

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

ASX Code: AUP



Summary

- The Trust returned +1.91% in February in another volatile month, as pessimism due to global macro concerns was gradually allayed by positive results from the February profit reporting season.
- The Listed Property sector was one of the top performing sectors on the ASX in February outperforming equities by 4.7%.

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	1.91%	5.45%	6.43%	8.21%	8.47%	9.19%	2.93%	10.04%
S&P/ASX200 Property Accumulation Index	2.86%	8.10%	9.84%	6.40%	14.35%	14.90%	-0.26%	19.54%

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.

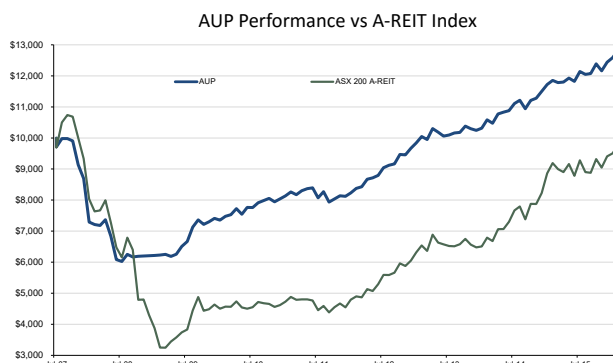
Aurora Funds Management (Aurora) uses detailed quantitative and qualitative analysis to identify property securities within the Australian property sector (the 'Investment Universe') that can be expected to:

- 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	\$5.6335
Exit Price Value per Unit	\$5.6278
NAV including distributions (since inception) ¹	\$12.4584

Sector Exposure

	Index	AUP	Active
Industrial	17%	3%	-14%
Discretionary Retail	55%	49%	-6%
Staples Retailing	8%	22%	14%
Office	16%	23%	6%
Residential	4%	3%	-1%

Portfolio Characteristics

	Index	AUP
Price Earnings Ratio	17.0	16.3
Premium to NTA (ex WFD)	24.3%	13.7%
Recurring Income %	82%	96%
Distribution Yield	4.82%	8.0%
Beta	1.00	0.35

Commentary

Performance Update:

The S&P/ASX200 Property Index gained +2.86% in February, outperforming the wider Australian equities market, which continued its poor start to 2016. Industrial was the best performing property sub-sector over the month, with residential faring the worst. Unusually there was a great deal of dispersion of returns across the sector. The top performing trusts were Vicinity (+7%), Goodman (+7%) and SCA Property (+7%), whereas Mirvac (-4%), Abacus (-4%) and Charter Hall Group (-1%) fared the worst

Portfolio Performance:

The Aurora Property Buy-Write Income Trust returned +1.91% and trailed the S&P/ASX200 Property Index, as the derivatives overlay strategy that reduces volatility capped performance in a strong month. The Trust had a solid February profit reporting season with all of our holdings either meeting or exceeding our expectations, and every trust that we own gaining in value over the month. Stocks impacting the Trust's performance relative to the AREIT Index were our overweight positions in Vicinity (+7%), SCA Property (+7%) and Charter Hall Retail (+5%); as well as not owning Mirvac (-4%) and Abacus (-4%). On the negative side performance was hurt by owning GPT (+1%) and by not owning industrial developer Goodman (+7%).

Portfolio Trading:

No significant stock level changes were made over the month, as the management teams that we met with delivered financial results in line with expectations. We did however take advantage of market volatility in the first week of February to realise some profits on our put protection due to expire in March. These profits were applied to extend the downside protection into June.

Key announcements included:

February is always full of news flow as management teams present their profit results for the six months ending December and provide guidance for the upcoming year. Vicinity (+7%) delivered a strong set of results, which was pleasing to us as we increased our holdings after having a very constructive meeting with management late last year. Management upgraded guidance and delivered income growth of almost 4% from their shopping centres. SCA Property's (+7%) results were well received by the market, after management delivered a better than expected result that saw property income up 11% and upgraded the trust's full year guidance. Whilst suburban shopping centres are not the most glamorous of property assets, SCP has returned an exciting +17% since we established the position in June. Mirvac (-4%) had a reasonable result and confirmed guidance based on record residential sales, but the market remains concerned about the trusts exposure to a weakening housing market. After visiting a range of Mirvac's apartment developments in December, we became concerned about the volume of product being developed for a specific class of buyer.

Top 5 Portfolio Holdings (as at 29 February 2016)

Source: Aurora Funds Management

ASX Code

Westfield Corporation	WFD
Vicinity Centres	VCX
Scentre Group	SCG
GPT Group	GPT
SCA Property	SCP

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: 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)

Aurora Funds Management Limited

Level 4, 1 Alfred Street, Sydney NSW 2000 PO Box R1695, Royal Exchange NSW 1225

Telephone: 1300 553 431, Visit: www.aurorafunds.com.au, or Email: enquiries@aurorafunds.com.au

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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