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Insight Magazine

Published by Cromwell Property Group

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Cromwell Property Group is a global real estate investment manager.

As at 31 December 2015 Cromwell had a direct property investment portfolio in Australia valued at \$2.2 billion, and total assets under management of \$9.8 billion across Australia, New Zealand and Europe.

Cromwell is listed on the S&P/ASX 200 and included in the FTSE EPRA/NAREIT Global Real Estate Index.

Insight Magazine is published by Cromwell for our securityholders, investors and financial planners in Australia. It is distributed quarterly and features our view of the Australian property market, industry trends, news and education. We also share our achievements and report on the progress of each of our investment funds.

This report has been prepared by Cromwell Funds Management Limited, ABN 63 114 782 777, AFSL 333214 ("CFM") and Cromwell Property Securities Limited, ABN 11 079 147 809, AFSL 238052 ("CPS"), both of which are wholly owned subsidiaries of Cromwell Corporation Limited, ABN 44 001 056 980.

All statistics, data and financial information are prepared as at 31 March 2016 unless otherwise indicated. All dollar figures shown are in Australian dollars unless otherwise indicated.

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Past performance is not indicative of future performance. In particular, distributions and capital growth are not guaranteed.

Various unlisted funds are referred to in this document. At the date of this document, the funds are not offered outside of Australia and, in some cases, New Zealand.

Neither CFM nor CPS receive any fees for the general advice given in this document.

Cromwell Property Group ("Cromwell") comprises Cromwell Corporation Limited, ABN 44 001 056 980 ("CCL" or "the Company") and Cromwell Diversified Property Trust, ARSN 102 982 598 ("DPT" or "the Trust") the responsible entity of which is CPS.

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Paul
Weightman
MANAGING DIRECTOR/
CEO

CEO Update

Dear Investor,

For a long time now we have been talking about the wave of capital targeting commercial property assets throughout Australia and the resulting disconnect between capital values and leasing fundamentals.

As the Australian economy slowly shakes off its mining investment boom hangover, other areas of the economy, in part driven by a lower Australian dollar, are picking up the slack. In particular we believe this pickup will be strongest in the states the mining boom missed, NSW and Victoria, and in our two largest cities Sydney and Melbourne.

Cromwell is seeing some improvements in leasing fundamentals, particularly in Sydney, with enquiries increasing and incentives reducing. We believe this 'leasing' upswing has just started and have been carefully looking at the market in accordance with our stated strategy to be ready when the right opportunities present themselves.

Cromwell recently purchased a 9.8% stake in Investa (ASX:IOF) which has a 79% portfolio weighting to the Sydney and Melbourne office markets. Investa was subject to a takeover proposal from Dexus Property Group which security holders subsequently voted against. Further information on any decisions that Cromwell may take in relation to its investment will be disclosed to the market in accordance with ASX requirements.

In this edition of Insight Magazine we look at the size of the Global Property Market to understand Australia's relative position, delve into the little understood concept of Terminal Value Risk and explore the ins and outs of Tax Deferred Distributions.

We also talk to our Leasing Co-ordinator Nadia Hight in our In Conversation section. Nadia makes sure leases are current and executed so we can collect the rent. As you might imagine she is an important and valued member of the Cromwell team!

Yours sincerely,

Paul Weightman



Time to tidy out the jewellery drawer...

The early days of SMSF investment saw some trustees purchase assets such as jewellery, antiques, artwork or even wine; assets which now come under the collectables or personal use asset rules. An ATO ruling on collectables and personal use assets comes into force on 1 July 2016.

To summarise:

- the asset cannot be stored or displayed in a private residence of a related party
- asset storage must be documented
- assets must be independently valued at market value
- items must be insured (in the name of the fund) prior to 1 July 2016

If you decide that it's just not worth the trouble, it is worth noting that transfer or sale of the assets to a related party at market value is allowed (with conditions) without independent valuation prior to 1 July 2016.



Cromwell Staff join in on the Business Clean Up Day Challenge

In early March a keen group of Cromwell staff made their way to the Port of Brisbane precinct in Murarrie to participate in the inaugural Business Clean Up Day Challenge. Organised by Conservation Volunteers Australia, the Challenge aims to promote a clean, healthy and sustainable environment in our local communities.

The Cromwell team worked determinedly along the banks of Bulimba Creek and nearby roads to clear what is largely dumped rubbish from passing cars or drainage overflow upstream. In total, teams collected some 850 kilograms of glass and plastic bottles, tyres, traffic lights, old safes, camp chairs, car parts and other discarded waste. All from a stretch of road no more than 300 metres long that appeared on first inspection to be relatively clean!



Awards
2014™



Awards
2015™



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2016™

3 years in a row – Fund Manager of the Year

For the third consecutive year, the Cromwell/Phoenix partnership has won the Morningstar Fund Manager of the Year Award, Listed Property Category, confirming its position as one of the country's leading property securities funds managers.

Stuart Cartledge, Managing Director of listed property securities investment management firm, Phoenix Portfolios, said the team was pleased to be recognised by the industry for its consistent performance.

"The Morningstar Awards set the benchmark for exceptional fund performance and value for investors. It's an honour to be nominated but a true display of our team's expertise to be awarded for the third consecutive year," Mr Cartledge said.

Morningstar Awards 2016 ©. Morningstar, Inc. All Rights Reserved. Awarded to Cromwell Funds Management Limited for Fund Manager of the Year Award, Listed Property Category, Australia.



Snapshot of a SMSF

The latest facts on Self Managed Superannuation Funds are out, with the ATO releasing their annual statistics overview in late December 2015. The report provides insight into the make up of a typical SMSF as well as into the sector itself.

Facts from the report:

- For the first time, in 2015 there were over 1 million SMSF members across Australia
- For the first time, in 2014 the average assets per fund exceeded \$1 million
- 47% of members at June 2015 were female, 53% male
- 53% of members were in accumulation phase, 47% in pension phase
- SMSFs make up 29% of all superannuation assets

And lastly

- Estimated return on assets was 9.8% in 2013-14, the fifth consecutive year of positive returns for SMSFs

How does your fund compare?

For the full report, go to:
www.ato.gov.au/SMSFstatistics.

Cromwell presenting at the 2016 AIA National Conference

The Australian Investors Association (AIA) National Conference has become an important event on the calendar as one of the only independent conferences for investors covering all asset classes.

This year's conference is focused on strategies for an uncertain world. Cromwell will be running two property sessions during the conference:

Why you should consider listed property with Stuart Cartledge, Managing Director Phoenix Portfolios

Why invest in unlisted property with Peter Rawle, AIA Member / Cromwell QLD State Manager

As a Gold Sponsor of the event, Cromwell is delighted to be able to extend the following offer;

- 3 month AIA trial membership
- \$765 member registration rate
- Early bird payment options

To take advantage of the special rate, call the AIA on 1300 555 061 and mention that you're a Cromwell investor.

www.investors.asn.au/events.

Cromwell's Annual Investor Survey Underway

Cromwell values its strong relationship with investors. One of the ways we take feedback is via our annual investor survey, which will commence in May.

Once again, we have commissioned independent research house Value Enhancement Management (VEM) to conduct the survey on our behalf.

If you receive a call from VEM and can spare 15 minutes to work through the survey with the consultant, your feedback would be very much appreciated.

Rest assured that VEM will not share your information with any third parties and you can elect to make your responses confidential.

Property: The Great Love Affair That's Set To Continue

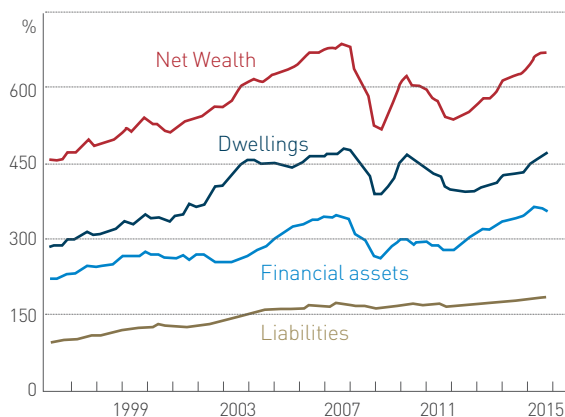
There is a lot of discussion as to whether residential property is at the top of the cycle or not. Regardless, Australia's love affair with property as an engine for wealth and financing retirement is unlikely to change.

Still the core asset for most Australians

In Australia, real estate remains central to financing retirement, even though we have a developed superannuation system. The following chart underscores the importance of the family home as the largest portion of family wealth; expressed as a percentage of annual household disposable income¹.

