



Price and Value

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Capital at risk. The value of investments can go down as well as up, and you may not get back the amount you invested.



PAMP is authorised and regulated by the Financial Conduct Authority (“FCA”) in the United Kingdom. Investments are only suitable for investors who are capable of understanding the risk of loss of all or a substantial part of their investment.

Investments in UK-listed investment trusts are not protected by the Financial Services Compensation Scheme (FSCS) in the event of poor performance or the failure of the investment trust itself.

Prospective investors should not rely upon this document for tax, accounting or legal read before determining whether an investment in the fund is suitable. Advice and should consult their own advisors prior to making any investment.

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Intrinsic Value - Any references to intrinsic value reflect PAMP's own estimates based on internal analysis and assumptions. These estimates are subjective, may vary over time, and are not guaranteed to be accurate or realised in the future. Any forward-looking statements included herein reflect our views as of the date of this presentation and are subject to change. Actual results may differ materially due to a variety of factors beyond our control. Investors should conduct their own due diligence and consider their own investment objectives and risk tolerance before making any investment decisions, and seek professional advice where needed.



Key Details

Fund Structure	UK Investment Trust – premium listing on LSE
Investment Objective	Capital growth by investing in a concentrated portfolio of primarily UK listed equities
Investment Manager	Phoenix Asset Management Partners
Fees	No management fee, performance fee equal to 1/3 rd of returns above FTSE ASX, payable in Aurora shares
NAV Reporting	Daily



Phoenix Asset Management Partners

Goal

Protect and significantly **grow** capital **long-term**, **outperforming** passive strategies with **lower risk**

Approach

Invest in businesses with **high and sustainable returns**, emphasising a **deep understanding** of their economics

Edge

Foster **deep expertise** in identifying and capitalising on **market mis-pricings** of **fundamentally strong** businesses

We are long-term value investors, known for the depth of our research



Phoenix – Investment Approach & Philosophy

Value Investing

Looking at stocks as businesses

Deep Research

Observe reality and business in action

Focused approach

Diversify only to protect us from mistakes

Capital Preservation

Avoid permanent losses of capital

Learn from Mistakes

Continuously learn from errors and improve



Phoenix UK Fund - Long-term Performance



Source: PAMP, Bloomberg. All figures shown are for the Fund's A Share Class, are net of fees and do not account for an investor's tax position.
 Past Performance is not a reliable indicator of future performance
 *The FTSE All Share Index is shown with dividends re-invested. The Fund's inception date is May 1998.



Aurora UK Alpha Investment Trust

Differentiated approach

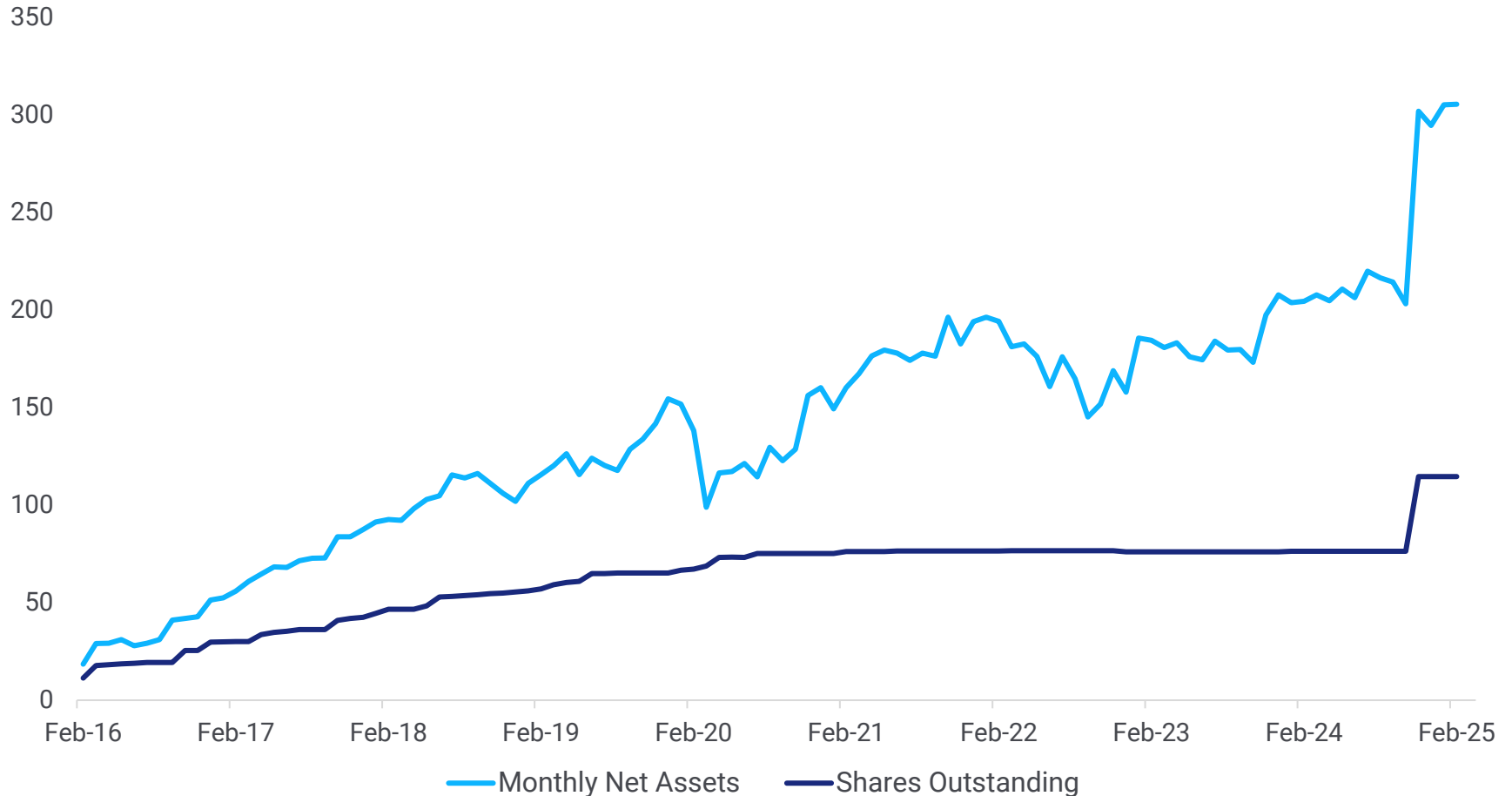
Strong long-term record

No open-ended alternative

No performance, no fees



Aurora UK Alpha - Net Asset Value Progression



Source: Bloomberg

Note: Past performance is not a reliable indicator of future performance



Performance

	NAV Return	Share Price Return*	FTSE All-Share Index*
2016	6.6%	11.9%	16.8%
2017	20.4%	21.2%	13.1%
2018	-10.3%	-10.9%	-9.5%
2019	29.7%	31.9%	19.1%
2020	-5.5%	-10.0%	-9.7%
2021	19.1%	13.5%	-0.8%
2022	-17.4%	-16.3%	0.2%
2023	33.2%	28.8%	7.9%
2024	-3.6%	-5.7%	9.5%
2025 (to 28 February)	3.7%	5.3%	6.9%
Cumulative **	85.2%	74.2%	92.6%

