

Aurora Property Buy-Write Income Trust ASX Code: AUP

Performance Report - 31 January 2011

Summary

- The Trust announced a cash distribution of \$0.11 per Unit for the three months ending 31 December 2010 which represented an annualised yield of 8.07%
- The Trust has returned -5.70% p.a. since inception versus the S&P/ASX 200 Property Accumulation Index which returned -19.17% p.a. over the same period



Performance

	1 mth	3 mths	6 mths	12 mths	2 yrs (p.a)	Since Inception (p.a)	Standard deviation
Aurora Property Buy-Write Income Trust	1.20%	0.99%	4.81%	10.63%	14.38%	-5.70%	13.9%
S&P/ASX200 Property Accumulation Index (XPJAI)	2.41%	1.53%	3.90%	5.01%	10.41%	-19.17%	26.1%

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.

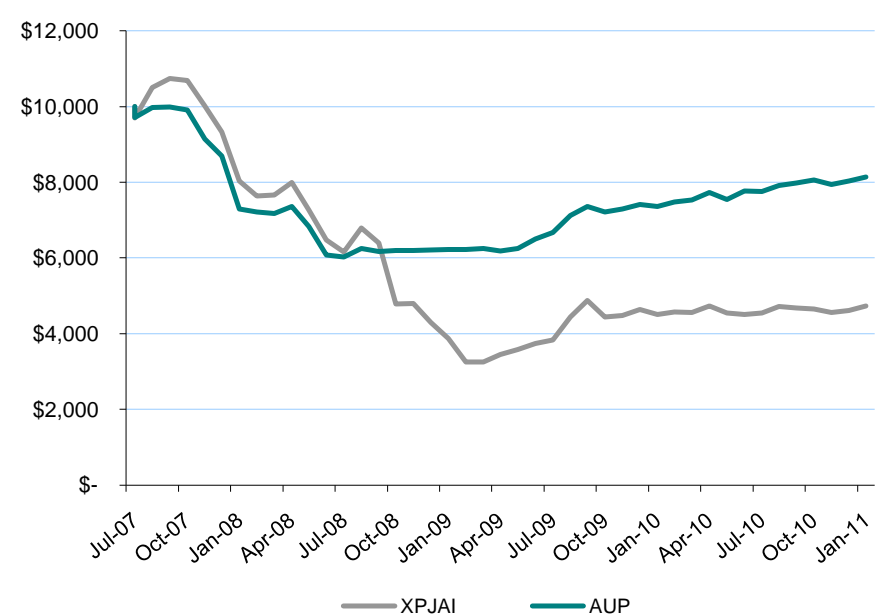
Established in 1998, APN FM currently manages a broad range of property securities funds with total assets under management of approximately \$2.5 billion (as at 30 June 2010).

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



Trust Features

Unit pricing	Monthly
Distribution frequency	Quarterly
Distribution policy	At least 2.0% of Net Asset Value 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	\$16.7 million
Net Assets Value per Unit	\$5.3338
NAV plus distributions paid (since inception)	\$7.9023

Trust distributions (per Unit)

Period	Cash	Yield st NAV (pa)
31-Dec-07	\$0.4670	10.50%
30-Jun-08	\$0.4781	11.30%
31-Dec-08	\$0.3000	11.10%
30-Jun-09	\$0.2500	9.70%
31-Dec-09	\$0.3000	11.60%
31-Mar-10	\$0.1100	8.20%
30-Jun-10	\$0.1100	8.20%
30-Sep-10	\$0.1100	8.10%
31-Dec-10	\$0.1100	8.35%
Total	\$2.2351	

Investment Manager Commentary

The S&P/ASX 200 Property Accumulation Index (AREIT Index) delivered a total return of 2.41% in January 2011 whilst the Trust returned 1.20% over the same period. The total return of the AREIT Index over the 12 months to 31 January 2011 was 5.01%, whilst the Trust returned 10.63% over the same period. In light of the below expected outlook, the additional option premium from the Trust's investment strategy should provide additional returns for investors.

2011 AREIT sector outlook

We expect 2011 will be a continuation of the healing process. After a tumultuous period for equity markets and the AREIT sector in particular, normality is returning and financial markets are now on a more sustainable footing. The following article summarises APN's view on the 2011 outlook, as we look forward to another year of AREITs behaving in their traditional style – relatively low risk and income focused.

In Australia we anticipate the strong domestic economy and low unemployment will contribute to perhaps a couple more 0.25% rate hikes by the Reserve Bank of Australia that will ultimately impact the broader economy. Modest consumer price index (CPI) data may be short-lived as flood capital expenditure puts pressure on prices. Critically, given we see unemployment as a key variable for all property markets (either directly or indirectly) and we do not expect a spike over 2011, we foresee broad support for Australian property.

Other economies (relevant to the AREIT sector) are set for more protracted recoveries. The United States is expected to take a few years to recover. We expect unemployment to retreat slowly but with sustained pressure on households (via a weak housing market initially and potentially from higher taxes as fiscal responsibilities become real) the broader economy is going to battle long-term headwinds.

The European region is likely to remain weak through 2011 with Germany the only bright spot. Asia should remain strong, albeit China could be a risk should domestic activity dampen. Japan is expected to continue its steady growth pattern but with demographic and structural impediments remaining a headwind.

In the lead up to the Global Financial Crisis (GFC), the property bull market induced many to pay excessive prices for secondary grade assets. When the GFC hit, buyers re-evaluated their bullish assessments of these assets resulting in dramatic valuation downgrades. In the key property sectors we expect long term pricing relativities between prime and secondary quality assets will continue to normalise.

The AREIT market is expected to provide a total return of 8.0% to 11.0% over the calendar year. With the market yield of (circa) 6.0%, our thesis is that capital growth will be in the order of 2.0% to 5.0% over 2011. This result is dependent upon AREITs moving to higher payout ratios, no deterioration in broad economic fundamentals and modest earnings per share (EPS) growth across the sector. Most importantly, we expect 2011 to see a continuation of the trend toward lower risk strategies (reduced offshore investment and corporate earnings) and lower volatility in the AREIT sector.

Top 5 Portfolio Holdings (as at 31 January 2010)

	ASX Code
Westfield Retail Trust	WRT
CFS Retail Property Trust	CFX
Dexus Property Group	DXS
Charter Hall Office REIT	CQO
Westfield Group	WDC

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 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)

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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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