Household Wealth and Liabilities*

Per cent of annual household disposable income



* Disposable income is after tax and before the deduction of interest payments
Sources: ABS; RBA

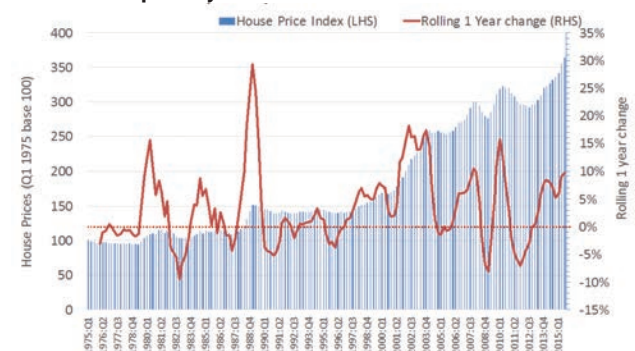
Around 70%² of Australians either own their home or are in the process of buying a home. According to ABS data, there are approximately 9.8 million residential properties in Australia worth an estimated \$5.9 trillion. Residential land and dwellings are the single, largest component of people's finances, accounting for some

65% of a typical household's net wealth³. The next most significant component, superannuation, comprises 27% of net wealth. Of this household superannuation pool, it is estimated that a further 10-15% is allocated to direct and listed real estate. Undoubtedly real estate is at the top of the priority list when considering investment and financial assets.

Long-term price performance that's too good to ignore

The historical gross returns achieved by residential real estate only adds to the appeal of the asset class. Over the past 40 years, house prices in Australia have grown by an average of around 7.5% per annum. Over the last decade, growth after inflation (real growth) has averaged around 5% p.a.⁴. The following chart compares the steady long-term rise in real house prices with the rolling one-year growth in house prices over time.

Houseprice index (real prices) and rolling 1 year price changes 1975–2015 – quarterly data



Source: based on data from Federal Reserve Bank of Dallas, using the dataset described in Mack and Martinex-Garcia (2011)

1. Reserve Bank of Australia (RBA) Chart Pack, 2016.
2. ABS Yearbook 2012, Australia – catalogue 1301.0.
3. Australian Bureau of Statistics (ABS) 6416.0 – Residential Property Price Indexes: Eight Capital Cities, Sep 2015.
4. Kohler, Marian and Michelle van der Merwe, Long-run trends in housing price growth, Reserve Bank of Australia, Bulletin, September Quarter, 2015.



70%

70% of Australians either own their home or are in the process of buying a home



\$5.9 trillion

9.8 Million residential properties in Australia worth an estimated \$5.9 trillion



65%

Residential land and dwellings account for some 65% of a typical household's net wealth

27%

Superannuation comprises 27% of net wealth

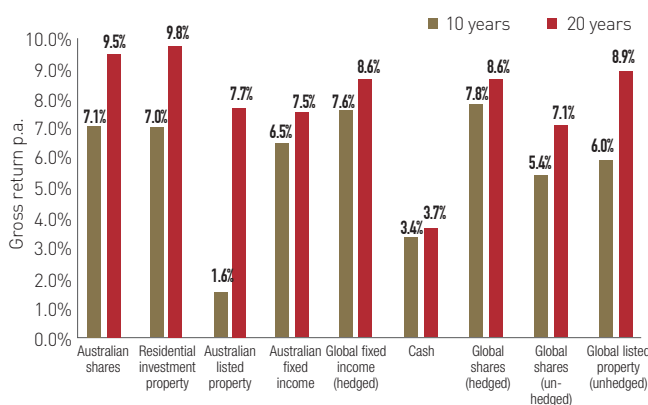


10-15%

of this amount is also allocated to direct and listed real estate

Of course investors are always faced with a choice as to where to invest. The following chart compares the long-term gross return for residential real estate to other asset classes⁵. In simple terms, over the long term, Australian housing has performed well.

Gross returns by asset class per annum in Australia – 10 and 20 year periods to end 2014



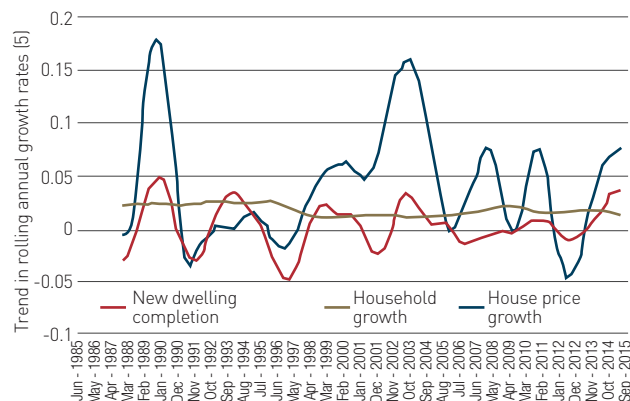
Source: Russell Investments / ASX Long-term Investing Report 2015

The driving, unmet need for housing

Regardless of the traditional popularity of residential property in the mind of Australians, as with any investment, the fundamental driver of investment returns is supply and demand. The underlying drivers of residential real estate demand in Australia are the formation of new households from a growing population, increased migration and the contraction of an average household in terms of the people living under one roof.

In 1911, there was an average of 4.5 people living in each household. At Australia's last census in 2011, this had fallen to 2.6 people⁶. As the population grows and the size of the household unit falls, the demand for new dwellings increases. The following chart illustrates the average annual growth trend in households compared to the growth trend in new dwelling completions and house prices.

Annual growth trends for real house prices, households and dwelling completions – 18 month moving average since 1985



Source: based on data from ABS, Federal Reserve of Dallas

What is immediately obvious is that house prices and dwelling completions show clear cycles, they rise and fall and rise again around a long-term average. Some of the dips in supply fall below zero showing a contraction. Household growth, on the other hand, is steady. This means the demand for new dwellings for new households is continually driving up, while the supply of new dwellings rises and falls as the market attempts to meet demand.

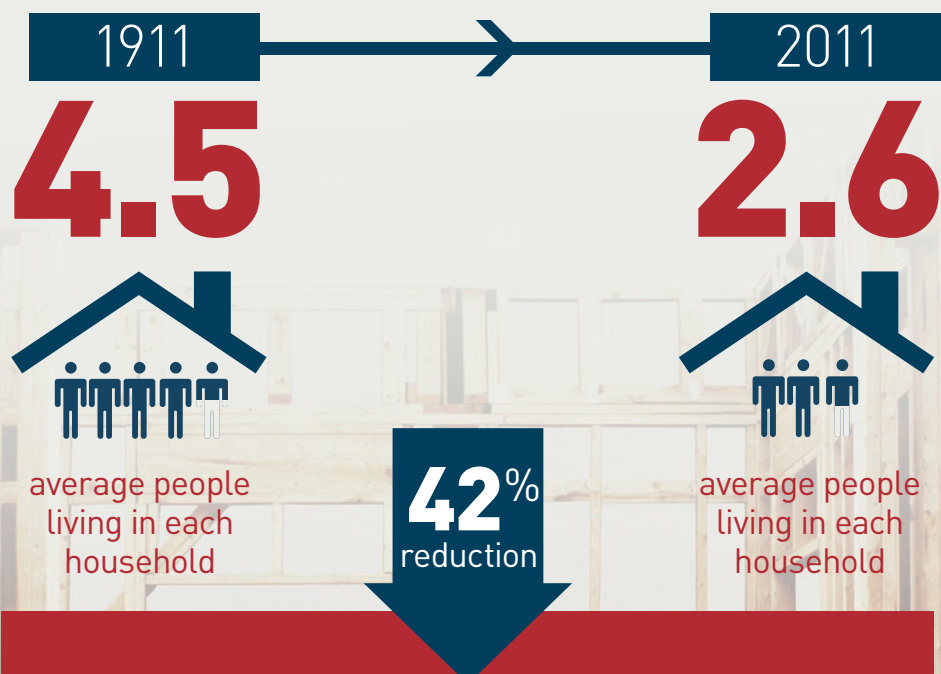
Over the past three decades increases in dwellings have averaged between 130,000 and 145,000 per annum and this has resulted in a significant ongoing supply gap in some markets, notably Sydney and Melbourne. When this occurs prices tend to rise in the short term to adjust for lower supply. In turn this entices developers into the market, completions increase and price growth tails off, closing the gap, albeit in cycles⁷.

The residential home still dominates household wealth and the investment benefits of property significantly underpin wealth building and income generation in retirement. Irrespective of whether the market rises or falls in the short-term, the underlying issue that drives long term returns is the endemic undersupply in stock.

