Aurora Investment Trust plc

Half Yearly Report

For the six months ended 30 June 2023

CONTENTS

FINANCIAL AND PERFORMANCE HIGHLIGHTS

Performance

	At 30 June 2023 (unaudited)	At 31 December 2022 (audited)
Net asset Value ("NAV") per Ordinary Share[1]	225.6p	203.5p
Ordinary Share price	200.0p	194.5p
Share price discount to NAV per share[1]	(11.3)%	(4.4)%
Annualised ongoing charges[1]	0.44%	0.45%
Gearing (net)	–	–

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

	Six months to 30 June 2023 (unaudited) %	Year to 31 December 2022 (audited) %
NAV total return per Ordinary Share[1,2]	12.4	(19.1)
Ordinary Share price total return[1,2]	4.3	(16.3)
FTSE All-Share Index total return ("Benchmark")	2.5	0.3

[1] Definitions of these Alternative Performance Measures ("APMs") together with how these have been calculated can be found on pages 28 and 29.

[2] Including dividend reinvested.

CHAIR'S STATEMENT

This report covers your Company's activities over the six months to 30 June 2023 and its financial position at that date.

Performance

I am pleased to report performance over the period was very encouraging. Over the six months the Company's net asset value ("NAV") per share increased from 203.5p at 31 December 2022 to 225.6p at 30 June 2023, giving a total return for the period of +12.4% (2022: -17.3%). The price at which the Company's shares traded rose from 194.5p per share at 31 December 2022 to 200.0p at 30 June 2023, giving a share price total return of +4.3% (2022: -17.7%). These compare with the total return over the six months for the FTSE All-Share Index, the Company's benchmark, of +2.5% (2022: –4.6%). At the end of June the share price stood at an 11.3% discount to the NAV per share.

Top contributors were easyJet, Ryanair, Netflix, Wayfair, Castelnau, AO World and Barratt Developments. Notable detractors included Hotel Chocolat and Hornby. The Investment Manager's Review, starting on page 5, provides further details on activity and outlook.

Investment Manager Presentation Event

Shareholders are invited to Aurora's inaugural Investment Manager Presentation Event, being held at 4 p.m. on 10 October 2023 at the Queen Elizabeth II Centre, Broad Sanctuary, Westminster, London SW1P 3EE. Both existing and prospective Aurora shareholders are welcome and the event will include multiple speakers from the Investment Manager. We plan to record the event and publish it on the Company's website. If you would like to attend the event, please contact phoenix@pamp.co.uk to register.

Share Price Discount

The discount to NAV per share widened over the period from 4.4% at the end of 2022 to 11.3% as at 30 June. This is particularly frustrating in light of strong performance over the period. Investment trusts as a whole have seen discounts widen significantly, however the Board is fully aware this provides little solace for shareholders.

Closing the discount is one of the Board's key objectives for 2023, and marketing is a key part of the strategy. To raise the Company's profile, marketing materials including the website will be refreshed, and more regular opportunities for existing and prospective shareholders to meet with the Manager have been introduced, including the presentation referenced above. Phoenix, Liberum, and Frostrow Capital continue to promote the Company proactively.

Outlook

After a difficult 2022, performance so far in 2023 has been promising. We believe there is significant untapped value in UK shares and, with the Manager's strategy to invest in great businesses at attractive prices, the Company's shares offer an excellent opportunity to access this.

Lucy Walker
Chair
20 September 2023

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

On a total return (dividends inclusive) basis, the NAV per share rose by 12.4% over the half year with the share price rising 4.4%. At the end of June, the shares were trading at an 11.3% discount to NAV. The FTSE All Share Index total return over the same period was 2.5%.

At the end of August performance continued to be strong, with the daily published NAV[1] total return up 15.0% year to date, versus a 2.7% increase in the FTSE All Share Index total return.

The positive performance for the year is pleasing but it should be taken in the context of the fall suffered in 2022. We expressed our confidence at the end of 2022 in the portfolio and in the UK market and that confidence still exists today. Even given the rise seen in this half year, valuations are cheap, and we remain positive in relation to the long-term prospects for the portfolio. It is composed of strong businesses whose competitive positions have become relatively stronger in the difficult times we have faced in the last eighteen months. The benefits of that have begun to become apparent in this half year.

From an individual stock perspective there were a number of significant price moves in the half year. **AO World** and **Netflix** posted rises of 52% and 49% respectively. Our low-cost airline holdings, **easyJet** and **Ryanair**, benefitted from the ongoing recovery in travel and rose 49% and 41% respectively. Finally, **RHI Magnesita** rose 24% after a partial tender offer for 20% of its shares.

