AURORA
Asset Management

Market Commentary

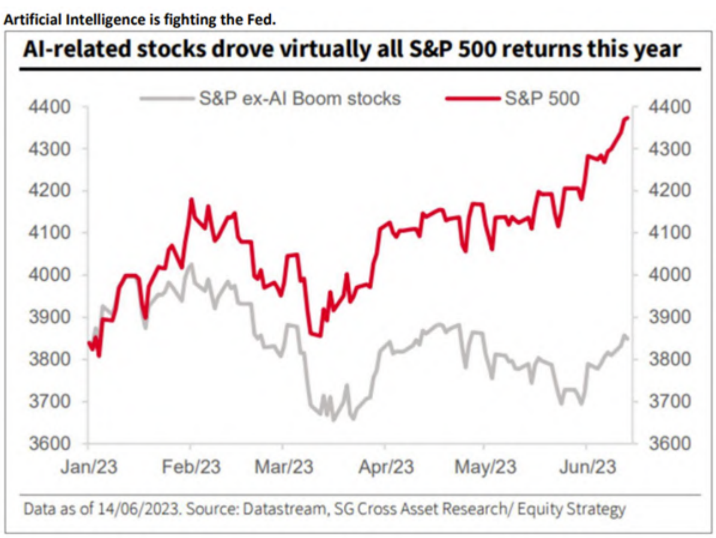
August, 2023

Dear Fellow Investors,

Mr. Market has continued his manic behavior this year. After showering our portfolios with favor in 2022, he has found a new shiny object. As always, we preach a long-term approach and a focus on intrinsic value. The prices at which Mr. Market offers for our shares are sometimes favorable and sometimes not. It is our policy to only transact with Mr. Market when it is in our best interest to do so.

2022 was a banner year for our portfolios. For the most part, this was as much about the companies that we didn't own as much as those we did. Overly expensive "growth" stocks, particularly those with vulnerable moats and/or poor corporate governance were responsible for much of the S&P 500 -18.51% return and the -32.97% return of the NASDAQ 100.

2023 has been a much different year but in some ways the story is the same. After focusing on the failures of past obsessions like blockchain and plant-based meat, the release of ChatGPT has captured the imagination of the market bidding up the shares of companies that are associated. The chart below, courtesy of smeadcap.com, illustrates the degree to which AI-related stocks have fueled virtually all the gains in the broader market. Just like 2022, our relative performance seems to be driven more about what we don't own than what we do own.



Source: Artificial Intelligence Envy - Smead Capital Management

Stepping back a little bit, our portfolios have done well over their history. We refuse to participate in speculative fervor and remain committed to our process of identifying companies with sustainable moats and strong corporate governance trading at attractive prices relative to intrinsic value. The companies in our portfolio seem to be doing well, but it is important to remember that investing isn't linear and it is unknowable when the market will lend you its favor and when its scorn. Regardless of position, the way forward is to always focus on the process and take the opportunities that the market provides; either to buy under intrinsic value or to sell above.

"Value investing doesn't always work. The market doesn't always agree with you. Over time, value is roughly the way the market prices stocks, but over the short term, which sometimes can be as long as two or three years, there are periods when it doesn't work.
And that is a very good thing.

The fact that the value approach doesn't work over periods of time is precisely the reason why it continues to work over the long term."

-Joel Greenblatt

The silver lining here to a challenging period is that the opportunity set appears significant. Investing is most difficult when there is a lack of disparity within the opportunity set. The chart below illustrates (from 07/31/2001 to 06/30/2023) the relative trailing P/E ratio of the iShares Russell 2000 Value ETF (IWN) to that of the Invesco QQQ Trust (QQQ) which tracks the NASDAQ 100.

The small cap value universe represented by (IWN) has never been cheaper on this metric compared to (QQQ) which is a growth-oriented and technology heavy index. For a brief period of time, the market actually placed a premium on small cap value stocks relative to the NASDAQ. This was absurd given the greater growth prospects for NASDAQ companies. We find the current situation just as absurd in the other direction. This backdrop should provide happy hunting grounds for investors willing to seek out opportunities in unloved and under-appreciated segments of the market.

