

Aurora Buy-Write Income Trust ASX Code: ABW

Performance Report - 30 November 2008

Summary

- The Trust fell 1.69% for November versus the S&P/ASX200 Accumulation Index which fell 6.2% during the month
- Since Cadence has taken over as Investment Manger, the Trust has returned -9.47% compared to the S&P/ASX200 Accumulation Index which has returned -26.58%
- 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% ¹
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%	-11.35%	-22.96% ¹
Jul 08	Aug 08	Sep 08	Oct 08	Nov 08								4 mths
-1.50%	2.03%	-4.23%	-4.09%	-1.69%								-9.47%

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 2008¹. 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 chose 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	\$7,155,188
Net Asset Value (NAV)	\$9,884,776
Units on issue	1,538,750
Net Assets Value per Unit	\$6.4239
NAV plus distributions paid (since inception)	\$9.2310

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%
Total	\$2.0203	\$0.7868	\$2.8071	

Investment Manager commentary

By Cadence Asset Management Pty Ltd

The Trust returned -1.69% for the month against an S&P/ASX200 Accumulation Index return of -6.20%. For the 5 months since July 2008 the Trust has performed relatively well returning -9.47%, while the S&P/ASX200 Accumulation Index fell 26.58% and the ASX All Ordinaries Accumulation Index fell 29.63%. For the 5 months since July 2008 the Trust has outperformed these indices by 17.11% and 20.16% respectively.

Portfolio Activity

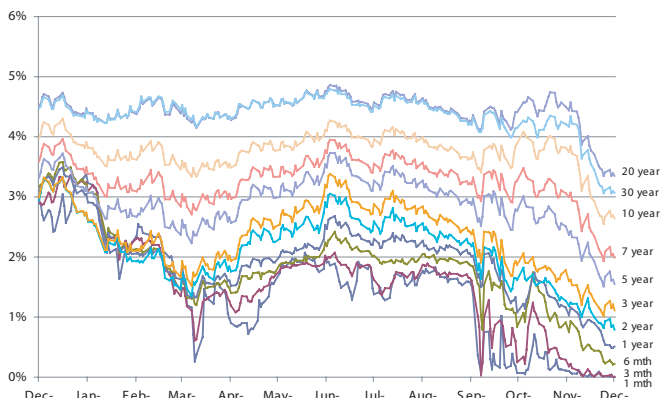
During the month the Trust exited positions in Telstra, Computershare, CSR, Orica, Seven and Leightons while entering a position in QBE. The Trust has since added to this position and the Manager has written calls over QBE since month end.

The written call options over Wesfarmers held at the beginning of the month expired during the month, enhancing returns for the Trust.

The Trust started the month with 64% cash and ended the month with 89% cash. We believe that as compelling investment opportunities arise the Trust will be well positioned to take advantage of these opportunities.

Risk Aversion & US Treasury Bill Yields

Since world stock markets hit their high point in November 2007 many investors have become increasingly risk averse which has driven them to look for low risk investments. US Treasury bills are regarded as one of the lowest risk investments available and the chart below shows the yields that investors can expect to receive by holding US Treasury securities.



As can be seen from the chart the longer maturities generally have a higher yield than the shorter maturities, which indicates that investors expect interest rates to rise over time. Volatility has increased significantly since September, and yields for all maturities have been falling steeply since November.

On 17 September the one and three month yields both fell below 0.1%. At this time there was speculation that American International Group was close to failing, and required \$US75 billion to avoid collapse.

The yields then recovered temporarily, but had continued volatility for a few months. By the end of October they started falling steeply again, and on 10 December the yield on one and three month treasury bills was below zero. These were the lowest rates since the bills were first issued in 1929.

When yields are negative it means that the investors get back less than their initial investment at the end of the investment term. The negative yield is a sign of the times. Some investors have become so risk averse that they do not want to do anything with their money. We are seeing this phenomenon all over the world at the moment. The credit crisis has caused a major freezing up of credit markets, and it seems that almost daily there are events occurring that reinforce the view that the credit crisis is far from over. Over time investor's appetite for risk will return, but it will not happen quickly. Investors will need to see an extended period of time where no major company failures, government bailouts, or large frauds or scandals occur.

Significant portfolio holdings

	Weight (NAV%)
Wesfarmers	4.7
Adelaide Managed Funds Asset Backed Yield Trust	2.6
IAG	2.4
QBE	1.0
Cash	89.3
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

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

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