Aurora UK Alpha
Monthly Factsheet
June 2026

Holdings >3% 30 June 2026	%
Frasers Group	17.3
Castelnau Group Ltd	15.6
Barratt Redrow	15.2
Ryanair	13.0
Lloyds Banking Group	8.6
Others <3%	28.5
Cash & Cash Equivalents	1.6

Share Price: £2.48 | Net Asset Value: £2.75

Discount: 10% | Market Cap: £267m

Data as of 30 June 2026

In June, the NAV was up 1.6% for the month, while the FTSE All-Share (including dividends) was up 0.7%.

Lloyds and Ryanair were up 9.0% and 8.8%, respectively, for the month; while Barratt Redrow rose 6.9%. Frasers was down 6.8%.

Below is the quarterly commentary from Phoenix CIO, Gary Channon, in which he discusses our activity and thinking around Barratt Redrow:

Last week, we made a public call for the Board of Barratt Redrow to embark on an aggressive share buyback programme to take advantage of the current extraordinary cheapness of the stock using the considerable excess capital in the business. Gary made the case for this approach whilst speaking at the London Value Investor Conference ("LVIC"), and at the same time we shared a wider deck of information and analysis that underpins our thinking. You can find it on www.buybarrattback.com.

The undervaluation is eye watering, whichever way you cut it. The liquidation value is one example. If you just said we are going to wrap up the business, build out all the land we have, not replace it, return all the proceeds to shareholders net of overhead and taxes, then it would generate £11bn, about three times the current market value. The business in that sense is worth way more dead than alive.

These sorts of valuations sometimes occur in declining and failing companies but that is not what we have here; Barratt Redrow is the market leader, serving a growing market with restricted competition in an industry that, when the noise is removed, makes mid-teen returns on its capital. So, buying back that capital at a big discount is highly value creating for those shareholders who remain.

We are making the move now for a number of reasons and we are doing it so publicly because there is a danger with all the leadership change going on at Barratt (CEO and CFO are both changing in the next few months) that this is not given the priority that we think shareholders would want it to have. Our interaction with shareholders so far leads us to think that there is broad support. By sharing our work with all current and prospective shareholders we aim to inform the discussion.

The merger with Redrow, like the one with Wilson Bowden in 2007, results in a consolidated footprint that is smaller than the two businesses when they stood alone, Barratt has added only a net 4 divisions rather than the 12 that Redrow came with. This means there is excess land and work in progress that will turn into cash over the next few years, this is on top of the cash the business will generate and already has. Furthermore, Barratt Redrow already has too much land from the recent reduction in volume. Although planning to grow output from c. 17,000 to 22,000 units, it is also planning to run with a landbank of 3.5 years which is 77,000 plots. It already has 100,000 and so again it will be underspending on land replacement versus what it charges through the P&L, and this will generate considerable amounts of cash. There are also other available pots of capital; if it returned its land creditors to where they were before it built up a net cash position it would generate £900m. It used to have a funding scheme for show homes which, if used again would generate c.£200m, etc. The balance sheet cupboard at Barratt is abundantly full to bursting and in a market that values £1 of capital at 60p that is a gross misallocation.

We were the largest shareholders in 2009 when the business was recapitalised, at that time the board and shareholders settled on a through-the-cycle gearing level of 34% of Net Tangible Assets and yet following that capital raise the company continued to de-lever. This wasn't then the fault of management; in fact, they even put on an annual get together for the top ten shareholders which showed me that the other nine were telling them to get rid of debt. Everyone was scarred by the financial crisis that the world had just been through and sought the safety of cash. David Thomas had joined the business as CFO just before that and saw how damaging it had been for Barratt to enter the crisis with £1.2bn of debt and also how much shareholder value got destroyed by that highly dilutive capital raise. Those scars ran deep and explain the extreme conservatism since.

We do want to make clear that we really do admire Barratt Redrow for its competence in what it does, build homes, we think it is the best in class of the national housebuilders on most measures. David became CEO and has been excellent from an operational point of view. He has also handed a lot capital back to shareholders mainly in the form of dividends (c.£3.5bn) but at the same time held back capital in the way described above to a point now, post-merger, where there needs to be a change.

When Gary spoke at the inaugural LVIC in 2012, Barratt was his pick and it ended being very successful on a 10-year basis, but in those days we thought that sharing with the world how housebuilding accounts mislead and obscure what great businesses they can be would result in a wider awareness and a revaluation of the sector but actually none of that has happened. Our beautiful insights, which we see as gold dust, haven't moved the needle on how the market thinks about and values housebuilders and that is the beauty of a buyback strategy, it takes advantage of a perennial undervaluation.

