

# Aurora Buy-Write Income Trust ASX Code: ABW

## Performance Report - 30 September 2008

### Summary

- The Trust fell 4.23% for September versus the S&P/ASX200 Accumulation Index which fell 9.8% during the month
- The Trust returned -2.69% for the quarter against the S&P/ASX200 Accumulation Index which returned -10.44%
- The Trust holds a significant amount of cash, and is well positioned to take advantage of new investment opportunities as they arise



### Monthly Performance

Jul 06	Aug 06	Sep 06	Oct 06	Nov 06	Dec 06	Jan 07	Feb 07	Mar 07	Apr 07	May 07	Jun 07	12 mths
-0.16%	1.99%	3.78%	4.49%	4.04%	3.16%	2.47%	0.39%	3.36%	2.38%	0.12%	-1.56%	26.88% <sup>1</sup>
Jul 07	Aug 07	Sep 07	Oct 07	Nov 07	Dec 07	Jan 08	Feb 08	Mar 08	Apr 08	May 08	Jun 08	12 mths
-2.43%	2.77%	2.23%	1.94%	-1.37%	-4.21%	-7.93%	-4.38%	0.38%	-0.27%	-1.26%	-11.53%	-22.96% <sup>1</sup>
Jul 08	Aug 08	Sep 08										3 mths
-1.57%	2.03%	-4.23%										-2.69%

### Investment objective

The Aurora Buy-Write Income Trust (the Trust) is an ASX listed investment that aims to provide investors with gross income and medium term capital growth returns from an active strategy of selling call options over a portfolio of Australia's largest listed companies.

### Investment Manager

Cadence Asset Management Pty Ltd (Cadence) was appointed as Investment Manager on 1 July 2008<sup>1</sup>. Cadence has been providing investment management and advisory services to absolute return funds since October 2003. It has also been running multiple funds in a long/short Australian equity strategy since its inception. Cadence was awarded the 2007 Asian Investor award for Australian and New Zealand Hedge Funds. They were also recognised as the Best Emerging Manager at the 2007 Australian Hedge Fund Awards.

### Investment strategy

The Trust seeks to purchase quality S&P/ASX100 listed companies and then selectively 'write' or sell exchange traded call options over these stocks in order to provide additional income to the portfolio. Between 15 and 25 S&P/ASX100 stocks may usually be selected for their income and capital growth potential. Call options may be sold (or 'written') on any of these stocks.

A risk management process (which may include the purchase of put options or other derivative positions) seeks to limit the potential impact to the Trust of extreme adverse market events. This does not provide a capital guarantee, and losses can still be incurred. If the Investment Manager's outlook on the market is negative, then the Trust may choose to hold the majority of its investments in cash. The Trust may utilise debt to increase the portfolio's exposure to the investment strategy.

### Trust features

Unit pricing	Monthly.
Distribution frequency	Half yearly.
Distribution policy	The Trust will distribute 100% of its net realised gains each year.
Distribution Reinvestment Plan	Available.
Applications	Investors may acquire Units on market or via the current Product Disclosure Statement.
Redemptions	On market by selling on the ASX or off-market at the end of each month.

### Trust valuations

Market capitalisation	\$10,808,707
Net Asset Value (NAV)	\$10,519,188
Units on issue	1,544,101
Net Assets Value per Unit	\$6.8125
NAV plus distributions paid (since inception)	\$9.6196

### Trust distributions (per Unit)

Period	Cash	Franking	Total	Yield at NAV (p.a.)
31 Dec 06	\$0.2915	\$0.1249	\$0.4164	9.0%
30 Jun 07	\$1.1774	\$0.2227	\$1.4001	25.3%
31 Dec 07	\$0.2000	\$0.1990	\$0.3990	7.6%
30 Jun 08	\$0.3514	\$0.2402	\$0.5916	11.9%
<b>Total</b>	<b>\$2.0203</b>	<b>\$0.7868</b>	<b>\$2.8071</b>	

## Investment Manager commentary

By Cadence Asset Management Pty Ltd

The Trust returned -4.23% for the month of September against an S&P/ASX200 Accumulation Index return of -9.85%. The Trust has returned -2.69% for the quarter ended September against the S&P/ASX200 Accumulation Index return of -10.44%. The Trust continues to hold significant amounts of cash.