Source: Bloomberg

Note: Past performance is not a reliable indicator of future performance

Note: NAV return is net of fees



Single stock insights should not be taken as investment advice



Portfolio performance will deviate significantly from single-stocks



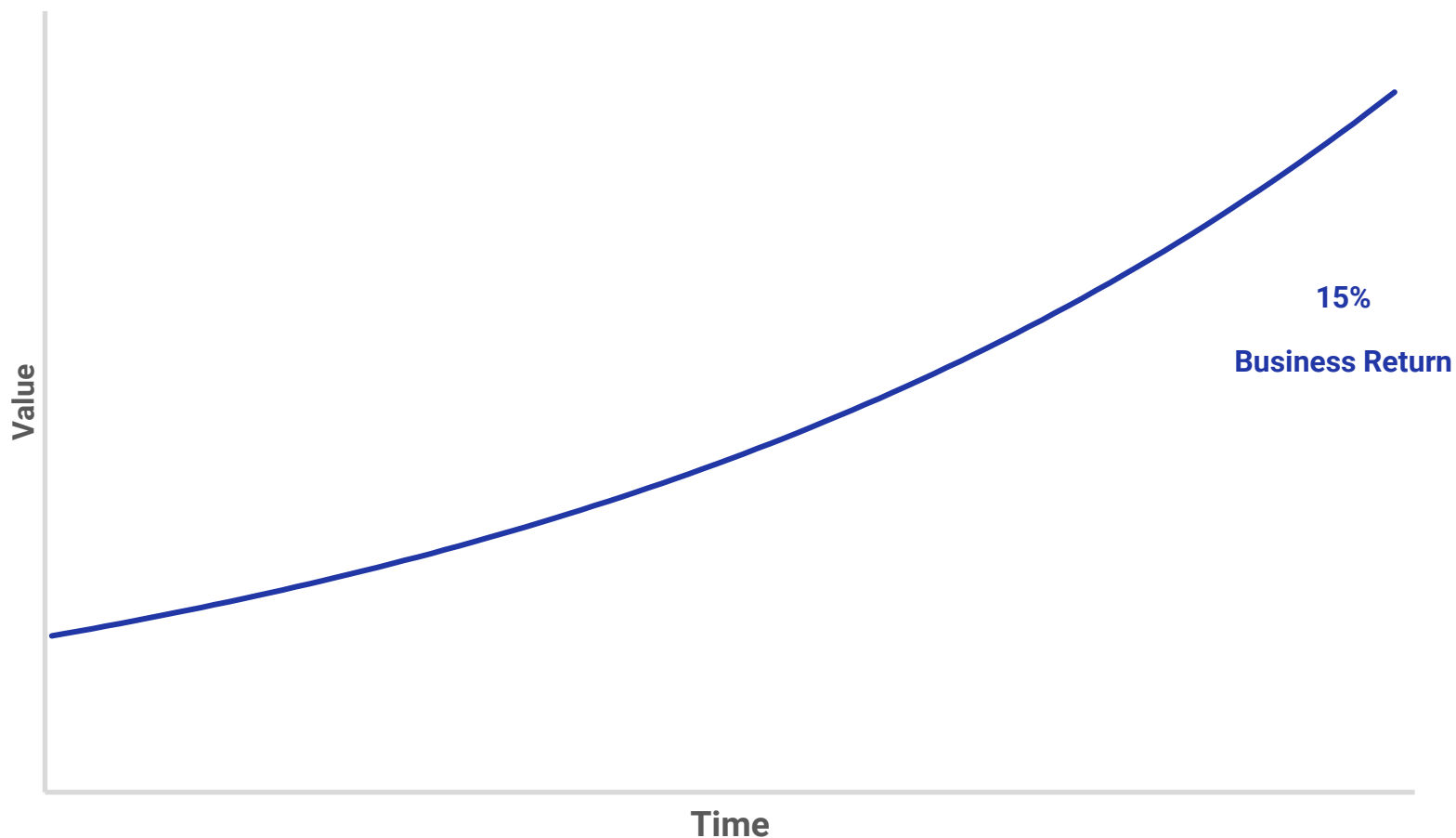
PRICE AND VALUE

“Nowadays people know the price of everything and the value of nothing”

- Oscar Wilde (1890)



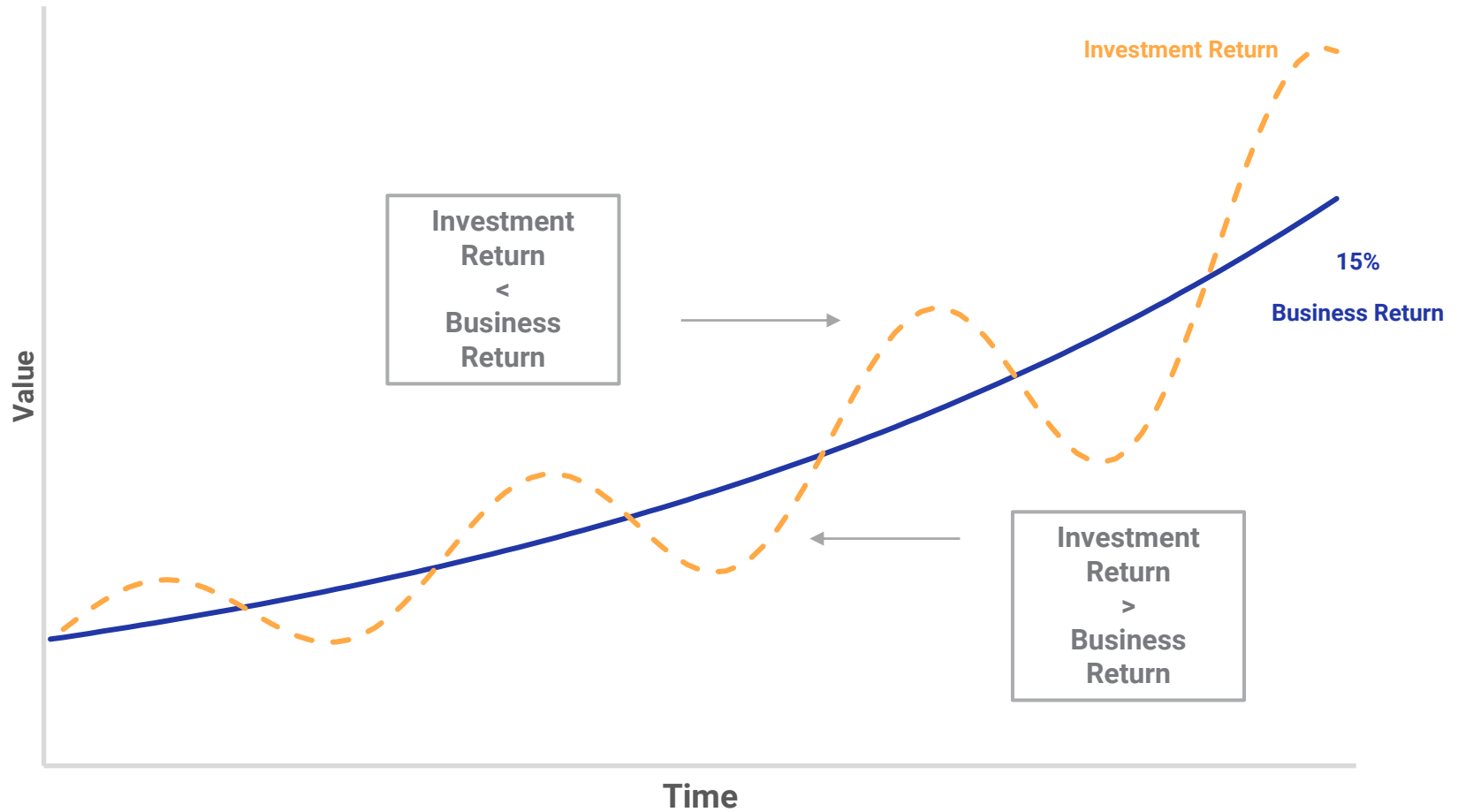
Goal is to assess business value independent of price



