

Aurora Property Buy-Write Income Trust Performance Report - April 2016

ASX Code: AUP



Summary

- The Trust returned +1.22% continuing its run of positive performance.
- The Listed Property sector underperformed the wider equity market which was dragged upwards by a stellar performance by the resources sector. The sector was full of corporate intrigue this month with Growthpoint submitting a bid for GPT Metro and Dexus' bid for Investa Office failing to secure sufficient shareholder support.

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 | 1.22% | 4.39% | 6.06% | 11.34% | 8.44% | 9.60% | 3.16% | 9.95% |
| S&P/ASX200 Property Accumulation Index | 2.80% | 8.27% | 10.46% | 15.63% | 14.32% | 16.46% | 0.33% | 19.39% |

Investment Objective*

The Aurora Property Buy-Write Income Trust (the Trust) is an ASX listed investment trust that seeks to capture returns from investing in some of Australia's leading ASX listed property securities, with the objective of increasing the income generated by implementing an active call option selling ('writing') strategy. A portion of the additional income is used to purchase put options for protection.

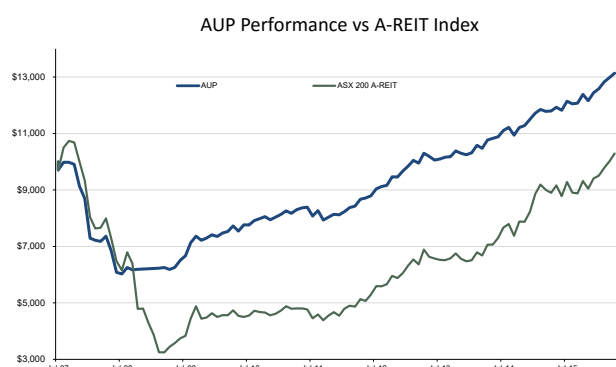
Aurora Funds Management (Aurora) uses detailed quantitative and qualitative analysis to identify property securities within the Australian property sector (the 'Investment Universe') that can be expected to:

- Provide a higher than average distribution yield over the medium term;
- Generate a higher percentage of recurring income with lower gearing; and
- Provide the scope for additional income generation by the Trust systematically writing over the counter call options on these securities.

Investment Philosophy

Aurora's approach to investing in Australian Real Estate Investment Trusts (A-REITs) is consistent with our approach to investing across our other funds. The objective is to build a portfolio of high quality listed property securities with recurring earnings and downside protection. In addition to the returns from trust selection, the selling of call options generates additional income for investors.

Investment Performance¹



Trust Features

| | |
|----------------------------------|--|
| Unit pricing | Daily |
| 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 daily via the share registry |

Trust Valuations

| | |
|--|-----------|
| Net Assets Value per Unit | \$5.6603 |
| Exit Price Value per Unit | \$5.6546 |
| NAV including distributions (since inception) ¹ | \$12.7624 |

Sector Exposure

| | Index | AUP | Active |
|----------------------|-------|-----|--------|
| Industrial | 17.2% | 3% | -14% |
| Discretionary Retail | 54% | 50% | -5% |
| Staples Retailing | 8% | 21% | 13% |
| Office | 16% | 22% | 6% |
| Residential | 4% | 4% | 0% |

Portfolio Characteristics

| | Index | AUP |
|-------------------------|-------|-------|
| Price Earnings Ratio | 17.2 | 16.7 |
| Premium to NTA (ex WFD) | 30.2% | 19.8% |
| Recurring Income % | 82% | 96% |
| Distribution Yield | 4.8% | 8.0% |
| Beta | 1.00 | 0.35 |

Commentary

Performance Update:

The S&P/ASX200 Property Index gained by 2.80% in April, underperforming the wider Australian equities market which rallied on the back of miners and energy stocks.

Office and retail was the best performing property sub-sector over the month, with residential faring the worst. The top performing trusts were GPT Metro Office (+8%), Abacus (6%) and Dexus (+6%), whereas Mirvac (-3%) and Cromwell (-2%) were the bottom performers.

