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Aurora Property Buy-Write Income Trust ASX Code: AUP
Performance Report - 31 March 2009

Summary

- The Trust returned +0.41% for March compared to the S&P/ASX200 Property Accumulation Index which returned -0.04%
- Since 1 October 08 (whilst the Trust's assets have been in cash) the Trust returned +1.35% compared to the S&P/ASX 200 Property Accumulation Index which returned -51.5%
- The Trust announced on 3 April 09, that it had begun reinvesting into property securities and expected to be fully invested by the end of April 09.

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Monthly Performance

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	Index
-2.90%	2.77%	0.02%	-0.74%	-7.78%	-4.83%	-16.15%	-1.05%	-0.48%	2.58%	-7.22%	-10.96%	-39.2%	-37.7%
Jul 08	Aug 08	Sep 08	Oct 08	Nov 08	Dec 08	Jan 09	Feb 09	Mar 09				9 mths	Index
-0.99%	3.77%	-1.31%	0.34%	0.15%	0.14%	0.15%	0.17%	0.41%				2.84%	-52.9%

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 (A-REIT).

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 $3.1 billion (as at 28 February 2009). APN FM has established a strong track record and market reputation for managing domestic and global property funds with a particular focus on generating consistent, growing 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	Half yearly.
Distribution policy	The Trust will distribute 100% of its net realised gains each year.
Distribution Reinvestment Plan	Available.
Applications	Investors may acquire Units on market 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

Market capitalisation	$18,403,602
Net Asset Value (NAV)	$19,366,071
Units on issue	3,915,660
Net Assets Value per Unit	$4.9458
NAV plus distributions paid (since inception)	$6.1909

Trust distributions (per Unit)

Period	Cash	Total	Yield at NAV (p.a)
31 Dec 07	$0.4670	$0.4670	10.5%
30 Jun 08	$0.4781	$0.4781	11.3%
31 Dec 08	$0.3000	$0.3000	11.1%
Total	$1.2451	$1.2451	

Market Commentary

by APN Funds Management Limited

The S&P/ ASX 200 Property Accumulation Index was down 0.04% in March 2009, underperforming the S&P/ASX 200 by 8.1%. While returns for March were relatively flat, the AREITs have bounced 22% from their March 9th lows.

Best stock performers over the month were Macquarie Countrywide Trust which doubled, ING Office Trust was up 71.4%, and ING Industrial Trust was up 50.6%. The worst performing trusts were Bunnings Warehouse Trust (down 7.9%), Commonwealth Property Office Fund (down 6.7%) and Westfield (down 6.1%).

The downward market trend over the quarter was a reflection of the deteriorating global economic environment with uncertainty surrounding the depth and duration of the slowdown.

The rally in the last month of the quarter was based on a return of some risk appetite by the market. In this environment, the stocks that have been considered the safest / low risk AREIT exposures (and previously outperformed) have recently underperformed. Examples include: CFS Retail Property, Bunnings Warehouse Trust, Commonwealth Property Office Fund and Westfield.

AREIT Sector Update

AREITs have traditionally been categorised as a defensive style asset (ie, an investment that remains relatively stable regardless of the state of the overall equity market). Unfortunately, the shocking fall-out from the global financial crisis, initially caused by the US sub-prime mortgage crisis delivered a particularly painful blow to the AREIT sector causing it to behave in an uncharacteristic non-defensive style. AREITs haven't been the only defensive sector impacted by the economic downturn. Any stock with gearing has been impacted to some extent. Bank shares (which have also traditionally been regarded as a safe haven for investors) have been deeply affected by the global financial crisis.

The real issue has been debt. Falling asset values and the burden of unexpected liabilities (arising out of debt and currency hedging) and the tightest credit market (perhaps) the world has ever seen has kept the focus on financial risk. Because some AREITs had invested (and borrowed) offshore, the fall in the A$ increased their liabilities, putting further pressure on covenants. Also, the most common interest rate risk management strategy (the interest rate hedge, whereby the borrower locks in a rate via a derivative contract) became an additional liability as headline interest rates fell. To top it all off, many groups were forced to raise more equity to help relieve pressure on debt covenants which caused AREIT prices to drop further.

The bizarre part of the debt "equation" is that as interest rates have fallen, the ability of AREITs to service the debt has improved. They remain attractive investments. Indeed, as the global economy slows, property will emerge as the least leveraged to downside because it has the security of the lease. Assuming the tenant remains solvent, property cash flows are one of the most certain of the key asset classes. Whilst there are anecdotal signs that the market may have significantly overreacted, the duration and severity of the economic downturn and its impact on real estate values remains to be seen. However, it is reassuring to see positive solutions being enacted to help restore overall economic strength including: lowering of interest rates, the Government Bank Guarantee, the proposed "Rudd Bank" and the ongoing fiscal stimulus reaffirmed by the G20 leaders in early April.

We remain confident that markets will recover over time. Indeed, the last month has delivered some encouraging signs of the (tentative) return of risk appetite. In the US, some of the investment banks that appeared close to collapse last year have actually posted modest profits in the early part of 2009. In a time of low (and falling) interest rates though, AREITs remain an attractive alternative on many measures - particularly on a risk adjusted basis relative to cash and fixed interest investments.

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

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