



UK Equity Turnarounds & Special Situations

Love the business we invest in, but don't fall in love with the business

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*Love the business we invest in, but
don't fall in love with the business*

AozoraStep is launching its UK equity turnaround and special situations investment strategy to investors, which focuses on deep-value opportunities in a concentrated portfolio where external factors lead to a turnaround in valuations within 6 months.

With a 23.6% CAGR over the last 8 years*, the goal is now to raise up to £100m and offer advisory and separately managed accounts via IB at 0%/20% and 1%/20% fees respectively.

A strong network of support



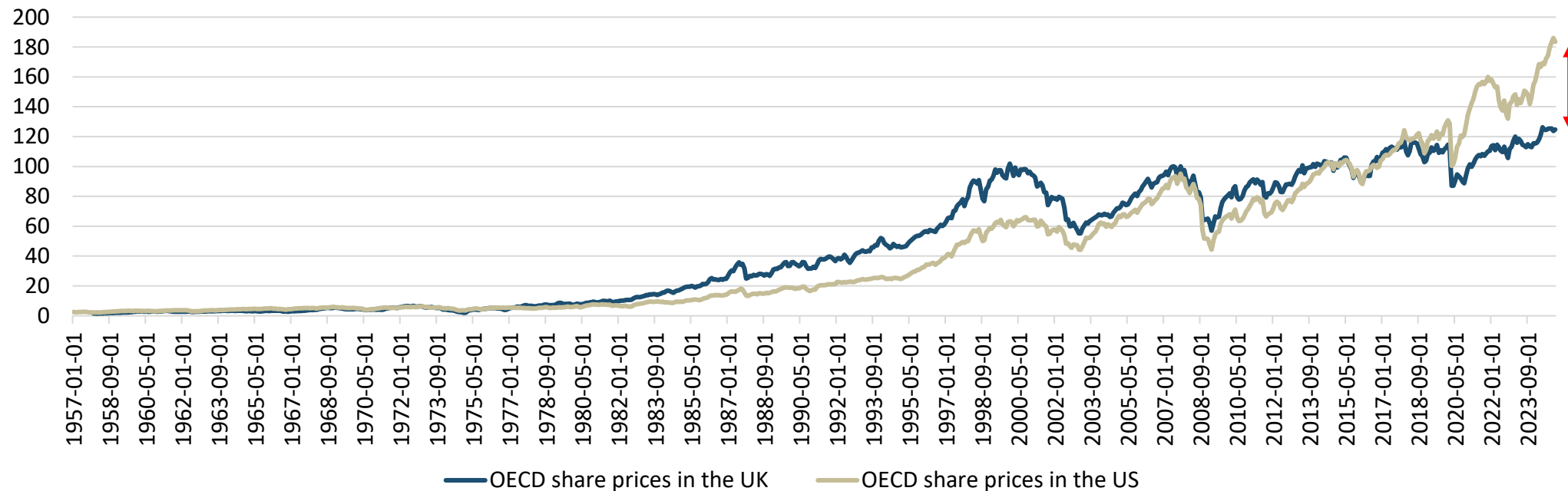
& many more



THE OPPORTUNITY

GS in December 2024: “UK equity markets trade at a 50% discount to the US and a 40% discount on a sector-adjusted basis. Even compared to Japan, UK has roughly twice the ROE of Japan but a similar Price-to-Book value”*

UK equities are trading at a large discount to the US



THE OPPORTUNITY



Equity portion of UK pension and insurance funds declined from 45.7% in 1997 to just 4.2% in 2022.*



