

Aurora Property Buy-Write Income Trust Performance Report - December 2015

ASX Code: AUP



Summary

- The Trust returned +2.3% in December as the Listed Property market delivered a “Santa Claus” rally to property investors.
- Over 2015 the total option net premium received by the Trust was +7.9%. This represents the highest net premium we have generated for a calendar year for the Trust since inception in 2007.

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	2.29%	3.05%	5.23%	8.15%	8.77%	9.13%	2.62%	10.12%
S&P/ASX200 Property Accumulation Index	3.99%	5.95%	7.12%	14.32%	15.87%	15.30%	-0.72%	19.71%

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 is used to purchase put options for protection.

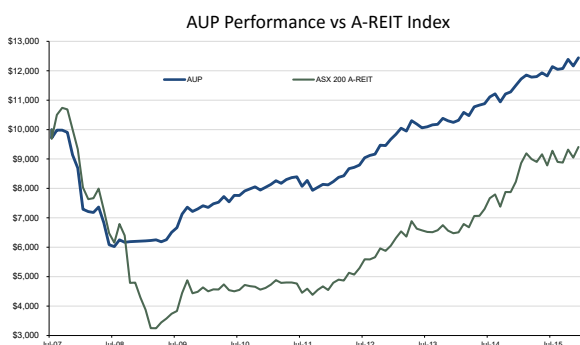
Aurora Funds Management (Aurora) uses detailed quantitative and qualitative analysis to identify property securities within the Australian property sector (the ‘Investment Universe’) that can be expected to:

- 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



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	\$5.4651
Exit Price Value per Unit	\$5.4596
NAV including distributions (since inception) ¹	\$12.0861

Sector Exposure

	Index	AUP	Active
Industrial	18%	3%	-14%
Discretionary Retail	54%	49%	-5%
Staples Retailing	8%	22%	15%
Office	17%	23%	6%
Residential	4%	3%	-1%

Portfolio Characteristics

	Index	AUP
Price Earnings Ratio	16.2	15.0
Premium to NTA (ex WFD)	28.1%	16.4%
Recurring Income %	82%	90%
Distribution Yield	5.0%	8.0%
Beta	1.00	0.35

Commentary

Performance Update:

The S&P/ASX200 Property Index gained 3.99% in December, finishing the year on a strong note and outperforming the wider Australian equities market.

Residential was the best performing property sub-sector over the month, with office faring the worst. Across the index the top performing trusts were Abacus (+9%), Mirvac (+9%) and Vicinity (+7%). Westfield (-1%), Dexus (+1%) and Bunnings Warehouse (+2%) fared the worst.

Portfolio Performance:

The Aurora Property Buy-Write Income Trust returned +2.29%, trailing the strong broad-based gains enjoyed by the index, with the majority of the gains occurring in the final week of December. As expected, the derivatives overlay strategy capped performance as prices traded above the levels at which we wrote call options in mid-December. 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 overweight positions in Vicinity (+6%), Investa Office (+6%) and GPT (+6%). On the negative side our position in Westfield (-1%) hurt performance, as well as the Trust's underweight position in Scentre (+5%) and Mirvac (+9%).

Portfolio Trading:

Over the month we executed the derivative overlay strategy of selling calls and buying puts for the next quarter. This delivered to the Trust a net premium of +1.3% in December, with the net premium being the cash the Trust receives for writing call less the cost of protection paid for the following quarter. The total return for the year from the options overlay was 7.9%.

Key announcements included:

December provided a large amount of news flow for the Listed Property sector along with distribution payments for the majority of the Property Trusts.

Investa Office (+6%) announced that they had received a takeover bid from rival Dexus (+1%). If this takeover goes ahead Dexus will become Australia's largest office landlord with \$17.5 billion of office assets. Investa Office has been a large position for the Trust and we had been anticipating corporate activity occurring.

Westfield (-1%) stated that they had sold five non-core regional US shopping centres for US\$1.1 billion. Whilst this will initially reduce gearing by 3% to 33%, over time the proceeds will be reinvested in Westfield's development program in higher yielding assets. Vicinity (+7%) had a strong month after announcing a strategic update that will involve selling \$750m to \$1b of non-core lower grade shopping centres.

Top 5 Portfolio Holdings (as at 31 December 2015)

Source: Aurora Funds Management

ASX Code

Westfield Corporation	WFD
Vicinity Centres	VCX
Scentre Group	SCG
GPT Group	GPT
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%
Total	\$4.3684	

About Aurora

Aurora Funds Management Limited is a fully owned subsidiary of ASX listed, Keybridge Capital (ASX Code: KBC). Aurora 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: AFM005AU)
- 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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