

Aurora Property Buy-Write Income Trust Performance Report - July 2015

ASX Code: AUP

Summary

- The Trust gained by 2.70% in July trailing the S&P/ASX200 Property Accumulation Index (AREIT Index) which advanced by 5.71%.
- July saw broad-based gains across the listed property market on minimal stock-specific news.



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 | 2.70% | 2.90% | 3.59% | 9.32% | 10.33% | 9.36% | 2.45% | 10.29% |
| S&P/ASX200 Property Accumulation Index | 5.71% | 4.28% | 4.74% | 21.08% | 18.41% | 15.32% | -0.93% | 20.01% |

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.

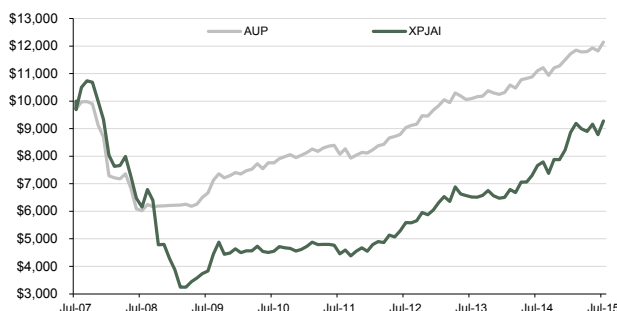
Aurora Funds Management uses detailed quantitative and qualitative analysis to identify property securities within the Australian property sector (the 'Investment Universe') that can be expected to:

- 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 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

| | |
|--|-----------|
| Net Assets Value per Unit | \$5.5478 |
| Exit Price Value per Unit | \$5.5367 |
| NAV including distributions (since inception) ¹ | \$11.7952 |

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 | 16.2 | 15.3 |
| Premium to NTA (ex WFD) | 34% | 22% |
| Recurring Income % | 82% | 88% |
| Distribution Yield | 4.9% | 7.8% |
| Beta | 1.00 | 0.67 |

Commentary

Performance Update:

After falling heavily in June, the S&P/ASX200 Property Index rebounded sharply in July up 5.7% outperforming the wider equities market by 1.3%.

All sectors and trusts in the listed property market gained in July, with the discretionary retail sector outperforming office and non-discretionary retail. Across the index the top performing trusts were Bunnings Warehouse (+10%) and Westfield (+10%) that benefited from a 4% decline in the AUD/USD that will boost the translation of the Trust's USD-denominated profits. National Storage (0%) and Shopping Centres (+1%) were the weakest performing trusts on limited material news.

Portfolio Performance:

The Aurora Property Buy-Write Income Trust gained +2.7% in July, trailing the strong broad based gains enjoyed by the index. The underlying stock selection added value over the month, but as expected in an abnormally strong month, the protection offered by the derivatives overlay strategy capped performance, as prices traded above the levels at which we wrote call options. The pull-back that we have seen in early August has reversed this drag on performance.

Stocks impacting the Trust's performance relative to the AREIT Index were our overweight positions in Westfield (+10%), Bunnings Warehouse (+10%) and GPT (+8%), as well as not owning Mirvac (+2%). On the negative side, our positions in the non-discretionary retail landlords Shopping Centres (+1%) and Charter Hall Retail (2%) hurt relative performance.

Portfolio Trading:

No significant trading was conducted over the month, though we were pleased with the relative outperformance of Westfield (+10%) versus Scentre (+6%). In June we moved the significant underweight in Westfield to an overweight position and funded this by reducing our overweight to Scentre.

Key announcements included:

With limited stock-specific news in the month prior to reporting season much of the attention in the Australian property world centred on the ongoing sale of the \$9 billion Investa Property Group. In July the Chinese sovereign wealth fund China Investment Corporation (CIC) outbid domestic listed property trusts and purchased a portfolio of 9 office towers from Investa for A\$2.45 billion. The purchase price represents a yield of only 5% and could trigger a revaluation of the Australian office sector.

Top 5 Portfolio Holdings (as at 31 July 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% |
| Total | \$4.1522 | |

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: 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)

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.

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