

Aurora Buy-Write Income Trust ASX Code: ABW

Performance Report - 31 October 2008

Summary

- The Trust fell 4.09% for October versus the S&P/ASX200 Accumulation Index which fell 12.6% during the month
- Since Cadence has taken over as Investment Manger, the Trust has returned -7.78% compared to the S&P/ASX200 Accumulation Index which has returned -23.0%
- The Trust holds a significant amount of cash, and is well positioned to take advantage of new investment opportunities as they arise



Monthly Performance

Jul 06	Aug 06	Sep 06	Oct 06	Nov 06	Dec 06	Jan 07	Feb 07	Mar 07	Apr 07	May 07	Jun 07	12 mths
-0.16%	1.99%	3.78%	4.49%	4.04%	3.16%	2.47%	0.39%	3.36%	2.38%	0.12%	-1.56%	26.88% ¹
Jul 07	Aug 07	Sep 07	Oct 07	Nov 07	Dec 07	Jan 08	Feb 08	Mar 08	Apr 08	May 08	Jun 08	12 mths
-2.43%	2.77%	2.23%	1.94%	-1.37%	-4.21%	-7.93%	-4.38%	0.38%	-0.27%	-1.26%	-11.35%	-22.96% ¹
Jul 08	Aug 08	Sep 08	Oct 08									4 mths
-1.50%	2.03%	-4.23%	-4.09%									-7.78%

Investment objective

The Aurora Buy-Write Income Trust (the Trust) is an ASX listed investment that aims to provide investors with gross income and medium term capital growth returns from an active strategy of selling call options over a portfolio of Australia's largest listed companies.

Investment Manager

Cadence Asset Management Pty Ltd (Cadence) was appointed as Investment Manager on 1 July 2008¹. Cadence has been providing investment management and advisory services to absolute return funds since October 2003. It has also been running multiple funds in a long/short Australian equity strategy since its inception. Cadence was awarded the 2007 Asian Investor award for Australian and New Zealand Hedge Funds. They were also recognised as the Best Emerging Manager at the 2007 Australian Hedge Fund Awards.

Investment strategy

The Trust seeks to purchase quality S&P/ASX100 listed companies and then selectively 'write' or sell exchange traded call options over these stocks in order to provide additional income to the portfolio. Between 15 and 25 S&P/ASX100 stocks may usually be selected for their income and capital growth potential. Call options may be sold (or 'written') on any of these stocks.

A risk management process (which may include the purchase of put options or other derivative positions) seeks to limit the potential impact to the Trust of extreme adverse market events. This does not provide a capital guarantee, and losses can still be incurred. If the Investment Manager's outlook on the market is negative, then the Trust may chose to hold the majority of its investments in cash. The Trust may utilise debt to increase the portfolio's exposure to the investment strategy.

Trust features

Unit pricing	Monthly.
Distribution frequency	Half yearly.
Distribution policy	The Trust will distribute 100% of its net realised gains each year.
Distribution Reinvestment Plan	Available.
Applications	Investors may acquire Units on market 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

Market capitalisation	\$9,651,238
Net Asset Value (NAV)	\$10,090,099
Units on issue	1,544,198
Net Assets Value per Unit	\$6.5342
NAV plus distributions paid (since inception)	\$9.3413

Trust distributions (per Unit)

Period	Cash	Franking	Total	Yield at NAV (p.a.)
31 Dec 06	\$0.2915	\$0.1249	\$0.4164	9.0%
30 Jun 07	\$1.1774	\$0.2227	\$1.4001	25.3%
31 Dec 07	\$0.2000	\$0.1990	\$0.3990	7.6%
30 Jun 08	\$0.3514	\$0.2402	\$0.5916	11.9%
Total	\$2.0203	\$0.7868	\$2.8071	