A noticeable price faller was **Hotel Chocolat**, which fell 23% during the half year.

From a contribution perspective, the most significant contributions came from the low-cost airlines, which accounted for circa 5% of the NAV rise, with **Netflix** being another notable contributor. The largest negative contribution came from **Hotel Chocolat**, which reduced the return by circa 1%.

Activity

Given our confidence in the portfolio at year end, activity in this half year has been limited. The only transactions of note were very modest reductions in **Frasers Group** and **easyJet**. Both were in response to price rises.

Only holdings above 3% are introduced in detail and during the half year **Hotel Chocolat** rose above a 3% weight. It was introduced in the March factsheet and that introduction is reproduced below.

[1] The Company recognises performance fees and clawbacks on fees paid in prior performance periods under IFRS 2 Share Based Payments in its Interim and Annual Reports. In the Company's unaudited daily published NAV, current performance fee and clawback(s) on fees paid in prior performance periods are recognised on a liability/asset basis, which diverges from the Company's accounting policy.

New Holdings

Hotel Chocolat

Many of you will be familiar with our newest investment, Hotel Chocolat. You may have sent their boxed chocolates as gifts, or perhaps you have developed a taste for *Velvetised* hot chocolate. Hotel Chocolat manufactures premium chocolate and cocoa-related products and sells these directly to its customers. The company sells its products online and through its network of stores, primarily in the UK. Hotel Chocolat also owns a cacao plantation and luxury hotel, restaurant and spa in St Lucia, called the Rabot Estate.

In 1988, Angus Thirlwell and Peter Harris left the tech company for which they had been working to set up the Mint Marketing Company, selling branded mints as corporate gifts. By 1993, the Mint Marketing Company had evolved to sell boxes of chocolates delivered by post, known as ‘chocograms’, and the business was rebranded to ChocExpress. In 1998, ChocExpress launched the Chocolate Tasting Club, a subscription service that saw members receive unique selections of chocolate each month. This not only enabled the business to develop new ideas and recipes, but also to build a relationship with their customers and to get an insight into what the British public liked in their chocolate.

In 2003, ChocExpress rebranded as Hotel Chocolat, after customers kept commenting that the chocolates were ‘surprisingly’ good. Hotel Chocolat better conveyed the idea of escapism through chocolate, juxtaposing the English word ‘Hotel’ with the more onomatopoeic and luxury-evoking French ‘Chocolat’.

The first physical Hotel Chocolat shop opened in Watford in 2004. Today, there are 122 Hotel Chocolat locations across the UK.

Hotel Chocolat listed on the London Stock Exchange in 2016, with both founders retaining a significant stake in the business. As of 31 December 2022, they each owned 27.1% of the company. We have known both Angus and Peter for a long time and hold them in high regard.

We believe that the key moat for the business is its strong brand and resulting customer loyalty, which it has cultivated through a combination of innovation, creativity, disciplined pricing, and direct distribution. In so doing, it has also avoided the pitfalls that led to the downfall of one of its competitors, Thorntons.

One of the company’s great recent innovations has been the *Velvetiser* hot chocolate machine, which is increasingly becoming a staple household appliance and has formed the foundations of an effective subscription model. As a product, it creates loyal, repeat-customers who repurchase the chocolate sachets. The repeat purchases and subscription service also provide the Company with a steady revenue stream in an industry where consumer purchases are usually very seasonal (Christmas, Easter and Valentine’s Day are the main chocolate-shopping opportunities).

The differentiated taste of Hotel Chocolat's chocolate, stems from its "More Cacao, Less Sugar" mantra. Cacao is around five times more expensive than sugar, but the company is committed to cacao always being the number-one ingredient in its chocolate, even in milk and white varieties. This differentiates the product from those of many of the Group's competitors, in which sugar is frequently the primary ingredient. The high-cacao content within Hotel Chocolat's chocolate, also enables them to justify a higher price-point and enables them a higher degree of price-elasticity as their consumer is likely to be more driven by quality than price.

The company navigated the challenges of Covid admirably, succeeding in not only switching from being a primarily store-based to an online business during the lockdowns, but managing to grow sales by 21% between FY20 and FY21.

