



Aurora UK Alpha

Monthly Factsheet

March 2026

Holdings >3%	%
31 March 2026	
Castelnau Group Ltd	16.4
Frasers Group	15.9
Barratt Redrow	14.4
Ryanair	10.5
Lloyds Banking Group	8.4
Burberry Group	4.3
Nintendo	3.0
Others <3%	26.7
Cash & Cash Equivalents	0.4

Share Price: £2.31

Discount: 11.3%

Net Asset Value: £2.60

Market Cap: £253m

Data as of 31 March 2026

In March, the NAV was down 12.1% for the month, versus the FTSE All Share (incl. dividends), which was down 6.7%.

During the month, there were price declines across much of the portfolio, with Barratt Redrow down 28.7%, Ryanair down 13.0% and Lloyds down 9.9%. There was a modest increase from Nintendo, which was up 1.6%.

Below is the quarterly commentary from Gary Channon, Phoenix CIO, which focuses on the potential impact of the war in the Middle East and its impact on value.

Wars are ugly human failures, full of individual tragedies, ruined lives and so it sounds tastelessly insensitive to say that they are also great moments of opportunity for the prepared value investor. The reasons are mainly psychological; wars come with uncertain outcomes and negative consequences as the current war with Iran has. Uncertainty is not greater in wartime; it just feels that way because the danger is visible. Overweighting what we can actually see in judgements is called the Availability Heuristic.

With enough long-term perspective wars can be properly evaluated. Investors shown a 50-year chart of the stock market and asked when they would want to be investing would likely be picking drawdown periods, including those caused by wars. If at the beginning of a 50-year investing experience you were told there are likely to be some wars along the way, some impacting energy prices, as any student of financial history sees, then it probably wouldn't put you off, in fact from that perspective it is clear it is a time of opportunity. As we have previously reported, around two thirds of our alpha comes from activities in those times of crisis-triggered market falls.

Bad news and volatility create disconnects between price and value. One of the distortions that has occurred is in interest rate markets which have reacted to a jump in oil prices by expecting higher interest rates. We think this is wrong, energy price spikes push the headline CPI number up, but that is not the same as embedding inflation in the economy and raising interest rates is not the right response. If the overall price level (i.e. CPI) rises when the initial price shock hits and then a year later it comes out when that year-on-year effect passes, raising interest rates will have no impact. Sudden jumps in energy prices are recessionary; consumption spend is diverted to pay higher prices for energy and that money comes from somewhere that suffers lower demand. The overall volume of economic activity goes down and so does real GDP.

The inflation worry for central bankers is that rising CPI numbers feed into pay demands which can set off a secondary round of inflation which is a worry. This matters less in a weak labour market, which is where we are now, and the way

central banks deal with this is to talk tough on inflation to keep expectations down. This approach taken by the Bank of England was misconstrued as signalling an intention to raise rates. At one point the market was discounting 4 rises in the next 12 months and this has led to a more pronounced sell off in those sectors the market thought would be most affected if interest rates did rise, like UK housebuilders.

This is how we end up with a quarter where Barratt is down 32% and Lloyds, where higher rates are helpful, only down 6%. Taking advantage of that has been our main activity in the quarter. It may look like a straightforward switch, but the value implications are mouth-watering.

As we have discussed in the past, both of these businesses earn, when noise is taken out, around and above 15% on their real tangible capital. Not long ago they were both trading around the level of their capital, but the rerating of Lloyds last year and their divergence this year means that Lloyds is now trading on twice its capital (2.0) and Barratt is on 60% of its capital even though some of it is just cash (0.6).

Imagine these were 15% deposit accounts at a bank. In the Lloyds one you take a 50% haircut ($1 / 2.0$) when you deposit, so if say you had £100 then only £50 would go into the account and would earn you 15% (£7.50). In your Barratt account you get a 66% uplift ($1 / 0.60$) so £100 would become a £166 deposit earning 15% (£25). So, in that one switch your capital has gone from earning £7.50 to £25, that's value investing alchemy.

Simple as that looks, it closely resembles our detailed modelling. There are other considerations when you make these judgments like the future return on retained capital which for these two is expected to be pretty much the same at just over 15%, another is the scope to grow the capital base and again they are both quite constrained and you get similar results. The risk considerations like downsides, technology disruption and regulatory intervention tend to favour the housebuilder over the bank. So, all in all, this looks to us like a fair assessment, you triple your value when you switch Lloyds to Barratt Redrow.