Aim is to find businesses that compound value by 15% over the long term



Price fluctuates by much more than value



Invest intelligently to align investment and business returns



Leading UK housebuilder is cash-rich and poised to grow



620,000

Homes built since
1958

67 years

Operating history

£4.9bn

Gross land bank
value

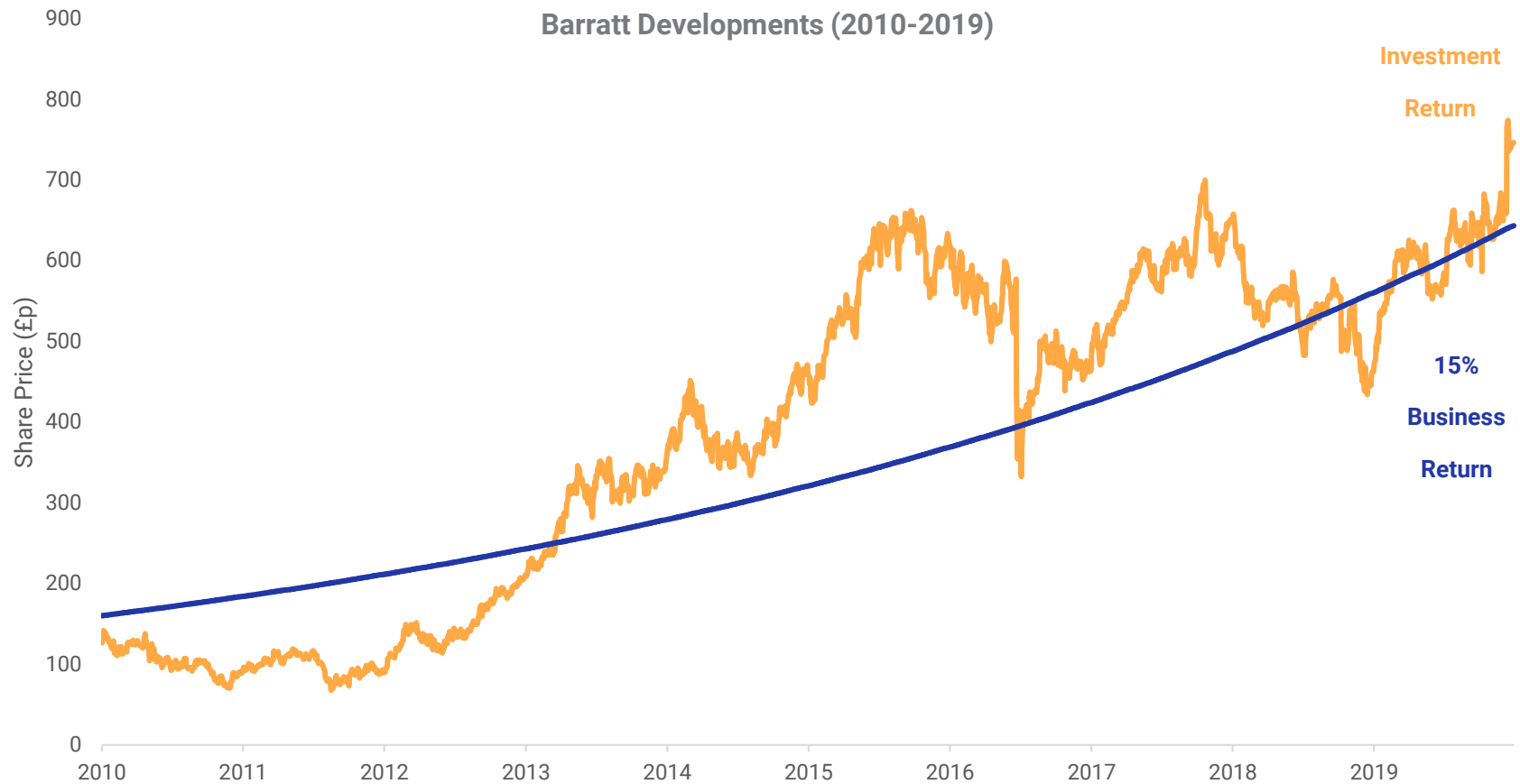
94,000

Owned and
Controlled plots





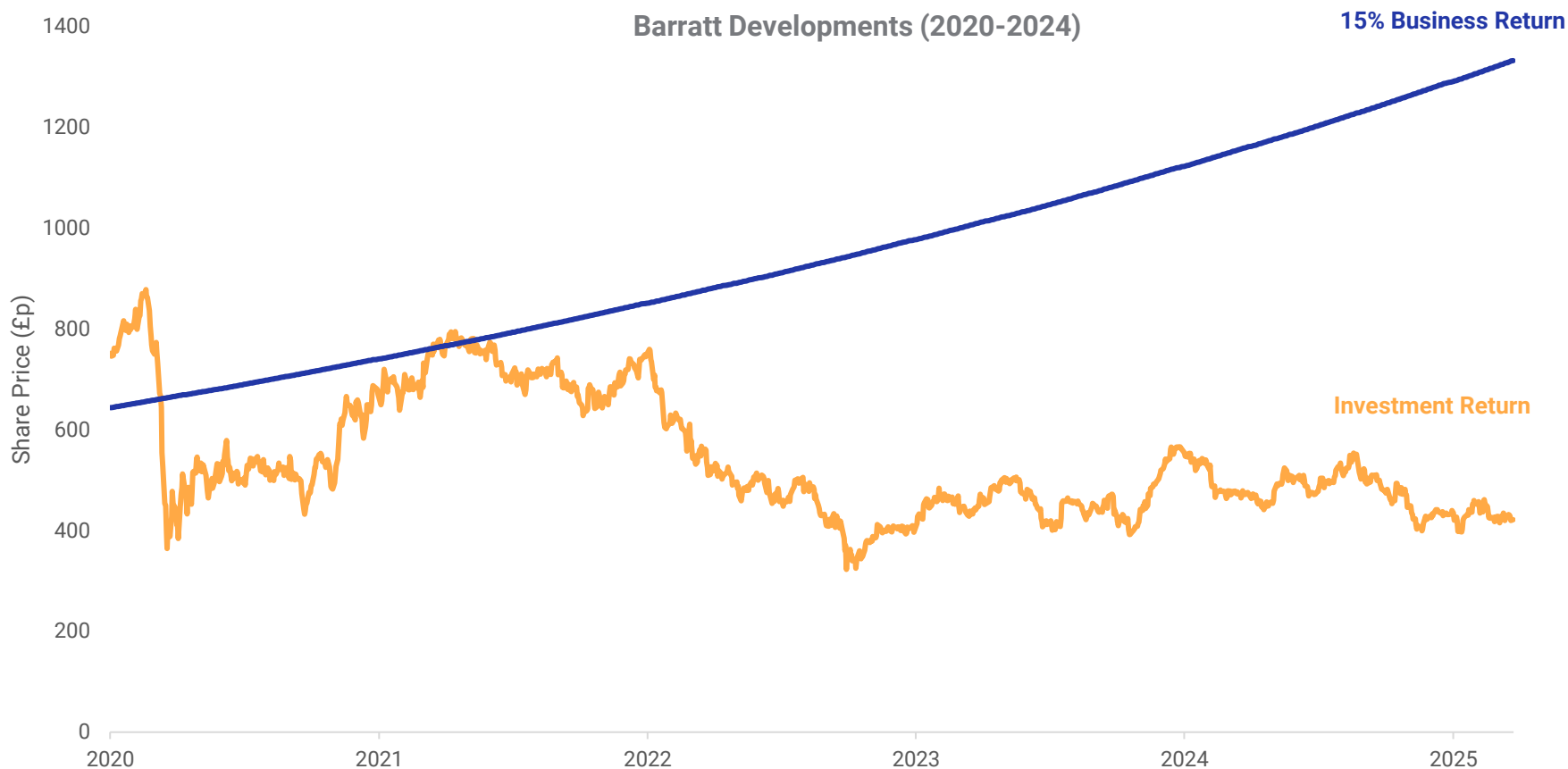
Phoenix has invested in Barratt for over 20 years