Portfolio Performance:

The Aurora Property Buy-Write Income Trust returned +1.22% and trailed the S&P/ASX200 Property Index, as the derivatives overlay strategy that reduces volatility and generates additional income capped performance in a strong month. After a strong start to 2016 we are looking at increasing our downside protection to hold onto gains in the event of a correction.

In April the Trust benefited from holding takeover target GPT Metro Office (+8%), Vicinity (+4%) and Charter Hall Retail (+4%); as well as not owning Cromwell (-2%) and Mirvac (-3%).

On the negative side performance was hurt by owning Westfield (+1%) and Investa Office (0%) which was weaker after Dexus' (+6%) bid for the trust failed to gain sufficient unitholder approval. Additionally the calls that were sold in March capped performance as the market rallied towards the end of the month.

Portfolio Trading:

No significant trading was done over the month.

Key announcements included:

The failure of Investa Office's (+0%) takeover by Dexus (+6%) was the main news flow in the property sector over the month. In a complicated plot worthy of an Aristotelian tragedy; Dexus' bid was foiled by the last minute intervention of Cromwell (-2%) who bought a 9.8% stake in the office trust. This caused Dexus' bid to fail to secure a 75% majority at the unitholder vote (61% voted in favour). We remain holders of Investa Office, as we see further developments in the tussle for control of this premium office trust, most likely in the form of a higher bid.

In April Growthpoint (+3%) submitted a combined cash and stock bid for GPT Metro Office (+8%). As holders of GPT Metro we were pleased to see this bid, as it validated our view that the market was undervaluing the trust's assets.

Top 5 Portfolio Holdings (as at 30 April 2016)

Source: Aurora Funds Management

ASX Code

| | |
|-----------------------|-----|
| Westfield Corporation | WFD |
| Vicinity Centres | VCX |
| Stockland | SGP |
| Scentre Group | SCG |
| Investa Office | IOF |

Trust Distributions (per Unit)

| Period | Cash | Yield at NAV (p.a) |
|--------------|-----------------|--------------------|
| CY 07-09 | \$1.4951 | - |
| FY 09-10 | \$0.5200 | 8.38% |
| FY 10-11 | \$0.4400 | 8.38% |
| FY 11-12 | \$0.4060 | 8.02% |
| FY12-13 | \$0.4230 | 8.01% |
| 30 Sep 13 | \$0.1080 | 8.01% |
| 31 Dec 13 | \$0.1090 | 8.15% |
| 31 Mar 14 | \$0.1060 | 8.04% |
| 30 Jun 14 | \$0.1057 | 8.00% |
| 30 Sep 14 | \$0.1078 | 8.00% |
| 31 Dec 14 | \$0.1088 | 8.20% |
| 31 Mar 15 | \$0.1128 | 8.24% |
| 30 Jun 15 | \$0.1100 | 8.01% |
| 30 Sep 15 | \$0.1080 | 8.00% |
| 31 Dec 15 | \$0.1082 | 8.00% |
| 30 Mar 16 | \$0.1093 | 8.00% |
| Total | \$4.4777 | |

About Aurora

Aurora Funds Management Limited is a fully owned subsidiary of ASX listed, Keybridge Capital (ASX Code: KBC). Aurora is a boutique investment manager that was established in 2003, and has a long track record of producing risk adjusted returns for retail, institutional and high net worth investors. They aim to deliver income whilst also managing the risks associated in investing in traditionally volatile asset classes. The investment strategies are offered through both ASX listed investment vehicles and managed funds.

Aurora is also the Issuer of:

- Aurora Fortitude Absolute Return Fund
(APIR: AFM005AU)
- Aurora Global Income Trust
(ASX code: AIB)
- Aurora Absolute Return Fund
(ASX code: ABW)
- Aurora Dividend Income Trust (Managed Fund)
(ASX code: AOD), (APIR code: AFM0010AU)
- HHY Fund
(ASX code: HHY)

Aurora Funds Management Limited

Level 4, 1 Alfred 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.

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.