We have long admired Hotel Chocolat, so much so that at the time of the IPO we were considering investing in the business. Although this didn't happen because the price was above our limit, we continued to keep a close eye on the company. Last year, following the announcement of the closure of the Japanese and US businesses, Hotel Chocolat's share price dropped, opening an opportunity for us to invest. This is a company built on experimentation and innovation and it is inevitable that not every experiment will lead to success. However, we believe that the market had over-reacted, that the underlying strength of the UK business remained, and that the doors to overseas expansion had not permanently closed. Indeed, earlier this year Hotel Chocolat announced that it had found a new partner for its Japanese joint venture.

In some ways, the shock of the drop has had a positive cathartic effect, with the business rationalising and cutting back on areas into which it had perhaps strayed too far (such as coffee machines & pods and beauty products). At the same time, we believe they haven't lost the innovative skill upon which their hitherto success has been built, and which will enable it to continue to grow in the future.

We have modelled out a range of potential scenarios to determine Hotel Chocolat's intrinsic value. A central scenario values the UK business alone at £3.50 per share. The bottom of that IV range is around £2.00 a share. We invested at £1.35, which, based on the central case, would result in an upside to IV of c. 160%.

Outlook

In early July, Gary Channon published some thoughts to investors, which were outlined in the June factsheet.

They covered his thoughts on UK housebuilding, as it comprises a substantial part of the portfolio, along with an update on our offer for **Dignity PLC**. The Company has a significant "look through" exposure to **Dignity** via its holding in **Castelnau Group Limited**. Gary also outlined some thoughts on AI and on the outlook for the UK in general.

That piece is reproduced below.

Housebuilding

Concern about interest rates is driving opinions and price moves in housebuilder shares, which always act as a proxy for the market's views on house prices. This is because lower selling prices immediately reduce housebuilders' accounting profits as the cost of land and building have already been set. Analysts forecast earnings, and when house prices decline, so do earnings. However, as we have pointed out many times before, in cash terms the drop in house prices is largely recovered in the replacement cost of land, and as housebuilders slow their growth, they need less land replacement. The net effect is that they generate cash. Bellway's trading statement on 13 June is a great illustration where they expect slightly lower output, lower selling prices and therefore lower profits, but an increase in cash even though they are buying back their shares.

Cash is value and accounting earnings are not, and eventually the market ends up recognising its mistake, but for now, it makes for very depressed valuations and wonderful investments.

An Anatomy of a UK House Price Crash

There are peculiarities of the UK housing market that cause it to correct in a certain way. As it is not possible to walk away from a mortgage in the UK even if the house is worth less than the loan, and as banks are very reluctant to repossess properties and in fact are under all sorts of regulatory and political pressure not to do so, it means that there are very few forced sellers in the market.

Price adjustments happen slowly because when told that they need to reduce the price of their house substantially to sell it, most decide not to sell and even not to move. Volumes decline.

Price does adjust down gradually though. There is an imprecision about house values but, if we were to think of them like shares, then the bid to ask price is around 10%. In a strong market where buyers outnumber sellers, houses transact on average at the offer side. In a weak market, buyers expect a discount and place lower bids and, within reason, sellers accept those bids. Houses that were transacting for £300k decline to £270k, but only very slowly.

The biggest modern-day crash in UK house prices occurred from 1989 to 1995 and was in total 23%. However, only 9% of that came through price; the rest was from inflation. It was an absolute –9% but in real terms, –23%. The fall in 2008 was even less because inflation was lower.

So far in this adjustment prices have barely budged off their highs; they've stopped rising at a time of high inflation and so in real terms they have fallen c.6% from their peak. Given all the prevailing conditions that are likely to persist, this will cause housebuilders' profits to fall and their cash generation to rise.

Higher rates are painful for those seeking a mortgage, but a tightly supplied housing market means that there are always occupiers for houses built and we can see that rents are rising rapidly. Housebuilders are now selling more of their product to landlords.

Dignity

We are now in a much less restricted position to talk to you about Dignity. We have nearly 99% of the equity, have delisted it and are in the process of mandatorily purchasing the remainder.

A new governance structure is in place and new appointments have been made to the executive leadership. For the first time in 3 years, Dignity has a permanent CFO. The new leadership team is moving quickly to accelerate the transformation of Dignity and capture the benefits of being delisted. Sir Peter Wood's team is now fully engaged. New boards have been formed and regular meetings with the shareholders, SPWOne and Castelnau, are held.

We can now talk more openly about valuations. There are many ways in which to tackle this, but we can start with one that is familiar to you, that is a Phoenix Intrinsic Value and on that basis, we value Dignity at a little over £30 per share, versus the £5.50 acquisition price. This is not to underplay the huge amount of work to be done in order to deliver the performance that earns that valuation.

