

# Aurora Property Buy-Write Income Trust Performance Report - 31 December 2011

ASX Code: AUP

## Summary

- The Trust returned -0.26% for December compared to the S&P/ASX200 Property Accumulation Index which returned -2.65%
- The Fund announced a cash distribution of \$0.10 per Unit for the three months ending 31 December 2011, which represents an annualised yield of 8.02%



## Performance<sup>1</sup>

	1 mth	3 mths	6 mths	12 mths	3 yrs (p.a.)	Since inception (p.a.)	Standard deviation
Aurora Property Buy-Write Income Trust	-0.26%	2.30%	-3.26%	1.02%	9.35%	-4.59%	12.8%
S&P/ASX200 Property Accumulation Index (XPJAI)	-2.65%	3.71%	-4.60%	-1.48%	0.05%	-16.28%	23.8%

## 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 Property Group Limited (APN) is one of Australia's leading real estate investment managers, with a strong and consistent record of investment performance. APN Property Group Limited is listed on the Australian Securities Exchange (ASX code: APD).

APN Funds Management Limited (APN FM) is a fully owned subsidiary of APN Property Group and has been appointed as the Investment Adviser of the Aurora Property Buy-Write Income Trust. APN FM is responsible for the active management of the Trust's investment strategy.

Established in 1996, APN Property Group manages a range of property funds on behalf of corporate and public superannuation funds, high net worth and individual investors. Collectively, APN FM manages \$2.45 billion of real estate and real estate securities.

## Investment Philosophy

APN FM is an active investment manager with a concentrated focus on income and the fundamentals of real estate.

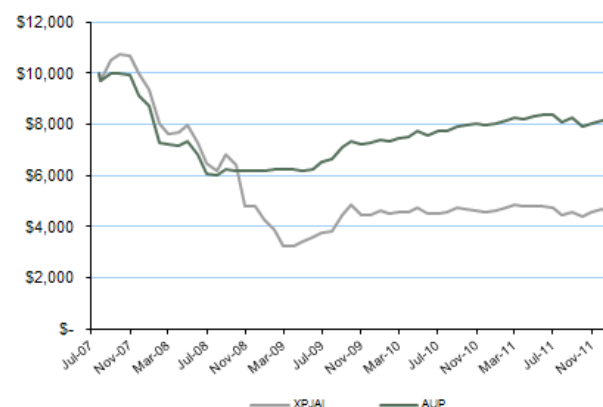
APN FM has a long held belief that investment in commercial property is primarily an investment in an income stream. Long term property leases also provide protection from the short term business cycle reflected in the market value of other asset classes. A commitment to the income benefits from property coupled with a lower level of risk (as measured by volatility) is reflected in APN FM's style of investment which focuses on well managed property assets that hold long leases to strong tenants.

## Expertise

The APN FM investment team comprises a group of highly experienced real estate investment professionals who possess a deep understanding of real estate markets gained over several cycles.

APN FM's conservative style is underpinned by rigorous research, a proven investment process utilising a "top down" and "bottom up" approach, wide industry networks and assessment of market fundamentals. The investment team apply their judgement against the backdrop of broader domestic and global economic factors.

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



## Trust Features

Unit pricing	Monthly
Distribution frequency	Quarterly
Distribution policy <sup>2</sup>	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	\$13.4 million
Net Assets Value per Unit	\$4.8993
NAV plus distributions paid (since inception) <sup>3</sup>	\$7.5604

## Investment Manager Commentary

During December, the Trust achieved a return of -0.26% whilst the S&P/ASX 200 Property Accumulation Index (AREIT Index) delivered a total return of -2.65% for the same period.

The total return of the Trust for the last 12 months was 1.02% whilst the total return of the AREIT Index was -1.48%. The broader equities market represented by the S&P/ASX200 Accumulation Index returned -1.35% for the month and finished -10.54% for the year.

The significant outperformance during the month (and year) is attributable to the options strategy of the Trust. This is particularly noticeable in flat to declining markets as witnessed in December.

Globally, as the debt crisis in Europe unfolds, markets are bracing themselves for a credit freeze – meaning the ability to access finance will be more difficult and the cost of debt will rise; a situation that is reminiscent of the 2008 credit crisis.

AREITs are well prepared to tackle a deteriorating credit environment. This is a very different story to the one AREITs faced back in 2008 when debt levels were uncomfortably high.

Whether future headwinds over the next 12 months are a breeze or cyclonic in nature, we believe AREITs are well fortified to tackle challenging conditions. Whilst certainly not immune to market volatility, AREITs are nonetheless set to perform solidly over the longer term, delivering relatively high yields and some capital growth.

The hard lessons were learned over the past few years, with the sector undergoing a dramatic shake-up. The most recent reporting season highlights the significant steps the AREIT sector has taken to improve their debt profile in the post GFC era. While European banks remain a concern, we believe the dramatic improvement of AREIT debt metrics has positioned the sector to withstand another difficult credit environment.

## Top 5 Portfolio Holdings (as at 31 December 2011)

	ASX Code
Westfield Retail Trust	WRT
CFS Retail Property Trust	CFX
Westfield Group	WDC
Charter Hall Retail REIT	CQR
Stockland Property Group	SGP

Source: Aurora Funds Management

## Trust Distributions (per Unit)

Period	Cash	Yield at NAV (p.a)
31 Dec 07	\$0.4670	10.53%
30 Jun 08	\$0.4781	11.30%
31 Dec 08	\$0.3000	11.10%
30 Jun 09	\$0.2500	9.69%
31 Dec 09	\$0.3000	11.55%
31 Mar 10	\$0.1100	8.17%
30 Jun 10	\$0.1100	8.21%
30 Sep 10	\$0.1100	8.13%
31 Dec 10	\$0.1100	8.07%
31 Mar 11	\$0.1100	8.18%
30 Jun 11	\$0.1100	8.16%
30 Sep 11	\$0.1060	8.03%
31 Dec 11	\$0.1000	8.02%
Total	\$2.6611	

## 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, Fortitude Capital Pty Ltd and Sandringham Capital Pty Ltd.

The combined group has in excess of \$440 million in funds under management and administration, and provides asset management and responsible entity/trustee services for over 3,000 Australian and New Zealand investors.

Aurora is also the Issuer of:

- Aurora Fortitude Absolute Return Fund  
(APIR: AFM0005AU)
- Aurora Global Income Trust  
(ASX code: AIB)
- Aurora Absolute Return Fund  
(ASX code: ABW)
- Aurora Sandringham Dividend Income Trust  
(ASX code: AOD)
- van Eyk Blueprint Alternatives Plus  
(ASX code: VBP)

## Aurora Funds Limited

Level 2, 350 George Street, Sydney NSW 2000 PO Box R1695, Royal Exchange NSW 1225  
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. 3. Total NAV plus reinvested distributions.

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