Experienced long divergences between price and value before



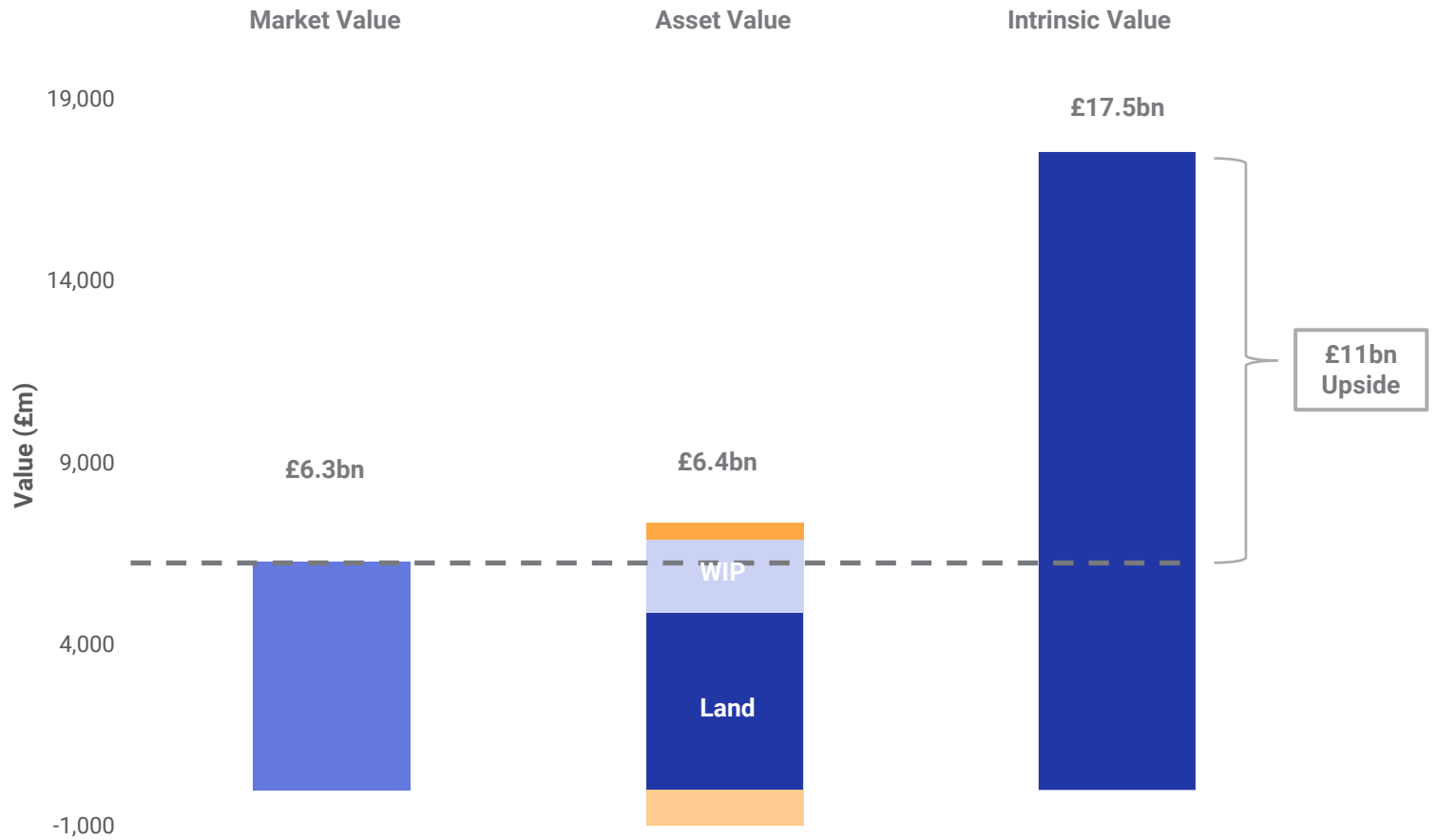
Cost shock and interest rate rise has suppressed value



15% business return implies a price of £13 per share



Barratt is priced at less than the value of its tangible assets



Estimate intrinsic value to be more than £12 per share (£17.5bn)

Source: Barratt Redrow, PAMP
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What explains the gap between price and value?