Our Portfolios

Concentrated Equity Portfolio				
Multi-Year are Annualized	2021	2022	1-Year	Since Inception (11/01/2020)
Gross	37.67%	3.78%	2.23%	19.16%
Net of Max Fee	36.21%	2.64%	1.11%	17.87%
Benchmark				
Primary: Russell 3000	25.66%	-19.21%	18.95%	12.94%
Secondary: S&P 500 (Net TR)	28.16%	-18.51%	18.98%	13.53%

We made one model trade in 2Q23 trimming our position Kroger (KR) from a 12.03% weight to 10%. With the proceeds, we increased our weight in Sibanye Stillwater (SBSW) from 3.71% of the model to 5.74%. We believe we got close to fair value for our Kroger shares and purchased Sibanye shares for a steep discount.

Sibanye is primarily a miner of PGMs and gold. PGM mining production has slowed substantially over the past year which should be supportive of metal pricing. Further, our models indicate that Mr. Market fundamentally undervalues the cash flow Sibanye generates. Sibanye was the largest detractor in the quarter as they work through some operational issues at mines that cropped up last year (flooding, strikes) along with some general unrest and grid reliability in South Africa. Farmland Partners was our best performer as they prune the portfolio to reduce debt and repurchase shares.

Core Equity Portfolio				
Multi-Year are Annualized	2021	2022	1-Year	Since Inception (11/01/2020)
Gross	26.58%	0.19%	15.65%	17.05%
Net of Max Fee	25.22%	-0.91%	14.39%	15.78%
Benchmark				
Primary: Russell 3000	25.66%	-19.21%	18.95%	12.94%
Secondary: S&P 500 (Net TR)	28.16%	-18.51%	18.98%	13.53%

We made two model trades in 2Q23. In April, we trimmed First Solar (FSLR) from 5.68% of the model to 4% at what I believe to be fair value or better prices and took advantage of the selloff in financials to increase our weight in Diamond Hill (DHIL) from 3.29% of the model to 4.97%. First Solar is benefiting tremendously from the inflation reduction act allowing us to book solid gains and reposition those funds to a stock that we believe is trading at a steep discount in Diamond Hill.

In May, we sold (was 3.3% of the model) our remaining shares of Axon Enterprises (AXON) and increase our position in Sibanye Stillwater (SBSW) from 1.69% of the model to 3.81% and in Lovesac (LOVE) from 3.32% of the model to 4.5%. Axon is one of our favorite companies with an incredible business model of products and services to police agencies. However, we believe the price supplied by Mr. Market to be unwarranted by even our optimistic assumptions for the business.

We have spilt a lot of ink on the Lovesac story and were pleased to be able to take advantage of the decline in its share price to increase our position. Sibanye is primarily a miner of PGMs and gold. PGM mining production has slowed substantially over the past year which should be supportive of metal pricing. Further, our models indicate that Mr. Market fundamentally undervalues the cash flow Sibanye generates. Sibanye was the largest detractor in the quarter as they work through some operational issues at mines that cropped up last year (flooding, strikes) along with some general unrest and grid reliability in South Africa. Farmland Partners was our best performer as they prune the portfolio to reduce debt and repurchase shares.

Equity Income Portfolio			
Multi-Year are Annualized	2022	1-Year	Since Inception (05/01/2021)
Gross	-1.43%	4.04%	1.83%
Net of Max Fee	-2.51%	2.91%	0.72%
Benchmark			
Primary: Russell 3000	-7.98%	11.22%	1.92%
Secondary: S&P 500 (Net TR)	-18.51%	18.98%	4.07%
Secondary: Morningstar US Target Dividend TR USD	0.67%	11.92%	7.86%

In May, we trimmed our position in PepsiCo (PEP) from a 6.39% model weight to 4% while adding to Sibanye Stillwater (SBSW) from a 1.69% model weight to 3.81% and AT&T (T) from a 2.99% model weight to 4.1%. PepsiCo had grown to be a sizable position in the portfolio and the appreciation in the shares dropped the dividend below 3%.

