

# Aurora Property Buy-Write Income Trust Performance Report - January 2016

ASX Code: AUP



## Summary

- The Trust returned +1.15% in January in a volatile month of trading that saw the S&P/ASX200 Property Accumulation (AREIT) Index fall by 5% during the month, before recovering to finish up +1.06%.
- The Listed Property sector continues to outperform equities and was the top performing sector on the ASX in January; significantly ahead of the wider equity market which fell -5.5%.

## 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	1.15%	1.59%	3.65%	7.37%	8.55%	9.11%	2.73%	10.07%
S&P/ASX200 Property Accumulation Index	1.06%	2.02%	2.42%	7.27%	14.61%	14.99%	-0.59%	19.62%

## 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.

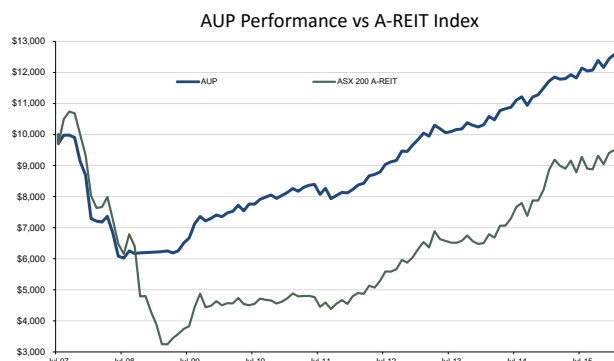
Aurora Funds Management (Aurora) uses detailed quantitative and qualitative analysis to identify property securities within the Australian property sector (the 'Investment Universe') that can be expected to:

- 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 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	\$5.5280
Exit Price Value per Unit	\$5.5225
NAV including distributions (since inception) <sup>1</sup>	\$12.2252

## Sector Exposure

	Index	AUP	Active
Industrial	18%	3%	-14%
Discretionary Retail	54%	49%	-5%
Staples Retailing	8%	22%	15%
Office	17%	23%	6%
Residential	4%	3%	-1%

## Portfolio Characteristics

	Index	AUP
Price Earnings Ratio	15.7	15.0
Premium to NTA (ex WFD)	28.2%	17.6%
Recurring Income %	82%	93%
Distribution Yield	5.20%	8.0%
Beta	1.00	0.35

## Commentary

### Performance Update:

The S&P/ASX200 Property Index gained by 1.06% in January outperforming the wider Australian equities market which had a poor start to 2016. Retail was the best performing property sub-sector, with industrial faring the worst. Unusually there was a great deal of dispersion of returns across the sector. The top performing trusts were Westfield (+4%), Vicinity (+4%) and Scentre (+4%), whereas Cromwell (-6%), Mirvac (-4%) and Abacus (-3%) fared the worst.

### Portfolio Performance:

The Aurora Property Buy-Write Income Trust returned +1.15% slightly ahead of the S&P/ASX200 Property Index. The derivatives overlay strategy significantly reduced volatility over the month.

Stocks impacting the Trust's performance relative to the AREIT Index were our overweight positions in Vicinity (+4%), Westfield (+4%) and GPT (+2%), as well as not owning Mirvac (-4%) and Goodman (-3%). On the negative side performance was hurt by owning takeover candidate Investa Office (-3%) and by being underweight Scentre (+4%).

The derivatives overlay strategy reduced volatility over the month, as the put protection offset the dramatic falls that occurred in mid-January. The strategy has been instrumental in enhancing returns in flat, moderately rising and bear markets and has resulted in lower volatility for investors.

### Portfolio Trading:

No changes were made over the month as management teams prepare to present their six monthly results in February. We will be meeting with a range of management teams over the next few weeks. After meeting with Vicinity's management team in September, we increased our weight to the trust after becoming more convinced about management's strategy and synergy benefits to be extracted. This proved to be a solid move as Vicinity returned +15% over the past six months, almost 5% ahead of the A-REIT index.

### Key announcements included:

January as always was very light in terms of news flow as management teams are typically in a 'blackout' period prior to releasing their profit results in February.

Dexus (-2%) revealed that they had received Australian Competition and Consumer Commission (ACCC) approval for their takeover of Investa Office (-3%). If this takeover goes ahead Dexus will become Australia's largest office landlord with \$17.5 billion of office assets.

Vicinity (+4%) announced that after conducting independent valuations on the group's retail properties, these assets experienced a net valuation gain for the six-month period of \$422 million, or a 3.0% increase.

## Top 5 Portfolio Holdings (as at 31 January 2016)

Source: Aurora Funds Management

ASX Code

Westfield Corporation	WFD
Vicinity Centres	VCX
Scentre Group	SCG
GPT Group	GPT
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%
<b>Total</b>	<b>\$4.3684</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. 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: AFM0005AU)
- 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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