1. Hidden barriers to entry

2. Accounting often misrepresents unit economics

3. Long runway to re-deploy capital and grow volumes



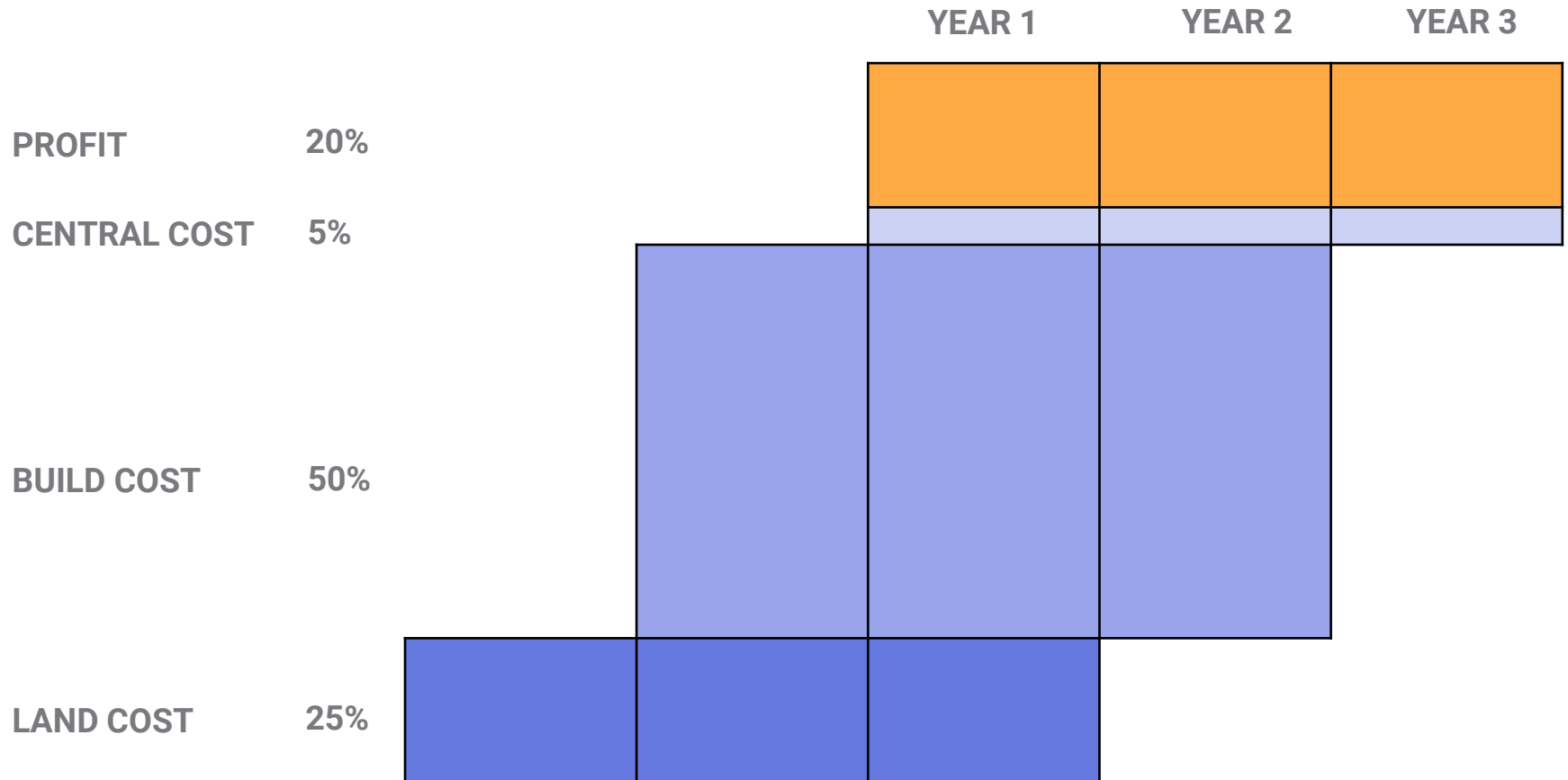
Housebuilding accounts treat land as inventory

		YEAR 1	YEAR 2	YEAR 3
PROFIT	20%			
CENTRAL COST	5%			
BUILD COST	50%			
LAND COST	25%			

Accounts present land as if the cost were incurred in the year



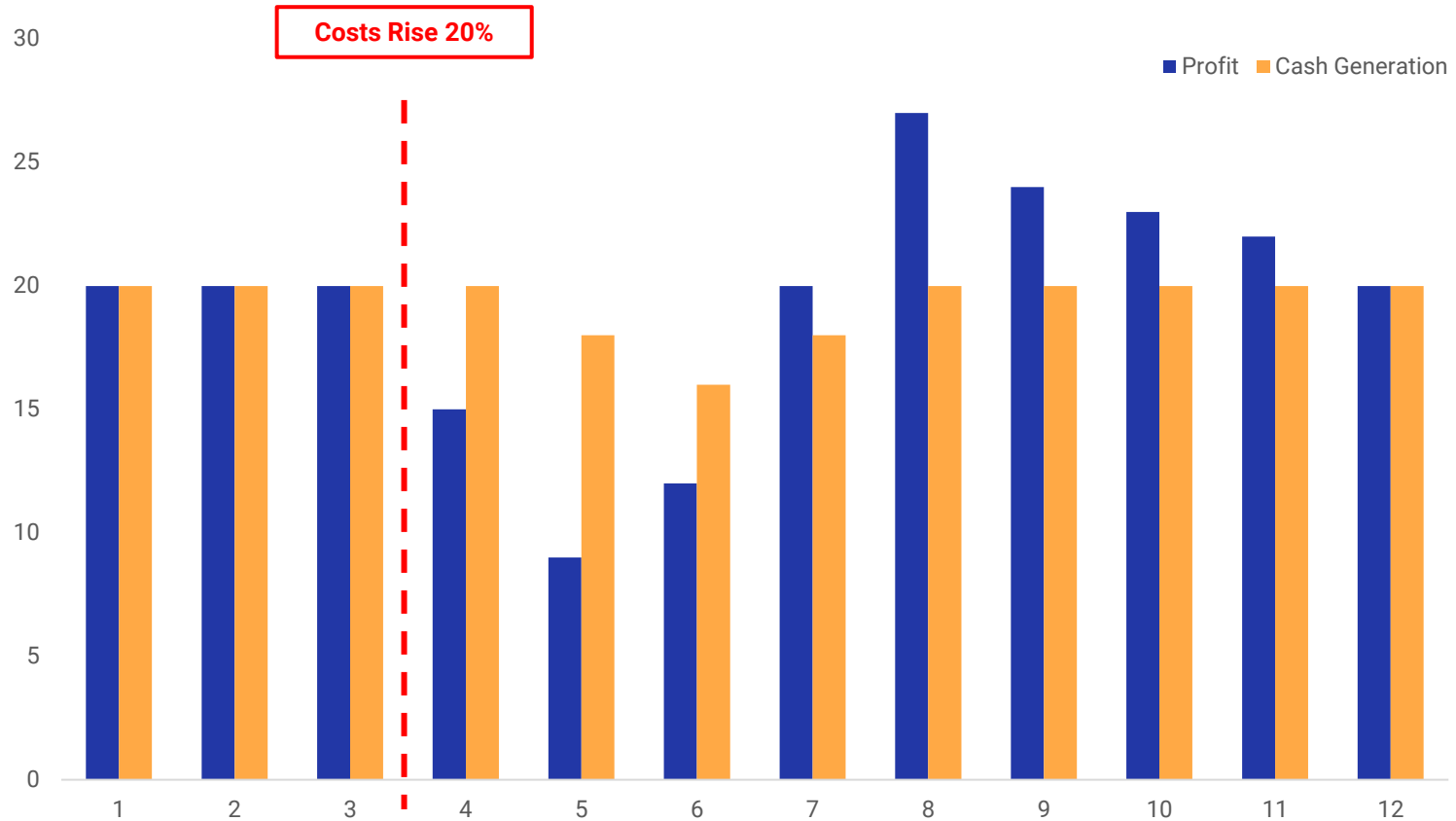
Time means there is a 3-year lag between buying land and selling a house



Cash flow impact is dependent on replacement cost



Example of costs rising 20% over 2 years



Profit understates cash as historic land cost is less than replacement cost



Estimating steady-state economics

	2024	Steady-State
Volume	17,224	23,000

Margins will rise as land bank is worked through and volumes recover



Estimating steady-state economics

	2024	Steady-State
Volume	17,224	23,000
Gross Margin	17%	23%

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Estimating steady-state economics

	2024	Steady-State
Volume	17,224	23,000
Gross Margin	17%	23%
Admin Costs	7%	5%
Operating Margin	10%	18%

Margins will rise as land bank is worked through and volumes recover



Estimating steady-state economics

	2024	Steady-State
Volume	17,224	23,000
Gross Margin	17%	23%
Admin Costs	7%	5%
Operating Margin	10%	18%
Net Profit	£406m	£1046m
ROCE	5%	15%

Margins will rise as land bank is worked through and volumes recover



Government actions have been a headwind to volumes and profitability

Factor	2021 - 2023
Demand Stimulus	✘
Interest Rates	↑↑
Taxes	↑↑
Planning System	↑
Building Regulations	↑