Another important valuation consideration is downside, and for Dignity the base downside can be calculated using a breakup or liquidation value. Selling the portfolio of crematoria and repaying the debt, we think, would generate more net proceeds than the acquisition price of the whole business (£286m). There are many valuable funeral businesses in the Dignity portfolio but even setting that aside and assuming you wind it all down without any disposal proceeds, it still leaves c.400 commercial freeholds mainly in residential areas with planning gain potential, as well as over 200 residential freeholds. These are valued at c.£150m on an existing use basis and it's too early to give an accurate number for planning gain potential but it's very material. As for the funeral plan trusts, they have a surplus above the regulatory requirement of c.£200m.

Taking that all together, assuming successful execution and even allowing for tax, gives a value over twice the acquisition price. Unlike the bottom of the range worst case scenarios that we calculate as arm's length fund managers, this is one that we have the authority to deliver if warranted. Having control doesn't just unleash the upside, it more importantly protects the downside.

The value creation at Dignity comes from that Lollapalooza effect we talked about in 2020 when we publicly sought a strategy change. Seize the opportunity provided by the regulation of funeral plans to grow the market and lead it, thereby building up an investment float that can be prudently compounded until needed to provide funerals. More plans mean more funerals and more funerals will increase the volume of cremations we handle at our crematoria.

It is a merit-based strategy. We aim to be the best provider in all three areas and to cultivate a culture that delivers excellent service, a great place to work and outstanding economics.

As we discussed during the acquisition, it is our intention in the medium term to seek a way of crystallising the value being created in Dignity, so that those holding stakes that wish to realise some of that value are able to do so. Before that, Castelnau will produce a monthly valuation of the business that will be independently verified; for a period following the acquisition the acquisition price is considered the value because there is a recent public transaction at that level. We plan to report to you as transparently as is commercially sensible, and being a private company will make that a lot easier than when it was a public company.

Artificial Intelligence ("AI")

When we started in 1998, the market was getting distorted by the arrival of the internet. A bubble was building in technology and telecoms company valuations in anticipation of the huge potential rewards that would accrue to the winners. Other businesses were left behind and became extremely undervalued in what turned out to be one of the greatest value investing windows we have seen.

The internet has had a huge effect, both creative and destructive; great fortunes have been made and others wiped out. There has been no single bigger factor impacting businesses since. We generally adopted a more cautionary and wary attitude trying to avoid those businesses that were likely to be hurt and investing where we thought it would have either no effect or a positive one.

25 years later, markets are once again undergoing a technology led distortion and this time it is Artificial Intelligence doing it. It looks like it will have as profound an impact on business and society as the internet has. No investment can be considered without thinking through the implications of AI, but just as it was in 1998, it's too early to know what will happen and what the ramifications will be. We need to be vigilant.

In Castelnau we started a data science company of our own two years ago with Gerry Buggy to find ways of applying AI to our businesses, because at the time we couldn't find an equivalent business to work with. That company, Ocula Technologies, has now taken the products developed with the help of Castelnau Group companies and is signing up external companies. We are learning a lot in watching that happen. If you have a business that might benefit from the actionable AI technology in Ocula, let us connect you with the co-founders, Tom McKenna (ThomasM@ocula.tech) and Greg Fletcher (Gregoryf@ocula.tech).

In one of our Castelnau companies we are trying to practically apply AI to improve productivity and from early indications the results will be significant. These learnings help us with our assessment of portfolio companies and potential investments. Our analysts are now augmenting their work with the help of ChatGPT and others.

There is a storm coming; like with the internet the market will over think it, overreact and thereby create opportunities for the prepared mind. We are doing all we can to equip ourselves for it.

There has been a deluge of publications on the topic, most not that useful, in fact ChatGPT4 is probably the best teacher right now. The book we found the most useful in thinking through the likely implications and creating a way to put those in an economic context is *Prediction Machines, Updated and Expanded: The Simple Economics of Artificial Intelligence* (the 2022 version) by Agrawal, Gans and Goldfarb. This comes out of the University of Toronto, which has been the originator of much of the latest breakthroughs in AI.

UK

The UK is, in so many ways, mired in its own gloom. Anyone visiting even with a neutral perspective will soon find themselves infected by the negativity that pervades life in the UK. Although there are plenty of negative things occurring, and some of them have been big, like the implications of Brexit, when one thinks about it in the context of what the future holds for the world, there is reason to be particularly optimistic.