Many of the great capital allocation records are combined with a great business and some sort of maverick genius at the top meaning that it is hard to separate out the pure role of buybacks in the track record. Simon Wolfson (Lord Wolfson) of Next is like that. But in 1967 some members of the Wolfson family backed two brothers in setting up a business that ended up in the Phoenix UK Fund. The brothers were David and Michael Green, and the company became Carlton Communications (which we bought in 2002) and ultimately became ITV, but long before then David split away and in 1989 became CEO of a company called

Colefax & Fowler Group, and Executive Chairman from 1995 onwards. Colefax sells luxury fabrics from its stable of famous brands and its back catalogue of designs.

The first decade was a growth decade as he added brands through acquisition often issuing shares in the process. Share count rose from 15.7m to 28m and revenues rose from £19m to £65m but the return for shareholders was close to zero (0.2% per annum) including dividends.

Then from 1999 onwards, he had a focus on capital allocation, including the return on capital of the business and this led him to start buying back shares as well as paying dividends. In the following 26 years the share count shrunk by 82% to 5m. The business itself has at best gone sideways, in real terms sales in 2025 are below where they were in 1999, but the shares have risen from £1 to £14 and including dividends investors have received a return of 2,200% (12.2% per annum).

This shows the power of buybacks to add value in a business that generally attracts a modest rating in the market. Shareholders can do well, even very well, as that undervaluation translates into a shrinking denominator for the earnings on a per share basis as the share count falls. David Green achieved this with a tough business, the impact compounds massively if you do it in a business like Barratt Redrow that has strong underlying economics and is growing. We gave some examples in our deck.

We believe the Barratt Redrow board is in listening mode and if outside of your Phoenix investment you own shares and are supportive of the approach then please let them know. (John Messenger is the Head of Investor Relations: john.messenger@barrattredrow.co.uk).

One of the largest holdings in the Trust is Castelnau Group, and all the lessons above apply. It doesn't currently have the balance sheet to shrink its equity but that is likely to change in time, and we will apply the same philosophy. We report to you on Castelnau separately later this month, but it was one of the primary motivating forces for us starting and floating it that we can apply rational capital allocation to create long-term shareholder value. In our holdings like Frasers, Ryanair and Lloyds we have managements already buying back shares when they are undervalued.

Last quarter we were dealing with the impact of war, and we said that from an investment perspective it could be set aside and considered as noise. This quarter that noise of war is receding in market terms and now we have yet another UK prime minister coming, which is definitely more noise. There hasn't been one new UK prime minister in the history of Phoenix who hasn't come to office wanting more housebuilding. Mr Starmer did eventually pass a planning bill, which will have some long-term positive effect but none yet and so we will have to see whether the next incumbent does more. Our investment case and the buyback request are not impacted by any of this, as all the long-term analysis shows, UK housebuilding has been a good long-term business despite all the macro and political twists and turns. We shared a slide at LVIC that showed even the residential developers in the gulf states took a hit in February when the war started but whereas their UK brethren are still languishing those gulf businesses are now trading up on the year! This shows the extent of the pessimistic malaise that pervades the UK market at the moment. We have good businesses that are generating good underlying returns but our intervention in Barratt Redrow is an act of self-help, which aims to make sure those returns generate long-term value for our investors. We won't rest until that's the case.

