

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

ASX Code: AUP



Summary

- The Trust fell -5.0% in October, which whilst disappointing was less than the index that fell -7.9%. As with last month, the Trust's more defensive stock selection cushioned the fall, but there were few places to hide for investors with every trust falling significantly.
- The sharp correction in the property market over the last quarter has taken some heat out of the listed property sector, but the put protection held should insulate the Trust from further weakness.

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	-5.00%	-8.34%	-4.79%	0.98%	6.40%	9.24%	2.44%	9.90%
S&P/ASX200 Property Accumulation Index	-7.86%	-14.3%	-3.99%	6.06%	13.5%	16.8%	-0.13%	19.3%

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 quantitative and qualitative analysis to identify property securities within the Australian property sector (the 'Investment Universe') with the objective to:

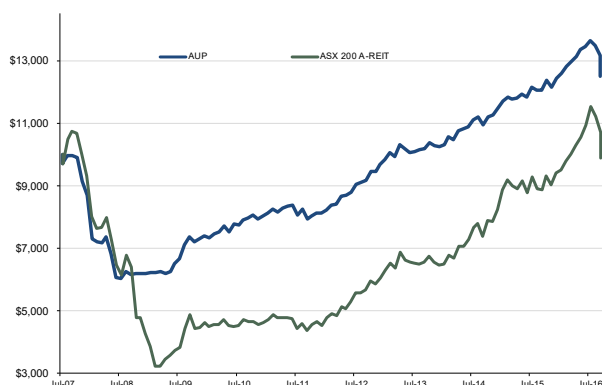
- Provide a higher than average distribution yield over the medium term;
- Generate a higher percentage of recurring income with lower gearing; and
- Provide the scope for additional income generation by the Trust systematically writing over the counter call options on these securities.

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	\$5.1774
Exit Price Value per Unit	\$5.1722
NAV including distributions (since inception) ¹	\$12.1516

Sector Exposure

	Index	AUP	Active
Industrial	19%	4%	-16%
Discretionary Retail	52%	52%	0%
Staples Retailing	7%	21%	13%
Office	17%	19%	2%
Residential	4%	4%	0%

Portfolio Characteristics

	Index	AUP
Price Earnings Ratio	15.0	14.2
Premium to NTA (ex WFD)	18.1%	6.2%
Recurring Income %	82%	96%
Distribution Yield	5.0%	8.0%
Beta	1.00	0.35

Commentary

Performance Update:

The S&P/ASX200 Property Index fell by -7.9% in October and fared worse than the broader equity market as REITs were sold off globally on concerns around the impact higher global interest rates on yield stocks.

In the broad based sell-off we saw in October, rent-collecting trusts outperformed those with a higher proportion of development earnings. Across the index the top performing trusts were Charter Hall Retail (-2%), Dexus (-2%) and SCA Property (-3%). Iron Mountain (-12%), Scentre (-10%) and National Storage (-10%) fared the worst.

Portfolio Performance:

The Aurora Property Buy-Write Income Trust returned -5%, disappointing though less than the fall recorded by the S&P/ASX200 Property Index. Whilst our more conservative stock selection helped performance over the month, the fall in the property market was broad-based. The protection provided by the derivatives overlay strategy also cushioned the impact of the falling market.

Stocks impacting the Trust's performance relative to the AREIT Index were our positions in the trusts exposed to food and liquor retailing; namely Charter Hall Retail (-2%) and SCA Property (-3%), as well as not owning Scentre (-13%) and Growthpoint (-10%).

Portfolio Trading:

No significant trading was done over the month, as we are keen to see prices stabilise before committing unitholder capital. We are currently holding a significant cash balance in the Trust, after selling some positions in August.

Key announcements included:

October saw a range of quarterly trading updates from the property trust sector.

Over the Month:

GPT (-8%) gave quarterly update which showed their retail portfolio was generating sales growth of +3.7%, which is ahead of their competitors. Additionally the trust increased office occupancy from 94% to 95% and re-confirmed 2016 guidance of 5.5% earnings growth.

Mirvac (-7%) similarly gave a quarterly update that revealed that settlement defaults in their apartment development portfolio had begun to edge upward above the long term average. However the apartment pre-sales pipeline remained in line with the \$3bn reported at June results.

Top 5 Portfolio Holdings (as at 31 October 2016)

Source: Aurora Funds Management

ASX Code

Westfield Corporation	WFD
Stockland	SGP
Vicinity Centres	VCX
Investa Office	IOF
Scentre	SCG

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%
30 Sep 16	\$0.1138	8.00%
Total	\$4.7033	

About Aurora

Aurora Funds Management Limited is an Australian based alternative asset manager that specialises in managing absolute-return focussed strategies for high net worth, retail and institutional investors. At Aurora, we aim to achieve superior long-term results through a high conviction investment style that utilises a bottom up, value-orientated approach to select suitable investments. Our overarching goal is to provide investors with positive risk-adjusted returns that are independent of benchmarks or investment cycles.

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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