Take technology; Charles Babbage is considered to have built the first computer, Ada Lovelace to have written the first computer programme, Alan Turing is the founding father of modern computing and Artificial Intelligence, Tim Berners-Lee is the person who started what became the internet we know today, Geoffrey Hinton who recently stepped down from Google and is considered the father of AI and Demis Hassibis the new head of AI at Google is the co-founder of Deep Mind that has made great breakthroughs in AI. These people are all from the UK and were actually all born in London. This is not coincidence, the British, although they rarely acknowledge it themselves, have a culture that produces creative and inventive people, and we are in an era when that will be highly valued.

The best-selling writer of all time is Shakespeare, but in the modern era it is JK Rowling. In fact, 3 of the 5 best-selling books of all time were written in the UK. The same goes for music where 4 of the top 8 selling artists of all time are from the UK. We could go on, but the picture is the same, the UK is unusually creative in a way that has global appeal.

Machines reduced the manpower needed in food production and robots and AI are doing the same in manufacturing, logistics and administration. As people work less, they put more time and money into leisure and entertainment. That is having a big impact in games and sports and once again, the UK is uniquely placed.

Football is the world's most watched sport with the English Premier League the most watched and most valued in the world. Next it is cricket. The most valuable sport according to Forbes is Formula One, which also originated in the UK and 70% of the teams are based here. As we write another game originated in the UK, Tennis, the most watched single person match sport in the world, is having its annual tournament in Wimbledon, SW London.

This creative and playful inventiveness is not just an intrinsic cultural characteristic, it is also the product of an education system that encourages individuality. Again, the UK has four universities ranked in the Top 10 in the world, the same number as the US, a country with 5 times the population.

Brexit may impact where companies decide to locate their factories, but there is a reason why Apple and Google have recently opened such big HQs in London.

Conclusion

The past 25-year period has been a miserable one for investors in the UK stock market when compared to their global peers. Some of this has been justified but a lot has been due to the devaluing of businesses listed here. As we write, the value of Apple now exceeds the whole of the FTSE 100.

These are the moments when value investors retire, get fired or alternatively double down, maximise their upside value and wait. Buffett says that when it is raining gold put out a bucket not a thimble. We think we've been doing that, and this is no more clearly illustrated than by our seizing the opportunity (within Castelnau) to buy all of Dignity. In 1999, in our first full year, we lagged the market by 25%, and value investing felt like a lonely place to be as everyone was enjoying bumper returns in the market. What we learned then and have again and again, is that in the end value wins, it can be a long wait, but ultimately value shines through.

Steve Tatters
Director
Phoenix Asset Management Partners Ltd
20 September 2023

Top holdings

As at 30 June 2023

Company	Sector	Holding in Company	Fair value	Percentage of net assets
			£'000	%
Frasers Group plc	Retail	4,968,886	34,857	20.31
Castelnau Group Limited#	Financial	36,421,421	26,952	15.70
Barratt Developments plc	Construction	5,866,312	24,257	14.13
Ryanair Holdings Plc	Leisure	928,600	13,718	7.99
Netflix Inc	Technology & Entertainment	33,500	11,602	6.76
easyJet Plc	Leisure	2,304,768	11,123	6.48
Lloyds Banking Group plc	Financial	19,618,000	8,551	4.98
RHI Magnesita N.V.	Materials	260,970	6,921	4.03
Bellway Plc	Construction	306,940	6,102	3.56
Other holdings (less than 3%)			27,120	15.80
Total holdings			**171,203**	**99.75**
Other current assets and liabilities			426	0.25
Net assets			**171,629**	**100.00**

Castelnau is a multi-sector financial holding company, listed on the Specialist Fund Segment of the London Stock Exchange. Castelnau is also managed by Phoenix and its value is excluded from the Company's net assets when calculating performance fees earned by Phoenix to avoid double charging.

Sector Breakdown

As at 30 June 2023

SECTOR	Percentage of net assets %
Financial*	25.11
Retail	22.84
Construction	18.53
Leisure	15.23
Technology & Entertainment	6.76
Materials	4.03
Food & Beverage	3.13
Industrials	2.96
Insurance	1.17
Other current assets	0.25
Total	**100.00**

* 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 Chair's Statement on pages 2 and 3 and the Investment Manager's Review on pages 5 to 12 of this Half Yearly Financial Report provide details of the important events in 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 2023. The outlook for the Company for the remaining six months of the year ending 31 December 2023 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 13 and 14.