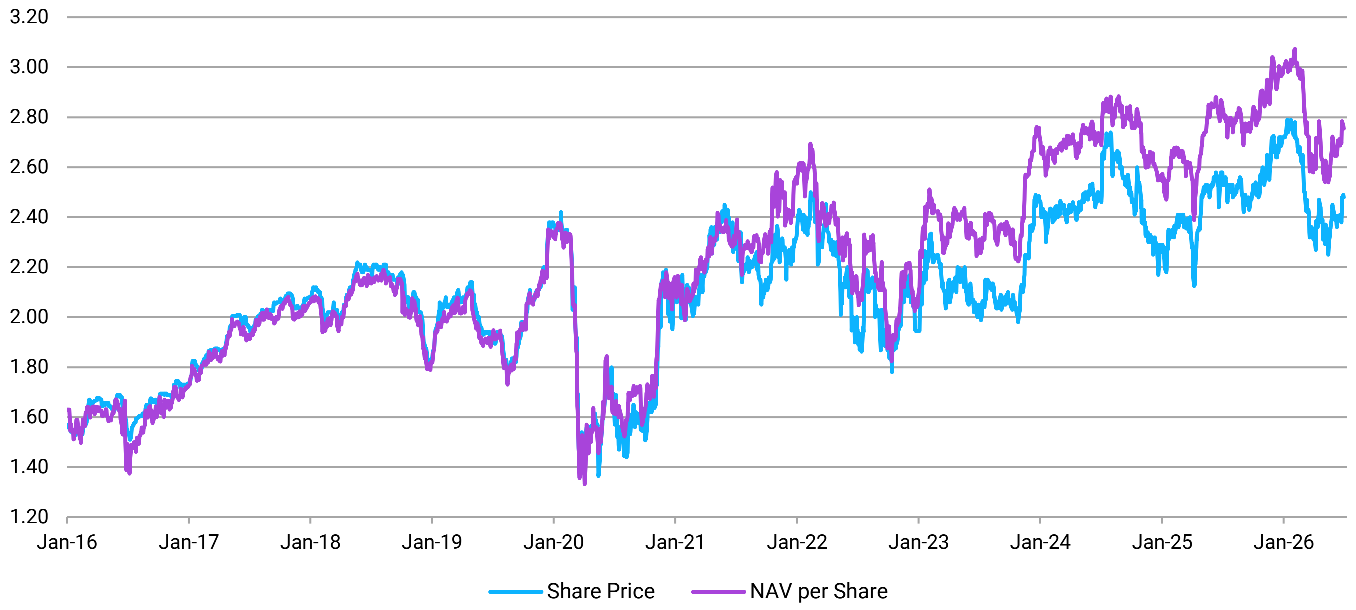
Aurora Track Record

	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 (to 30 June)	-6.4	-7.1	7.2	-13.6
Cumulative*	102.9	87.8	150.9	-48.0

* Cumulative data since 27 January 2016, Phoenix's official appointment date as Investment Manager. Phoenix assumed responsibility for the portfolio in late 2015, when the discount stood at 15%.
**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.

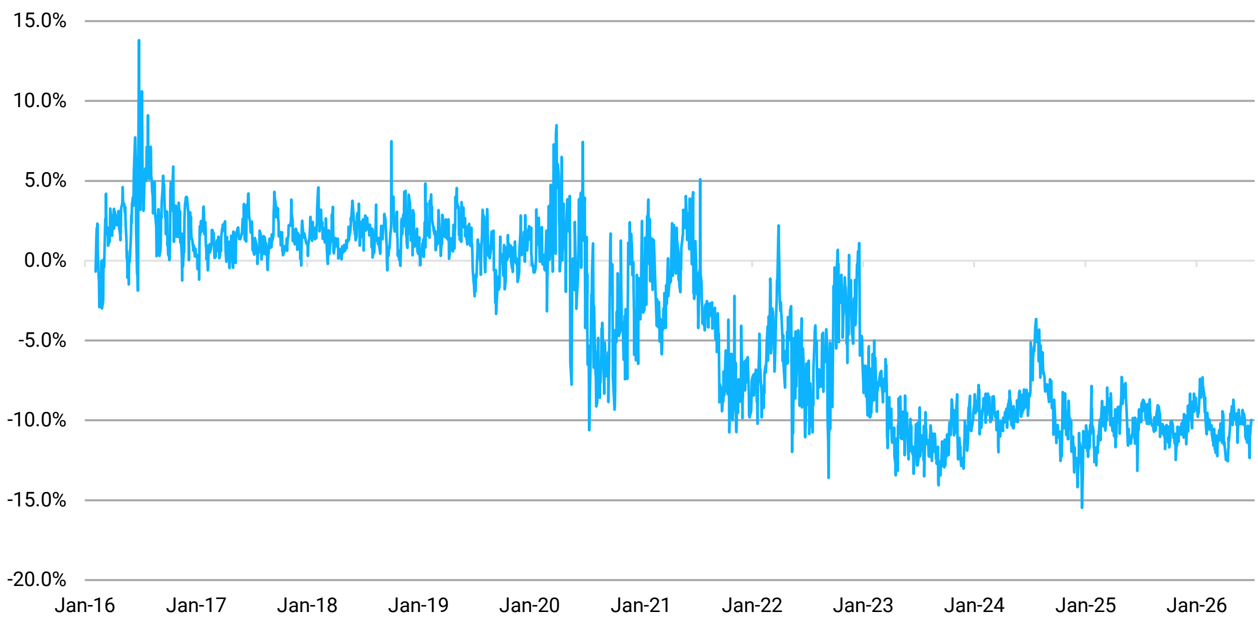
Aurora shares are eligible to be invested in an ISA or SIPP. Neither Aurora UK Alpha nor Phoenix Asset Management Partners run such a scheme. You should consult a financial adviser regarding a suitable self-select ISA or SIPP provider.

Aurora Share Price & NAV per Share – 30 June 2026



Past performance is not a reliable indicator of future performance.

Aurora Premium / (Discount) – 30 June 2026



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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.

Regulatory Notice

Contact

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Fund Manager since 28 January 2016

Portfolio Manager: Gary Channon
Listing: London Stock Exchange
Inception Date: 13 March 1997
ISIN: GB0000633262
Bloomberg: ARR

Fees

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