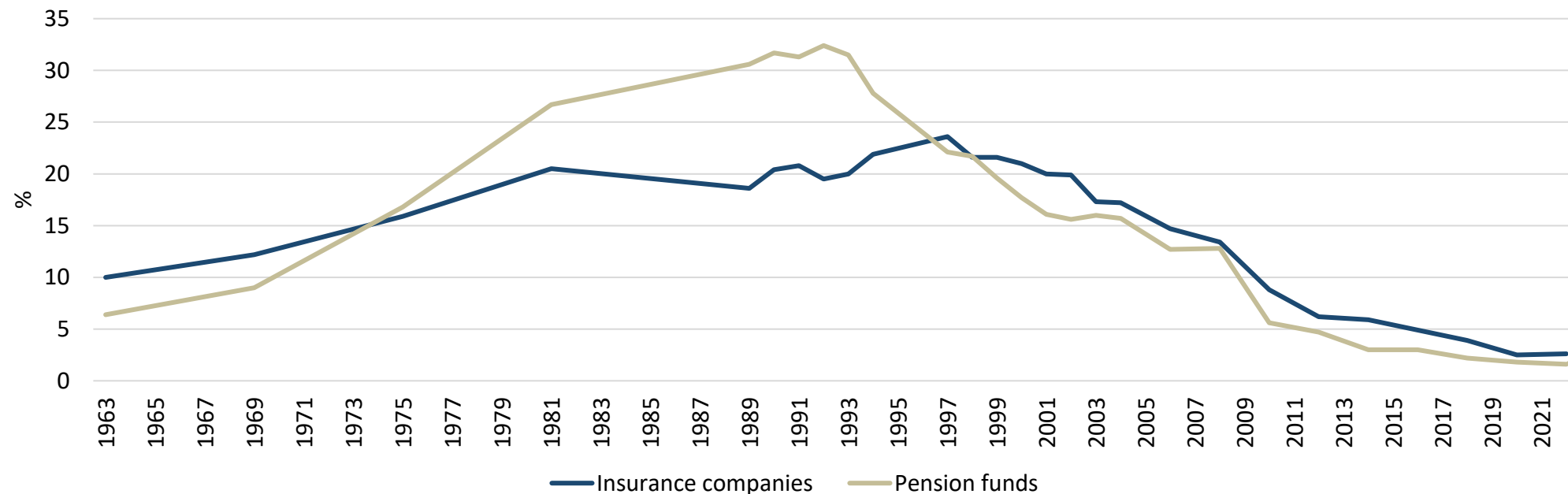
Reasons for this trend are largely regulatory changes, such as FRS17, and more profitable return expectations on overseas shares.**



UK government is seeking to close this gap by forcing its £2trn pension funds to invest more into UK equities.***

Mansion House Accord:
£50bn unlocked

Insurance and pension companies held a historically low proportion of UK quoted shares in 2022



THE CHALLENGE

How to manage a long-only equity strategy in an environment of high government debt and de-globalization?



Based on the lack of respect that China has shown to the World's Markets, I am hereby raising the Tariff charged to China by the United States of America to 125%, effective immediately. At some point, hopefully in the near future, China will realize that the days of ripping off the U.S.A., and other Countries, is no longer sustainable or acceptable. Conversely, and based on the fact that more than 75 Countries have called Representatives of the United States, including the Departments of Commerce, Treasury, and the USTR, to negotiate a solution to the subjects being discussed relative to Trade, Trade Barriers, Tariffs, Currency Manipulation, and Non Monetary Tariffs, and that these Countries have not, at my strong suggestion, retaliated in any way, shape, or form against the United States, I have authorized a 90 day PAUSE, and a substantially lowered Reciprocal Tariff during this period, of 10%, also effective immediately. Thank you for your attention to this matter!

413 ReTruths 1.31k Likes

Apr 09, 2025, 1:18 PM

THE SOLUTION

THE UK EQUITY TURNAROUND AND SPECIAL SITUATION STRATEGY



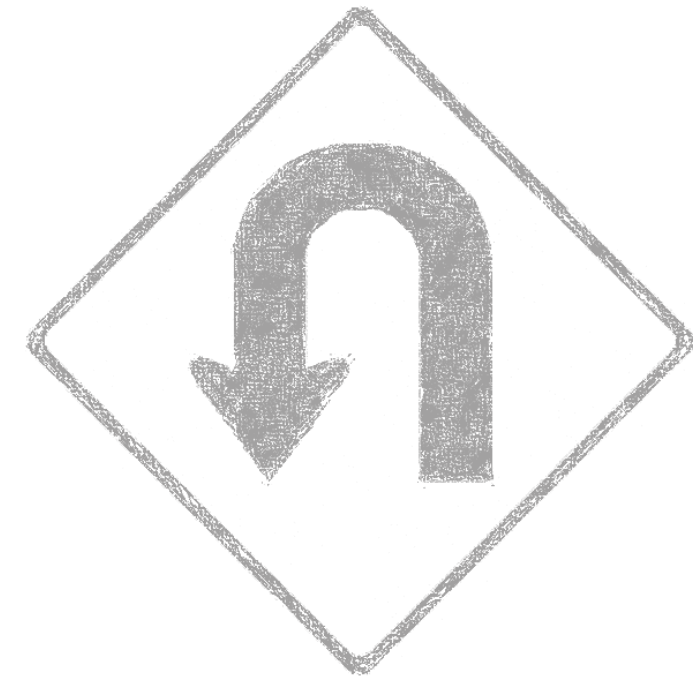
1. **Seek deep-value UK equities**
2. **Identify the pivot point at which these deep valuations turn around**
3. **Concentrate the portfolio in 2-10 of these turnarounds and special situations where our fair value is around 40% higher and returns can be generated within 6 months**
4. **Then find the next opportunity**