At the time of the trade, Sibanye's dividend yield was about 6.5% and AT&T's was above 7%. We felt like this was a good opportunity to rebalance the portfolio a bit while enhancing clients' dividend income. As a reminder, the goal of this portfolio is to grow dividend income over time. Sibanye was the largest detractor in the quarter as they work through some operational issues at mines that cropped up last year (flooding, strikes) along with some general unrest and grid reliability in South Africa.

On the other side of the ledger, Artisan Partners was the best performer as a rebounding stock market improved the near-term prospects for the asset manager.

In Conclusion

While Mr. Market has not showered us in admiration this year, we believe our process is sound. We are finding what we believe to be significant opportunities presented by the historic disparities in valuation discussed previously in this letter.

As always, we are patient investors and continue to take advantage of the opportunity set presented.

Thank you for your business.

Austin Crites, CFA

Chief Investment Officer
Aurora Asset Management

Concentrated Equity Factsheet Disclosure

Past performance is not indicative of future returns. Performance for periods of one year or less is not annualized. Additionally the performance results displayed herein may have been adversely or favorably impacted by events and economic conditions that will not prevail in the future. The composite portfolio that generated the historic returns differs from the current portfolio, and the portfolio composition may also change in the future, at the discretion of BCGM. Results of the composites presented herein do not reflect the results of any one portfolio in the composite. For the Concentrated Equity composite, the minimum asset level is $25,000. Prior to January 1, 2023, the composite is inclusive of assets subscribed to the Concentrated Equity model that were below the stated minimum. For all timeframes, only assets subscribed to and managed in the Concentrated Equity model are eligible for composite inclusion. The Concentrated Equity composite is comprised of assets subscribed to and managed in the Concentrated Equity model. The Concentrated Equity model is a highly concentrated, all-cap strategy invested primarily in U.S. domiciled companies and stocks of foreign firms with ADRs. The composite inception date is 11/01/2020. New accounts and/or new sleeve assets are eligible for inclusion in their first full month of being funded and invested in the model. Closed accounts and/or closed sleeves are included through their last full month of being funded and invested in the model. Accounts and/or sleeves that have experienced a cash inflow or outflow of 10% or more of the accounts/sleeves starting or ending value during a month are excluded. Accounts/sleeves with performance that deviates the composite by +/- 2 standard deviations are excluded from the composite for the period(s) in which the deviation(s) occurred. All accounts with investment restrictions have been excluded from the composite. Gross performance is calculated by subtracting the actual transaction costs from the composite performance. Net performance is calculated using the maximum advisory fee for the Concentrated Equity model, which is 1.10%. The Concentrated Equity model generally does not automatically reinvest dividends. For reasons including changes in portfolio holdings, and the date on which an individual became an investor in one of the portfolios, the performance experienced by a specific investor may vary substantially from that indicated in the performance results.

Market index information, where included, is to show relative market performance for the periods indicated and not as standards of comparison, since these are unmanaged, broadly based indices that differ in numerous respects from the composition of BCGM's portfolios. Market indices are not available for direct investment. The historical performance results of the presented indices do not reflect the deduction of transaction and custodial charges, or the deduction of an investment management fee, the incurrence of which would decrease indicated historical performance. The historical benchmark performance results are provided for comparison purposes only, to assist an investor in determining whether an investment program meets his/her investment objective(s).