We don't expect to have any particular skill in predicting how long wars will persist or their outcomes, we invest avoiding outcomes that permanently damage capital and seizing great opportunities when we see them. We do this without knowing how long they will be there or whether there will be more attractive terms tomorrow.

So far, this has been a drawdown that has been about price not intrinsic value, none of our holdings have suffered any material adverse changes to their intrinsic value. The result of our actions has been to push overall intrinsic value for Aurora to £7.55 which, coming at a time when the NAV has fallen to £2.60, leaves the upside at 190%.

Wars, pandemics and their like do impact, disrupt and interrupt economic progress but their effects over a longer time period tend to be transient. What drives real wealth creation as we have discussed before is productivity gains. In the thousand

years before the Industrial Revolution, improvements in labour productivity were cancelled out by population change, as Gregory Clark showed in his work which we have previously mentioned. Since the Industrial Revolution that progress has been relentless, and every generation has enjoyed higher standards than the one before it. AI has the potential to bring in another era of rapid increase in productivity and wealth generation, but it also remains the most significant long-term factor for us to study, observe and analyse both as risk and opportunity.

When businesses are judged in 10 years' time, looking back, the war with Iran is most likely to have been temporary noise and the impact of AI will have been profound. We continue to assess, monitor and position the portfolio with this in mind. We don't want wars, but we don't invest whilst projecting our idea of how the world should be, we take it as it is. Our job is to protect your capital and find ways to compound it substantially through time and in that regard the recent conditions have been very helpful.

Aurora Track Record

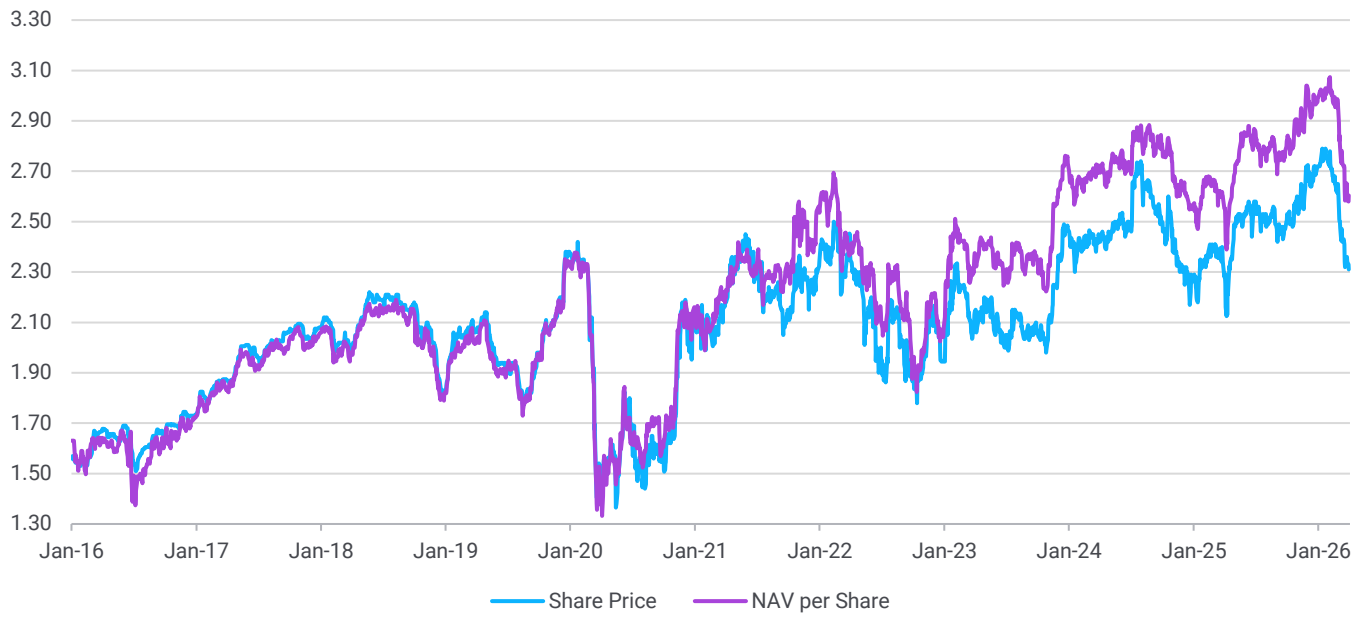
	NAV Return %	Share Price Total Return %**	FTSE All-Share Total Return Index %**	Relative NAV to ASX %
2020	-5.5	-10.0	-9.7	4.2
2021	19.1	13.5	18.3	0.8
2022	-17.4	-16.3	0.3	-17.7
2023	33.2	28.8	7.9	25.3
2024	-3.6	-5.7	9.5	-13.1
2025	16.5	19.8	23.9	-7.4
2026 (31 March)	-13.1	-15.1	2.4	-15.5
Cumulative*	80.9	68.4	128.8	-47.9

* Since 1 January 2016

**Share price return with dividends reinvested; FTSE All Share Total Return Index with dividends reinvested. Past performance is not a reliable indicator of future performance. [Click here](#) for Aurora's full performance track record.