New Labour Government strongly supports industry growth

“Our plan for change will put builders not blockers first, overhaul the broken planning system and put roofs over the heads of working families”

- Keir Starmer (2024)



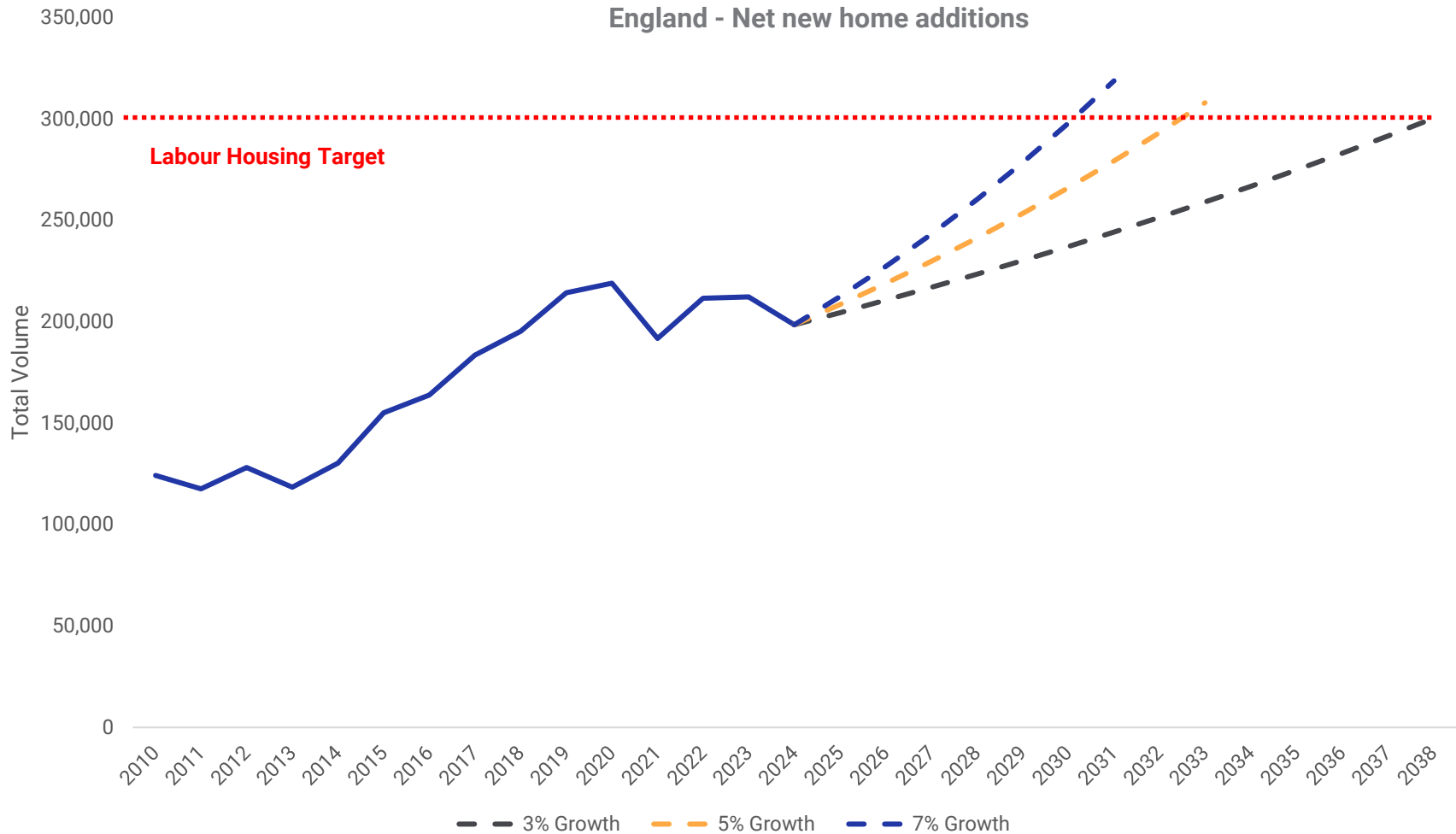
Government actions have been a headwind to volumes and profitability

Factor	2021 - 2023	2024 - Future
Demand Stimulus	✘	?
Interest Rates	↑↑	↓
Taxes	↑↑	→
Planning System	↑	↓↓
Building Regulations	↑	↘

New volume targets create alignment and tailwinds are emerging



Volume target of c.300,000 requires growth of >50%



Source: Barratt Redrow, PAMP



2. Long runway to re-deploy capital and grow volumes

	2024	Growth Scenarios
Industry Volume	198,600	
BRTW Volume	17,224	
ASP	£336k	
Net Profit	£406m	

Significant growth potential due to historic under-build



2. Long runway to re-deploy capital and grow volumes

	2024	Growth Scenarios
		5 years
Industry Volume	198,600	250,000
BRTW Volume	17,224	27,500
ASP	£336k	£371k
Net Profit	£406m	£1200m

Significant growth potential due to historic under-build



2. Long runway to re-deploy capital and grow volumes

	2024	Growth Scenarios	
		5 years	>8 years
Industry Volume	198,600	250,000	300,000
BRTW Volume	17,224	27,500	33,000
ASP	£336k	£371k	£398k
Net Profit	£406m	£1200m	£1700m

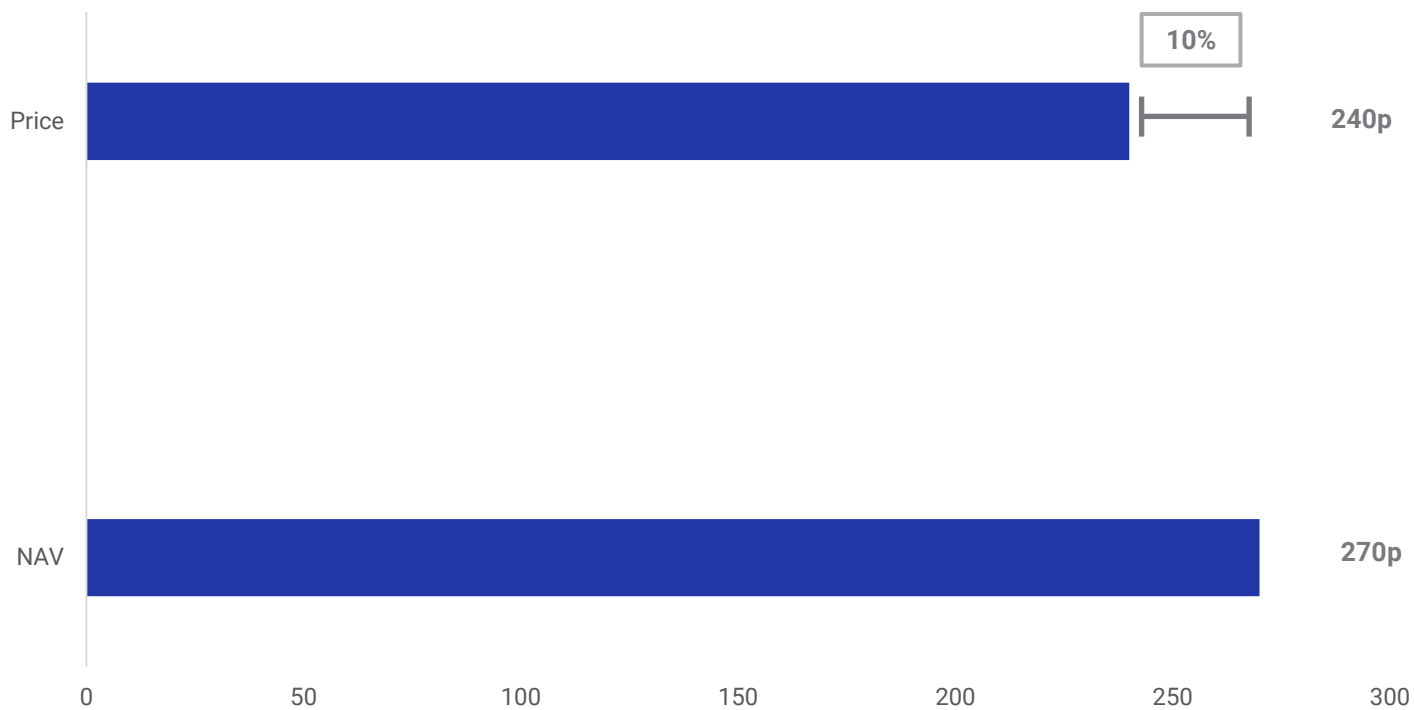
Significant growth potential due to historic under-build



