

Aurora Property Buy-Write Income Trust ASX Code: AUP

Performance Report - 31 October 2008

Summary

- The Trust returned +0.34% for October compared to the S&P/ASX200 Property Accumulation Index which returned -25.9%
- The Trust is currently invested in cash, and is close to finalising the appointment of a new Investment Manager



Monthly Performance

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
-2.90%	2.77%	0.02%	-0.74%	-7.78%	-4.83%	-16.15%	-1.05%	-0.48%	2.58%	-7.22%	-10.96%	-39.2% ¹
Jul 08	Aug 08	Sep 08	Oct 08									4 mths
-0.99%	3.77%	-1.31%	0.34%									1.82%

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 Trust's (A-REIT's).

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	\$18,102,903
Net Asset Value (NAV)	\$21,133,613
Units on issue	4,068,068
Net Assets Value per Unit	\$5.1950
NAV plus distributions paid (since inception)	\$6.1401

Trust distributions (per Unit)

Period	Cash	Total	Yield at NAV (p.a)
31 Dec 07	\$0.4670	\$0.4670	10.5%
30 Jun 08	\$0.4781	\$0.4781	11.3%
Total	\$0.9451	\$0.9451	

Portfolio commentary

The Australian Real Estate Investment Trust (A-REIT) sector finished with a loss of 25.3% in October as measured by the S&P/ASX200 Property Accumulation Index.

The Trust rose 0.34% to finish with a Net Asset Valuation of \$5.1950 per Unit.

Clearly, the Trust has held up very well since the decision was made by the Responsible Entity to place the Trust's assets back into a cash facility prior to the appointment of the Trust's new Investment Adviser, APN Funds Management.

The Investment Adviser will shortly look to reweight the Trust back into the listed property stocks that provides in their view attractive income and investment opportunities into the medium term.

A new Product Disclosure Statement (PDS) is due for release shortly

Market Commentary and Outlook

What most investors want to know is: is the worst behind us with listed property? Our view is that listed property has probably seen its lows until the end of the year. Barring further negative global credit market gyrations, un-foreseen rights issues, and/or other negative asset valuation and earnings/distribution surprises, the Australian listed property market is likely to at worst move more-or-less sideways for a period of time, or at best begin to see a slight appreciation in capital values given that the sector has been by most accounts oversold.

Two key developments in the last two months have had a positive effect on sentiment in the sector.

Firstly, the recent sharp weakening of the A\$ versus the US\$ has given hope that foreign investors will take a more closer look now at some of the quality Australian property securities with low debt levels on offer.

Secondly, the widely anticipated softening of the RBA's monetary policy stance is viewed as a "pressure release" for those struggling with the current state of debt markets. Lower cost of debt is critical to improved market sentiment.

Overall, we anticipate that markets will continue to stabilise at new lows over the ensuing six months, with a more predictable outlook emerging from mid 2009 onwards.

Appointment of a new Investment Adviser

This month we announced the pending appointment of APN Funds Management Limited ("APN FM") as the new Investment Adviser of the Trust. Barclays Capital retired as the Investment Adviser at 31 October and will no longer advise the Trust on the investment strategy from that time.

APN FM has an established strong track record and market reputation for managing property funds with a particular focus on generating consistent and growing income returns for clients. APN FM's expertise is widely recognised in the property funds management industry, as evidenced by recent awards such as:

- AFR Smart Investor Blue Ribbon Award 2008 - Australian Listed Property;
- Morningstar Fund Manager of the Year 2007 - Listed Property;
- Investor Web Research Property Securities Fund Manager of the Year for 2002, 2003 and 2004;
- Property Investment Research – Property Securities Manager of the Year 2005 and 2006; and
- Monitor Money Skilled Manager of the Year 2002-2003

For further information on APN FM, please visit their website at www.apnfm.com.au.

Amended and Enhanced Investment Strategy

With the appointment of a new active management approach, Aurora has also sought to change and enhance the underlying Investment Strategy of the Trust in order to ensure that the Trust is well placed to capture future investment opportunities as markets began to recover from the recent global downturn.

A roll of the current Investment Strategy was due to occur on 25 September 2008. Nevertheless, Aurora decided to defer this roll (and position the portfolio into cash) for a short period, to allow for an orderly transition towards appointing the new Investment Adviser and establishing the new portfolio. In addition, this deferment hopes to provide some opportunity for market conditions to improve to ensure that the option market makers have the ability to offer reasonable market execution and pricing.

The Investment Strategy will be amended generally as follows:

- The selection of the Trust's investments will be actively managed by a property investment specialist - utilising ongoing qualitative and quantitative analysis expertise;
- The Trust will generally hold between 15 and 20 stocks directly of which around 80% (by value) will be selected from the Investment Universe as described in the existing Product Disclosure Statement, in conjunction with an option collar strategy involving selling call options and buying a put option (being OTC, ETO, and/or Index options, including over the S&P/ASX 200). The remaining 20% of the portfolio may be drawn from other listed property related securities;
- The weighting of each stock will be subject to the Investment Adviser's discretion, but no single securities investment will account for more than the greater of their index weighting or 20% of the total portfolio. The gross asset allocation of Trust to the A-REIT and property related securities may vary between 0% to 100%;
- The Investment Adviser will advise on the gearing level of the Trust. The LVR may vary between 0% and 50%, subject to market conditions, borrowing costs, and the investment risk-reward opportunity; and
- Discretion can be used in determining the level of the call and put option strikes (being any of OTC, ETO, and/or Index options, including over the S&P/ASX 200) in order to (i) minimise risk; (ii) maximize price efficiency; and (iii) to allow the Trust more latitude to responsibly capture both income and also future capital growth opportunities as the A-REIT sector recovers.

We are confident that these changes will enhance the long term performance of the Trust in the interests of all Unit holders.

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

Aurora Funds Management

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