“Love the business we invest in, but don’t fall in love with the business”

THE TURNAROUND MARKET

OUT OF 1,700 UK EQUITIES, 50-100 COULD BE TURNAROUND OPPORTUNITIES

- >1,700 companies are listed in the UK*
- ~600 of them are in the mid cap space of £150m-3bn market cap, ~100 are large cap >£3bn
- 50-100 of them are potential turnaround candidates
- Generally, only 2-10 deep value companies fulfill the +40%/-20% return/risk profile within 6 months with external factors aligned



Strategy can be expanded to other markets, such as the U.S.

TURNAROUND EXAMPLE

NEXXEN: A VALUATION THAT HIT ROCK BOTTOM

Nexxen International vs. PubMatic 2023 financials

Indicator	Nexxen International (NEXN LN)	PubMatic (PUBM US)
Market cap	\$360m	\$1.15bn
2023 operating income incl. leases & share price dilution deduction (excl. working capital)	\$37m	\$48m
2023 Net cash	\$134m	\$175m
2023 Revenue	\$332m	\$267m
2023 Net current assets	\$222m	\$182m
2024 Adj. EBITDA Outlook	\$100m	\$88m



Nexxen traded at ~1/3 the value of PubMatic

TURNAROUND EXAMPLE

TIMING THE PIVOT POINTS



✓ Attractive valuation:

Nexxen's EV/adj EBITDA was then at 2x

✓ Shareholder returns:

\$20m share buyback launched (NEXN) + \$50m share buyback announced

✓ External factors aligned:

Advertising has hit a low in July 2024 and since recovered. Major brands announced the need to spend more on ads

✓ Relative value:

Valuation gap between Nexxen and competitors

➤ Bought Nexxen in October/November 2023 and sold in January 2024 after target valuation was achieved with a 35% return ([here](#) & [here](#))

TURNAROUND EXAMPLE

RE-ENTER WHEN OPPORTUNITY REMAINS ACTIVE



- ✓ Re-entered Nexxen in March 2024 after positive results from competitors and a valuation that remained attractive

Details [here](#) & [here](#)

- Exited with 15% profit as Israel-Lebanon conflict worsened

Detail [here](#)

