

# Aurora Property Buy-Write Income Trust ASX Code: AUP

## Performance Report - 30 November 2008

### Summary

- The Trust returned +0.15% for October compared to the S&P/ASX200 Property Accumulation Index which returned +0.24%
- The Trust is currently invested in cash, and has finalised the appointment of a new Investment Adviser - APN Funds Management



### Monthly Performance

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
-2.90%	2.77%	0.02%	-0.74%	-7.78%	-4.83%	-16.15%	-1.05%	-0.48%	2.58%	-7.22%	-10.96%	-39.2% <sup>1</sup>
Jul 08	Aug 08	Sep 08	Oct 08	Nov 08								5 mths
-0.99%	3.77%	-1.31%	0.34%	0.15%								1.97%

### Investment objective

The Aurora Property Buy-Write Income Trust (the Trust) is an ASX listed investment trust that aims to generate income from an active strategy of selling call options over a portfolio of ASX listed Australian Real Estate Investment Trust's (A-REIT).

### 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	\$19,097,085
Net Asset Value (NAV)	\$20,917,942
Units on issue	4,020,439
Net Assets Value per Unit	\$5.2029
NAV plus distributions paid (since inception)	\$6.1480

### Trust distributions (per Unit)

Period	Cash	Total	Yield at NAV (p.a)
31 Dec 07	\$0.4670	\$0.4670	10.5%
30 Jun 08	\$0.4781	\$0.4781	11.3%
Total	\$0.9451	\$0.9451	

### Portfolio commentary

The A-REIT sector finished up with a return for the month of +0.24% as measured by the S&P/ASX200 A-REIT Sector Index.

In terms of portfolio performance, the Trust rose 0.15% to finish with a Net Asset Valuation of \$5.20 per Unit.

As was reported in the October 2008 Newsletter, the Trust's assets have been placed in a cash management facility since the 25 September 2008. The Trust is expected to be reinvested shortly

APN Funds Management has been appointed as the new Investment Adviser to the Trust.

### Market Commentary and Outlook

The domestic economic outlook remains uncertain. At the very least, economic growth is slowing and leading indicators show no clear signals of short term improvement. The uncertainty appears greater than usual given the unprecedented blow to the global financial system this year and the resultant pressure to reduce domestic and corporate debt levels. However, the global policy response of governments has also been unprecedented, with monetary easing, fiscal stimulus and capital injections all assisting to cushion investments against the negative public sentiment that abounds. The new US administration should also help renew US confidence next year.

While A-REITs may stay constrained in the first half of 2009 by the possible need for further capital raisings and worries about valuations, subject to the higher yields being sustainable, 2009 should be a less volatile year than 2008.

As we indicated in the October 2008 Newsletter, barring further negative global credit market gyrations, un-foreseen issues, and/ or other negative asset valuation and earnings/ distribution surprises, the Australian listed property market is more likely to move sideways for a period of time, but may begin to see a slight appreciation in capital values given that the sector appears to have been by most accounts oversold. This scenario suits a buy-write investment strategy.

## Appointment of a new Investment Adviser

APN FM has an established strong track record and market reputation for managing property funds with a particular focus on generating consistent and growing income returns for clients. APN FM's expertise is widely recognised in the property funds management industry, as evidenced by recent awards such as:

- AFR Smart Investor Blue Ribbon Award 2008 - Australian Listed Property;
- Morningstar Fund Manager of the Year 2007 - Listed Property;
- Investor Web Research Property Securities Fund Manager of the Year for 2002, 2003 and 2004;
- Property Investment Research – Property Securities Manager of the Year 2005, 2006 and 2008; and
- Monitor Money Skilled Manager of the Year 2002-2003

For further information on APN FM, please visit their website at [www.apnfm.com.au](http://www.apnfm.com.au).

## Amended and Enhanced Investment Strategy

With the appointment of a new active management approach, Aurora has also sought to change and enhance the underlying Investment Strategy of the Trust in order to ensure that the Trust is well placed to capture future investment opportunities as markets began to recover from the recent global downturn.

The Investment Strategy will be amended generally as follows:

- The selection of the Trust's investments will be actively managed by a property investment specialist - utilising ongoing qualitative and quantitative analysis expertise;
- The Trust will generally hold between 15 and 20 stocks directly of which around 80% (by value) will be selected from the Investment Universe as described in the existing Product Disclosure Statement, in conjunction with an option collar strategy involving selling call options and buying a put option (being OTC, ETO, and/or Index options, including over the S&P/ASX 200). The remaining 20% of the portfolio may be drawn from other listed property related securities;
- The weighting of each stock will be subject to the Investment Adviser's discretion, but no single securities investment will account for more than the greater of their index weighting or 20% of the total portfolio. The gross asset allocation of Trust to the A-REIT and property related securities may vary between 0% to 100%;
- The Investment Adviser will advise on the gearing level of the Trust. The LVR may vary between 0% and 50%,

subject to market conditions, borrowing costs, and the investment risk-reward opportunity; and

- Discretion can be used in determining the level of the call and put option strikes (being any of OTC, ETO, and/or Index options, including over the S&P/ASX 200) in order to (i) minimise risk; (ii) maximize price efficiency; and (iii) to allow the Trust more latitude to responsibly capture both income and also future capital growth opportunities as the A-REIT sector recovers.

We are confident that these changes will enhance the long term performance of the Trust in the interests of all Unit holders.

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

## Aurora Funds Management

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