

# Aurora Property Buy-Write Income Trust Performance Report - August 2013

ASX Code: AUP

## Summary

- The Trust returned 0.64% for August compared to the S&P/ASX200 Property Accumulation Index (AREIT Index) which returned -0.16%.
- Since inception, the Trust has outperformed the S&P/ASX200 Property Accumulation Index by 7.05% per annum.



## 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	0.64%	-0.29%	1.13%	11.38%	8.68%	10.19%	0.26%	11.43%
S&P/ASX200 Property Accumulation Index	-0.16%	-1.78%	-0.38%	16.58%	11.32%	-0.83%	-6.79%	21.78%

## 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 Asia Pacific 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 corporate and public superannuation funds, high net worth and individual investors. Collectively, APN FM manages over \$1.6 billion 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.

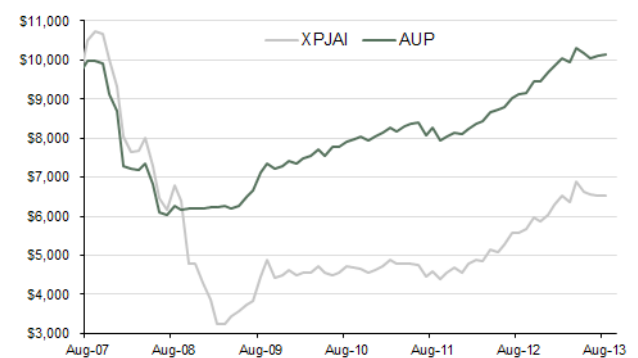
APN FM has a long held belief that investment in commercial property is primarily an investment in an income stream. Long term property leases also provide protection from the short term business cycle reflected in the market value of other asset classes. A commitment to the income benefits from property 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	\$12.4 million
Net Assets Value per Unit	\$5.4477
NAV including distributions (since inception) <sup>1</sup>	\$9.8700

## Commentary

The Aurora Property Buy-Write Income Trust was up 0.64% for the month outperforming the AREIT Index (-0.16% as measured by the S&P/ASX 200 Accumulation Index). The covered call strategy was the main reason for this outperformance. The Trust has outperformed the AREIT Index by 7.05% p.a. since inception due to a systematic approach of income enhancement and capital protection.

The Diversified sector was up 0.8% over the month. The main drivers influencing performance were Stockland Trust Group (SGP) (up 4.2%) and Mirvac Group (MGR) (up 0.3%), while GPT Group (GPT) was down 1.7%.

The Office sector was down 1.2% over the month. Commonwealth Property Office Fund (CPA) (down 0.4%) and Dexus Property Group (DXS) (down 1.9%) were the key factors.

The Retail sector was down 0.1% with Westfield Group (WDC) up 1.0% and Westfield Retail Trust (WRT) up 0.3%. CFS Retail Property Trust (CFX) (down 1.5%) was the main moderating factor.

The Industrial sector was down 1.9% over the month reflecting Goodman Group (GMG), the only stock in the subsector.

The financial year reporting results dominated news flow in August. Overall, the results demonstrated that AREITs are again delivering steady, low risk earnings, whilst debt costs are still reducing and balance sheets are in check.

Key themes from reporting season:

□ Growth in line with expectations - The market was not expecting a spectacular rebound in growth in the FY13 reporting season and this proved to be the case with earnings up around 0.8% overall. The average figure was distorted by the expected weak result from Stockland (SGP) (that saw earnings per share (EPS) slip 24% due to the weak residential market). Excluding SGP, the sector's average earnings grew 3.3%.

□ Lower debt costs - A consistent driver of stronger EPS was the lower debt cost reported by all AREITs (excluding CPA). The weighted average cost of debt for FY13 was 5.8%. This was 0.40% lower than in FY12. Hedging metrics remain steady with the proportion of debt hedged and the average hedge maturity around the same as the prior period.

□ Rising property valuations - The other broad market metric of importance is Net Tangible Asset (NTA) values. Rising property valuations drove up NTAs, an average of 2.5% in FY13. The steady increase in property income was the key driver of this uplift. Sector net operating income growth - Office was the best performing asset class with the highest comparable Net Operating Income (NOI) growth of 2.4%. The retail sector followed with 2.3% growth, while industrial grew income by 1.7%.

## Top 5 Portfolio Holdings (as at 31 August 2013)

	ASX Code
Westfield Retail Trust	WRT
Stockland	SGP
CFS Retail Property Trust	CFX
Westfield Group	WDC
Charter Hall Retail REIT	CQR

Source: Aurora Funds Management

## Trust Distributions (per Unit)

Period	Cash	Yield at NAV (p.a)
31 Dec 07	\$0.4670	9.61%
30 Jun 08	\$0.4781	11.98%
31 Dec 08	\$0.3000	11.75%
30 Jun 09	\$0.2500	10.18%
31 Dec 09	\$0.3000	12.26%
31 Mar 10	\$0.1100	8.34%
30 Jun 10	\$0.1100	8.38%
30 Sep 10	\$0.1100	8.29%
31 Dec 10	\$0.1100	8.23%
31 Mar 11	\$0.1100	8.35%
30 Jun 11	\$0.1100	8.38%
30 Sep 11	\$0.1060	8.03%
31 Dec 11	\$0.1000	8.19%
31 Mar 12	\$0.1000	8.16%
30 Jun 12	\$0.1000	8.02%
30 Sep 12	\$0.1020	8.00%
31 Dec 12	\$0.1040	7.98%
31 Mar 13	\$0.1080	8.01%
30 Jun 13	\$0.1090	8.01%
Total	\$3.2841	

## About Aurora

Aurora Funds Limited ('Aurora', ASX Code: AFV) was listed on the ASX in July 2010. Aurora comprises the combined businesses of Aurora Funds Management Ltd, and Fortitude Capital Pty Ltd. The combined group has in excess of \$640 million in funds under management and administration, and provides asset management and responsible entity/trustee services for Australian and New Zealand investors.

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)
- van Eyk Blueprint Alternatives Plus  
(ASX code: VBP)

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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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