5. Russell Investments/ASX Long-term Investing Report 2015.

6. ABS Census data.

7. Op. cit. Kohler and van der Merwe.



The reduction in the average number of people per dwelling from 4.5 to 2.6 means a 73% increase in the number of dwellings required to house the same number of people. Before any increase in population is factored in.



Cromwell's First 'Back to Basics' Property Trust Approaches Maturity

Cromwell Riverpark Trust Unitholders asked to vote on the future of their investment.

If the recent investor vote for the sale of the Cromwell Box Hill Trust asset taught us anything, it is that investors' financial objectives vary greatly, with each and every individual having very valid reasons for wanting to cashout or hold on to an income-producing investment.

Unitholders in the Cromwell Riverpark Trust (the Trust) now face a similar process, although the upcoming vote is an issue of timing, whether to either sell now at the end of the initial forecast maturity of July 2016, or sell later.

Nevertheless, with the outcome set to impact on each unitholder's cash-flow, potential return of capital, tax liability and portfolio asset allocation, we urge all eligible

unitholders in the Trust to consider the options carefully and vote.

Trust Background

The Cromwell Riverpark Trust was launched in February 2009, at a time now recognised as being a cyclical low for commercial property in Australia. Most investors were reeling from losses resulting from the Global Financial Crisis, but Cromwell's board and investment committee were confident that this once in a decade property investment opportunity would be fully subscribed by savvy investors. We often hear comments from investors of subsequent Cromwell-managed trusts lamenting the Cromwell Riverpark Trust as the one they missed out on.

Timing is important for property investment, however even more important are the fundamentals of the asset and its forward cash flow potential.

The Trust's asset, Energex House, was independently valued at \$233 million on 31 December 2015. This represents a 34.6% increase on the valuation at practical completion of \$173 million in August 2010. The unit price has increased in line with the property valuation, and is currently approximately \$1.47 per unit¹.

The asset is 92% leased to Queensland Government-owned utility provider, Energex Limited. The asset was also the first commercial building to underpin the now fully-completed master plan Newstead Gasworks precinct.

Distributions from the Trust have been paid monthly since inception, commencing at 8.25%² per annum, increasing by 0.25 cents per unit annually, and now paying 9.75%² per annum.

1. As at 31 March 2016.

2. Based on issue price of \$1.00 per unit.

Explanatory Memorandum that will outline the details of the upcoming vote, including the potential financial outcomes of each option. In addition, a physical Meeting is to be held at Cromwell's Head Office on Thursday 7 July.

Friday, 20 May 2016	Explanatory Memorandum posted
Monday, 27 June 2016	Final reminder to vote
Tuesday, 5 July 2016	1pm Voting Closes (QLD TIME)
Thursday, 7 July 2016	Event: Special Resolution Physical Meeting at Level 19, 200 Mary Street, Brisbane
Friday, 8 July 2016	Results published online and by mail

The outcome of the vote will be announced online by 5pm on Friday 8 July 2016. Be sure to have your say and submit your proxy either online, by mail or vote in person.

Unitholders are encouraged to contact Cromwell Investor Services on 1300 276 693 for further information on the upcoming vote.

Unitholders should seek independent advice if unsure how the vote may impact their financial circumstances.



A Guide to Tax Deferred Distributions

The following article is one of Cromwell's most popular published pieces, originally drafted in 2014, but still relevant to our investors today.

Tax deferred distributions can be an attractive feature of many property investments and have the potential to increase the after tax return of an investment.

Despite this, tax deferred distributions are not well understood outside the community of professional investors and tax specialists because they are complex and, dare we say it, boring.

It's a pity, because the benefits of tax deferral can be significant, especially for those on high incomes. For many investors, an investment that offers 100% tax deferred distributions can enhance the after tax returns from that investment.

By deferring taxes on the returns of an investment, the investor may benefit in several ways. One such benefit is tax-free growth: instead of paying tax on the returns of an investment, tax is paid only at a later date, leaving the investment to grow unhindered. In addition, tax may be payable at either reduced rates for capital gains, at a lower marginal tax rate or not at all if an investor's circumstances change prior to realising the investment.

Tax deferred distributions are available if and when a property trust's distributable income is higher than its taxable income. This frequently occurs due to the trust's ability to reduce its taxable income through claiming tax deductions for items such as depreciation on plant and equipment, capital allowances on the building structure, interest and costs during construction or refurbishment periods, and costs of raising equity.

Tax deferred distributions are generally non-taxable when received by investors. Instead, the investor's cost base for Capital Gains Tax (CGT) purposes is reduced by the amount of the tax deferred distribution.

This amount may then be taxed, in whole or in part, when the investment is finally sold or the property trust is wound-up.

At its simplest, tax deferral works as follows. Suppose a trust earns rental income of \$100 and has building allowance deductions of \$20. Then the net taxable income is \$80, which is distributed to unitholders to be included in their taxable income. The remaining \$20 of cash is distributed to the unitholders too, but it's regarded as a reduction in cost base.

For so long as the accumulated tax deferred income is less than the investor's acquisition cost, the tax

is generally able to be deferred. If tax deferred amounts have reduced the cost base to zero – that is if the investor has received total tax deferred distributions at least equal to the original cost of the investment – then any excess must be declared as a capital gain in the year it is received.

Capital gains are distributed by a trust only when the trust sells assets at a profit. These gains are then taxed in the investor's hands, the same as other gains. Alternatively, investors are taxed on any capital gains, including any accumulated tax deferred distributions, when they dispose of their units in a trust.

The Benefits

As stated previously, the benefit of tax deferred distributions for investors is the “deferral” of tax until a CGT event, such as when the sale of your units in the particular investment or the wind-up of the trust triggers a CGT liability.

These benefits are considered attractive by many investors because tax deferred distributions are not taxed as ordinary income at your marginal tax rate, but rather under the CGT regime when a CGT event occurs. This often results in less tax being payable, depending on an investor's individual circumstance.

PAY LATER

In particular, while the distribution reduces the investor's cost base for CGT purposes, thus increasing the CGT gain on realisation, if the investor holds the units for more than one year they may be able to significantly reduce the tax payable by applying the 50% discount for individuals, or by the 33% discount for superannuation funds.

Tax deferred distributions may also be reinvested until such time as a CGT event occurs. The compounding benefit from reinvesting the tax that would otherwise be payable

on these distributions can be significant over time.

Tax deferral may also offer other advantages. For example, where the units are held by a superannuation fund that realises the investments during the pension phase any capital gain should be exempt from tax.

Tax deferred distributions offer a significant benefit to all classes of investors, including Self-Managed Superannuation Funds (SMSFs), although the benefits are greatest for those who pay the highest marginal tax rate.

The case study below shows the effect of tax deferred distributions for an investor on the top marginal tax rate. The case study compares a hypothetical investment of \$100,000 into an interest paying investment earning 8% per annum (good luck getting that level of interest income these days!) with a property investment paying 8% distributions.

	Interest Investment (\$100,000 initial investment)			XYZ Investment (\$100,000 initial investment)			Difference
Year	Interest	Tax Payable	Net Income	Distribution	Tax Payable	Net Income	
2012/2013	\$8,000	\$3,720	\$4,280	\$8,000	-	\$8,000	\$3,720
2013/2014	\$8,000	\$3,720	\$4,280	\$8,000	-	\$8,000	\$3,720
2014/2015	\$8,000	\$3,920	\$4,080	\$8,000	-	\$8,000	\$3,920
2015/2016	\$0	\$0	\$0	-	\$5,880 ¹	-\$5,880	-\$5,880
TOTAL	\$24,000	\$11,360	\$12,640	\$24,000	\$5,880	\$18,120	\$5,480

As you can see, an investor on the top marginal tax rate is \$5,480 better off over the three year investment period, equivalent to approximately a 43% improvement in the after tax returns and better cash flow profile.

1. Capital gain = \$100,000 capital redemption less reduced cost base of \$76,000 (\$100,000 initial investment less \$24,000 tax deferred distributions = \$76,000) = \$24,000. Tax payable = \$24,000 x 49% x 50% = \$5,880.


Assumptions used in the case study:

- An investor invests \$100,000 into XYZ Investment (for example, an unlisted property trust) on 1 July 2012 at a cost of \$1.00 per unit (XYZ Investment).
- The XYZ Investment is redeemed on 1 July 2015 (i.e. after three years) at a unit price of \$1.00. No allowance has been made for any potential capital gain or loss from unit price increases/decreases during the period the investment is held. This would also have CGT implications.
- Distributions from XYZ Investment are 100% tax deferred for the full period of the investment.
- XYZ Investment distributes 8.0 cents per unit per annum.
- The investor does not have any capital losses available to offset gains.