Market index information was compiled from sources that BCGM believes to be reliable, however, BCGM makes no representations or guarantees hereby with respect to the accuracy or completeness of such data. The S&P 500 is a stock market index tracking the stock performance of 500 of the largest companies listed on stock exchanges in the United States. The Russell 3000 Index is a market-capitalization-weighted equity index maintained by FTSE Russell that provides exposure to the entire U.S. stock market. The index tracks the performance of the 3,000 largest U.S.-traded stocks, which represent about 97% of all U.S.-incorporated equity securities.

Characteristic data points, including top ten holding weights, sector allocations and industry diversification for the Concentrated Equity Model, are hypothetical, based on a model portfolio and not a composite of accounts invested in the strategy. Actual individual client position weights will vary, sometimes materially, from the information provided here based on timing of inflows or outflows by the individual client. The varying weight in client accounts will create characteristics that do not precisely match the characteristics shown here. For an individual client to have the exact same characteristics shown here, they would have to have been invested in Concentrated Equity Model since the inception date and have no modifications to their portfolio through the quarter end displayed in this material.

Core Equity Factsheet Disclosure

Past performance is not indicative of future returns. Performance for periods of one year or less is not annualized. Additionally the performance results displayed herein may have been adversely or favorably impacted by events and economic conditions that will not prevail in the future. The composite portfolio that generated the historic returns differs from the current portfolio, and the portfolio composition may also change in the future, at the discretion of BCGM. Results of the composites presented herein do not reflect the results of any one portfolio in the composite. For the Core Equity composite, the minimum asset level for inclusion is $50,000. Prior to January 1, 2023, the composite is inclusive of assets subscribed to the Core Equity model that were below the stated minimum. For all timeframes, only assets subscribed to and managed in the Core Equity model are eligible for composite inclusion. The Core Equity model is an all-cap strategy invested primarily in stocks of U.S. domiciled companies and stocks of foreign firms with ADRs. The composite inception date is 11/01/2020. New accounts and/or new sleeve assets are eligible for inclusion in their first full month of being funded and invested in the model. Closed accounts and/or closed sleeves are included through their last full month of being funded and invested in the model. Accounts and/or sleeves that have experienced a cash inflow or outflow of 10% or more of the accounts/sleeves starting or ending value during a month are excluded. Accounts/sleeves with performance that deviates the composite by +/- 2 standard deviations are excluded from the composite for the period(s) in which the deviation(s) occurred. All accounts with investment restrictions have been excluded from the composite. Gross performance is calculated by subtracting the actual transaction costs from the composite performance. Accounts/ sleeves with performance that deviates the composite by +/- 2 standard deviations are reviewed for potential exclusion for the period(s) in which the deviation(s) occurred. The Core Equity model generally does not automatically reinvest dividends. For reasons including changes in portfolio holdings, and the date on which an individual became an investor in one of the portfolios, the performance experienced by a specific investor may vary substantially from that indicated in the performance results.

Market index information, where included, is to show relative market performance for the periods indicated and not as standards of comparison, since these are unmanaged, broadly based indices that differ in numerous respects from the composition of BCGM's portfolios. Market indices are not available for direct investment. The historical performance results of the presented indices do not reflect the deduction of transaction and custodial charges, or the deduction of an investment management fee, the incurrence of which would decrease indicated historical performance. The historical benchmark performance results are provided for comparison purposes only, to assist an investor in determining whether an investment program meets his/her investment objective(s). Market index information was compiled from sources that BCGM believes to be reliable, however, BCGM makes no representations or guarantees hereby with respect to the accuracy or completeness of such data. The S&P 500 is a stock market index tracking the stock performance of 500 of the largest companies listed on stock exchanges in the United States. The Russell 3000 Index is a market-capitalization-weighted equity index maintained by FTSE Russell that provides exposure to the entire U.S. stock market. The index tracks the performance of the 3,000 largest U.S.-traded stocks, which represent about 97% of all U.S.-incorporated equity securities.