Principal Risks and Uncertainties

The principal risks and uncertainties faced by the Company are set out on pages 30 to 32 of the Company's most recent Annual Report, for the year ended 31 December 2022, which can be found on the Company's website at www.aurorainvestmenttrust.com. The Board believes that the Company's principal risks and uncertainties have not changed materially since the date of the Annual Report and are not expected to change materially for the remaining six months of the Company's financial year.

In summary, the principal risks and uncertainties facing the Company comprise:

- *Geopolitical and economic risks:* including from rising interest rates, high inflation, the threat of recession, the war in Ukraine and related sanctions;
- *Investment objective and strategy:* the investment policy may not achieve the published investment objective;
- *Risks related to the Investment Manager:* the Company's success is closely dependent on the performance of the Investment Manager;
- *Service Provider Transition Risk; and Operational Risks:* the Company has no employees, so is reliant upon the performance of third party service providers, several of which changed in 2022;
- *Discount risk; ESG; and Financial 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 Directors are also considered to be related parties. Details of the Board's remuneration and shareholdings can be found on pages 53 to 57 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 Interim Report. In reaching this conclusion, the Directors have taken account of the principal risks and uncertainties the Company faces and considered the liquidity of the Company's portfolio of investments, together with its cash position, income and expense flows.

As at 30 June 2023, the Company held £143,000 (30 June 2022: £5,850,000) in cash, £168,269,000 (30 June 2022: £151,820,000) in quoted investments and £2,934,000 (30 June 2022: £3,191,000) in an unquoted investment. It is estimated that 55.6% of the portfolio could be realised in seven days under normal conditions. The total operating expenses for the six months to 30 June 2023 was £377,000 (30 June 2022: £380,000). The total income during the half-year period was £1,426,000 (30 June 2022: £1,111,000).

For and on behalf of the Board of Directors
Lucy Walker
Chair
20 September 2023

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.

Approved by the Board on 20 September 2023.

Lucy Walker
Chair
20 September 2023

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

Note		Six months to 30 June 2023 (unaudited)			Six months to 30 June 2022 (unaudited)		
		Revenue	Capital	Total	Revenue	Capital	Total
		£'000	£'000	£'000	£'000	£'000	£'000
	Gains/(losses) on investments	–	18,089	18,089	–	(32,707)	(32,707)
	(Losses)/gains on currency	–	(2)	(2)	–	11	11
4	Income	1,426	–	1,426	1,111	–	1,111
	Total income/(loss)	1,426	18,087	19,513	1,111	(32,696)	(31,585)
5	Investment management performance fees	–	–	–	–	(220)	(220)
	Other expenses	(377)	–	(377)	(380)	–	(380)
	Profit/(loss) before tax	1,049	18,087	19,136	731	(32,916)	(32,185)
	Tax	(25)	–	(25)	(33)	–	(33)
	Profit/(loss) and total comprehensive income for the period	1,024	18,087	19,111	698	(32,916)	(32,218)
8	**Earnings/(loss) per share – Basic and diluted**	1.4p	23.8p	25.1p	0.9p	(43.0p)	(42.1p)

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.

The notes on pages 23 to 27 form part of these accounts.

CONDENSED STATEMENT OF FINANCIAL POSITION

Note		At 30 June 2023 (unaudited) £'000	At 31 December 2022 (audited) £'000
	Non-current assets		
	Investments held at fair value through profit or loss	171,203	149,227
	Current assets		
	Trade and other receivables	383	310
	Cash and cash equivalents	143	5,348
		526	**5,658**
	Total assets	**171,729**	**154,885**
	Current liabilities:		
	Other payables	(100)	(107)
		(100)	**(107)**
	Net assets	**171,629**	**154,778**
	Equity:		
7	Called up share capital	19,019	19,152
	Capital redemption reserve	312	179
	Share premium account	111,166	111,166
	Other reserve	(2,877)	(2,877)
7	Treasury shares	–	(133)
	Capital reserve	42,375	24,421
	Revenue reserve	1,634	2,870
	Total equity	**171,629**	**154,778**
7	Ordinary Shares in issue	**76,078,460**	**76,078,460**
	NAV per Ordinary Share	225.6p	203.5p

The notes on pages 23 to 27 form part of these accounts.

