

Aurora Buy-Write Income Trust ASX Code: ABW

Performance Report - 30 April 2009

Summary

- The Trust returned +0.19% for the month versus the S&P/ASX200 Accumulation Index which returned +5.57%
- Since Cadence has taken over as Investment Manager, the Trust has returned -8.29% compared to the S&P/ASX200 Accumulation Index which has returned -24.24%



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	Index ¹
-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%	28.66%
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	Index ¹
-2.43%	2.77%	2.23%	1.94%	-1.37%	-4.21%	-7.93%	-4.38%	0.38%	-0.27%	-1.26%	-11.35%	-22.96	-13.40%
Jul 08	Aug 08	Sep 08	Oct 08	Nov 08	Dec 08	Jan 09	Feb 09	Mar 09	Apr 09			10mths ²	Index ¹
-1.50%	2.03%	-4.23%	-4.09%	-1.69%	1.20%	-1.20%	+1.08%	-0.19%	0.17%			-8.29%	-24.24%

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 2008³. 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	\$8,698,611
Net Asset Value (NAV)	\$8,945,192
Units on issue	1,437,787
Net Assets Value per Unit	\$6.2215
NAV plus distributions paid (since inception)	\$9.2986

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%
31 Dec 08	\$0.2700	\$0.0000	\$0.2700	7.6%
Total	\$2.2903	\$0.7868	\$3.0771	

Investment Manager commentary

By Cadence Asset Management Pty Ltd

The Trust returned 0.17% for the month of April against an S&P/ASX200 Accumulation Index return of 5.57%. For the 10 months since July 2008 the Trust has returned -8.29%, while the S&P/ASX200 Accumulation Index returned -24.24% and the S&P/ASX All Ordinaries Accumulation Index returned -26.66%. For the 10 months since July 2008 the Trust has outperformed these Indices by 15.95% and 18.37% respectively. The Trust continues to hold significant levels of cash.

Portfolio Activity

During the month the Trust exited positions in OZ Minerals while adding to positions in Westpac, QBE, Telstra, ANZ and NAB. To increase income from the portfolio the Trust has written call options over Telstra, QBE, Newcrest, Westpac, ANZ, IAG and NAB. The written call options over Newcrest and Telstra held at the beginning of the month expired during the month, enhancing returns for the Trust.

Additional calls written over NAB, QBE, Westpac and again Telstra were exercised during the month and the stock was called away. These positions produced a positive performance for the month.

As at month end the Trust held 73% cash. Holding high levels of cash over the past 10 months has served the Trust well. We envisage the fund moving to a higher level of investment over the medium term.

Where to From Here

The OECD recently predicted that the global economy will contract by 2.7% this year, with developed countries contracting by 4.3%. The rate of economic contraction in many parts of the world is the worst on record since the 1930's. Whilst Australia's economy remains reasonably robust, it is inevitable that as our trading partners are in economic decline, or recession, our economy will be affected. The ability to deliver earnings growth during periods of economic contraction is limited and for most companies negative earnings growth is expected.

An era of 'Government Bail-Outs'

The recent G-20 Summit referred to an international government commitment to a US\$5 trillion fiscal stimulus package by 2010. The unprecedented size of the proposed bailout packages calls into question the appropriate level of government debt to GDP, with some countries running anything from 30% debt to GDP to 100% debt to GDP. Perhaps more worrying than the size of the government debt, and how it will eventually be repaid, is the likelihood of success of these initiatives. The larger the bailout packages become the greater their likelihood of success in the short term, but the more damaging the effects in the long term.

Falling Asset Prices after sustained Price Rises

In the last 18 months we have seen the logic of increasing prices forever called into question, with significant and sometimes spectacular price falls in many asset classes. These price falls combined with high levels of associated debt have undoubtedly lead to 'nervousness' which can be more accurately measured in terms of volatility. Volatility within the markets has in turn lead

to risk aversion, which has in turn lead to insurance premium pricing (put protection) increasing significantly.

Where to From Here

Clearly the global economic environment will not improve in the short term as periods of recession or negative GDP growth take significant time to work through the system. Given the fact that a concerted global effort is underway to 'bailout' the world economy we would like to remain optimistic. However, the myriad of economic data currently being reported is at best ambiguous and at worst extremely negative. As a result investors globally are attempting to interpret large amounts of ambiguous data on a daily basis. This data creates uncertainty and volatility. Unfortunately, this high volatility looks set to continue which will continue to keep pressure on the Australian and global markets in the short term.

Accordingly, the rate at which we expect the Trust to reinvest into the market will vary depending on the level of volatility. Large amounts of negative news and ambiguous data have already been incorporated into equity prices. The fact that the market is reacting reasonably well to this data tends to suggest that the probability of investing now is skewed in the Trust's favour. We remain cautiously optimistic in this environment of delivering enhanced returns for the Trust.

Significant portfolio holdings

	Weight (NAV%)	Calls Sold
Telstra	5.7	Yes
IAG	4.0	Yes
Westpac	3.8	Yes
ANZ	3.1	Yes
NAB	2.9	Yes
Other holdings	7.1	
Total invested as a % of NAV	26.6	

About Aurora

Aurora Funds Management (Aurora) is an investment management and distribution group that 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)

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1 S&P/ASX200 Accumulation Index. 2. Assumes reinvestment of cash distributions 3. 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.