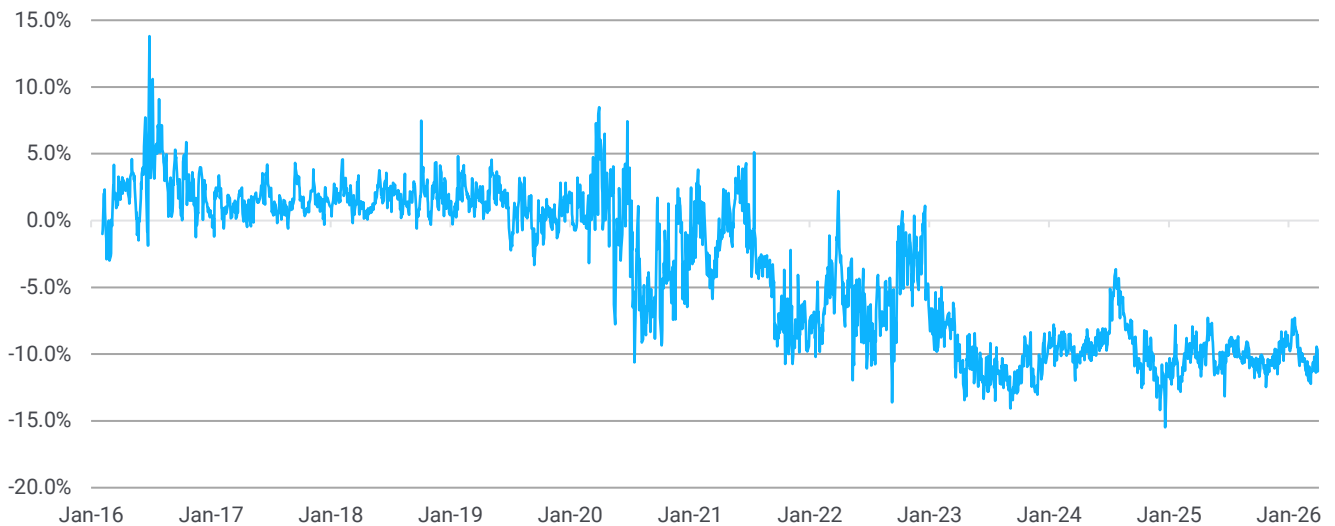
Aurora shares are eligible to be invested in an ISA or SIPP. Neither Aurora UK Alpha nor Phoenix Asset Management Partners run such a scheme. You should consult a financial adviser regarding a suitable self-select ISA or SIPP provider.

Aurora Share Price & NAV per Share – 31 March 2026



Past performance is not a reliable indicator of future performance.

Aurora Premium / (Discount) – 31 March 2026



Past performance is not a reliable indicator of future performance.

Investment Objective

We seek to achieve long-term returns by investing in predominantly UK-listed equities using a value-based philosophy inspired by the teachings of Warren Buffett, Charlie Munger, Benjamin Graham and Phillip Fisher. Our approach, combined with thorough research, invests in high quality businesses run by honest and competent management purchased at prices that, even with low expectations, aim to deliver excellent returns.

Target Market

Aurora UK Alpha is a long-term investment vehicle, appropriate for those making investments with at least a three-year time horizon. It is aimed at investors looking for a manager with a business and value orientated approach, achieved through investments in predominantly UK companies demonstrating a high return on capital and control over their profitability through the strength of their business franchise. Aurora's portfolio is typically concentrated in a small number of deeply researched stocks, which can result in above average volatility. An investment in Aurora may be best suited to investors with at least an underlying knowledge of equity investments. The Trust is measured against a benchmark but does not follow the benchmark in its portfolio construction. It is intended for investors looking for capital appreciation rather than income, and while it does distribute a dividend, this is not the strategic aim of its investment approach.

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Inception Date: 13 March 1997
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Bloomberg: ARR

Fees

Management: None
Performance: One third of returns in excess of the market