Investment Manager commentary

By Cadence Asset Management Pty Ltd

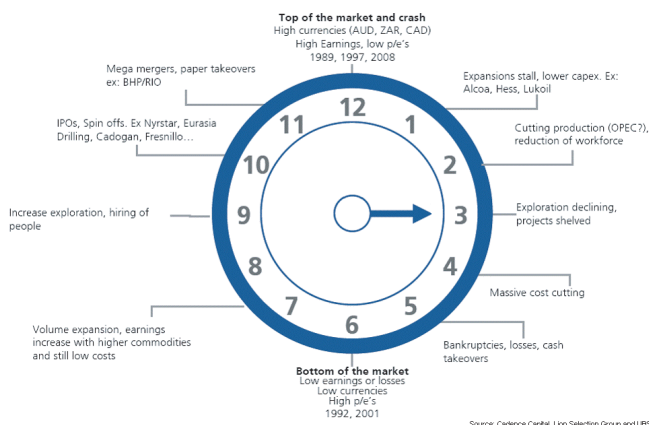
The Trust returned -4.09% for the month of October against an S&P/ASX200 Accumulation Index return of -12.61%. The Trust continues to hold significant amounts of cash.

Portfolio Activity

During the month the Trust exited positions in BHP Billiton and Macquarie Group, while entering positions in Insurance Australia Group and Wesfarmers.

The Trust started the month with 59% cash, and ended the month with 64% cash. We believe that when compelling investment opportunities arise the Trust will be well positioned to take advantage of these opportunities.

The Commodities Clock



In early 2008 it became common to hear people quoting phrases such as 'stronger for longer', 'commodity super-cycle' and even 'stronger forever' implying that the commodity cycle had stopped at 12 o'clock.

We would argue that the clock was at 10 o'clock in 2006, the year that Zinifex proposed the spin off Nyrstar to hold its zinc and lead smelters. The clock moved to 11 o'clock in late 2007 when BHP's intention to take over Rio Tinto was first disclosed to the market. In March 2008 Oxiana made a bid for Zinifex.

The top of the market, or 12 o'clock, was mid 2008. Share prices for resource companies were at all time highs. Fortescue Metals CEO Andrew Forrest became the richest man in Australia while the company that he owns one third of was yet to mine any iron ore.

The move from 12 o'clock in June 2008 to 3 o'clock now has been rapid. By July 2008 the strength of the resource boom was being tested by the credit crisis that was unfolding primarily in America and Europe. At this time it was common to hear investors argue that the credit crisis would not affect the resources boom. The theory was that China would not be affected by the credit crisis and that Chinese demand for commodities would remain strong.

At 2 o'clock we saw production being cut back. Rio Tinto and Fortescue have both recently announced that they were cutting iron ore production. At 3 o'clock we are starting to see exploration declining, and projects delayed.

In summary there can be no doubt that we are past the top of the market and well on our way to the bottom of the market. The move from 12 o'clock to 3 o'clock has been rapid. Commodity prices and share prices have also fallen significantly over the last three months. We are yet to see massive cost cutting, significant bankruptcies or cash takeovers at 4 and 5 o'clock, but they may not be too far away.

Significant portfolio holdings

	Weight (NAV%)
TLS	12.3
Wesfarmers	5.3
Computershare	4.1
CSR	3.2
Seven	3.2
Other holdings	8.1
Cash	63.8
Total invested as a % of NAV	100.0

About Aurora

Aurora Funds Management (Aurora) is an investment management and distribution group owned and operated by a group of professionals with considerable experience in retail funds management, stockbroking, margin lending, corporate advisory and investment banking.

Aurora aims to source, package and distribute carefully researched investment strategies that are managed by specialist wholesale investment managers.

Aurora is also the issuer of the:

- Aurora Sandringham Dividend Income Trust (ASX code: AOD)
- Aurora Infrastructure Buy-Write Income Trust (ASX code: AIB)
- Aurora Property Buy-Write Income Trust (ASX code: AUP)
- van Eyk Blueprint Alternatives Plus (ASX code: VBP)

Aurora Funds Management

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1. The Investment Manager Cadence Asset Management Pty Ltd replaced Blackrock Investment Management Ltd from 1 July 2008.

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