— = Nexxen International
— = PubMatic

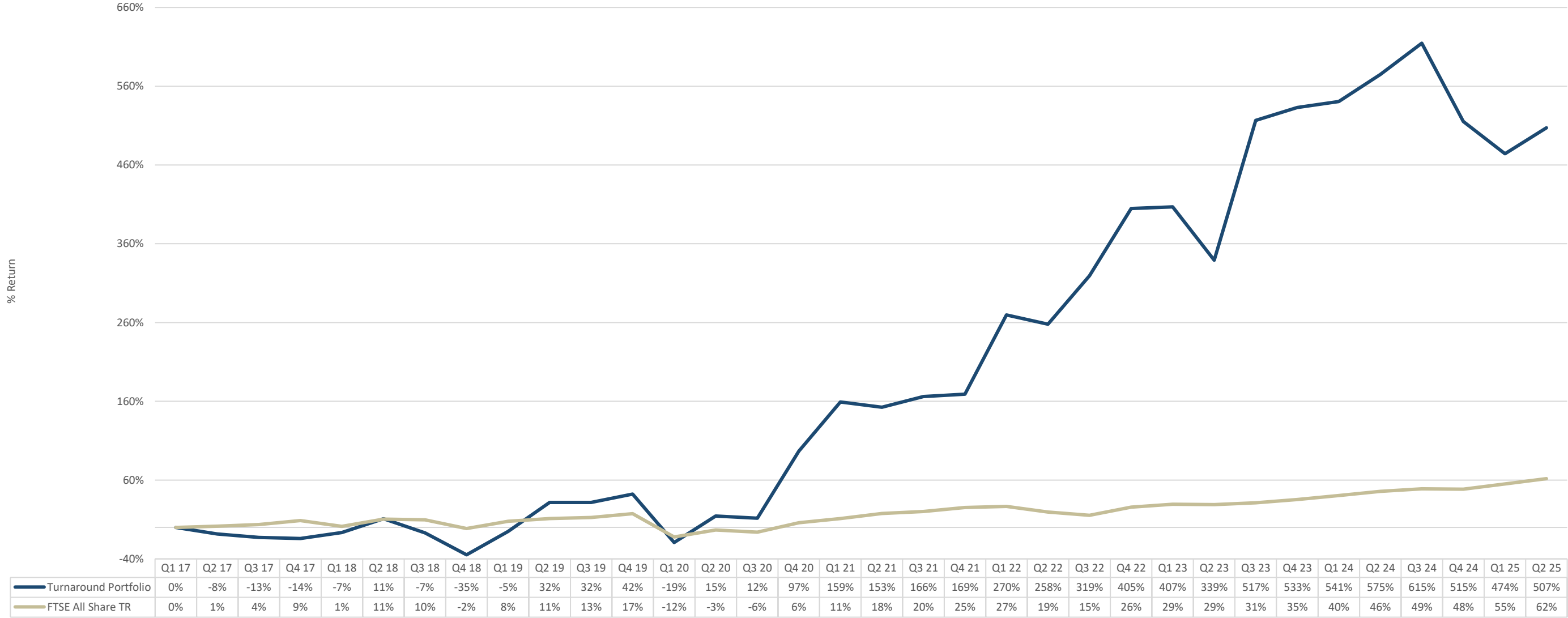
OTHER HISTORIC TURNAROUND EXAMPLES*

ESG, GEOPOLITICS & CYCLICAL ADJUSTMENTS



THE PERFORMANCE*

STRONG & UNCORRELATED RETURNS IN A VERY CONCENTRATED PORTFOLIO



*The Turnaround Portfolio was built with £266k capital injections, had £394k withdrawals, now measures £400-500k, is not constrained by a concentration limit per holding and holds interests in only 2-5 stocks at a time. Past performance is not indicative of future returns.

