

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

ASX Code: AUP

## Summary

- The Trust returned 1.12% for May compared to the S&P/ASX200 Property Accumulation Index (AREIT Index) which returned 2.92%.
- The Buy-Write strategy has resulted in outperformance of the Trust since inception with lower volatility.



## 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	1.12%	0.67%	5.77%	10.17%	11.04%	9.60%	2.27%	10.35%
S&P/ASX200 Property Accumulation Index	2.92%	-0.32%	16.35%	29.66%	21.81%	15.06%	-1.11%	20.07%

## Investment Objective\*

The Aurora Property Buy-Write Income Trust (the Trust) is an ASX listed investment trust that aims to generate income from an active strategy of selling call options over a portfolio of ASX listed Australian Real Estate Investment Trusts (AREIT).

## Investment Adviser

APN Property Group Limited (APN) is a specialist real estate fund manager, with a strong and consistent record of investment performance. APN Property Group Limited is listed on the Australian Securities Exchange (ASX code: APD).

APN Funds Management Limited (APN FM) is a fully owned subsidiary of APN Property Group and has been appointed as the Investment Adviser of the Aurora Property Buy-Write Income Trust. APN FM is responsible for the active management of the Trust's investment strategy.

Established in 1996, APN Property Group manages a range of property funds on behalf of institutional and retail investors. Collectively, APN manages over \$2.1 billion (as at 31 December 2104) of real estate and real estate securities.

## Investment Philosophy

APN FM is an active investment manager with a concentrated focus on income and the fundamentals of real estate.

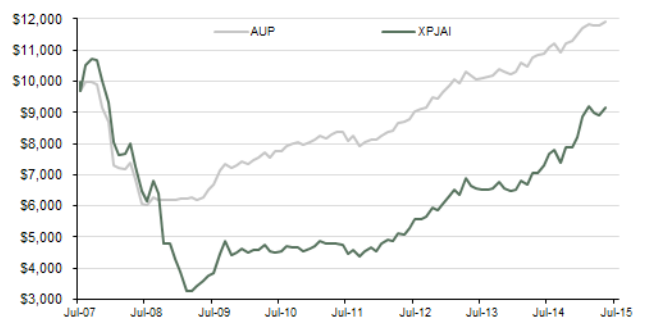
APN FM has a long held belief that investment in commercial property is primarily an investment in an income stream. Long term property leases also provide protection from the short term business cycle reflected in the market value of other asset classes. A commitment to the income benefits from property coupled with a lower level of risk (as measured by volatility) is reflected in APN FM's style of investment which focuses on well managed property assets that hold long leases to strong tenants.

## Expertise

The APN FM investment team comprises a group of highly experienced real estate investment professionals who possess a deep understanding of real estate markets gained over several cycles.

APN FM's conservative style is underpinned by rigorous research, a proven investment process utilising a "top down" and "bottom up" approach, wide industry networks and assessment of market fundamentals. The investment team apply their judgement against the backdrop of broader domestic and global economic factors.

## Investment Performance<sup>1</sup>



## Trust Features

Unit pricing	Monthly
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 off-market at the end of each month

## Trust Valuations

Trust Size	\$11.3 million
Net Assets Value per Unit	\$5.5625
Exit Price Value per Unit	\$5.5514
NAV including distributions (since inception) <sup>1</sup>	\$11.5905

### Performance Update:

The S&P/ASX 200 A-REIT Accumulation index outperformed the equity markets and gained 2.92% over the month.

The Diversified sector was down 0.4% over the month. The performance of Stockland Trust Group (-2.3%) and Mirvac (0%), offset gains in GPT Group (+3.4%).

The Office sector was the top performing sector in May up +6.4% aided by Investa Office Fund (+6.7%) and Dexus Property Group (+8.5%).

The Retail sector gained +3.5% with Scentre Group (+5.6%) and BWP Trust (+8.9%) the key factors contributing to the sub sector's relative outperformance.

### Portfolio Performance:

The Aurora Property Buy-Write Income Trust ("the Trust") provided a total return of 1.12% for the month ended May 2015, underperforming the S&P/ASX 200 Property Accumulation Index (AREIT Index) which gained 2.92%. Since inception (July 2007), the Trust has outperformed the AREIT Index by 3.38% pa over the same period. The Trust underperformed over the month due to a combination of stock selection and the impact of the Buy-Write strategy (writing calls over existing stock positions) in a strongly rising market. The strategy has been instrumental in enhancing returns in flat, moderately rising, and bear markets. Moreover the strategy of buying put options reduces capital risk. The Buy-Write strategy 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 Charter Hall Retail (+3.9%) and Investa Office (+6.7%), as well as not owning Charter Hall Group (-6.6%). On the negative side of the ledger, performance was hurt by not owning Goodman (4.8%), as well as our holdings in a number of smaller listed property trusts that underperformed the wider Listed Property market.

### Key announcements included:

Novion (NVN.ASX) was removed from trading on the ASX, after the NSW Supreme Court has approved the its merger with Federation Centres (FDC.ASX), paving the way for the creation of Australia's third-biggest listed property trust. The new combined trust will own \$22 billion of shopping centres assets and will be managed by FDC's management team.

Dexus (DXS.ASX) provided the market with an operational update for the March Quarter 2015 that was well received by the market. Highlights included management re-confirming earnings guidance and some success in leasing industrial space, though we noted a fall in overall office occupancy.

Mirvac (MGR.ASX) asset announced \$405m in asset sales so far this financial year in line with its target to dispose non-core assets. These assets were sold at an average 11% premium to their existing book values.

Stockland (SGP.ASX) gave a quarterly update that re-affirmed guidance of 7-7.5% EPS growth in FY15, tightening previous guidance. Whilst the trust reported strong retail sales in their shopping centres during the third quarter, the market was disappointed by the decline in residential sales, which were down on the previous quarter due to generally soft market conditions in Queensland.

	ASX Code
Scentre Group	SCG
Stockland	SGP
Charter Hall Retail REIT	CQR
Novion Property Group	NVN
Dexus Property Group	DXS

Source: Aurora Funds Management

## 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%
<b>Total</b>	<b>\$4.0422</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)

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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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