AURORA UK ALPHA



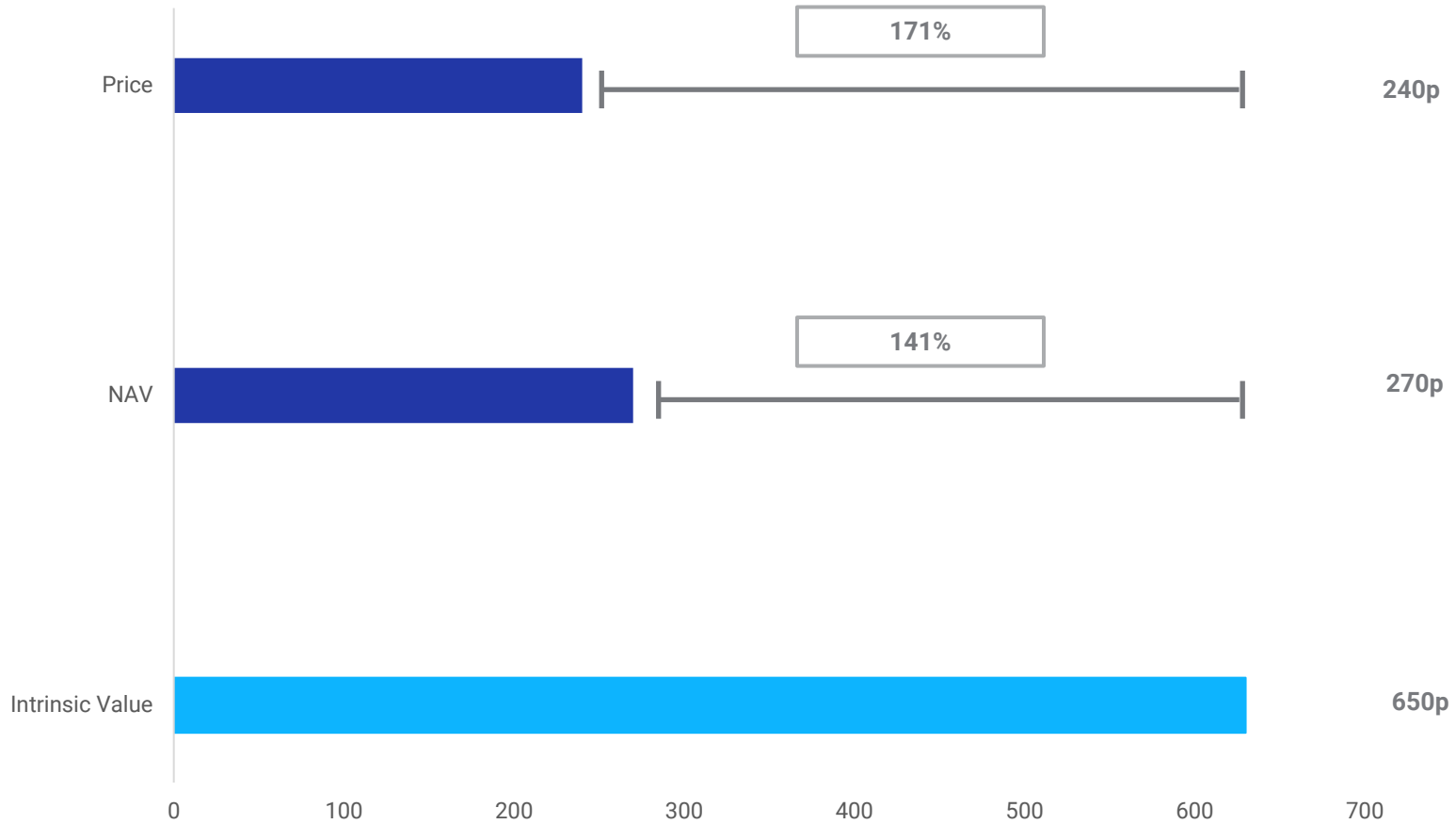
Aurora Alpha trades at c.10% discount to NAV



Despite its name, NAV is a measure of price and not value



Discount to NAV creates a further layer of value



Upside to Intrinsic Value is 141% on NAV but 171% on price

Source: Bloomberg, PAMP

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ARR price shows limited progression

	2019	2024	Δ (%)
Price	238p	240p	0% pa
NAV	234p	270p	3% pa

Source: Bloomberg, PAMP

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ARR price shows limited progression

	2019	2024	Δ (%)
Price	238p	240p	0% pa
NAV	234p	270p	3% pa
Intrinsic Value	420p	650p	9% pa

Source: Bloomberg, PAMP

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ARR price shows limited progression

	2019	2024	Δ (%)
Price	238p	240p	0% pa
NAV	234p	270p	3% pa
Intrinsic Value	420p	650p	9% pa
Discount to NAV	0%	10%	
IV / Price	60%	171%	

Source: Bloomberg, PAMP

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ARR price shows limited progression

	2019	2024	Δ (%)	
Price	238p	240p	0% pa	} Price and Value Gap
NAV	234p	270p	3% pa	
Intrinsic Value	420p	650p	9% pa	
Discount to NAV	0%	10%		
IV / Price	60%	171%		