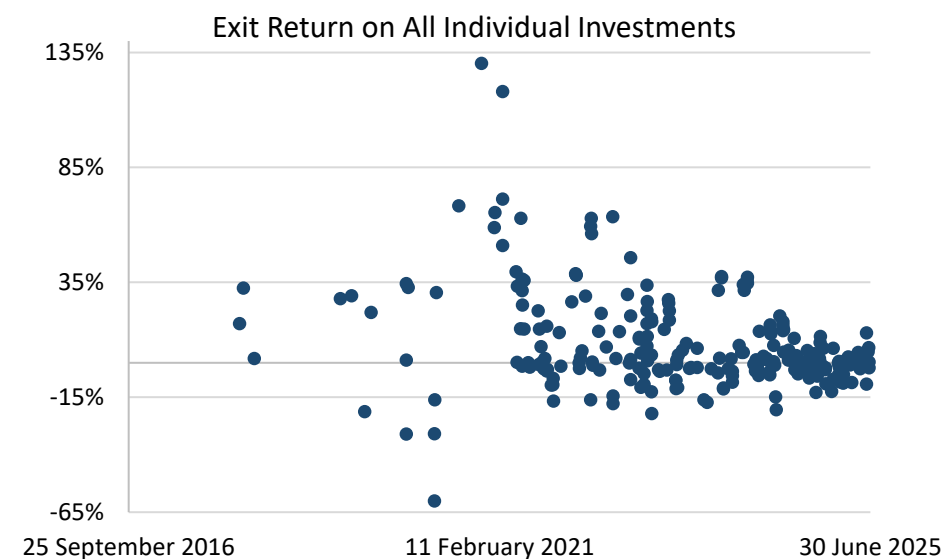
THE PERFORMANCE*

NEGATIVE RETURNS WERE HISTORICALLY SHORT-LIVED & DUE TO RATE SPIKE

Quarterly Performance	Turnaround Portfolio	FTSE All Share TR
Q1 17	0%	0%
Q2 17	-8%	1%
Q3 17	-5%	2%
Q4 17	-1%	5%
Q1 18	9%	-7%
Q2 18	19%	9%
Q3 18	-16%	-1%
Q4 18	-30%	-10%
Q1 19	45%	9%
Q2 19	39%	3%
Q3 19	0%	1%
Q4 19	8%	4%
Q1 20	-43%	-25%
Q2 20	42%	10%
Q3 20	-3%	-3%
Q4 20	76%	13%
Q1 21	32%	5%
Q2 21	-3%	6%
Q3 21	5%	2%
Q4 21	1%	4%
Q1 22	37%	1%
Q2 22	-3%	-6%
Q3 22	17%	-3%
Q4 22	20%	9%
Q1 23	0%	3%
Q2 23	-13%	0%
Q3 23	40%	2%
Q4 23	3%	3%
Q1 24	1%	4%
Q2 24	5%	4%
Q3 24	6%	2%
Q4 24	-14%	0%
Q1 25	-7%	5%
Q2 25	6%	4%

Annual Performance	Turnaround Portfolio	FTSE All Share TR
2017	-9%	9%
2018	-31%	-9%
2019	113%	19%
2020	52%	-10%
2021	37%	18%
2022	99%	0%
2023	26%	8%
2024	-1%	10%
H1 2025	-2%	9%

Overall Performance	Turnaround Portfolio	FTSE All Share TR
CAGR	23.6%	5.8%
2017-H1 25 Return	507%	62%



THE PERFORMANCE*

EXITS OF POSITIONS SHOW HIGH UPSIDE AND LOW POTENTIAL DOWNSIDE

>15% Returns over last 3 years					
Company	Entry Date	Exit Date	Return	Entry note	Exit note
Centrica plc	03-Sep-21	07-Jan-22	36%	https://www.aozorastep.com/centrica	https://www.aozorastep.com/centrica-exit
Hunting Plc	02-Aug-21	15-Mar-22	60%	https://www.aozorastep.com/hunting	https://www.aozorastep.com/hunting-exit
IG Design Group	30-Mar-22	25-Apr-22	17%	https://www.aozorastep.com/igdesigngroup	https://www.aozorastep.com/igdesigngroup-exit
Go-Ahead Group	29-Apr-22	14-Jun-22	64%	https://www.aozorastep.com/goaheadgroup	https://www.aozorastep.com/goaheadgroup-exit
Serica Energy	15-Jun-22	30-Aug-22	43%	https://www.aozorastep.com/sericaenergy	https://www.aozorastep.com/sericaenergy-exit
Hunting plc	18-Oct-22	09-Nov-22	23%	https://www.aozorastep.com/hunting-reentry	https://www.aozorastep.com/hunting-exit2
Reach Plc	09-Sep-22	10-Nov-22	33%	https://www.aozorastep.com/reach	https://www.aozorastep.com/reach-exit
IG Design Group	03-Nov-22	29-Nov-22	18%	https://www.aozorastep.com/igdesigngroup-reentry	https://www.aozorastep.com/igdesigngroup-exit2
Greencore	16-Nov-22	14-Feb-23	23%	https://www.aozorastep.com/greencore	https://www.aozorastep.com/greencore-re-exit
On The Beach	01-Aug-23	13-Sep-23	32%	https://www.aozorastep.com/onthebeach	https://www.aozorastep.com/onthebeach-exit
Hunting plc	24-Mar-23	27-Sep-23	37%	https://www.aozorastep.com/reentry-hunting	https://www.aozorastep.com/exit-hunting
Tremor International	13-Nov-23	17-Jan-24	35%	https://www.aozorastep.com/tremorinternational	https://www.aozorastep.com/tremorinternational-exit
Nexxen International	27-Feb-24	20-Jun-24	15%	https://www.aozorastep.com/nexxen	https://www.aozorastep.com/nexxen-exit
<-15% Returns over last 3 years					
Company	Entry Date	Exit Date	Return	Entry note	Exit note
Vertu Motors	21-Mar-22	16-Jun-22	-16%	https://www.aozorastep.com/vertumotors	https://www.aozorastep.com/vertumotors-exit
National Express	30-May-23	27-Jul-23	-15%	https://www.aozorastep.com/nationalexpress	https://www.aozorastep.com/nationalexpress-exit

THE TEAM

PORTFOLIO MANAGER, INVESTMENT MANAGER & ADVISORS

David Herrmann, Portfolio Manager



David Herrmann is the founder & portfolio manager of AozoraStep. He managed STIR portfolios at Bluecrest and UBS and graduated in Economics and Finance from the University of Amsterdam. David has worked in 8 countries, 4 continents, incl. a research project with Prof. Naoyuki Yoshino at Keio University in Tokyo.