CONDENSED STATEMENT OF CHANGES IN EQUITY

Note	Six months to 30 June 2023 (unaudited)	Called-up share capital	Capital redemption reserve	Share premium account	Treasury shares	Other reserve	Capital reserve	Revenue reserve	Total
		£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
	Opening equity	19,152	179	111,166	(133)	(2,877)	24,421	2,870	154,778
	Profit for the period	–	–	–	–	–	18,087	1,024	19,111
6	Dividends paid	–	–	–	–	–	–	(2,260)	(2,260)
7	Share cancellation in relation to 2019 performance fee clawback	(133)	133	–	133	–	(133)	–	–
	Closing equity	**19,019**	**312**	**111,166**	**–**	**(2,877)**	**42,375**	**1,634**	**171,629**

The notes on pages 23 to 27 form part of these accounts.

CONDENSED STATEMENT OF CHANGES IN EQUITY continued

Note	Six months to 30 June 2022 (unaudited)	Called-up share capital	Capital redemption reserve	Share premium account	Other reserve	Investment holding gains	Other capital reserve	Revenue reserve	Total
		£'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)
6	Dividends paid	–	–	–	–	–	–	(1,409)	(1,409)
7	Issue of new Ordinary Shares	22	–	198	–	–	–	–	220
	Ordinary Share issue costs	–	–	(16)	–	–	–	–	(16)
	Closing equity	**19,152**	**179**	**111,166**	**(1,271)**	**(15,648)**	**45,887**	**1,305**	**160,770**

The notes on pages 23 to 27 form part of these accounts.

CASH FLOW STATEMENT

	Six months to 30 June 2023 (unaudited)	Year to 31 December 2022 (audited)
	£'000	£'000
Net cash inflow from operating activities	**945**	**2,126**
Investing activities		
Payments to acquire non-current asset investments	(13,440)	(47,454)
Receipts on disposal of non-current asset investments	9,552	44,455
Net cash outflow from investing activities	(3,888)	(2,999)
Financing activities		
Ordinary Share issue costs	–	(17)
Dividends paid	(2,260)	(1,409)
Net cash outflow from financing activities	**(2,260)**	**(1,426)**
Decrease in cash and cash equivalents	**(5,203)**	**(2,299)**
Cash and cash equivalents at beginning of period/year	5,348	7,664
Losses on currency	(2)	(17)
Decrease in cash and cash equivalents	(5,203)	(2,299)
Cash and cash equivalents at end of period/year	**143**	**5,348**

The notes on pages 23 to 27 form part of these accounts.

NOTES TO THE FINANCIAL STATEMENTS

1. Status of the financial statements

The condensed financial statements contained in this half yearly report do not constitute statutory accounts as defined in s434 of the Companies Act 2006. The financial information for the six months to 30 June 2023 and 30 June 2022 has not been audited or reviewed by the Company's external auditor.

The information for the year ended 31 December 2022 has been extracted from the latest published audited financial statements. Those statutory financial statements have been filed with the Registrar of Companies and included the report of the auditor, which was unqualified and did not contain a statement under Sections 498(2) or (3) of the Companies Act 2006.

No statutory accounts in respect of any period after 31 December 2022 have been reported on by the Company's auditor or delivered to the Registrar of Companies.

Earnings for the first six months should not be taken as a guide to the results for the full year.

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 2023 (unaudited)	At 31 December 2022 (audited)
	£'000	£'000
Listed securities	168,269	146,356
Unquoted securities	2,934	2,871
Total non-current investments held at FVTPL	**171,203**	**149,227**

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 2023	At 31 December 2022
	£'000	£'000
Level 1	168,269	146,356
Level 2	–	–
Level 3	2,934	2,871
Total non-current investments held at FVTPL	**171,203**	**149,227**

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

	At 30 June 2023	At 31 December 2022
	£'000	£'000
Opening balance	2,871	3,400
Unrealised gains/(losses) at period/year end	63	(529)
Closing balance	**2,934**	**2,871**

4. Income

	Six months to 30 June 2023	Six months to 30 June 2022
	£'000	£'000
Income from investments:		
UK dividends	1,127	882
Overseas dividends	247	222
Other income:		
Deposit interest	52	7
Total income	**1,426**	**1,111**

5. Investment management fees

The Company's Investment Manager does not earn an ongoing annual management fee, but is instead 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 if the NAV per Ordinary Share has increased in absolute terms over the period and 2% if 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 Castelnau 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 underperforms its benchmark over 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 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.

No performance fee has been charged in the Income Statement for the period ended 30 June 2023 (30 June 2022: £221,000).

