

Aurora Buy-Write Income Trust ASX Code: ABW

Performance Report - 31 January 2009

Summary

- The Trust returned -1.20% for the month versus the S&P/ASX200 Accumulation Index which returned -4.88%
- The Trust will pay a half yearly distribution of \$0.27 during February 09
- 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	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						7 mths	Index ¹
-1.50%	2.03%	-4.23%	-4.09%	-1.69%	1.20%	-1.20%						-9.47%	-30.36%

¹ S&P/ASX200 Accumulation Index

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 2008². 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	\$8,957,194
Net Asset Value (NAV)	\$9,298,866
Units on issue	1,510,488
Net Assets Value per Unit	\$6.1562
NAV plus distributions paid (since inception)	\$9.2333

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 -1.20% for the month of January against an S&P/ASX200 Accumulation Index return of -4.88%. For the 7 months since July 2008 the Trust has returned -9.47%, while the S&P/ASX200 Accumulation Index returned -30.36% and the ASX All Ordinaries Accumulation Index returned -33.16%. For the 7 months since July 2008 the Trust has outperformed these indices by 20.89% and 23.69% respectively.

Portfolio Activity

During the month the Trust entered a position in the Commonwealth Property Office Fund. To increase income from the portfolio the Trust has written call options over QBE, NAB, Westpac, IAG and Telstra. The written call options over Boral, IAG and Telstra held at the beginning of the month expired during the month, enhancing returns for the Trust.

The Trust started the month with 78% cash and ended the month with 78% cash. We believe that as compelling investment opportunities arise the Trust is well positioned to take advantage of these opportunities.

Chinalco's investment in Rio Tinto

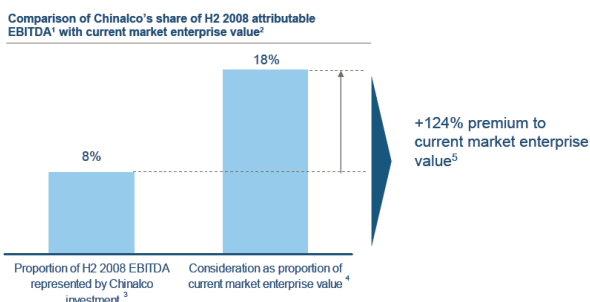
On the 12th of February it was announced that Chinalco, a Chinese state owned company, is planning to invest US \$19.5 billion in Rio Tinto. \$12.3 billion of this is for investments in minority stakes in Rio Tinto assets, with the two largest investments being \$5.15 billion for 15% of Hamersley Iron, and \$3.39 billion for 15% of the Escondida copper mine. Chinalco will use the remaining \$7.2 billion to buy subordinated convertible notes to be issued by Rio Tinto.

The price that Rio Tinto will receive for the assets is generally agreed to be well above the value of the assets that is implied by Rio Tinto's current share price, but below what some analysts and shareholders believe that the assets are worth. It will be interesting to see if the deal gets approval from shareholders as there are a number of Rio Tinto shareholders that are publicly saying that they would prefer a rights issue.

The slide below is taken from the Rio Tinto presentation and shows that Rio Tinto believes that Chinalco is paying a significant premium to the current share price.

Rio Tinto

Strategic alliances are at an implied premium to current market asset values



The other aspect of the deal that is receiving a lot of attention is the fact that a significant portion of an Australian and UK company, and a portion of Australia's natural resources are being sold to a company which is essentially owned by the Chinese government.

It is hard to see what influence Chinalco could have over the two main investments mentioned earlier. Hamersley Iron and the Escondida copper mine will be owned 15% by Chinalco which does not give them control of either asset.

If other Chinese companies value Australian resources as highly as Chinalco does then we could see similar deals happen in the future, which may lead to a re rating of Australian resource stocks.

Significant portfolio holdings

	Weight (NAV%)	Calls Sold
Telstra	6.2	Yes
Westpac	3.0	Yes
IAG	2.8	Yes
NAB	2.6	Yes
Adelaide Asset Backed Yield Trust	2.6	
Other holdings	5.7	
Total invested as a % of NAV	23.0	

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

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