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Global Capital Global Opportunity





Capital is global and investment decisions are made on a global basis. Large institutions review the relative merits of different asset classes across different regions, countries and cities. Real Estate is no different and institutional investors are increasingly comparing the merits of investing in the likes of London versus Tokyo, New York or Sydney.

In this article we look at the relative size of different markets to give a true picture of the global opportunity and to also consider the impact of global capital flows.

Global Markets

North America accounts for a little more than 50% of the total global Real Estate market, Europe just over 30% and Asia-Pacific (APAC) 15%. America is primarily a domestic market, with less than a quarter of capital raised from American investors typically going outside the region. In comparison nearly half of the capital invested in Europe comes from outside the region making it the main destination for cross border investment. APAC is more of an intra-regional market but is also a significant exporter of capital.

Even though the percentage of North American capital invested internationally is relatively low, the sheer size of the domestic market means that the amount invested dwarfs other regional flows. Better economic performance in the US and improved purchasing power of the US dollar is also supporting the flow of US capital into other regions. APAC investors have the strongest appetite for outbound investment proportionate to their (much smaller) market size although investors in this region are likely to slow the pace of building up their global property holdings after expanding rapidly in recent years.

The Top Destinations

The top individual destinations for commercial real estate investment are shown. In 2015, the top three, America, UK and Germany, accounted for nearly 75% of the total global commercial real estate market, substantially above their long term average of approximately two thirds (65%). Four of the remaining countries in the top 10 are European with Japan (4th), Australia (5th) and Hong Kong (10th) comprising the APAC contingent.

Understanding Australia

Australia ranked 5th as a destination in 2015, significantly ahead of other substantially larger markets. For example, Australia's total commercial office market is 17 million square metres (sqm) of net lettable area, compared to Paris alone, which has over three times this amount (53 million sqm) in the context of a wider European market opportunity of over 500 million people.

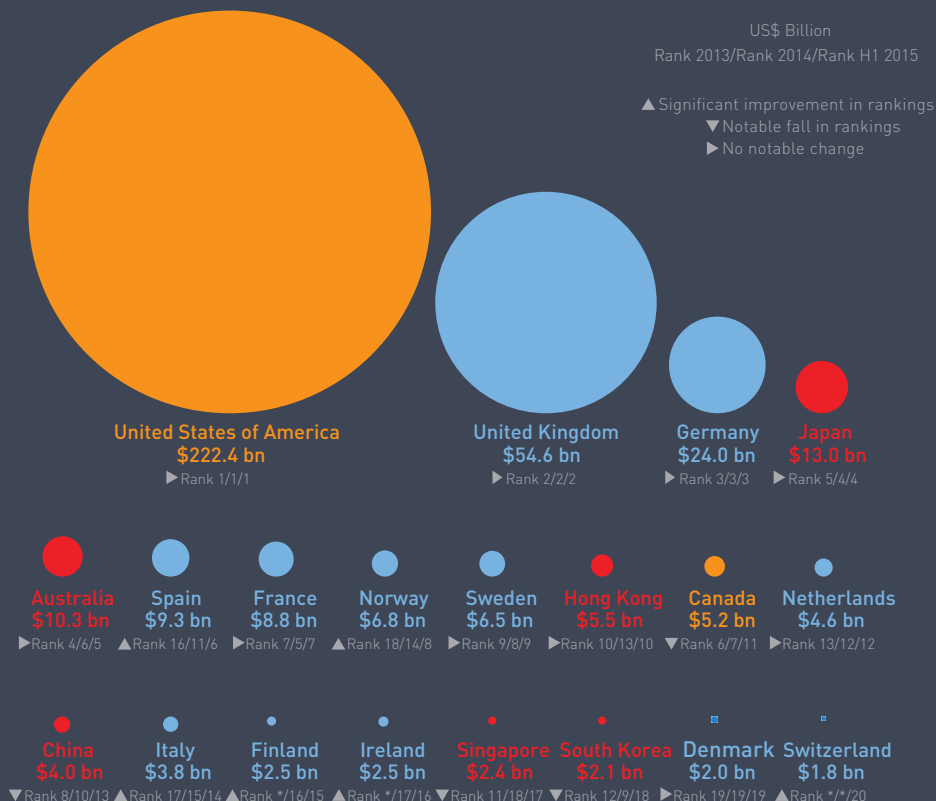
Australia punches above its weight due to its perceived safety as an investment destination, the sophistication and liquidity of its real estate market and the relative high face yields when compared to other popular investment destinations.

The impact of this has been felt over the last few years as a 'wall of international capital' has snapped up an increasing share of the residential and commercial property market. The large flow of capital into a relatively small market has compressed yields to historic lows but has not yet seemed to impact on Australia's popularity as an investment destination.

Conclusion

Overall, in most cases there is a clear linear relationship between market size, liquidity and capital allocation. Those markets that are larger simply have more opportunity to both attract, and also export, larger amounts of capital.

Key Destinations: Top 20 Markets and their Respective Rankings by Total CRE Investment



*Not in top 20 Source: CBRE Research, Real Capital Analytics, H1 2015

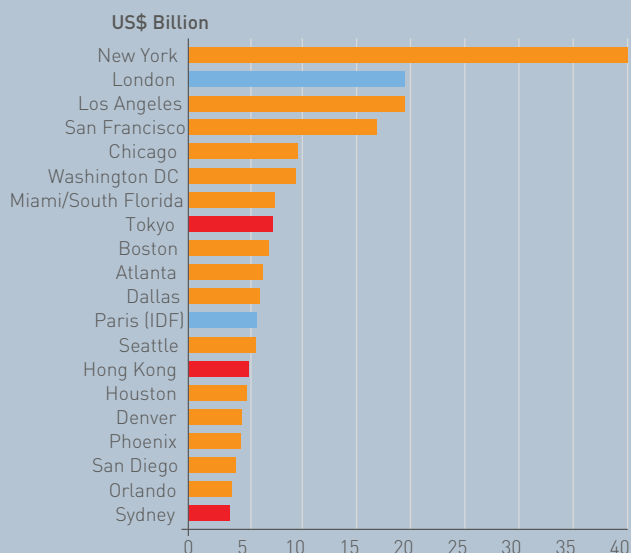
Gateway City Popularity

A quick look at the world's top 20 largest cities in terms of total commercial real estate investment, compared to the top 20 locations in terms of international capital flows, helps to understand how cross-border investors are changing the shape of the market.

The list of top 20 international destinations in 2015 comes across as a balanced mix of cities across all main regions, with half of all locations being European. This contrasts with the overall top destinations where, due to the size of the domestic market, the bias is strongly on the USA.

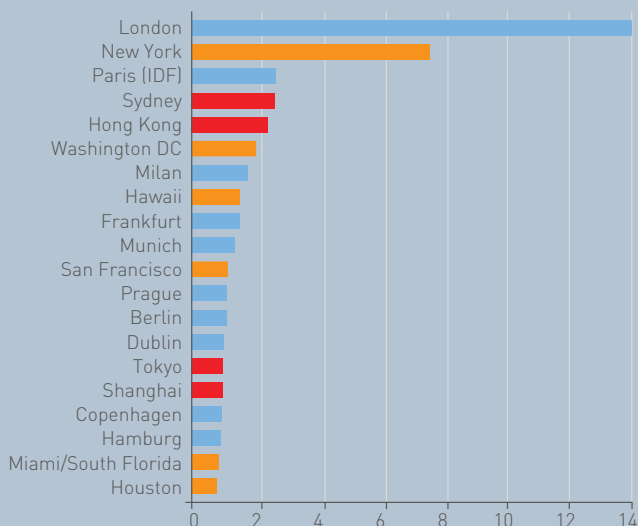
Key Destinations of Capital: Top 20 Cities in H1 2015

By Total Investment



Source: CBRE Research, Real Capital Analytics, H1 2015

By International Capital Flows Only

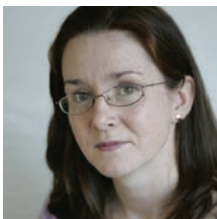


Source: CBRE Research, Real Capital Analytics, H1 2015



SMSF Investment Strategies

– How to Get it Right



Belinda Aisbett
SUPER SPHERE

There are many and varied ways of documenting an investment strategy for a self managed superannuation fund, there are some specific requirements that must be addressed for the strategy to comply with the legislative obligations.