### Portfolio Activity

During the month the Trust exited a position in St. George Bank, while entering positions in BHP Billiton and Seven Network. Since the end of the month the fund has entered into positions in Wesfarmers, Rio Tinto, Incitec Pivot and Insurance Australia Group.

After starting the month with 61% cash, 59% of the portfolio is being held as cash at month end. We believe that when compelling investment opportunities arise the Trust will be well positioned to take advantage of these opportunities.

The written call options over BHP Billiton, CSR and AMP held at the beginning of the month expired during the month, which increased returns for the Trust.

### The Bear Market

Most of the share indices have fallen significantly in the past month. During the week beginning October 2008 the Australian market was down 16%, Dow Jones 18%, FTSE 21% and Japan 24%.

The chart below shows the performance of the Dow Jones index in the 25 years following the beginning of bear markets. This allows us to see how long it took for the prior bear markets to recover and reach new highs.



As can be seen from the chart the 1929 bear market was by far the worst. The Dow Jones fell 89% in just under three years and then took a further 22 years to recover and reach a new high. The 1987 bear market took just over 2 years to recover, the 2000 bear market took almost 7 years, and the 1972 bear market took 10 years.

It is also interesting to note that 1 year after the bear markets began, only the 1987 bear market had reached its low point. The 1972 bear market took about 2 years to hit its low point and the 1929 and 2000 bear markets took about 3 years.

The question many investors are now asking themselves is will the 2007 bear market get worse from here like the 1929 bear market, or will it get better, like the other major bear markets. While most investors would agree that a repeat of 1929 is unlikely, it cannot be ruled out entirely. History shows us that further falls could occur from here and that the recovery could be slow when the bottom is eventually reached.

### Significant portfolio holdings

	Weight (NAV%)
TLS	12.0%
BHP	7.9%
Computershare	4.4%
CSR	3.5%
Macquarie Group	3.5%
Other holdings	9.6%
Cash	59.1%
Total invested as a % of NAV	100.0%

### About Aurora

Aurora Funds Management (Aurora) is an investment management and distribution group owned and operated by a group of professionals with considerable experience in retail funds management, stockbroking, margin lending, corporate advisory and investment banking.

Aurora aims to source, package and distribute carefully researched investment strategies that are managed by specialist wholesale investment managers.

Aurora is also the issuer of the:

- Aurora Sandringham Dividend Income Trust (ASX code: AOD)
- Aurora Infrastructure Buy-Write Income Trust (ASX code: AIB)
- Aurora Property Buy-Write Income Trust (ASX code: AUP)
- van Eyk Blueprint Alternatives Plus (ASX code: VBP)

## Aurora Funds Management

Level 11, 88 Phillip Street, Sydney NSW 2000 PO Box R1695, Royal Exchange NSW 1225  
Telephone: 1300 553 431, Visit [www.aurorafunds.com.au](http://www.aurorafunds.com.au) or Email: [enquiries@aurorafunds.com.au](mailto:enquiries@aurorafunds.com.au)

1. The Investment Manager Cadence Asset Management Pty Ltd replaced Blackrock Investment Management Ltd from 1 July 2008.

Disclaimer: This information has been prepared by Aurora Funds Management Ltd ABN 69 092 626 885 AFSL 222110 in its capacity as Responsible Entity for the Aurora Buy-Write Income Trust (ARSN 110 303 430). It has been prepared without taking into account the objectives, financial situation or needs of any investor, which should be considered before investing. Investors should consider a copy of the Product Disclosure Statement and seek their own financial advice prior to investing in the Trust. The information in this newsletter is of a summary nature only and does not constitute advice of any kind, nor is it an offer of any financial product. Past performance is not a reliable indication of future performance. The payment of franking credits to Unitholders is subject to the Trust achieving a taxable profit in that year.