

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

ASX Code: AUP



Summary

- The Trust fell -1.17% in August following a broad decline in the Listed Property market that saw the S&P/ASX200 Property Accumulation Index (AREIT Index) fall by -2.78%.
- August marked the first down month in 2016, as investors were reminded that prices do not always move in the same direction. We will continue to make moves in the portfolio to protect our investor's capital, whilst maintaining income.

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	-1.17%	1.02%	5.16%	11.93%	9.89%	10.27%	3.34%	9.80%
S&P/ASX200 Property Accumulation Index	-2.78%	6.12%	14.64%	25.92%	19.83%	19.52%	1.26%	19.18%

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:

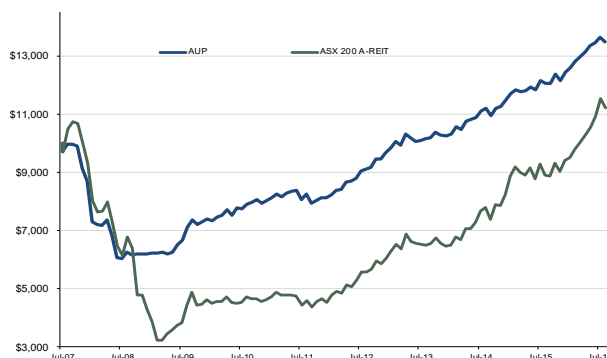
- Provide a higher than average distribution yield over the medium term;
- Generate a higher percentage of recurring income with lower gearing; and
- Provide the scope for additional income generation by the Trust systematically writing over the counter call options on these securities.

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	\$5.6988
Exit Price Value per Unit	\$5.6931
NAV including distributions (since inception) ¹	\$13.1018

Sector Exposure

	Index	AUP	Active
Industrial	19%	4%	-16%
Discretionary Retail	52%	50%	-3%
Staples Retailing	7%	20%	12%
Office	17%	23%	6%
Residential	4%	4%	0%

Portfolio Characteristics

	Index	AUP
Price Earnings Ratio	17.2	15.7
Premium to NTA (ex WFD)	34.8%	21.6%
Recurring Income %	82%	96%
Distribution Yield	4.7%	8.0%
Beta	1.00	0.35

Commentary

Performance Update:

The S&P/ASX200 Property Index declined by -2.78% in August and fared worse than the broader equity market, as REITs were sold off globally.

Residential was the best performing property sub-sector over the month, with retail faring the worst. Across the index the top performing trusts were Mirvac (+5%), Charter Hall Group (+5%) and Goodman (+1%). Bunnings Warehouse (-15%), Charter Hall (-11%) and Cromwell (-8%) fared the worst.

Portfolio Performance:

The Aurora Property Buy-Write Income Trust returned -1.17%, which whilst disappointing, was far less than the fall recorded by the S&P/ASX200 Property Index. The Trust's outperformance over the month was due to a combination of stock selection and the protection afforded by the derivatives overlay strategy in a falling market. The strategy has been instrumental in enhancing returns in flat, moderately rising and bear markets and has resulted in lower volatility for investors. Stocks impacting the Trust's performance relative to the AREIT Index were our positions in GPT Metro (+1%) and Investa Office (0%), as well as not owning Bunnings Warehouse (-15%) and Cromwell (-8%).

Portfolio Trading:

At the end of the month we sold our position in GPT Metro Office prior to it being subsumed into Growthpoint (-3%). Since GPT Metro Office was added to the portfolio in May last year it has been a solid performer returning +29%.

Key announcements included:

August always has a large amount of news flow, as management teams present their accounts for the end of financial year and guidance for the following twelve months.

Over the month:

Mirvac (+5%) presented their FY16 results which were in-line with guidance, but what surprised the market was the significant upgrade to their profit guidance for 2017. This upgrade was driven by higher than expected residential sales.

Bunnings Warehouse Trust (-15%) reported that Bunnings will vacate 7 properties as the hardware giant takes advantage of some more attractive sites as rival Masters exits the hardware business. The fall in price reflected concerns about releasing these sites and their impact on earnings.

Cromwell (-8%) fell after their presented a messy set of financials which raised doubts about the sustainability of the trust's dividend which is significantly above free cash flow.

Top 5 Portfolio Holdings (as at 31 August 2016)

Source: Aurora Funds Management

ASX Code

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

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%
Total	\$4.5895	

About Aurora

Aurora Funds Management Limited is a boutique investment manager that was established in 2003, and has a long track record of producing risk adjusted returns for retail, institutional and high net worth investors. They aim to deliver income whilst also managing the risks associated in investing in traditionally volatile asset classes. The investment strategies are offered through both ASX listed investment vehicles and managed funds.

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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