

# Aurora Property Buy-Write Income Trust ASX Code: AUP

## Performance Report - 30 April 2010

### Summary

- The Trust returned +2.58% for April compared to the S&P/ASX200 Property Accumulation Index which returned +3.72%
- The Trust has returned -8.91% p.a. since inception, versus the S&P/ASX200 Property Accumulation Index which returned -23.70% p.a. over the same period.



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

	1 mth	3 mths	6 mths	12 mths	2 yrs (p.a.)	Since inception (p.a.)
Aurora Property Buy-Write Income Trust	2.58%	5.07%	7.03%	24.92%	2.42%	-8.91%
S&P/ASX200 Property Accumulation Index	3.72%	5.18%	6.07%	37.44%	-23.04%	-23.70%

### 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 Funds Management Limited (APN FM) has been appointed as the Investment Adviser with responsibility to actively manage the Trust's investment strategy.

Established in 1998, APN FM currently manages a broad range of property securities funds with total assets under management of approximately \$2.7 billion (as at 31 December 2009). APN FM has established a strong track record and market reputation for managing domestic real estate securities with a particular focus on income returns. APN FM's expertise is widely recognised in the property funds management industry, as evidenced by the following awards:

- AFR Smart Investor Blue Ribbon Award 2008 - Australian Listed Property;
- Morningstar Fund Manager of the Year 2007 - Listed Property;
- Investor Web Research Property Securities Fund Manager of the Year for 2002, 2003 and 2004;
- Property Investment Research – Property Securities Manager of the Year 2005, 2006 and 2008; and
- Monitor Money Skilled Manager of the Year 2002-2003

An active investment management style combined with a concentrated focus on the fundamentals of commercial property investments lies at the heart of APN Funds Management's philosophy. APN FM is a leader in real estate which is driven by the investment team's longstanding experience and expert knowledge of property markets and research capability.

### Trust features

Unit pricing	Monthly.
Distribution frequency	Quarterly
Distribution policy	At least 2.0% of Net Asset Value <sup>2</sup> 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

Fund Size	\$19.7 million
Net Assets Value per Unit	\$5.3876
NAV plus distributions paid (since inception)	\$7.2927

### Trust distributions (per Unit)

Period	Cash	Yield at NAV (p.a)
31 Dec 07	\$0.4670	10.5%
30 Jun 08	\$0.4781	11.3%
31 Dec 08	\$0.3000	11.1%
30 Jun 09	\$0.2500	9.7%
31 Dec 09	\$0.3000	11.6%
31 Mar 10	\$0.1100	8.2%
Total	\$1.9051	

## Investment Manager Commentary

by APN Funds Management Limited

The AREIT sector outperformed the broader market over April, climbing 3.72% for the month. Whilst the broader market fell 1.4%, weighed down by sovereign debt concerns in Europe and the Henry Tax Review, the AREIT sector gained momentum. Increasing evidence that both physical asset values and tenant demand are stabilising, ongoing corporate activity (Mirvac Group \$350m equity raising), a strong US REIT market and buying support from domestic equity investors and offshore property securities funds contributed to a strong month for the AREIT sector.

### Key Events during April

Mirvac Group (MGR) completed a \$350m fully underwritten institutional equity raising along with a \$150m non under-written retail share purchase plan to fund the (subsequently announced) purchase of the Westpac Office Trust (WOT). Whilst the level of actual accretion to MGR from the WOT transaction remains debatable, we expect that future capital raisings in the AREIT market will be completed to fund accretive acquisitions (as opposed to the defensive, debt reduction raisings completed through 2009).

The stronger AREIT market performance over April was driven by the following:

- Ongoing evidence of a stabilisation in physical property markets;
- Stronger global REIT markets (particularly US REITs);
- Strong buying support from domestic equity investors and offshore property securities funds; and
- Ongoing corporate activity (MGR offer for WOT following the Challenger Kennedex and Mirvac Real Estate Trust in previous months) stimulating interest in other small cap, oversold entities.

Good news for property markets was delivered from the Federal Government who elected to do nothing on a number of fronts in regard to the Henry tax review<sup>3</sup>:

- The Government has ruled out any tinkering with negative gearing or the 50% CGT discount.
- Henry has recommended a broad-based land tax to replace inefficient property taxes – the Government has indicated it will consider this proposal in a second wave of tax reforms.
- The corporate tax rate reduced to 28% in two tranches means businesses have a greater capacity to pay for rental accommodation.

■ The new Infrastructure Investment Fund will increase investment in economic infrastructure.

■ Henry specifically acknowledges the need to improve housing supply by reducing developer charges and reforming the development assessment system. The Government has already announced a Productivity Commission inquiry into Australia's development assessment and planning frameworks.

On the flip side, we continue to cautiously monitor developments in Greece but expect the European Union financial rescue will stabilise the situation as long as fiscal responsibility is embraced by the Greek Government.

### Top 5 Portfolio Holdings (as at 30 April 2010)

	ASX Code
Westfield	WDC
Dexus	DXS
CFS Retail	CFX
Charter Hall Office	CQO
Challenger Diversified	CDI

Source: APN Funds Management

### 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 and/or distributor of the:

- Aurora Global Infrastructure Income Trust (ASX code: AIB)
- Aurora Sandringham Australian Equity Income Trust (ASX code: ABW)
- Aurora Sandringham Dividend Income Trust (ASX code: AOD)
- Aurora Sandringham Global Income Trust (ARSN 131 291 499)
- CORALS Commodities Fund (ARSN 131 196 882)
- van Eyk Blueprint Alternatives Plus (ASX code: VBP)

## Aurora Funds Management

Level 11, 88 Phillip Street, Sydney NSW 2000 PO Box R1695, Royal Exchange NSW 1225

Telephone: 1300 553 431, Visit: [www.aurorafunds.com.au](http://www.aurorafunds.com.au), or Email: [enquiries@aurorafunds.com.au](mailto:enquiries@aurorafunds.com.au)

1. This number 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. 3. The following Henry Review summary was issued by the Property Council of Australia on 2 May 2010.

Disclaimer: This information has been prepared by Aurora Funds Management Ltd (ABN 69 092 626 885 AFSL 222110) in its capacity as Responsible Entity for the Aurora Property Buy-Write Income Trust (ARSN 125 153 648). It has been prepared without taking into account the objectives, financial situation or needs of any investor, which should be considered before investing. Investors should consider a copy of the Product Disclosure Statement and seek their own financial advice prior to investing in the Trust. The information in this newsletter is of a summary nature only and does not constitute advice of any kind, nor is it an offer of any financial product. Past performance is not a reliable indication of future performance. Please see [www.asx.com.au](http://www.asx.com.au) for more information on the S&P/ASX200 Property (AREIT) Accumulation Index.

APN Funds Management Limited ("APN FM") does not make any statement or representation in this document on the accuracy or completeness of the information herein. APN FM has not authorised or caused the issue of this document or the PDS and does not accept any responsibility for this document or the PDS.