

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

ASX Code: AUP



Summary

- The Trust returned +1.35% in July which marks the eight consecutive month of positive performance.
- We remain concerned about the sector as a gap has opened up between underlying fundamentals and valuations, a great example of this can be seen in Scentre trading at a 58% premium to its net tangible assets. We continue to make moves to reduce portfolio downside risk.

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	1.35%	3.87%	8.44%	12.39%	10.56%	11.06%	3.51%	9.83%
S&P/ASX200 Property Accumulation Index	5.42%	12.03%	21.29%	24.22%	20.90%	20.94%	1.59%	19.25%

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

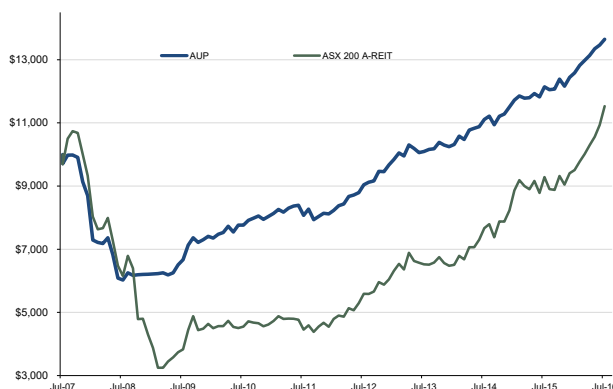
- Provide a higher than average distribution yield over the medium term;
- Generate a higher percentage of recurring income with lower gearing; and
- Provide the scope for additional income generation by the Trust systematically writing over the counter call options on these securities.

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

AUP Performance vs A-REIT Index



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	\$5.7663
Exit Price Value per Unit	\$5.7605
NAV including distributions (since inception) ¹	\$13.2568

Sector Exposure

	Index	AUP	Active
Industrial	19%	4%	-15%
Discretionary Retail	53%	50%	-3%
Staples Retailing	8%	18%	11%
Office	17%	24%	8%
Residential	4%	4%	0%

Portfolio Characteristics

	Index	AUP
Price Earnings Ratio	19.3	17.2
Premium to NTA (ex WFD)	47.1%	31.2%
Recurring Income %	82%	96%
Distribution Yield	4.2%	8.0%
Beta	1.00	0.35

Commentary

Performance Update:

The S&P/ASX200 Property Index gained by +5.42% in July, as Australian listed property continues to be viewed as a safe haven, and investors anticipate further cuts to the RBA cash rate.

All sectors and almost all trusts in the listed property market gained in July, with office and industrial outperforming retail. Across the index the top performing trusts were Charter Hall Group (+10%), Mirvac (+9%) and Cromwell (+9%). National Storage (-2%), Westfield (0%) and Charter Hall Retail (+1%) were the weakest performing trusts on limited material news.

Portfolio Performance:

The Aurora Property Buy-Write Income Trust gained +1.35% 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 a very strong month, the protection offered by the derivatives overlay strategy capped the upside as prices traded above the levels at which we wrote call options. The pull-back that we have seen in August has begun to reverse this drag on performance.

Over the last six months we have seen minimal benefit from the protection we have bought for the Trust to hold onto gains, which has been very frustrating. In terms of valuation the Property sector trades at a +47% premium to NTA with a distribution yield of a mere 4.1%, aided by the largest trust in the index Scentre that trades at an eye-watering +58% to NTA!

Portfolio Trading:

No significant trading was done over the month.

Key announcements included:

There was little in the way of significant news flow in July, as management teams prepared accounts for the end of financial year.

Over the month Investa Office (+7%) announced a +6.6% valuation uplift, after 22 assets in their portfolio has been independently valued on improving fundamentals in the Sydney office market. Similarly Vicinity (+4%) announced a 2% valuation gain in their shopping centre properties after independent valuations of 40 of their retail properties.

Top 5 Portfolio Holdings (as at 31 July 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%
31 Mar 16	\$0.1093	8.00%
30 Jun 16	\$0.1118	8.00%
Total	\$4.5895	

About Aurora

Aurora Funds Management Limited 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)

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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