

Aurora Buy-Write Income Trust (ARSN 110 303 430)

Performance Report

31 August 2008

ASX Code: ABW

www.aurorafunds.com.au

Trust Summary

- The Trust returned 2.03% over the month of August
- At the end of August the Trust held a cash position of 61%
- The Trust is well positioned to take advantage of new investment opportunities as they arise



Investment Performance

Jul 06	Aug 06	Sep 06	Oct 06	Nov 06	Dec 06	Jan 07	Feb 07	Mar 07	Apr 07	May 07	Jun 07	12 mths
-0.16%	1.99%	3.78%	4.49%	4.04%	3.16%	2.47%	0.39%	3.36%	2.38%	0.12%	-1.56%	26.88%
Jul 07	Aug 07	Sep 07	Oct 07	Nov 07	Dec 07	Jan 08	Feb 08	Mar 08	Apr 08	May 08	Jun 08	12 mths
-2.43%	2.77%	2.23%	1.94%	-1.37%	-4.21%	-7.93%	-4.38%	0.38%	-0.27%	-1.26%	-11.35%	-22.96%
Jul 08	Aug 08											2 mths
-1.57%	2.03%											0.46%

Investment Objective

The Aurora Buy-Write Income Trust (the Trust) is an ASX listed investment trust that aims to provide investors with gross income and medium term capital growth returns from an active strategy of selling call options over a portfolio of Australia's largest listed companies.

Investment Manager

Cadence Asset Management Pty Ltd (Cadence) was appointed as Investment Manager on 1 July 2008. Cadence has been providing investment management and advisory services to absolute return funds since October 2003. It has also been running multiple funds in a long/short Australian equity strategy since its inception. Cadence was awarded the 2007 Asian Investor award for Australian and New Zealand Hedge Funds. They were also recognised as the Best Emerging Manager at the 2007 Australian Hedge Fund Awards.

Investment Strategy

The Trust seeks to purchase quality S&P/ASX100 listed companies and then selectively 'write' or sell exchange traded call options over these stocks in order to provide additional income to the portfolio. Between 15 and 25 S&P/ASX100 stocks are usually selected for their income and capital growth potential. Call options may be sold (or 'written') by the Investment Manager on any of these stocks.

A risk management process (which may include the purchase of put options) seeks to limit the potential impact to the Trust of extreme adverse market events. This does not provide a capital guarantee, and losses can still be incurred. If the Investment Manager's outlook on the market is negative, then the Trust may choose to hold the majority of its investments in cash. The Trust may utilise debt to increase the portfolio's exposure to the investment strategy.

Trust Features

Trust Inception	10 July 2006
Minimum Investment	\$2,000
Unit Pricing	Monthly
Distribution Frequency	Half yearly
Distribution Reinvestment Plan	Available
Applications	Available to investors through the current PDS or on market by buying on the ASX
Redemptions	On-market by selling on the ASX or off-market at the Net Asset Value set at the end of each month

Trust Distributions (per Unit)

Period	Cash	Franking Credits	Total	Yield at NAV (p.a)
31 Dec 06	\$0.2915	\$0.1249	\$0.4164	9.0%
30 Jun 07	\$1.1774	\$0.2227	\$1.4001	25.3%
31 Dec 07	\$0.2000	\$0.1990	\$0.3990	7.6%
30 Jun 08	\$0.3514	\$0.2402	\$0.5916	11.9%
Total	\$2.0203	\$0.7868	\$2.8071	

Summary of the Trust

Market Capitalisation	\$11,888,276
Net Asset Value (NAV)	\$11,054,232
Units on Issue	1,554,023
Net Assets Value Per Unit	\$7.11
NAV plus distributions paid (since inception)	\$9.92

Portfolio Commentary

Investment Manager - Cadence Asset Management Pty Ltd

The Trust returned 2% for the month of August against an S&P/ASX200 Accumulation Index which rose 4.09%. To protect the Trust from volatility the Manager continued to reduce exposure throughout August.

Portfolio Activity

The Trust exited positions in Fosters, Tabcorp, BHP and Boral, while entering positions in Computershare, Macquarie Group and Leighton.