First and foremost, the fund's investment strategy should be formally documented and should include the following:

- ✓ the fund's investment objectives, including targeted return, targeted risk parameters and how the fund aims to meet the objectives
- ✓ what type of investments the fund can hold, reflecting asset classes and diversification across the portfolio
- ✓ the fund's liquidity requirements, which will depend on cash flow obligations relevant to the fund and fund members including tax, investment professional costs and most importantly pension payments if any of the members are in pension phase
- ✓ whether the trustee should have insurance for the members of the fund

Many trustees are tripping up in their attempt to comply with the requirements by setting inappropriate ranges for the investment classes which the trustee has considered to be appropriate to meet the needs of the members. In some instances these ranges are too restrictive, or simply haven't been looked at before the trustee makes an investment decision. As a result, the fund invests outside the ranges permitted. Or they have benchmark or target investment levels set outside the parameters they considered appropriate, so the strategy never had a chance of being complied with. Investing outside the ranges set down by the trustee may seem innocent enough, and it is certainly easy enough to correct (the trustee simply needs to adopt a new strategy to expand the ranges permitted, or amend the target investment levels), but SMSFs must also give effect to their strategy. They can't simply have a strategy, it must be a live, working document,

and they must put it into action. The obligation to "give effect" is a legislative requirement, so by having investments outside the permitted ranges results in a compliance issue that usually requires the auditor to report the fund to the Australian Taxation Office.

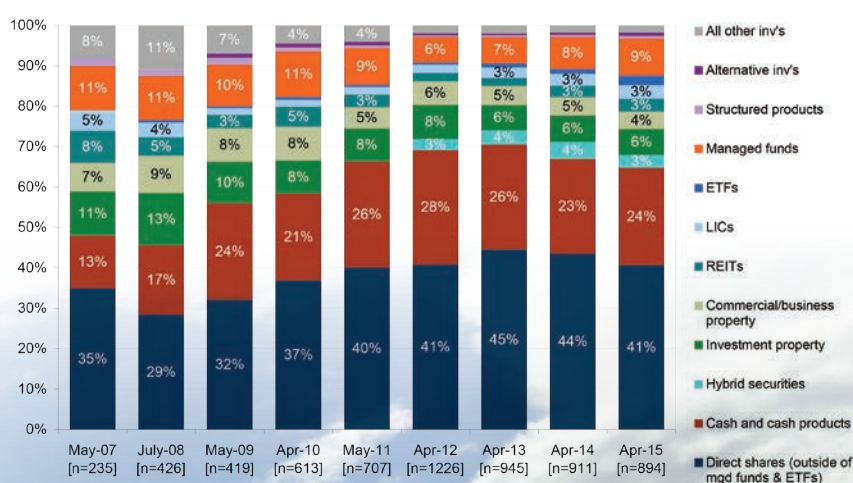
A further challenge for many trustees is the requirement to regularly review the investment strategy. The term "regularly reviewed" is not defined in the legislation, and as a result trustees are advised to review their strategy at least once a year. Otherwise the auditor has no way of being able to confirm the strategy has been reviewed by the trustee. Unfortunately many trustees produce a meeting minute detailing the investment strategy has been reviewed, but the meeting minutes will evidence a meeting hasn't been held in the year being audited. Typically the minute is dated after year end, which will assist in the subsequent year audit, but not the current year audit! This leaves the

fund with no evidence they have reviewed their strategy for the year under audit, and results in a potential compliance breach.

The following chart shows the fluidity of SMSF asset allocations over the last nine years. Investment strategies have to be designed and reviewed regularly to move with asset flows. Furthermore, asset valuations can move even with a “do-nothing” strategy, again reinforcing the need to re-visit the strategy to check whether a re-balance is required, and it is recommended this is done at least annually.

The best approach to meet the obligations of the investment strategy is to keep the content simple and flexible. A strategy that is convoluted or overly complex simply makes it easier for the trustee to fail the requirements they impose on themselves.

Like any investment decision, SMSF trustees should talk to their professional advisers for assistance in designing, documenting and reviewing the fund’s formal investment strategy.



Data sourced from Investment Trends 2015 SMSF Investor Report, based on a survey of 3,941 SMSF trustees.



Beware the Ballooning Cap Rate

Yield is great, but paying too much for property can result in a capital loss.

Cromwell has launched and managed four unlisted property trusts since 2009 representing \$511 million in total assets under management.

We refer to these particular products as “back to basics” trusts because they have the following key characteristics:

- **Predictable monthly income** – the products are structured to provide investors with regular income
- **Asset specific investment** – the trusts have no capacity to own anything other than the assets identified in the PDS
- **Closed-ended** – the capital raising is limited to the equity required to fund the assets
- **Illiquid** – they usually have an investment term of seven years
- **Unlisted** – they are not exposed to the vagaries of the share market
- **Conservative leasing fundamentals** – the weighted average lease expiry (WALE) is typically well beyond the seven year investment term
- **Potential for capital growth** – by buying well and managing the asset for the long term.

The last “back to basics” offering was Cromwell Property Trust 12, launched in October 2013 and closed fully subscribed within six months. Since then we often get asked:

“When will you be launching a new unlisted property trust?”

The answer is we will launch one when we can secure a property which remains true to our “back to basics” key characteristics including the potential for capital growth. This is especially important because if you pay top dollar at the top of the cycle, you run the risk of the asset not returning all of the investors’ capital when the time comes to sell at the end of the investment term. This is called ‘Terminal Value Risk’.

Terminal Value Risk

When buying long leased assets, predicting the sale price or terminal value at the end of the investment term is difficult. Whilst many property transactions can be financially engineered to deliver a headline distribution yield that is particularly appealing to investors, managing Terminal Value Risk is much more difficult.

Property valuations are largely a function of the rate of return based on expected income (cap rate) and the Net Property Income (NPI). Dividing NPI by an appropriate cap rate is a popular way to estimate the value of a property. Property values are influenced by many variables including location, asset quality, recent market transactions, global macro conditions and interest rates. These variables are difficult to forecast over the long term and cap rates will typically move up and down with the market and in cycles. If you believe the cap rate will increase (deteriorate) over the term of the investment, the Terminal Value of the property may decrease jeopardising investors’ capital.

Cromwell takes a risk averse approach to property investment. We undertake detailed due diligence when considering each investment and ensure the assumptions used are rigorously tested and modelled. As a responsible funds manager, our focus is not just on the initial performance of your investment but also in protecting it from a capital loss. We will therefore not offer a “back to basics” trust around an asset where the purchase price could result in such a loss.

Example of numbers not stacking up

BUYING		Year 0					
Purchase Price		(\$158,102,767)					
Transaction Costs		(\$13,043,478)					
8.25% (including stamp duty)							
Purchase Cost		(\$171,146,245)					
Debt		\$71,146,245					
Investor Equity		\$100,000,000					
Initial cap rate		6.75%					
Units on Issue		100,000,000					
Price per unit		\$1.00					
Initial Net Tangible Asset Value (NTA)		\$0.87					
MANAGING		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Net Property Income (NPI) - 3.75% pa rent reviews		10,671,937	11,072,134	11,487,339	11,918,115	12,365,044	12,828,733
Interest Expense - 4.5%		(3,201,581)	(3,201,581)	(3,201,581)	(3,201,581)	(3,201,581)	
Administration Costs - 0.7%		(1,106,719)	(1,106,719)	(1,106,719)	(1,106,719)	(1,106,719)	
Net Operating Income (NOI)		6,363,636	6,763,834	7,179,039	7,609,814	8,056,744	
Distribution Yield		6.4%	6.8%	7.2%	7.6%	8.1%	
		SELLING					
		Terminal cap rate					
		7.75%					
		Sales Price					
		\$165,532,040					
		Debt Repaid					
		(\$71,146,245)					
		Net available for unitholders					
		\$94,385,795					
		NTA returned to unitholders					
		\$0.94					
		Capital Loss per unit					
		\$0.06					

We have detailed a hypothetical example of a property purchased for \$158 million on a 6.75% initial cap rate with fixed 3.75% annual rent reviews. The property yields an attractive 6.4% in Year 1 rising to 8.1% in Year 5. The property is sold for \$165.5 million on a 7.75% cap rate at the end of the term. The

capital return per \$1.00 invested results in a forecast \$0.06 capital loss due to the terminal cap rate increasing just 1%. If the cap rate ballooned out to 8.75% i.e. increased by a further 1% investors would suffer a capital loss per unit of \$0.25.

Investors need to remember there is risk in buying assets to provide distribution yield such as the risk of a capital loss when the asset is sold.

Stock Talk | ASX Code : MGR



Stuart Cartledge

MANAGING DIRECTOR
PHOENIX PORTFOLIOS

INVESTMENT MANAGER OF THE
"CROMWELL PHOENIX" FUND SERIES.

