

# Aurora Property Buy-Write Income Trust Performance Report - August 2015

ASX Code: AUP

## Summary

- The Trust returned -0.76% compared to the S&P/ASX200 Property Accumulation Index (AREIT Index) which returned -4.09% in August.
- The Trust has issued a new PDS and sent a Unit Purchase Plan to existing investors.



## Performance<sup>1</sup>

	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	-0.76%	0.99%	1.67%	7.44%	9.72%	8.77%	2.33%	10.24%
S&P/ASX200 Property Accumulation Index	-4.09%	-2.83%	-3.13%	14.19%	16.81%	13.53%	-1.43%	19.96%

## 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 may be used to purchase put options for protection.

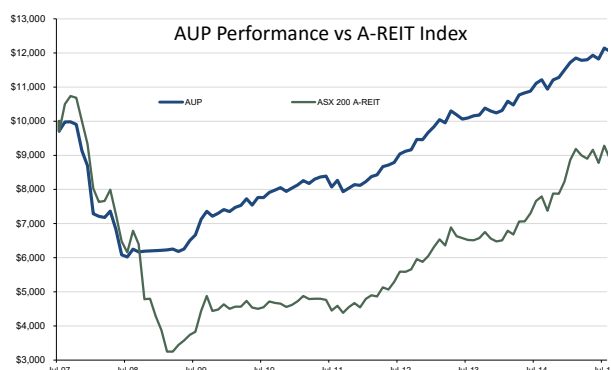
Aurora Funds Management uses detailed quantitative and qualitative analysis to identify property securities within the Australian property sector (the 'Investment Universe') that can be expected to:

- 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 Performance<sup>1</sup>



## Trust Features

Unit pricing	Daily
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 daily via the share registry

## Trust Valuations

Net Assets Value per Unit	\$5.5057
Exit Price Value per Unit	\$5.5002
NAV including distributions (since inception) <sup>1</sup>	\$11.7057

## Sector Exposure

	Index	AUP	Active
Industrial	18%	7%	-11%
Discretionary Retail	54%	47%	-7%
Staples Retailing	8%	21%	14%
Office	17%	22%	6%
Residential	4%	2%	-1%

## Portfolio Characteristics

	Index	AUP
Price Earnings Ratio	15.6	14.7
Premium to NTA (ex WFD)	22%	12%
Recurring Income %	82%	88%
Distribution Yield	5.2%	8.0%
Beta	1.00	0.35

## Commentary

### Performance Update:

The S&P/ASX200 Property Index fell by -4.1%, which would normally be a poor outcome for investors, however this was markedly ahead of the wider Australian equity market which returned -7.8%. Australian equities had their worst month since 2008 as global markets were gripped by concerns about the Chinese economy.

All sectors of the listed property market and indeed every trust declined in August, presenting investors with few places to hide from the storm. Discretionary retail was the best performing sub-sector, with non-discretionary retail and residential declining the most. Across the index the top performing trusts were Westfield (-1%) and Scentre (-1%), Cromwell (-8%) and Stockland (-8%) were the hardest hit.

### Portfolio Performance:

The Aurora Property Buy-Write Income Trust declined by -0.76%, a very solid performance in the context of the S&P/ASX 200 Property Accumulation Index's decline of -4.09%. The Trust's outperformance over the month was due to a combination of stock selection and the protection afforded by the derivatives overlay strategy in a falling market. The strategy has been instrumental in enhancing returns in flat, moderately rising and bear markets and has resulted in outperformance of the Trust since inception with lower volatility.

Stocks impacting the Trust's performance relative to the AREIT Index were our overweight positions in Westfield (-1%), as well as not owning Mirvac (-7%), Goodman (-7%) and Cromwell (-8%). On the negative side, our positions in the non-discretionary retail landlords Shopping Centres (-8%) and Charter Hall Retail (-7%) hurt relative performance.

### Portfolio Trading:

No significant trading was conducted over the month, though we were pleased with the relative outperformance of Westfield (-1%) which was substantially increased in June and the stabilizing influence of our put option protection.

### Key announcements included:

Stock specific news appeared to have limited impact on share prices over the month as macro concerns over China dominated and in aggregate, the Australian listed property trust sector had a positive earnings season. The highlights were higher than expected discretionary retail sales and improvements in Sydney office market rents.

\* Westfield (-1%) presented a strong result set of profit numbers for the six months ending in June, benefiting from improving sales and higher occupancy in the trust's flagship malls in the USA and London. The falling AUD continues to boost Westfield's offshore earnings.

\* Scentre (-1%) reported profits ahead of expectations driven by 6% growth in Australian specialty retail sales. Clearly a falling AUD has benefited domestic retail sales, reducing the relative attractiveness of offshore online sales.

\* Investa Office Trust (-3%) reported a solid earnings result reporting good growth in earnings, distributions and rising asset values. The trust also divested several non-core office towers in Melbourne, selling these properties at significant premiums to book value. What was a little surprising was the trust's rental growth which was driven by healthy levels of demand and declining vacancy in Melbourne and Sydney.

## Top 5 Portfolio Holdings (as at 31 August 2015)

Source: Aurora Funds Management

ASX Code

Westfield Corporation	WFD
Scentre Group	SCG
GPT Group	GPT
Investa Office	IOF
Shopping Centres Australasia	SCP

## 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	7.80%
<b>Total</b>	<b>\$4.1522</b>	

## 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. The investment strategies are offered through both ASX listed investment vehicles and managed funds. They aim to deliver income whilst also managing the risks associated in investing in traditionally volatile asset classes.

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)

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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.

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