

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

## Performance Report - 30 June 2009

### Summary

- The Trust returned +6.93% for the 08/09 financial year compared to the S&P/ASX200 Property Accumulation Index which returned -42.27%.
- The Trust announced a distribution of \$0.25 per Unit for the 6 months to 30 June 09, representing a total distribution for the 08/09 year of \$0.55 per Unit at a yield of 10.77%



### 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	Index
-2.90%	2.77%	0.02%	-0.74%	-7.78%	-4.83%	-16.15%	-1.05%	-0.48%	2.58%	-7.22%	-10.96%	-39.16%	-36.35%
Jul 08	Aug 08	Sep 08	Oct 08	Nov 08	Dec 08	Jan 09	Feb 09	Mar 09	Apr 09	May 09	Jun 09	12 mths	Index
-0.99%	3.77%	-1.31%	0.34%	0.15%	0.14%	0.15%	0.17%	0.41%	-1.10%	1.13%	4.01%	6.93%	-42.27%

### 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 \$3.1 billion (as at 28 February 2009). APN FM has established a strong track record and market reputation for managing domestic and global property funds with a particular focus on generating consistent, growing 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.

### 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	\$16,563,563
Net Asset Value (NAV)	\$18,220,292
Units on issue	3,722,149
Net Assets Value per Unit	\$4.8951
NAV plus distributions paid (since inception)	\$6.3902

### 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%
31 Dec 08	\$0.3000	\$0.3000	11.1%
30 Jun 09	\$0.2500	\$0.2500	9.7%
Total	\$1.4951	\$1.4951	

## Investment Manager Commentary

by APN Funds Management Limited

The Trust announced a distribution of \$0.25 per Unit for the six month period to 30 June 2009. We are pleased with the level of distribution through a difficult market period. It should also be noted that the Trust's assets were held in cash for three months of this six month distribution period. During this time the S&P/ASX200 Property Accumulation Index (Index) fell 24.37%.

The Trust delivered a return of 4.01% compared to the Index which delivered a total return of 4.6% in June 2009. The Index outperformed the S&P/ASX 200 Accumulation Index by 0.6% - the third successive month that the AREIT market has outperformed the broader equities market. The strength of these absolute and relative returns continues to reflect the oversold nature of the AREIT market over recent times. The Australian real estate sector has now raised \$14.9bn since September 2008. The recapitalisations have encouraged investors back to the sector as balance sheet risks have been mitigated. AREITs are now in a much better position to withstand the expected asset value declines in the upcoming results period in August. Last month we commented that the rally continues the theme of a modest return of risk appetite by the market. Further signs of improving economic fundamentals (or at least, "less worse indicators") were demonstrated by the positive shift in market sentiment which continued throughout June. Demand for the sector has come from dedicated REIT funds, domestic equity investors and offshore REIT and equity investors.

Over the longer term, market returns continue to reflect weakness with a total return of negative 42.3% from the sector over the 12 months to 30 June 2009.

Interestingly, the deviation between the worst performing (ING Office) and best performing (Goodman Group) AREIT over the month was 60.3%. This is evidence that an active approach to investing in the AREIT space is warranted.

### Asset value declines - a review of 19 Australian asset sales

We have witnessed 19 asset sales, totalling \$822m in the AREIT market for the calendar year to date. Whilst 19 asset sales is a relatively small sample size and does not provide a deep pool to deliver unequivocal results, it does show a clear trend is developing. Our summary findings:

- Properties are being sold on a 19.2% average sale price discount to their peak valuation. The average date of peak valuation for assets sold in 2009 was March 2008.
- Properties being sold on a 9.7% average sale price discount to most recent valuation. The average last valuation date of assets sold was September 2008.
- Sales evidence is reflecting an average 1.25% increase over the peak valuation cap rates (from 7.13% peak to 8.38% sale price)

- Sales are on average showing 0.57% higher cap rate than last stated valuation (from 7.80% last valuation to 8.38% actual sale cap rate)
- There is no discernible trend of any single asset class (such as office) showing larger downside trends
- Similarly, there are no geographic trends emerging. The realised price of assets sold has been \$822M, down from peak valuation of the same assets of \$1,017M.

This information reinforces APN's view for 15-20% asset value declines from the peak to trough.

## Top 5 Portfolio Holdings

	ASX Code	Weighting NAV (%)
Westfield	WDC	20
Dexus	DXS	15
Stockland	SGP	15
CFS Retail	CFX	8
Commonwealth Office	CPA	8

Source: APN Funds Management

## 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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