

Aurora Property Buy-Write Income Trust Performance Report - May 2012

ASX Code: AUP

Summary

- The Trust returned 0.53% for May compared to the S&P/ASX200 Property Accumulation Index (AREIT Index) which returned -1.26%
- The total return of the AREIT Index over 3 years to 31 May 2012 was 0.31% p.a. whilst the Trust returned 11.67% p.a. over the same period.



Performance¹

	1 mth	3 mths	6 mths	12 mths	3 yrs (p.a.)	Since inception (p.a.)	Standard deviation
Aurora Property Buy-Write Income Trust	0.53%	3.99%	7.04%	4.13%	11.67%	-2.80%	12.40%
S&P/ASX200 Property Accumulation Index (XPJAI)	-1.26%	3.44%	8.51%	5.59%	0.31%	-13.07%	23.20%

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 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 Performance¹



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

Trust Size	\$13.2 million
Net Assets Value per Unit	\$5.1521
NAV plus distributions paid (since inception) ³	\$7.9132

Commentary

During May, the Trust achieved a return of 0.53% whilst the S&P/ASX 200 Property Accumulation Index (AREIT Index) delivered a total return of -1.26% for the same period. The total return of the Trust for the last 12 months was 4.16% whilst the total return of the AREIT Index was 5.59%. The outperformance of the Trust during the month was due to the strategy of writing covered calls over liquid stocks such as Westfield Group (WDC). An overweight position in Westfield Retail Trust (WRT) also contributed to the outperformance.

The AREIT market performance (-1.26%) over May 2012 was a moderation of the exceptionally strong returns of the last six months. The AREIT sector delivered a total return of 8.5% for the six months to May 2012, 7.2% ahead of the broader market (as measured by the S&P/ASX 200 Accumulation Index). Over the last 12 months the sector has outperformed the broader market by 14.6%.

The **Office sector** returned -2.6% over the month. The key contributors were Commonwealth Property Office Fund (CPA) (-3.4%) and Investa Office Fund (IOF) (-1.5%).

The **Diversified sector** was -0.2% over the month. Stockland Trust Group (SGP) (+2.9%) and Mirvac Group (MGR) (+0.5%) were the key positive factors which resulted in the sector being the strongest of the subsectors.

The **Retail sector** was -1.0% with Westfield Group (WDC) (-1.6%) and Westfield Retail Trust (WRT) (flat) being the two significant drivers over the month.

The **Industrial sector** was -6.1% over the month reflecting Goodman Group (GMG), the only stock in the subsector.

A continual move lower in both short and long-term interest rates (the Australian 10 year Bond falling below 3% for the first time) has improved the spread on offer from higher yielding stocks like AREITs. Accordingly, we expect ongoing support for the AREIT sector over the next few months.

Corporate activity continued over the month reinforcing a positive long term outlook for the sector. Centro Retail reached an agreement to settle its class action litigation and sold a 50% interest in three regional malls for \$690m at a 3.7% premium to book value.

Top 5 Portfolio Holdings (as at 31 May 2012)

	ASX Code
Westfield Retail Trust	WRT
CFS Retail Property Trust	CFX
Westfield Group	WDC
Charter Hall Retail REIT	CQR
Challenger Diversified Property Group	CDI

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%
31 Mar 12	\$0.1000	8.00%
Total	\$2.7611	

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 \$470 million in funds under management and administration, and provides asset management and responsible entity/trustee services for over 2,500 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)
- Aurora Dividend Income Trust (APIR code: AFM0010AU)
- 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. 3. Total NAV plus reinvested distributions.

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