

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

ASX Code: AUP



Summary

- The Trust returned +1.2% in March continuing its run of consistent positive performance.
- During the month we executed our derivatives overlay of selling calls and buying put protection for the next quarter which netted the Trust +2%. Additionally we have increased the quarterly distribution to be paid in April by 1% over the December quarter's distribution.

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	1.21%	4.33%	7.50%	10.13%	9.25%	9.68%	3.05%	10.00%
S&P/ASX200 Property Accumulation Index	2.39%	6.44%	12.77%	11.26%	16.30%	15.87%	0.01%	19.46%

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.

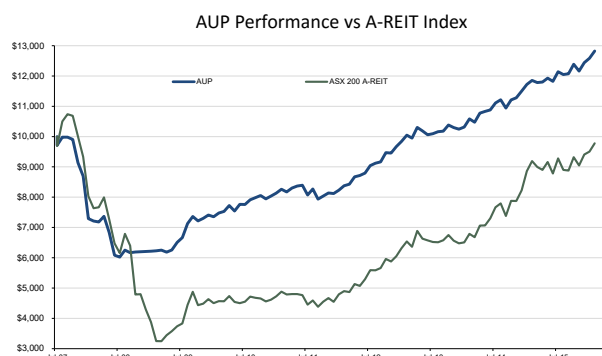
Aurora Funds Management (Aurora) uses detailed quantitative and qualitative analysis to identify property securities within the Australian property sector (the 'Investment Universe') that can be expected to:

- 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	\$5.5922
Exit Price Value per Unit	\$5.5866
NAV including distributions (since inception) ¹	\$12.6089

Sector Exposure

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

Portfolio Characteristics

	Index	AUP
Price Earnings Ratio	16.4	16.1
Premium to NTA (ex WFD)	23.9%	15.3%
Recurring Income %	82%	96%
Distribution Yield	4.97%	8.0%
Beta	1.00	0.35

Commentary

Performance Update:

The S&P/ASX200 Property Index gained by 2.39% in March, underperforming the wider Australian equities market which rallied on the back of miners and banks. Office and Residential was the best performing property sub-sector over the month, with retail faring the worst. We were surprised at the outperformance of residential given the apparent cooling of the Australian property market. The top performing trusts were Charter Hall Retail (+6%), Mirvac (+6%) and Investa Office (+6%), whereas Westfield (0%), SCA Property (+1%) and Scentre (+2%) fared the worst.

Portfolio Performance:

The Aurora Property Buy-Write Income Trust returned +1.21% and trailed the S&P/ASX200 Property Index, as the derivatives overlay strategy that reduces volatility capped performance in a strong month. Additionally our position in Westfield (0%) underperformed due to the strength in the AUD (+8%) and uncertainty as to whether the retail giant will move their primary listing to New York. In March the Trust benefited from holding Charter Hall Retail (+6%), takeover target Investa Office (+6%) and Vicinity (+3%). On the negative side performance was hurt by owning Westfield (0%) and by not owning residential developer Mirvac (+7%). Additionally the calls that were sold mid-month capped performance as the market rallied towards the end of the month. This has reversed in the early part of April with falls in the index.

Portfolio Trading:

Over the month we reduced our exposure to Charter Hall Retail (+6%) and increased exposure to Stockland (+2%) on relative valuation grounds. Over the month we executed the derivative overlay strategy of selling calls and buying puts for the next quarter. This delivered to the Trust a net premium of 2% in March, with the net premium being the cash the Trust receives for writing calls less the cost of protection paid for the following quarter. We reduced the cost of buying downside protection for the June quarter by realising some gains from puts that we bought in December and expired in March.

Key announcements included:

Investa Office's (+6%) takeover by Dexus (+5%) was the main news flow in the property sector over the month. We were pleased when Dexus announced late in March that they would be sweetening their bid by an additional 7c. Unitholders will be voting on the takeover proposal in mid-April. IOF has been a solid performer for the Trust since we added it in May last year returning +16%. Westfield was flat over the month as the AUD strengthened by 8% which reduces the translation of the Trust's USD rental earnings. Furthermore management are expected to give shareholders an update at the AGM in mid-May as to the potential long term location of the Westfield listing. We expect that a likely outcome would be a primary listing on the NYSE with the Trust retaining a secondary listing on the ASX. The advantage in doing this would be in reduced debt costs.

Top 5 Portfolio Holdings (as at 31 March 2016)

Source: Aurora Funds Management

ASX Code

Westfield Corporation	WFD
Vicinity Centres	VCX
Scentre Group	SCG
GPT Group	GPT

Investa Office	IOF
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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: 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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