

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

ASX Code: AUP



Summary

- The Trust returned +0.85% in June which marks the seventh consecutive month of positive performance.
- During the month we executed our derivatives overlay of selling calls and buying put protection for the next quarter, which netted the Trust +1.3%. Additionally we have increased the quarterly distribution to be paid in July by 2% above the March quarter's distribution.

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	0.85%	3.74%	8.22%	13.89%	10.19%	9.90%	3.38%	9.87%
S&P/ASX200 Property Accumulation Index	3.54%	9.25%	16.28%	24.57%	18.48%	18.05%	1.01%	19.26%

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.

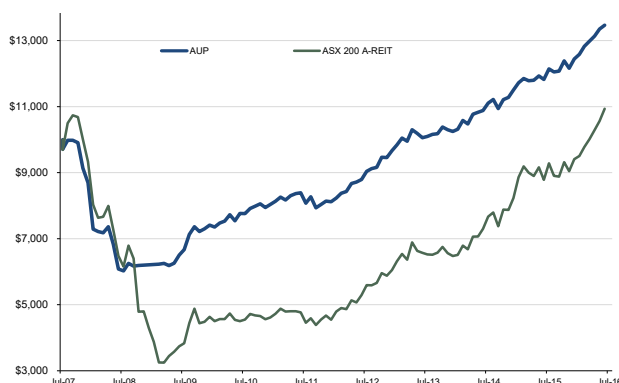
Aurora Funds Management (Aurora) uses detailed quantitative and qualitative analysis to identify property securities within the Australian property sector (the 'Investment Universe') that can be expected to:

- 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	\$5.6894
Exit Price Value per Unit	\$5.6837
NAV including distributions (since inception) ¹	\$13.080

Sector Exposure

	Index	AUP	Active
Industrial	19%	4%	-15%
Discretionary Retail	53%	50%	-4%
Staples Retailing	8%	18%	11%
Office	16%	24%	8%
Residential	4%	4%	0%

Portfolio Characteristics

	Index	AUP
Price Earnings Ratio	18.3	16.9
Premium to NTA (ex WFD)	39.0%	25.8%
Recurring Income %	82%	96%
Distribution Yield	4.4%	8.0%
Beta	1.00	0.35

Commentary

Performance Update:

The S&P/ASX200 Property Index gained by +3.54% in June, significantly outperforming equities as Australian property trusts were viewed as a safe haven by global investors.

Office and retail were the best performing property sub-sectors over the month, with industrial faring the worst. The top performing trusts were Stockland (+7%), Mirvac (+7%) and Dexus (+7%), whereas Abacus (-4%), Charter Hall (-1%) and Cromwell (-1%) brought up the rear.

Portfolio Performance:

The Aurora Property Buy-Write Income Trust returned +0.85% and trailed the S&P/ASX200 Property Index, as the derivatives overlay strategy capped performance and the cost of purchasing put protection was higher with a sharp increase in market volatility. Additionally our position in Westfield (-1%) fell sharply in the last trading days of the month on concerns that Britain leaving the Euro will impact sales at their flagship (and fully leased) £3.3 billion London mall. The fall in Westfield has been reversed in July.

In June the Trust benefited from holding Vicinity (+5%), SCA Property (+4%) and Investa Office (+3%).

Portfolio Trading:

We reviewed the upcoming \$1.7 billion Viva Energy REIT, but declined to participate due to concerns about the concentrated exposure to one tenant and the dividend cover. Additionally we note that Shell has spent 100 years building up this network of 425 petrol stations and suspect that they may have concerns about the impact in the medium term of battery powered cars on the demand for petrol.

Key announcements included:

Over the month there was little in the way of significant news flow as management teams prepared accounts for the end of financial year.

The battle for GPT Metro Office (+1%) continued in June with Centuria increasing their bid and gaining the recommendation of the Trust's independent directors. This saga continued into July with competing suitor Growthpoint (-1%) launching a formal takeover for GPT Metro Office at a higher price.

Top 5 Portfolio Holdings (as at 30 June 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%
30 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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