Characteristic data points, including top ten holding weights, sector allocations and industry diversification for the Core Equity Model, are hypothetical, based on a model portfolio and not a composite of accounts invested in the strategy. Actual individual client position weights will vary, sometimes materially, from the information provided here based on timing of inflows or outflows by the individual. The varying weight in client accounts will create characteristics that do not precisely match the characteristics shown here. For an individual client to have the exact same characteristics shown here, they would have to have been invested in Concentrated Equity Model since the inception date and have no modifications to their portfolio through the quarter end displayed in this material.

Equity Income Factsheet Disclosure

Past performance is not indicative of future returns. Performance for periods of one year or less is not annualized. Additionally the performance results displayed herein may have been adversely or favorably impacted by events and economic conditions that will not prevail in the future. The composite portfolio that generated the historic returns differs from the current portfolio, and the portfolio composition may also change in the future, at the discretion of BCGM. Results of the composites presented herein do not reflect the results of any one portfolio in the composite. For the Equity Income composite, the minimum asset level for inclusion is $50,000. Prior to January 1, 2023, the composite is inclusive of assets subscribed to the Equity Income model that were below the stated minimum. For all timeframes, only assets subscribed to and managed in the Core Equity model are eligible for composite inclusion. The Equity Income composite is comprised of assets subscribed to and managed in the Equity Income model. The Equity Income model is an all-cap strategy invested primarily in dividend-paying stocks of U.S. domiciled companies and stocks of foreign firms with ADRs. The composite inception date is 05/01/2021. New accounts and/or new sleeve assets are eligible for inclusion in their first full month of being funded and invested in the model. Closed accounts and/or closed sleeves are included through their last full month of being funded and invested in the model. Accounts and/or sleeves that have experienced a cash inflow or outflow of 10% or more of the accounts/sleeves starting or ending value during a month are excluded. Accounts/sleeves with performance that deviates the composite by +/- 2 standard deviations are excluded from the composite for the period(s) in which the deviation(s) occurred. All accounts with investment restrictions have been excluded from the composite. Gross performance is calculated by subtracting the actual transaction costs from the composite performance. Net performance is calculated using the maximum advisory fee for the Equity Income model, which is 1.10%. The Equity Income model generally does not automatically reinvest dividends. For reasons including changes in portfolio holdings, and the date on which an individual became an investor in one of the portfolios, the performance experienced by a specific investor may vary substantially from that indicated in the performance results.

Market index information, where included, is to show relative market performance for the periods indicated and not as standards of comparison, since these are unmanaged, broadly based indices that differ in numerous respects from the composition of BCGM's portfolios. Market indices are not available for direct investment. The historical performance results of the presented indices do not reflect the deduction of transaction and custodial charges, or the deduction of an investment management fee, the incurrence of which would decrease indicated historical performance. The historical benchmark performance results are provided for comparison purposes only, to assist an investor in determining whether an investment program meets his/her investment objective(s). Market index information was compiled from sources that BCGM believes to be reliable, however, BCGM makes no representations or guarantees hereby with respect to the accuracy or completeness of such data. The S&P 500 is a stock market index tracking the stock performance of 500 of the largest companies listed on stock exchanges in the United States. The Russell 3000 Index is a market-capitalization-weighted equity index maintained by FTSE Russell that provides exposure to the entire U.S. stock market. The index tracks the performance of the 3,000 largest U.S.-traded stocks, which represent about 97% of all U.S.-incorporated equity securities. The Morningstar US Target Dividend TR USD Index reflects the performance of 50 dividend-paying U.S. based equities screened for quality and financial health.

Characteristic data points, including top ten holding weights, sector allocations and industry diversification for the Equity Income Fund Model, are hypothetical, based on a model portfolio and not a composite of accounts invested in the strategy. Actual individual client position weights will vary, sometimes materially, from the information provided here based on timing of inflows or outflows by the individual client. The varying weight in client accounts will create characteristics that do not precisely match the characteristics shown here. For an individual client to have the exact same characteristics shown here, they would have to have been invested in Equity Income Fund Model since the inception date and have no modifications to their portfolio through the quarter end displayed in this material.