Current negative sentiment in residential provides opportunity for those of us that value a stock through the cycle to take a more pragmatic approach. Hence, both of Cromwell/Phoenix's listed property securities portfolios have exposure to MGR.

With more than 40 years of experience in the Australian development and construction industry, Mirvac Group creates, owns, and manages a diverse portfolio of assets across the office, retail, industrial and residential sectors.

Unlike many property companies, Mirvac has a very well recognised brand, particularly for its residential development business. Despite this, the group has an integrated business model spanning design, construction, management and ownership providing the capability to take on mixed-use projects where competition may be less intense.

Often misunderstood, Mirvac is first and foremost a property owner, with approximately 80% of its capital

Mirvac Group – not just a play on residential

invested in commercial property assets and the remaining 20% allocated predominantly to development projects. As depicted in the graphic below, with respect to the "passive invested capital" the stock has exposure across all of the key areas of commercial property with a skew towards office.

OFFICE: 58%	PASSIVE INVESTED CAPITAL \$7,755m 80%	ACTIVE INVESTED CAPITAL \$1,908m 20%	RESIDENTIAL	Apartments: 59%
RETAIL: 30%			92%	Masterplanned communities: 41%
INDUSTRIAL: 9%			COMMERCIAL	Office: 80%
OTHER: 3%			8%	Industrial: 20%

Source: Mirvac Group, First half results presentation, February 2016

"Be Fearful When Others Are Greedy and Greedy When Others Are Fearful", Warren Buffett

In a market that has delivered a total return of 11.4% for the 12 months ending March 2016, Mirvac Group's 1.2% return has been very poor in a relative sense. We believe this is partly attributable to a shift in sentiment against residential development. Fears of potential settlement risk appear overdone. Instead, we take comfort from high levels of pre-sales backed up by 10% deposits and a market that has moved positively since contracts were entered into. Furthermore, Mirvac's total development exposure is a lot smaller than many investors imagine.

Whilst recognising that Mirvac is not without risk, we like the story, and have taken advantage of the relative weakness in the share price to build a meaningful position in the stock. We expect strong development returns over the next few years, and also forecast improving underlying conditions will support the 80% of the business that is invested across a good quality portfolio of commercial assets.

Ultimately, we believe Mirvac provides a solid core investment portfolio that benefits from the ability to add value through development. Residential development adds spice and a clear path to income growth over the next few years. The company's strong balance sheet and financial discipline will help meet the inevitable challenges of development cyclicality.

Mirvac's Investment Portfolio

Office Portfolio

As at 31st December 2015, Mirvac owned 27 office assets, heavily skewed towards the deeper markets of Sydney and Melbourne, with 94% of the portfolio invested in Premium / A-Grade buildings.

Of significance, Mirvac is able to build new assets to augment and refresh its investment portfolio, such as the recently completed 8 Chifley asset, in the Sydney CBD.

Mirvac's current pipeline of office development activity includes two Sydney assets at 200 George Street (CBD) and Australian Technology Park in Redfern, along with two Melbourne assets, 2 Riverside Quay and 664 Collins Street. In aggregate, this represents an end value of over \$2bn, with the vast majority pre-leased.

Retail Portfolio

With just over \$2.3bn invested across 14 retail assets, Mirvac has delivered some strong portfolio metrics across its shopping centre assets, with the all-important specialty tenants showing moving annual turnover growth of nearly 7% at 31st December 2015.

Assisted by the company's focus on metropolitan retail, Mirvac owns some unique retail assets including Broadway Shopping Centre, Birkenhead Point and Harbourside Darling Harbour, all of which are based in Sydney and have benefitted from Mirvac's very active management style.

Industrial Portfolio

The remaining \$700m of invested capital is spread across 15 industrial assets. This portfolio is 90% allocated to Sydney and is over 99% leased with lease terms averaging over seven years.

Residential Development

Mirvac does have a significant residential development business. At 31st December 2015, the company had over 34,000 lots under control, split evenly between master-planned communities and apartments. By state, the exposure is split between NSW, 37%, VIC 35%, QLD 22% with only 6% in the more difficult market of WA.



8 Chifley, 50% owned by Mirvac, 100% developed and managed by Mirvac

One of the ways that developers reduce their development risk is to enter into sales contracts prior to construction commencing. In that regard, Mirvac enjoys the benefit of a record amount of pre-sales contracts, in excess of \$2.6bn. This goes a long way towards securing development profits for the next three years.

By its very nature, any type of development activity is risky and to make it economically sensible to engage in such activity, higher returns should be delivered. Mirvac has had a chequered history in this regard, but we take comfort from the company's renewed focus on deep metropolitan markets where their scale and brand provides a competitive advantage.

In Conversation...

with Nadia Hight

LEASING CO-ORDINATOR

The Cromwell leasing team have achieved some impressive results in the last year, leasing more than 80,000 square metres across the portfolio. Leasing Coordinator, Nadia Hight, shares some insight into the human side of leasing and how Cromwell's internal property management model contributes to achieving strong tenant relationships.

Nadia strongly believes leasing is about balancing a potential tenant's emotional involvement in the transaction with Cromwell's depth of experience and understanding in the industry. "Successful leasing and tenant retention relies on negotiating the best outcome for all concerned parties," she says.

After starting at Cromwell straight out of school in 2011 (initially taking an administration role that was to fill in her "gap year") the leasing team quickly realised her potential, and Nadia has advanced through the team. Her current role sees her liaising with Property Managers, current tenants and potential tenants across Australia.

On the administration side of leasing, Nadia can be found assisting the legal team in documenting leases and contracts, but it is her aptitude for understanding the emotional side of the transaction from a tenant's perspective that evokes trust and promotes longevity of tenant-owner relationships.

Her role in negotiations is quite often to transform what can be a very technical, legalistic process into one that is respectful of the human side of a potential tenant's needs. "Negotiating a new lease or moving to a new business premises can be very stressful for a business owner" she said. "Working in this role, I get the chance to offer them support and understanding, whilst ensuring Cromwell's business goals are met at the same time".

Being the first point of contact in the leasing team can be challenging in many ways, with smaller retail and commercial businesses in particular often facing ongoing financial hardship since the GFC, which can add strain to any Landlord and Tenant relationship. Core values such as "courage of conviction" guide employees to do what they think is right, despite the threat of loss or disapproval.

However, Nadia believes the underlying priority of her role is "to make every interaction with

Cromwell positive - even if we need to take a firm approach or be the bearer of bad news - we strive to ensure that each situation, every conversation, is carried out respectfully while working towards the best resolution for all parties."

To further her understanding and knowledge of the industry, Nadia was encouraged by her team to undertake a Bachelor of Property at Central Queensland University. "Fortunately for me, many others in my team have completed a similar degree, and they are always happy to answer any questions I may come across in my studies", said Nadia. A supportive culture that instils growth, learning and future advancement provides employees with achievable goals and clear career paths, which is essential to retaining valuable employees.

Nadia consistently demonstrates a commitment to improving Cromwell's performance, work environment and corporate citizenship. Her contributions were

recognised at Cromwell's annual end of year event, where she won the Cromwell Values award.

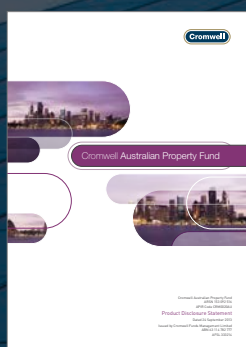
The recipient of the Cromwell Values award is someone who not only performs well in their role, but through their attitude and adherence to Cromwell's values, enhances the culture and performance for those around them, smoothing the path of growth and change. Nadia Hight was a deserving winner of the award in 2015.

CEO Paul Weightman commented, "She gives 100% to every aspect of her working life at Cromwell, initiating and participating in fund raising, employee training, social events and charity initiatives".

Nadia's spirit and passion for social justice and balance means she values time outside work giving back to her community, and she sees no reason to limit that commitment to after hours. "Cromwell employs a lot of kind, like-minded people that want to do good things and I am happy to have the opportunity to bring my values and passions into work."