Value has been increasing, and gap has expanded

Source: Bloomberg, PAMP

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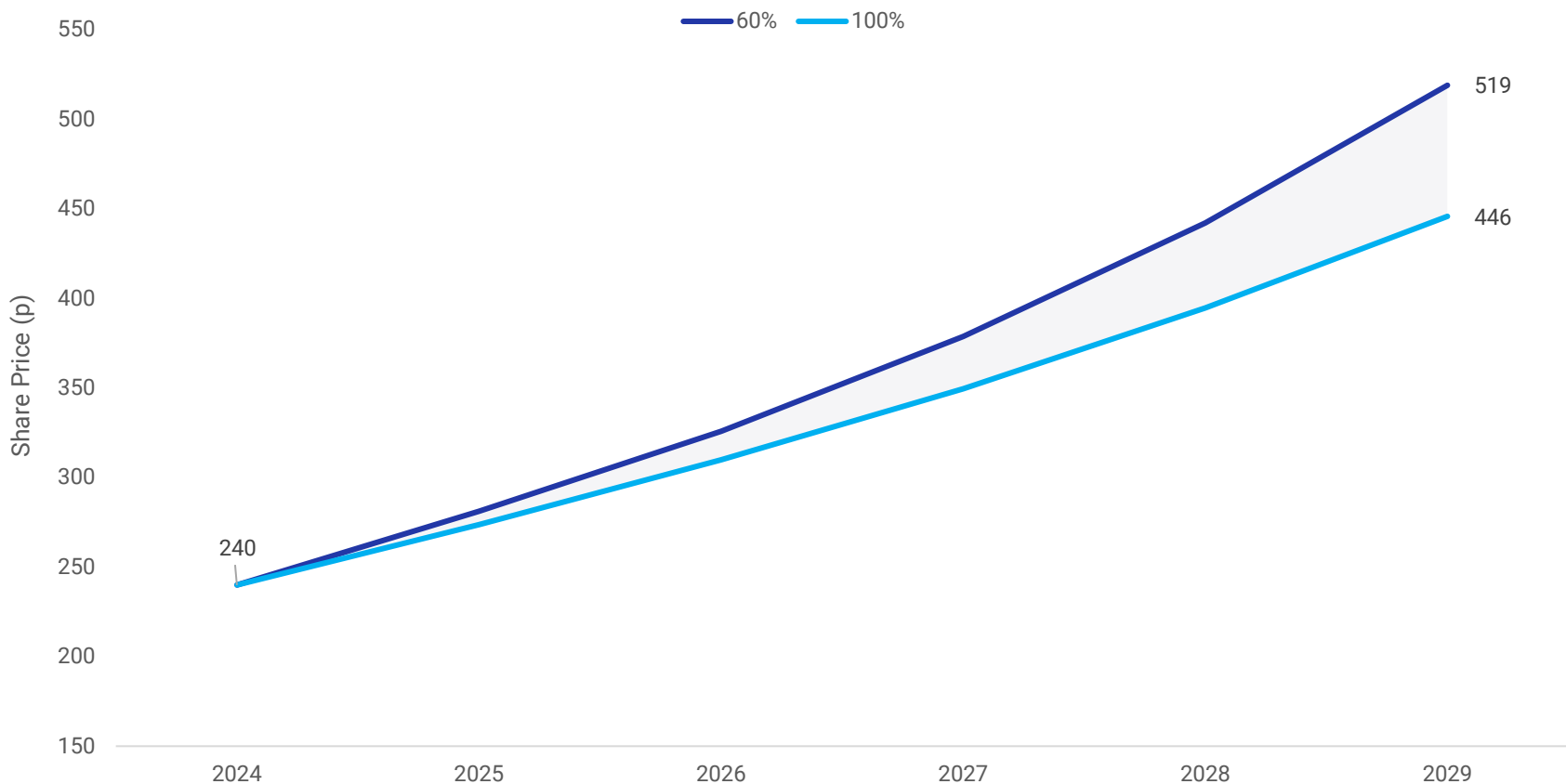


Framework for thinking about net prospective returns

- **IV compounds at 7.5% (add no value / make no mistakes)**
- **Upside reverts to 60%-100% over 5 or 10 years**
- **Discount to NAV reverts to 0%**
- **Fees calculated on the basis index compounds at 7.5%**



Framework indicates strong return potential



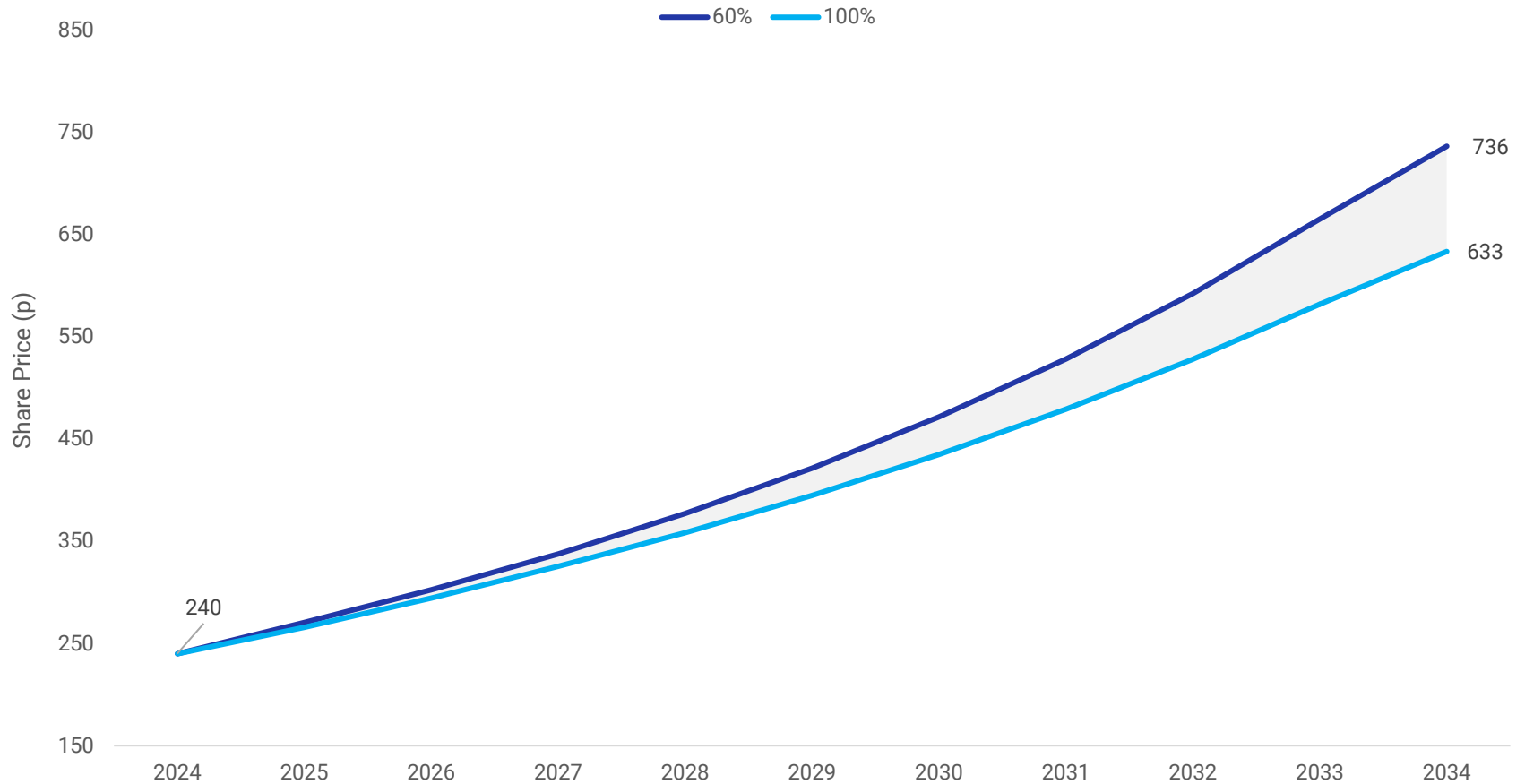
Implies 12-17% net returns over 5 years

Source: Bloomberg, PAMP

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Framework indicates strong return potential



10-13% net returns over 10 years

Source: Bloomberg, PAMP

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Summary

- **Price \neq Value**
- **High confidence in assessment of value**
- **Elastic is stretched**