After starting the month with 36% cash, exiting of large positions resulted in 61% of the portfolio being held as cash at month's end. From the end of June the Trust has moved from \$1.63 of positions for every \$1.00 of equity, to \$0.39 of positions for every \$1.00 of equity. We believe that when compelling investment opportunities arise the Trust will be well positioned to take advantage of these opportunities.

The Manager removed the Index put option protection over the portfolio as total stock exposure decreased.

The Reporting Season in Review

When analysing a market, sector or company Cadence is particularly interested in forward Earnings per share growth relative to forward Price/earnings multiples (Price Earnings Growth Ratio or PEG ratio) as well as operating cash flow yields over the next two years.

A review of the earnings growth for the year ended June 2008 reveals and confirms that while earnings growth for the Resources sector fell dramatically, earnings remained very strong. Industrials earnings growth slowed in the second half of the year while Banks earnings growth slowed less than the dramatic fall in bank share prices suggested they would (although asset write offs in the financial sector were widespread). Overall the earnings growth slowdown has been significant over the 2008 financial year.

When analysing the quantum of the earnings by sector we can see how significant the growth in Resource earnings has been for Australia since 2002. Earnings have grown from around \$8billion per annum to nearly \$40billion per annum during the period. This highlights one of the really interesting points from this reporting season. Whilst earnings for the resources sector have been at record levels, the earnings growth experienced by the resources sector has been much lower in light of the cyclical nature of commodity prices, a high Australian dollar, supply side constraints and the challenge of growing production levels. Cadence's conclusion is that whilst resource earnings are likely to continue to be strong the headwinds outlined above will make it difficult to deliver the levels of earning growth the sector has experienced over the past six years.

The second interesting observation from the 2008 reporting season was that financial stocks excluding banks presented the area of weakest earnings in the market. Whilst, most major banks have not yet reported, indications at the half year were that underlying earnings were not slowing as quickly as share prices were falling. The dilemma here is whether analyst earnings estimates are correct or whether the share prices are a good forward indicator of the earnings to follow. As a result of this uncertainty Cadence remain, cautious on the banks.

The third observation from the reporting season was that industrial earnings growth was negative for the first time in many years. This should not be a surprise. The outlook presented by management for many industrial stocks was that they expected weaker earnings over the next six to twelve months. What is interesting however, is that many of the cyclical industrial stocks such as retailing, transport, building materials, media and gaming have shown significant increases in share prices over the past three months, suggesting that the market is already factoring in some improvement in the cyclical industrial sectors, despite the fact that the analysts forward looking earnings growth estimates are low or negative.

In conclusion, despite the fact that earnings for the year just gone were reasonably good, the corresponding earnings growth and earnings growth outlook are at best sending mixed messages. Perhaps of more concern are earnings growth forecasts that are potentially still too high for many parts of the economy.

Significant Portfolio Holdings

	Weight (%)
Telstra	12.0
CSR	7.2
St George Bank	4.4
Computershare	4.1
Macquarie Group	4.0
Source: Cadence (31 August 2008)	

Top Buy & Write Positions

Bought Position	Calls Sold
AMP	AMP Sep 2008 \$7.94
CSR	CSR Sep 2008 \$3.25
Source: Cadence (31 August 2008)	

About Aurora

Aurora Funds Management (Aurora) is an investment management and distribution group owned and operated by a group of professionals with considerable experience in retail funds management, stockbroking, margin lending, corporate advisory and investment banking.

Aurora aims to source, package and distribute carefully researched investment strategies that are managed by specialist wholesale investment managers.

Aurora is also the issuer of the:

- Aurora Sandringham Dividend Income Trust (ASX Code: AOD)
- Aurora Infrastructure Buy-Write Income Trust (ASX Code: AIB)
- Aurora Property Buy-Write Income Trust (ASX Code: AUP)
- van Eyk Blueprint Alternatives Plus (ASX Code: VBP)

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1. The Investment Manager Cadence Asset Management Pty Ltd replaced Blackrock Investment Management Ltd from 1 July 2008.

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