

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

## Performance Report - 31 August 2010

### Summary

- The Trust returned 1.96% for August compared to the S&P/ASX200 Property Accumulation Index which returned 3.74%
- The Trust has returned -7.27% p.a. since inception, versus the S&P/ASX200 Property Accumulation Index which returned -21.51% p.a. over the same period



### Performance<sup>1</sup>

	1 mth	3 mths	6 mths	12 mths	2 yrs (p.a.)	Since inception (p.a.)	Standard deviation
Aurora Property Buy-Write Income Trust	1.96%	4.91%	5.86%	11.03%	12.51%	-7.27%	14.7%
S&P/ASX200 Property Accumulation Index (XPJAI)	3.74%	3.91%	3.39%	6.18%	-16.63%	-21.51%	27.6%

### 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 Trusts (AREIT).

### Investment Adviser

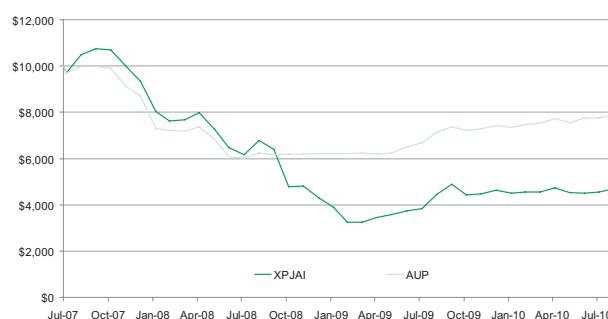
APN Funds Management Limited (APN FM) has been appointed as the Investment Adviser with responsibility to actively manage the Trust's investment strategy.

Established in 1998, APN FM currently manages a broad range of property securities funds with total assets under management of approximately \$2.5 billion (as at 30 June 2010). APN FM has established a strong track record and market reputation for managing domestic real estate securities with a particular focus on income returns. APN FM's expertise is widely recognised in the property funds management industry, as evidenced by the following awards:

- 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

An active investment management style combined with a concentrated focus on the fundamentals of commercial property investments lies at the heart of APN Funds Management's philosophy. APN FM is a leader in real estate which is driven by the investment team's longstanding experience and expert knowledge of property markets and research capability.

### Investment Performance<sup>1</sup>



### Trust features

Unit pricing	Monthly.
Distribution frequency	Quarterly
Distribution policy	At least 2.0% of Net Asset Value <sup>2</sup> per Unit
Distribution Reinvestment Plan	Available.
Applications	Investors may acquire Units on the ASX 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

Fund Size	\$19.6 million
Net Assets Value per Unit	\$5.4062
NAV plus distributions paid (since inception)	\$7.4213

## Trust distributions (per Unit)

Period	Cash	Yield at NAV (p.a)
31 Dec 07	\$0.4670	10.5%
30 Jun 08	\$0.4781	11.3%
31 Dec 08	\$0.3000	11.1%
30 Jun 09	\$0.2500	9.7%
31 Dec 09	\$0.3000	11.6%
31 Mar 10	\$0.1100	8.2%
30 Jun 10	\$0.1100	8.2%
Total	\$2.0151	

## Investment Manager Commentary

by APN Funds Management Limited

The S&P/ASX 200 Property Accumulation Index (AREIT Index) delivered a total return of 3.74% in August 2010, whilst the Trust delivered a return of 1.96% over the same period. The total return of the AREIT Index over the 12 months to 31 August 2010 was 6.18%, whilst the Trust returned 11.03%.

### Reporting season wrap

Comfortingly, the AREIT sector delivered no surprises for the 12 month period to 30 June 2010, performing broadly in-line with expectations. Whilst the environment remains challenging, there are positive signs paving the way for a steady and sustained AREIT recovery.

Investors responded positively to the reporting results with the AREIT sector (3.74%) outperforming the broader equities market by 4.89% in August.

With the focus on bolstering balance sheets, refinancing debt facilities and disposing of non-core assets over the last Financial Year, the sector is clearly returning to the traditional defensive style asset class it was always intended to be – demonstrating lower risk characteristics and focussed on quality rental streams. The long term outlook for AREITs is encouraging, with the asset class clearly warranting a place in a diversified investment portfolio.

While asset values have stabilised in an environment of steadying credit and physical property markets, we expect to see lower risk AREIT strategies translate into higher payout ratios and an improved distribution per unit (DPU) growth profile.

Furthermore, with current gearing (debt to gross assets) of around 30%, we expect a modest increase in leverage to be judiciously applied (probably to reactive development activities and possibly acquire assets). Stabilising debt markets should translate into a normalised average cost of debt of around 7.5% making gearing a viable source of capital.

Finally, a stable and improving operating environment for most AREITs should mean that earnings are well supported/growing steadily over the next few years.

## Top 5 Portfolio Holdings (as at 31 August 2010)

	ASX Code
Westfield	WDC
CFS Retail	CFX
Dexus	DXS
Charter Hall Office	CQO
Challenger Diversified Property	CDI

Source: APN Funds Management

## About Aurora

Aurora Funds Limited (Aurora, ASX Code: AFV) was listed on the ASX in July 2010. Aurora comprises the merged businesses of Aurora Funds Management Limited (established in 2003), Fortitude Capital Pty Ltd (established in 2004) and Sandringham Capital Pty Ltd (established in 2005).

The combined group has in excess of \$500 million in funds under management and administration, and provides asset management and responsible entity/trustee services for over 3,500 Australian and New Zealand investors.

Aurora is also the Issuer and/or distributor of the:

- Aurora Fortitude Absolute Return Fund (ARSN 145 894 800)
- Aurora Global Infrastructure Income Trust (ASX code: AIB)
- Aurora Sandringham Australian Equity Income Trust (ASX code: ABW)
- Aurora Sandringham Dividend Income Trust (ASX code: AOD)
- Aurora Sandringham Global Income Trust (ARSN 131 291 499)
- CORALS Commodities Fund (ARSN 131 196 882)
- van Eyk Blueprint Alternatives Plus (ASX code: VBP)

## Aurora Funds Management

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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. This represents a cumulative return and assumes reinvestment of distributions. 2. The Trust intends to always distribute at least 2.0% of NAV, excluding any franking credits, per quarter regardless of Trust performance. This means that if the Trust has insufficient net income in a given quarter, investors may receive a partial (or full) return of capital.

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