

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

ASX Code: AUP



Summary

- The Trust returned +1.63% in May which marks the sixth consecutive month of positive performance.
- The Listed Property sector underperformed the wider Australian equity market which had a strong month due to the outperformance of financials post the RBA interest rate cut. On the corporate front over the month Centuria Property submitted a competing bid for GPT Metro and Westfield decided to continue being listed on the ASX and domiciled in Australia.

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	1.63%	4.11%	9.78%	11.90%	9.42%	9.79	3.23%	9.92%
S&P/ASX200 Property Accumulation Index	2.64%	8.04%	16.79%	15.31%	16.78%	17.07%	0.62%	19.32%

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:

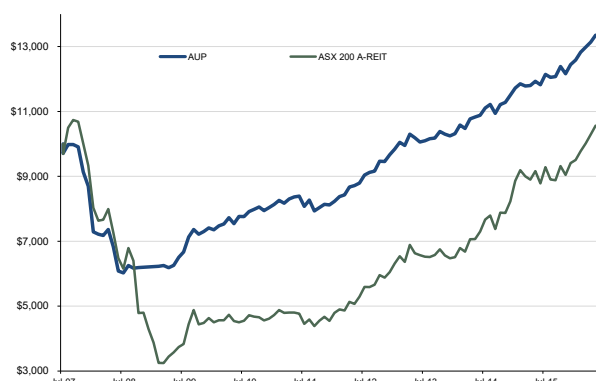
- Provide a higher than average distribution yield over the medium term;
- Generate a higher percentage of recurring income with lower gearing; and
- Provide the scope for additional income generation by the Trust systematically writing over the counter call options on these securities.

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

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	\$5.7524
Exit Price Value per Unit	\$5.7466
NAV including distributions (since inception) ¹	\$12.970

Sector Exposure

	Index	AUP	Active
Industrial	18%	3%	-14%
Discretionary Retail	54%	50%	-5%
Staples Retailing	8%	21%	13%
Office	16%	22%	6%
Residential	4%	4%	0%

Portfolio Characteristics

	Index	AUP
Price Earnings Ratio	17.2	16.7
Premium to NTA (ex WFD)	30.2%	19.8%
Recurring Income %	82%	96%
Distribution Yield	4.8%	8.0%
Beta	1.00	0.35

Commentary

Performance Update:

The S&P/ASX200 Property Index gained by 2.6% in May dragged up by the performance of the wider financial sector after the RBA cut the cash rate by 0.25% to 1.75% on the 3rd May.

Office was the best performing property sub-sector over the month, with Australian retail faring the worst. The top performing trusts were Charter Hall (+10%), GPT (+7%) and Westfield (+6%), whereas SCA Property (-3%), Vicinity (-2%) and Scentre (-1%) were the bottom performers.

Portfolio Performance:

The Aurora Property Buy-Write Income Trust returned +1.63% and trailed the S&P/ASX200 Property Index, as the derivatives overlay strategy that reduces volatility and generates additional income capped performance in another strong month. Over the last six months we have seen minimal benefit from the protection we have bought for the Trust to hold onto gains, but remain convinced that no strong run in a sector is a permanent state of affairs.

In May the Trust benefited from holding takeover target GPT Metro Office (+6%), GPT (+7%), Westfield (+6%) and Stockland (+4%). On the negative side performance was hurt by owning domestic retailers SCA Property (-3%), Vicinity (-2%) and Charter Hall Retail (+1%). Additionally the calls that were sold in March capped performance, as the market continued its rally.

Portfolio Trading:

No significant trading was done over the month.

Key announcements included:

In May, Centuria Capital joined Growthpoint (+1%) in submitting a takeover offer for GPT Metro Office (+6%). As holders of GPT Metro Office, we were pleased to see another bid as competitive tension will yield a superior outcome for our unitholders.

Westfield (+6%) held their AGM during the month with investors focus on both a performance update and potential news about a shift in the Trust's domicile to either New York or London. The directors said that Westfield will maintain its primary listing in Australia and reported solid sales growth across their flagship US and UK shopping centres. The 5% fall in the AUD/USD in May also helped drive share price performance over the month.

Top 5 Portfolio Holdings (as at 31 May 2016)

Source: Aurora Funds Management

ASX Code

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

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%
Total	\$4.4777	

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)

Trust Distributions (per Unit)

Aurora Funds Management Limited

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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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