6. Dividends

The final dividend of 2.97p per Ordinary Share in respect of the year ended on 31 December 2022 went ex-dividend on 8 June 2023 and had a record date of 9 June 2023. The dividend was paid on 4 July 2023. This dividend was not reflected in the financial statements for the year ended 31 December 2022, but is reflected in the financial statements for the period to 30 June 2023.

7. Share capital

		At 30 June 2023	At 31 December 2022
Allotted, called up and fully paid	Number	76,078,460	76,608,771
Ordinary Shares of 25p	£'000	19,019	19,152

The Company did not purchase any of its own shares during the period ended 30 June 2023 or the year ended 31 December 2022. At 30 June 2023, the Company had 76,078,460 (31 December 2022: 76,608,771) Ordinary Shares in issue. The number of voting shares at 30 June 2023 was 76,078,460 (31 December 2022: 76,078,460).

Shares Issued under the Company's Block Listing Facility

The Company has a Block Listing Facility which was last renewed on 17 April 2020. As at period end, 40,245,062 Ordinary Shares remained unallotted under the facility. No shares were issued under the Block Listing Facility during the period under review.

Shares Issued to the Investment Manager

On 7 February 2022, 69,738 new Ordinary shares were issued to the Company's Investment Manager at a price of 254.37p per share and on 11 May 2022, 19,358 new Ordinary shares were issued at a price of 226.40 pence per share to the Company's Investment Manager, together representing the performance fee earned for the year ended 31 December 2021. These new Ordinary Shares are subject to a 36-month lock-in from the date of their issue and a three year clawback period.

The clawback period on restricted shares issued to the Investment Manager in relation to the performance period ended 31 December 2019 finished on 31 December 2022 and 530,311 shares originally issued to the Investment Manager in respect of that clawback period were returned to the Company. These shares were cancelled on 9 January 2023.

8. Earnings/(loss) per share

The capital, revenue and total earnings/(loss) per ordinary share are based on the net profit/(loss) shown in the Income Statement and the weighted average of 76,078,460 (30 June 2022: 76,580,120) Ordinary Shares in issue during the period.

9. Related party transactions

The Board and Phoenix Asset Management Partners Limited are considered to be 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 2023 were £80,000 (30 June 2022: £78,000).

ALTERNATIVE PERFORMANCE MEASURES

Annualised 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.

		At 30 June 2023 (unaudited)	At 31 December 2022 (audited)
Average NAV	a	180,059	173,184
Annualised expenses	b	754	777
Non-recurring credit	c	(34)	–
Annualised ongoing expenses	d=b–c	788	777
Annualised ongoing charges figure	**d÷a**	**0.44%**	**0.45%**

Share price discount to NAV per share

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

		At 30 June 2023 (unaudited)	At 31 December 2022 (audited)
NAV per Ordinary Share	a	225.6p	203.5p
Share price	b	200.0p	194,5p
Discount	**b÷a-1**	**(11.3)%**	**(4.4)%**

Total returns

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 2023		Year to 31 December 2022 (audited)	
		NAV	Share price	NAV	Share price
Opening balance	a	203.5p	194.5p	253.8p	234.5p
Closing balance	b	225.6p	200.0p	203.5p	194.5p
Price movement	c=b÷a–1	10.9%	2.8%	(19.8)%	(17.1)%
Impact of dividend reinvestment	d	1.5%	1.5%	0.7%	0.8%
Total returns	**c+d**	**12.4%**	**4.3%**	**(19.1)%**	**(16.3)%**

NAV Reconciliation

	NAV (£'000)	NAV per share
NAV as published on 3 July 2023	174,509	229.4p
Reversal of performance fee clawback accounted for under non-IFRS2 approach	(2,879)	(3.8)p
NAV as disclosed in this half yearly report	**174,508**	**225.6p**

CORPORATE INFORMATION

DIRECTORS	ALTERNATIVE INVESTMENT FUND MANAGER ("AIFM") AND INVESTMENT MANAGER
Lucy Walker (Chair) Farah Buckley Lady Rachael Robathan David Stevenson	Phoenix Asset Management Partners Limited 64-66 Glentham Road London SW13 9JJ Telephone: *0208 600 0100*

DEPOSITORY & CUSTODIAN	SECRETARY, ADMINISTRATOR & REGISTERED OFFICE
Northern Trust Investor Services Ltd 50 Bank Street London E14 5NT	Frostrow Capital LLP 25 Southampton Buildings London WC2A 1AL

REGISTRAR	AUDITOR
Link Group 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	2138007OUWIZFMAGO575

Aurora
INVESTMENT TRUST