CROMWELL'S INVESTMENT FUNDS



**Cromwell Australian
Property Fund**



**Cromwell Direct
Property Fund**



**Cromwell Phoenix Core Listed
Property Fund**



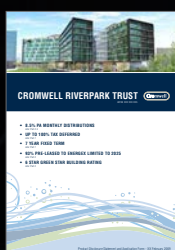
**Cromwell Phoenix
Opportunities Fund**



**Cromwell Phoenix
Property Securities Fund**
(Closed to new investors)



The closed trusts below are only accessible via investment in the Cromwell Direct Property Fund



**Cromwell
Riverpark
Trust**



**Cromwell
Ipswich City
Heart Trust**



**Cromwell
Property
Trust 12**

QUARTERLY REPORTS

Investment Reports to 31 March 2016

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Closed to investment

- 34 Cromwell Property Trust 12 ARSN 166 216 995
- 35 Cromwell Ipswich City Heart Trust ARSN 154 498 923
- 36 Cromwell Riverpark Trust ARSN 135 002 336

Closed to new investment

- 37 Cromwell Phoenix Property Securities Fund ARSN 129 580 267

Any investment, including an investment in Cromwell-managed Funds, is subject to risk. If a risk eventuates, it may result in reduced distributions and/or a loss of some or all of the capital value of your investment. See the disclosure document issued for the Fund for examples of key risks. Capital growth, distributions and tax consequences cannot be guaranteed.

Cromwell Funds Management Limited ABN 63 114 782 777 AFSL 333214 ("CFM") has prepared these reports and is the responsible entity of, and the issuer of units in, the Funds referred to in these reports ("the Funds"). In making an investment decision in relation to a Fund, it is important that you read the disclosure document for that Fund. The report for each Fund refers to the disclosure document (product disclosure statement and any supplementary product disclosure statement) issued for that Fund. The disclosure document for each Fund is issued by CFM and is available from www.cromwell.com.au or by calling Cromwell Investor Services on 1300 276 693. Not all of the Funds are open for investment. Applications for units in open Funds can only be made on application forms accompanying the disclosure document for the Fund.

These reports have been prepared without taking into account your objectives, financial situation or needs. Before making an investment decision, you should consider the report and the disclosure document for the particular Fund and assess, with or without your financial or tax adviser, whether the Fund fits your objectives, financial situation or needs. Past performance is not indicative of future performance. Forward-looking statements (provided here as a general guide only) and the performance of a Fund are subject to the risks and assumptions set out in its disclosure document. CFM and its related bodies corporate, and their associates, do not receive any remuneration or benefits for the general advice given in these reports. If you acquire units in a Fund, CFM and certain related parties may receive fees from the Fund and these fees are disclosed in the disclosure document for that Fund. Performance data for Cromwell-managed Funds are calculated based on unit prices for each Fund, which may differ from underlying net asset values. Performance data for periods longer than one year have been annualised. Distribution rates and yields are based on the 31 March 2016 unit price and are subject to change. The proportion of distributions that are tax deferred will depend on a number of factors (for example, building amortisation and depreciation of plant and equipment) and may vary from year to year. Deferred tax may be payable, in whole or in part, on the sale, transfer or redemption of units in the Fund.



Direct Property

The uptick in volatility in global equity markets has left many investors sitting on the sidelines waiting to see what the outcome will be. Some fear another debt crisis; others see value and are buying.

A beneficiary of the nervousness in equities is direct property, which continues to attract large capital flows as investors search for quality income and risk adjusted returns. The Foreign Investment Review Board released its findings from the 2014-15 financial year, with some interesting results.

- the number of foreign investment proposals continued to grow strongly. There were 37,953 proposals that received foreign investment approval, compared with 24,102 in 2013-14¹
- China was the largest investor across all sectors with \$47 billion approved and the United States of America was second with \$25 billion approved¹
- proposed investment in residential real estate increased from \$34.7 billion in 2013-14 to \$60.8 billion in 2014-15. There was also \$36.2 billion of proposed investment in the commercial real estate sector¹

With such a large influx of foreign capital, it is not surprising to see cap rates continue to tighten. February reporting season saw most A-REITs deliver significant valuation gains through capitalisation rate compression.

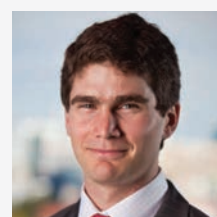
Given global capital movements, it's important to view the Australian office market in a global context.

Sydney, Australia's largest office leasing market is a tiny market by international standards, yet attracts a significant amount of international capital. Therefore, it is easy to comprehend how an increase in inbound global capital can change pricing dynamics quickly.

The largest direct property transaction for the 2016 calendar year was the acquisition by Investa Commercial Property Fund buying a 75% stake in 420 George Street for \$442.5 million. The deal was done on a tight yield of 5.3%.

Cromwell believes that most of the easy valuation gains have already been achieved through cap rate compression. The next round of valuation gains for office assets will be more location centric and driven by rental increases and reducing incentives.

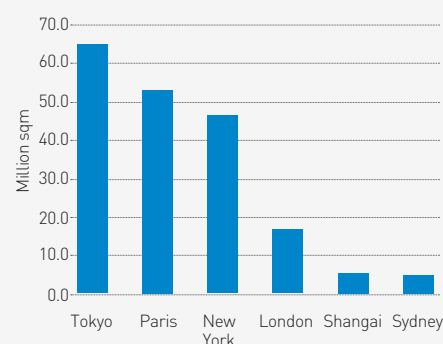
Cromwell remains cautious in the current capital market with investment capacity at both the listed Group and funds management level. When the right opportunity presents itself we will be ready.



Hamish Wehl

FUND MANAGER
CROMWELL FUNDS MANAGEMENT

CBD Office Market Size of Key Cities



Source: Colliers Edge

1. Further information can be found at <http://firb.gov.au/>



Listed Property

Property markets in Australia continued to be strong through the March 2016 quarter, with the S&P/ASX 300 A-REIT Accumulation Index posting a very solid gain of 6.4% and thereby strongly out-performing the broader equity market which fell 2.6% over the same period.

Bonds rallied with the Australian 10-year Government bond yield falling from 2.85% to 2.49%, as ongoing accommodative monetary policy around the world makes the hunt for yield all the more attractive.

At the micro level, news flow was dominated by reporting season, with virtually all companies in our universe reporting either half-year or full-year results. In most cases, for property and infrastructure stocks, reported figures were strong and outlook statements upbeat.

Retail was the best performing property sub-sector, up 8.9% with strong positive contributions from all index constituents. Following the merger of Novion Property Group and Federation Centres to form Vicinity, it was a pleasant surprise to see synergy benefits delivered ahead of schedule to assist the merged entity post a stronger than anticipated first half result. Vicinity delivered a 13.9% return over the quarter.

The Industrial sub-sector was also strong, up 6.1% with a solid first half result from Goodman Group driving its share price up 6.4%.

Office property stocks gained 4.8% with firming conditions in the key office markets in both Sydney and Melbourne.

Over the medium term, A-REIT earnings streams are relatively secure given the contracted nature of rental income and long average lease terms. Furthermore, financial leverage is low, with gearing across the sector of approximately 30% (Debt to Total Assets) making the sector a relatively low risk investment choice.

With the sector now yielding just under 5% for the financial year ending June 2016 and with bond yields around 2.5%, the yield premium of the sector continues to reside above its long term average of 1.9%. Furthermore, today's distribution yield is more robust than historical yields because it is based on a more conservative payout policy that retains some earnings to support growth.



Stuart Cartledge

MANAGING DIRECTOR
PHOENIX PORTFOLIOS

OPEN FOR INVESTMENT

www.cromwell.com.au/dpf

Investment Report to 31 March 2016

CROMWELL DIRECT PROPERTY FUND

This award winning investment portfolio provides exposure to unlisted, direct property throughout Australia. The Fund aims to provide a monthly tax advantaged income stream and future capital growth potential.

Key Statistics

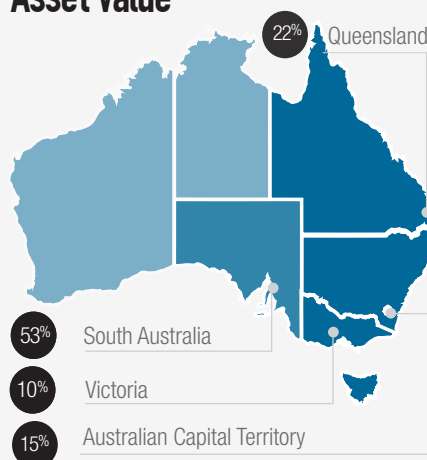
as at 31 March 2016

Status	OPEN ¹
Unit Price	\$1.1565 ²
Distribution Yield	5.19% p.a. ³
WALE	11.2 years ⁴

Performance

	6 Months	1 Year	2 Years	Inception (Aug-13)
Fund Performance				
After fees & costs	4.2%	11.9%	10.7%	12.3%
Benchmark				
PCA/IPD Australian Pooled Property Fund Index - Unlisted Retail	19.6%	37.7%	26.2%	22.3%
Excess Returns				
After fees & costs	(15.4%)	(25.8%)	(15.5%)	(10.0%)

Geographic Diversification by Asset Value



Fund Update

- All three direct property assets owned by the Fund recorded valuation increases in the last quarter; adding \$900,000 to the value of the portfolio
- Despite Woolworths confirming their intention to exit the Masters business, the 15 year lease obligation at the Fund's asset in Parafield, South Australia is guaranteed by Woolworths
- The Fund will be offering to purchase additional units in the Cromwell Riverpark Trust (CRT) depending on the outcome of the upcoming unitholder vote. Further details at www.cromwell.com.au/CRTvote
- Quarterly performance of the Fund was 1.2%

In addition to the footnotes below, please read the important disclaimer at the beginning of the Quarterly Reports section on page 27.

