

Aurora Property Buy-Write Income Trust

Performance Report - July 2014

ASX Code: AUP

Summary

- The Trust returned 2.08% for July compared to the S&P/ASX200 Property Accumulation Index (AREIT Index) which returned 5.00%.
- The Trust has outperformed the AREIT index by 5.22% p.a. since inception of the strategy.



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	2.08%	3.11%	7.66%	10.02%	11.21%	10.74%	1.51%	10.81%
S&P/ASX200 Property Accumulation Index	5.00%	8.56%	17.81%	17.54%	19.84%	14.88%	-3.72%	20.59%

Investment Objective*

The Aurora Property Buy-Write Income Trust (the Trust) is an ASX listed investment trust that aims to generate income from an active strategy of selling call options over a portfolio of ASX listed Australian Real Estate Investment Trusts (AREIT).

Investment Adviser

APN Property Group Limited (APN) is a specialist Asia Pacific real estate fund manager, with a strong and consistent record of investment performance. APN Property Group Limited is listed on the Australian Securities Exchange (ASX code: APD).

APN Funds Management Limited (APN FM) is a fully owned subsidiary of APN Property Group and has been appointed as the Investment Adviser of the Aurora Property Buy-Write Income Trust. APN FM is responsible for the active management of the Trust's investment strategy.

Established in 1996, APN Property Group manages a range of property funds on behalf of institutional and retail investors. Collectively, APN manages over \$2 billion of real estate and real estate securities.

Investment Philosophy

APN FM is an active investment manager with a concentrated focus on income and the fundamentals of real estate.

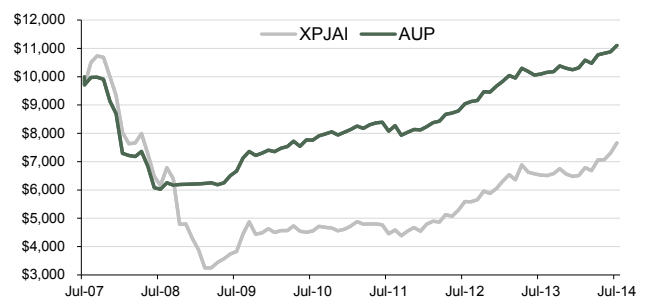
APN FM has a long held belief that investment in commercial property is primarily an investment in an income stream. Long term property leases also provide protection from the short term business cycle reflected in the market value of other asset classes. A commitment to the income benefits from property coupled with a lower level of risk (as measured by volatility) is reflected in APN FM's style of investment which focuses on well managed property assets that hold long leases to strong tenants.

Expertise

The APN FM investment team comprises a group of highly experienced real estate investment professionals who possess a deep understanding of real estate markets gained over several cycles.

APN FM's conservative style is underpinned by rigorous research, a proven investment process utilising a "top down" and "bottom up" approach, wide industry networks and assessment of market fundamentals. The investment team apply their judgement against the backdrop of broader domestic and global economic factors.

Investment Performance¹



Trust Features

Unit pricing	Monthly
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 off-market at the end of each month

Trust Valuations

Trust Size	\$12 million
Net Assets Value per Unit	\$5.4991
Exit Price Value per Unit	\$5.4881
NAV including distributions (since inception) ¹	\$10.7900

Commentary

The Aurora Property Buy-Write Income Trust ("the Trust") provided a total return of 2.08% for the month ended July 2014, underperforming the S&P/ASX 200 Property Accumulation Index (AREIT Index). Since inception (July 2007), the Trust has outperformed the AREIT Index by 5.22% p.a. over the same period. The Trust underperformed over the month due to the Buy-Write strategy (writing calls over existing stock positions) which caps upside gains on significant price appreciation. The strategy has been instrumental in enhancing returns in flat, moderately rising and bear markets. Moreover the strategy of buying put options provides some downside protection. The Buy-Write strategy has resulted in lower volatility since inception. Stocks impacting the Trust's performance relative to the AREIT Index were our underweight positions in outperforming stocks such as GPT Group (GPT) (up 6.0%) and Dexu Property Group (DXS) (up 7.2%) along with an overweight position in Charter Hall Retail Trust Group (CQR) (up only 3.4%). Our overweight position in Scentre Group (SCG) (up 6.2%) helped to moderate the level of underperformance.

The Diversified sector was up 3.8% over the month. The two main factors influencing performance were Stockland Trust Group (SGP) up 4.6% and GPT Group (GPT) up 6.0%.

The Office sector was up 6.2% over the month with Dexu Property Group (DXS) (up 7.2%) and Investa Office Fund (IOF) (up 5.0%) the key influences.

The Retail sector was up 5.3% with Westfield Corporation (WFD) (up 4.6%) and Scentre Group (SCG) (up 6.2%) the key factors.

Scentre Group (SCG) priced four long-term European debt issuances raising a total of approximately \$3.0 billion with an average tenor of 8yrs and an average spread in Australian dollars of 140bps;

Australand Property Group (ALZ) released its target statement reiterating shareholders accept Fraser's all cash offer, with Fraser's stating \$4.48 is the best and final offer and will close on 7 August 2014;

CFS Retail Property Trust (CFX), Federation Centres (FDC) and ALE Property Group (LEP) reported revaluation gains of +1.0%, +5.6% and +5.1% respectively;

CFX reported annual specialty retail sales MAT growth of 2.2% in FY14, in line with its March 2014 MAT and ahead of +1.7% in CY13;

Cromwell Group (CMW) sold 321 Exhibition St, Melbourne for \$208 million to Invesco, at a 9.4% premium to its December 2013 book value on an exit cap of 6.4%.

Top 5 Portfolio Holdings (as at 31 July 2014)

	ASX Code
Westfield Retail Trust	WRT
Stockland	SGP
Westfield Group	WDC
Charter Hall Retail REIT	CQR
CFS Retail Property Trust	CFX

Source: Aurora Funds Management

Trust Distributions (per Unit)

Period	Cash	Yield at NAV (p.a)
31 Dec 07	\$0.4670	9.61%
30 Jun 08	\$0.4781	11.98%
31 Dec 08	\$0.3000	11.75%
30 Jun 09	\$0.2500	10.18%
31 Dec 09	\$0.3000	12.26%
31 Mar 10	\$0.1100	8.34%
30 Jun 10	\$0.1100	8.38%
30 Sep 10	\$0.1100	8.29%
31 Dec 10	\$0.1100	8.23%
31 Mar 11	\$0.1100	8.35%
30 Jun 11	\$0.1100	8.38%
30 Sep 11	\$0.1060	8.03%
31 Dec 11	\$0.1000	8.19%
31 Mar 12	\$0.1000	8.16%
30 Jun 12	\$0.1000	8.02%
30 Sep 12	\$0.1020	8.00%
31 Dec 12	\$0.1040	7.98%
31 Mar 13	\$0.1080	8.01%
30 Jun 13	\$0.1090	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%
Total	\$3.6071	

About Aurora

Aurora Funds Limited ('Aurora', ASX Code: AFV) was listed on the ASX in July 2010. Aurora comprises the combined businesses of Aurora Funds Management Ltd, and Fortitude Capital Pty Ltd. The combined group has in excess of \$275 million in funds under management and administration, and provides asset management and responsible entity/trustee services for Australian and New Zealand investors.

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)

Aurora Funds 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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