

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

ASX Code: AUP

Summary

- The Trust returned 2.23% for December compared to the S&P/ASX200 Property Accumulation Index (AREIT Index) which returned 2.86%.
- The Trust announced a cash distribution of \$0.104 per Unit for the three months ending December 2013, which represents an annualised yield of 7.83%.



Performance¹

	1 mth	3 mths	6 mths	12 mths	3 yrs (p.a.)	5 yrs (p.a.)	Since inception (p.a.)	Standard deviation
Aurora Property Buy-Write Income Trust	2.23%	5.51%	9.94%	19.08%	9.26%	2.14%	-0.62%	11.93%
S&P/ASX200 Property Accumulation Index	2.86%	6.86%	14.26%	32.99%	9.27%	-8.30%	-8.84%	22.60%

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 \$2.1 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 million
Net Assets Value per Unit	\$5.3935
NAV plus distributions paid (since inception) ³	\$8.4606

Commentary

The AREIT Index delivered a total return of 2.86% in December 2012, underperforming the broader market (as measured by the S&P/ASX 200 Accumulation Index) by 0.63% over the month. The Trust was up 2.23% for the month. The covered call strategy as well as conservative stock selection were the main reasons for the underperformance of the Trust for the month.

The AREIT Index was up 33% for the year, a stellar performance underpinned by investors chasing yield in light of falling global bond rates. The covered call strategy resulted in the Trust underperforming this return for the year. The Trust has outperformed the AREIT Index over time and we continue to believe that the additional income generated by the covered call strategy as well as the policy of buying puts (for capital protection) will deliver long term consistent returns with less risk than a comparative exposure to the AREIT Index. Underweight positions in Westfield Trust (WDC.ASX), Australand Property Trust (ALZ.ASX) and Goodman Group (GMG.ASX) also contributed to underperformance over the year.

* The retail sector stole the lion's share of focus as retailers struggled throughout the year. Despite the efforts by the RBA to help reinvigorate spending by slashing the cash rate, consumers remained cautious and conservative. However, to some extent these concerns eased by the year end as retail turnover appeared to stabilise. Notwithstanding the sluggish state of the retail market, retail property fundamentals held up and were well supported. The market acknowledged that the low levels of supply has kept vacancy rates low and retail landlord rent receipts were certainly not "falling off any cliff". Importantly, as owners of premium quality shopping centres that continue to attract strong rental demand, AREITs have been largely protected from retail woes.

* Office property suffered from slower demand over the year on the back of weak corporate demand. The expectation of higher levels of supply is weighing on investor sentiment too. Vacancy rates increased as did incentives.

* Industrial real estate remained reasonably buoyant in 2012, supported predominantly by the ongoing modest levels of new supply.

* Finally, the residential property market slowed in the first half of the year, but steady recalibration appeared to find a plateau late in 2012. However, despite the ongoing interest rate cuts, unprecedented market uncertainty continues to hamper the sector.

Whilst global markets remain bumpy, and we do not expect the strong performance of 2012 to continue, we do believe that 2013 will be a positive year for the AREIT sector. The sector is showing every sign of a steady recovery and is set to deliver sustainable returns over the next few years, which bodes well for a Buy Write strategy.

Top 5 Portfolio Holdings (as at 31 December 2012)

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

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%
30 Jun 12	\$0.1000	7.87%
30 Sep 12	\$0.1020	7.85%
31 Dec 12	\$0.1040	7.83%
Total	\$3.0671	

About Aurora

Aurora Funds Limited ('Aurora', ASX Code: AFV) was listed on the ASX in July 2010. Aurora comprises the combined businesses of Aurora Funds Management Ltd, and Fortitude Capital Pty Ltd. The combined group has in excess of \$550 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)

Aurora Funds Limited

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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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