Vittoria & Partners, Investment Manager



Vittoria & Partners provide regulatory hosting solutions to AozoraStep. V&P's team are experienced compliance and risk specialists who have worked as a team for more than 7 years. V&P manages \$3.3bn AUM and was awarded as regulatory hosting solution provider of the year by Hedgeweek in 2025.

Isabel Kelly, Advisor



Isabel Kelly is a NED at TPX Impact and founder of Profit with Purpose. She has spent her entire career helping other achieve a better and more prosperous life. She met the Dalai Lama twice and was the International Director of the Salesforce Foundation. Isabel is an advocate for ESG and knows how to implement it correctly

The Right Hon Shailesh Vara, Advisor



The Right Hon Shailesh Vara was a UK Member of Parliament for 19 years and a Government Minister for over 6 years, serving under 3 Prime Ministers, including in the Cabinet as Secretary of State of Northern Ireland. He was the last person to be personally sworn into the Privy Council by the late Her Majesty Queen Elizabeth II.

THE STRUCTURE

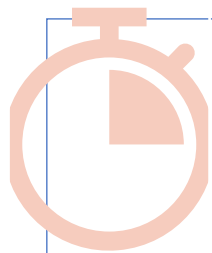
A NEW LAUNCH

Key Facts	Structure
Investment Manager	Vittoria & Partners
Portfolio Manager	David Herrmann
Minimum Investment	£100k
Fees	1% Management Fee (monthly) / 20% Performance Fee (quarterly) / 8% Soft Hurdle / Perpetual High Watermark. Management Fees earned above fixed costs are returned to investors during down periods
Redemptions	Quarterly / 30 days' notice
Advisory	20% Performance Fee on minimum £500k
AMC (UBS)	Minimum total interest of £10m
Irish AIF	With AUM >£20m
Listed company	When AUM >£500m
Prime Broker	Interactive Brokers (separately managed accounts) or other (planned)
Administrator	Opus Fund Administration or NAV Consulting (planned)
FCA license (incl. RIA, ERA)	Onboarding process finalised with Vittoria and Partners
Legal Counsel	Simmons + Simmons
Accountants	HiCloud Accounting – plan to work with HaysMac with first clients to enable growth
Team expansion	Chairman, Compliance Officer, Secretary, Analysts

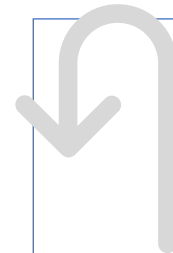
INVESTOR COMMUNICATION

ABSOLUTE TRANSPARENCY

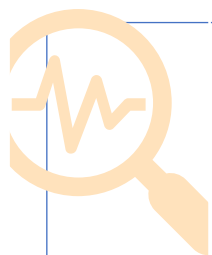
A newsletter subscription that provides full transparency to investors



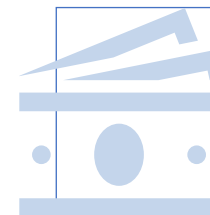
Quarterly reports (view [here](#))



Turnaround notes (entry & exit)
(view [here](#))



Macro research notes
(view [here](#))



Annual summary of
expenditures and return of
potential profits generated from
management fees to investors

SUMMARY

WHY CHOOSE AOZORASTEP?

EXCEPTIONAL INSTITUTIONAL BACKGROUND

Strong institutional background of portfolio manager and advisors as well as top-quality service providers

INCENTIVES ARE ALIGNED FOR PROFIT-MAXIMISATION

With growth in AUM, the focus will remain on performance as management fee will never become a profit centre

ABSOLUTE TRANSPARENCY

Full transparency about fixed costs to investors as well as open book communication over positions, views and research

A PROVEN STRATEGY THAT IS UNIQUE

Pure alpha, uncorrelated returns in environments when the general market was down (such as in 2022)*

LASTING PARTNERSHIP

Flexibility to create a structure that suits its clients offering SMAs, advisory, AMC and fund structure as and when required

CONTACT

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