 2021.

On 5 May 2022, a further 19,358 new Ordinary shares were issued at a price of 226.40 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 2022, the Company had 76,608,771 (30 June 2021: 76,519,675) Ordinary Shares in issue. The number of voting shares at 30 June 2022 was 76,608,771 (30 June 2021: 76,519,675).

## 8. Earnings/(loss) per share

Earnings for the period to 30 June 2022 are stated by reference to the weighted average of 76,580,120 (30 June 2022: 75,995,161) Ordinary Shares in issue during the period, excluding shares held in Treasury.

## 9. Related party transactions

The Board and Phoenix Asset Management Partners Limited are considered related parties in accordance with the Listing Rules. Castelnau Group Limited, one of the Company's holdings, is also managed by Phoenix Asset Management Partners Limited. 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 2022 were £78,000 (including NI Contribution or VAT as applicable) (30 June 2021: £69,000).

## 10. Post Period End Events

On 8 September 2022, Helen Vaughan was appointed as Audit Chairman and non-executive director of the Company. On the same date, Farah Buckley was appointed as non-executive director of the Company and Rachael Robathan was appointed as Chairman of the Remuneration and Nomination Committee as well as the Management Engagement Committee.

## 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 2022 (unaudited)
Total assets	a	18	161,012
Cash and cash equivalents	b	18	5,850
Total assets less cash and cash equivalents	c=a-b		155,162
Loan	d	n/a	–
<b>Gearing</b>	<b>d-c</b>	n/a	<b>Nil</b>

### 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 2022 (unaudited)
Average NAV	a	n/a	185,270
Annualised expenses	b	n/a	760
<b>Ongoing charges figure</b>	<b>b÷a</b>		<b>0.41%</b>

## Discount

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

		Page	At 30 June 2022 (unaudited)
NAV per Ordinary Share	a	1	209.86
Share price	b	1	193.00
<b>Discount</b>	<b>b÷a-1</b>	<b>1</b>	<b>-8.03%</b>

## 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 2022		Page	NAV	Share price
Closing at 1 January 2022	a	1	253.78	234.50
Closing at 30 June 2022	b	1	209.86	193.00
Price movement (b÷a)-1	c	1	-17.31%	-17.70%
Dividend reinvestment	d	n/a	0.00%	0.00%
<b>Total return</b>	<b>(c+d)</b>		<b>-17.31%</b>	<b>-17.70%</b>

n/a = not applicable

## CORPORATE INFORMATION

DIRECTORS	ALTERNATIVE FUND MANAGER ('AIFM') AND INVESTMENT MANAGER
Lucy Walker (Chair) D Stevenson Lady R Robathan Helen Vaughan (appointed on 8 September 2022) Farah Buckley (appointed on 8 September 2022)	Phoenix Asset Management Partners Limited 64-66 Glenthams Road London SW13 9JJ Telephone: 0208 600 0100

DEPOSITORY & CUSTODIAN	SECRETARY, ADMINISTRATOR & REGISTERED OFFICE
BNP Paribas Securities Services 10 Harewood Avenue London NW1 6AA	Sanne Fund Services (UK) Limited 6th Floor 125 London Wall Barbican London EC2Y 5AS

REGISTRAR	AUDITOR
Link Group 10th Floor Central Square 29 Wellington Street Leeds LS1 4DL	BDO LLP 55 Baker Street London W1U 7EU

STOCKBROKER
Liberum Capital Limited 25 Ropemaker Street London EC2Y 9LY

COMPANY INFORMATION AND IDENTIFICATION CODES	
ISIN	GB0000633262
Sedol	0063326
EPIC	ARR
Website	www.aurorainvestmenttrust.com
Registered in	England and Wales
Company Number	03300814
Bloomberg	ARR:LN
Legal Entity Identifier	2138007O UWIZFMAGO575





