

Aurora Property Buy-Write Income Trust Performance Report - October 2011

ASX Code: AUP



Summary

- The S&P/ASX300 Property Accumulation Index (AREIT Index) delivered a total return of 3.80% in October 2011 whilst the Trust returned 1.27% over the same period.
- The total return of the AREIT Index over the 12 months to 31 October 2011 was -2.25% whilst the Trust returned -0.22% over the same period.

Performance

	1 mth	3 mths	6 mths	12 mths	3 yrs (p.a)	Since Inception (p.a)	Standard deviation
Aurora Property Buy-Write Income Trust ¹	1.27%	-0.45%	-3.19%	-0.22%	9.09%	-4.99%	13.0%
S&P/ASX200 Property Accumulation Index (XPJAI)	3.80%	2.21%	-5.20%	-2.25%	-0.05%	-16.84%	24.2%

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.

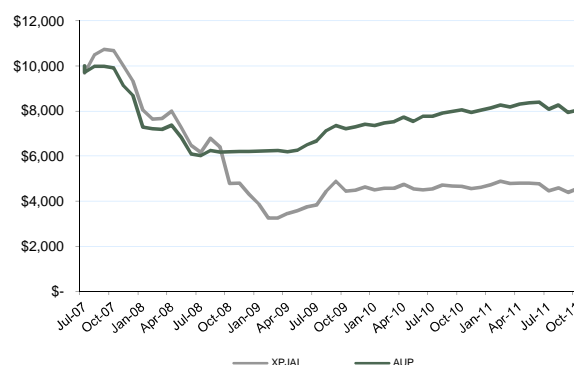
APN FM has a long held belief that investment in commercial property is primarily an investment in an income stream. Long term property leases also provide protection from the short term business cycle reflected in the market value of other asset classes. A commitment to the income benefits from property 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



Trust Features

Unit pricing	Monthly
Distribution frequency	Quarterly
Distribution policy ²	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	\$13.8 million
Net Asset Value per Unit	\$4.9491
NAV plus distributions paid (since inception) ³	\$7.5102

Trust distributions

Period	Cash	Yield at 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	9.69%
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%
Total	\$2.5611	

Investment Commentary

AREITs are de-risked, de-leveraged and de-defensive

In just over three years the AREIT sector has reduced gearing levels by more than 25%, cut total debt by more than 52% and seriously cleaned up their balance sheets.

As the Eurozone debt crisis unravels and the possibility of increasingly difficult credit markets unfolds, AREITs are well prepared to tackle another potential credit meltdown. This is a very different story to the one AREITs faced back in 2008 when debt profiles were uncomfortably risky.

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 are a concern, we believe the drastic improvement of AREIT debt metrics has enabled the sector to withstand another difficult credit environment.

Aside from the vastly improved debt profile of AREITs, there are a number of additional factors in support of the AREIT sector managing through a deteriorating credit environment.

1. Limited exposure to Euro debt

While the issues facing Europe are significant, the direct impact on the AREIT sector is limited. Less than 10% of the AREIT sector's debt is sourced from European banks with the majority (circa 60%) being sourced from the domestic market and around 20% provided by US banks.

2. Australian banks keen to do business

Australian banks are looking to increase their exposure to well capitalised AREITs after down weighting their exposure to commercial property through the GFC. Non-participation by offshore lenders in any FY12 debt syndicate refinancing could see domestic lenders fill the void.

3. Valuations have stabilised

Asset valuations have stabilised (circa 20%-25% below peak levels in 2007/08). This provides lenders with additional comfort when renegotiating debt and provides landlords with a stronger footing in the negotiation process.

4. Cost of debt likely to remain flat

Bank funding costs are beginning to increase again due to global debt uncertainty. This is likely to put pressure on the margins AREITs pay, which have fallen from 300-400 basis points (bp) at the peak of the GFC to 150-200bp. However, any increase in margins is likely to be offset by cuts in the official RBA lending rate. The net result being the cost of debt for AREITs is likely to remain flat even in a rising margin environment.

5. Simplified, domestic lending

By reducing the number of banks they deal with, AREITs have simplified their lending sources. In the lead up to the GFC many AREITs became reliant on overly complex banking syndicates which utilised a large number of lenders, many of whom were based offshore. Renegotiating debt at the height of the GFC when credit markets were tanking proved to be extremely difficult for many AREITs. Whilst domestic banks held up well, some offshore lenders faced bankruptcy whilst others were bailed out by local governments. Faced with an urgent need to reduce their debt, AREITs were in turn placed under pressure, forcing them to conduct a series of dilutive capital raisings.

AREITs have predominantly removed these complex lending structures in favour of more simplified lending arrangements.

Top 5 Portfolio Holdings (as at 31 October 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

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 \$500 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 the:

- 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)
- CORALS Commodities Fund (APIR: AFM0004AU)
- 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, or Email: 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.

Disclaimer: This information has been prepared by Aurora Funds Management Ltd (ABN 69 092 626 885 AFSL 222110) in its capacity as Responsible Entity for the Aurora Property Buy-Write Income Trust (ARSN 125 153 648). It has been prepared without taking into account the objectives, financial situation or needs of any investor, which should be considered before investing. Investors should consider a copy of the Product Disclosure Statement and seek their own financial advice prior to investing in the Trust. The information in this newsletter is of a summary nature only and does not constitute advice of any kind, nor is it an offer of any financial product. Past performance is not a reliable indication of future performance. The investment objective is expressed after the deduction of fees and before taxation. See the PDS for details on taxation. The objective is not intended to be a forecast, and is only an indication of what the investment strategy aims to achieve over the medium to long term. While we aim to achieve the objective, the objective and returns are not guaranteed. Please see asx.com.au for more information on the S&P/ASX200 Property Accumulation Index.

APN Funds Management Limited ("APN FM") does not make any statement or representation in this document on the accuracy or completeness of the information herein. APN FM has not authorised or caused the issue of this document or the PDS and does not accept any responsibility for this document or the PDS.