1. Withdrawals are limited, cannot be guaranteed and are subject to the assumptions and risks set out in the PDS dated 21 August 2013 and SPDS dated 28 May 2014.
2. Unit prices are calculated daily. See the PDS for further information and www.cromwell.com.au/dpf for latest pricing.
3. Paying 6 cents per unit based on current unit price of approximately \$1.1565 (March 2016).
4. Figures as at 31 March 2016 adjusted for on-completion value of properties that are under construction. Calculated on a "look-through" gross passing income basis.

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www.cromwell.com.au/apf

Investment Report to 31 March 2016

CROMWELL AUSTRALIAN PROPERTY FUND

Get full exposure to Cromwell's listed and unlisted property expertise, all in one fund. Quintessentially serving as Cromwell's 'fund-of-funds', this product provides liquidity, diversity and access to highly specialised property portfolio management teams.

Key Statistics

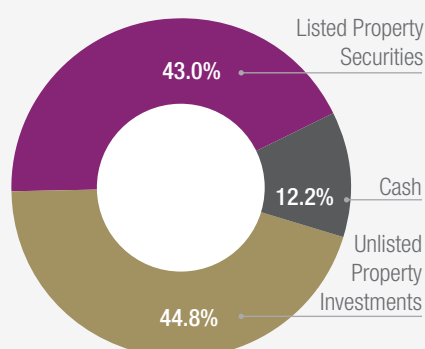
as at 31 March 2016

Status	OPEN ¹
Unit Price	\$1.1868 ²
Distribution Yield	5.06% p.a. ³

Performance

	6 Months	1 Year	2 Years	Inception (Oct-13)
Fund Performance After fees & costs	6.6%	10.5%	14.5%	13.5%
Benchmark⁴	14.3%	20.5%	22.0%	18.2%
Excess Returns After fees & costs	(7.7%)	(10.0%)	(7.5%)	(4.7%)

Asset Allocation⁵



Fund Update

- Asset allocation of the Fund remains unchanged from the previous quarter
- Unit price benefited from positive asset revaluations in the underlying Cromwell Direct Property Fund's portfolio
- Quarterly performance of the Fund was 2.5%

In addition to the footnotes below, please read the important disclaimer at the beginning of the Quarterly Reports section on page 27.

1. Withdrawals cannot be guaranteed and are subject to the assumptions and risks set out in the PDS dated 24 September 2013.
2. Unit prices are calculated daily. See the PDS for further information and www.cromwell.com.au/apf for latest pricing.
3. Paying 6 cents per unit based on current unit price of approximately \$1.1868 (March 2016).
4. The benchmark is set out in the PDS.
5. Figures as at 31 March 2016. Positions held by the Fund are subject to change.

OPEN FOR INVESTMENT

www.cromwell.com.au/pcf

Investment Report to 31 March 2016

CROMWELL PHOENIX CORE LISTED PROPERTY FUND

The Fund provides investors with exposure to a diverse range of large, well-established Australian property securities that hold underlying investments including office, retail, industrial and hotel assets.

Key Statistics

as at 31 March 2016

Status	OPEN ¹
Unit Price	\$1.058 ²
Distribution Yield	4.80%p.a.

Performance

	1 month	6 months	1 year	Inception (Mar-15)
Fund Performance				
After fees & costs	2.6%	12.4%	11.9%	11.2%
Benchmark				
S&P/ASX 200 A-REIT Accumulation Index	2.4%	12.8%	11.3%	10.6%
Excess Returns				
After fees & costs	0.2%	(0.4%)	0.6%	0.6%

Top 10 stock holdings³

Charter Hall Group Limited
Dexus Property Group
General Property Trust
Goodman Group
Investa Office Fund
Mirvac Group
Scentre Group
Stockland Ltd
Vicinity Centres
Westfield Corporation

Alphabetical order

Fund Update

- The Fund completed its first year in operation, beating the benchmark by 0.6%. Over the quarter, a position in Recall Holdings provided a positive contribution with the stock up 9.3%. The likelihood of the completion of the takeover by US listed REIT, Iron Mountain improved significantly in March following a series of regulatory approvals
- Underweight positions in Scentre Group and Vicinity Centres detracted from value after strong performances in both of these stocks
- A larger than benchmark position in Charter Hall Group added value in an absolute sense, however the stock under-performed the benchmark and therefore detracted from performance on a relative basis
- The Fund delivered a 6.1% return over the quarter, net of fees

In addition to the footnotes below, please read the important disclaimer at the beginning of the Quarterly Reports section on page 27.

Phoenix Portfolios Pty Ltd ABN 80 117 850 254 AFSL 300302 ("Phoenix") is the investment manager of the Fund. None of Cromwell Funds Management Limited (ABN 63 114 782 777 AFSL 333214), Phoenix nor their related entities, directors or officers makes any promise or representation, or gives any guarantee as to the success of the Fund, distributions, amount you will receive on withdrawal, income or capital return or the taxation consequences of investing.

1. Withdrawals cannot be guaranteed and are subject to the assumptions and risks set out in the PDS dated 10 March 2015.

2. Unit prices are calculated daily. See the PDS for further information and www.cromwell.com.au/pcf for latest pricing.

3. Figures as at 31 March 2016. Positions held by the Fund are subject to change.

OPEN FOR INVESTMENT

www.cromwell.com.au/pof

Investment Report to 31 March 2016

CROMWELL PHOENIX OPPORTUNITIES FUND

This value orientated fund invests in ASX-listed microcaps using Phoenix Portfolios' 'best ideas' approach and aims to find hidden value in under-researched stocks.

Key Statistics

as at 31 March 2016

Status OPEN¹

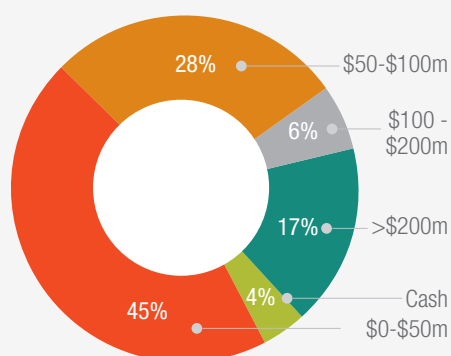
Unit Price \$1.5315²

Distribution Yield N/A

Performance

	1 Year	2 Years	3 Years	Inception (Dec-11)
Fund After fees & costs, inclusive of the value of franking credits	10.8%	14.2%	14.5%	19.5%
Fund After fees & costs, excluding the value of franking credits	9.7%	13.1%	13.4%	18.0%
S&P/ASX Small Ords Accumulation Index	3.7%	3.0%	1.5%	2.4%

Truly Microcap³



Fund Update

- Positive contributions came from holdings in Australian Vintage, Jumbo Interactive and our positions in several microcap resource stocks
- Detracting from performance over the quarter came from holdings in Fiducian which reversed strong gains achieved in the December quarter and Regional Express
- The Fund became available through the ASX mFund settlement service on 18 February 2016. **ASX mFund code CFM02**
- Fund delivered a net return of 3.2% over the quarter (net of fees, inclusive of franking credits)

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1. Withdrawals cannot be guaranteed and are subject to the assumptions and risks set out in the PDS dated 17 April 2015.

2. Unit prices are calculated monthly. See the PDS for further information and www.cromwell.com.au/pof for latest pricing.

3. Figures as at 31 March 2016. Positions held by the Fund are subject to change.

CLOSED TO INVESTMENT

www.cromwell.com.au/c12

Investment Report to 31 March 2016

CROMWELL PROPERTY TRUST 12

This Trust replicates many features of Cromwell's other unlisted property trusts including the seven year investment period, innovative construction funding structure and long lease term. However, this Trust is underpinned by two assets valued at \$128.7 million¹.

Key Statistics

as at 31 March 2016

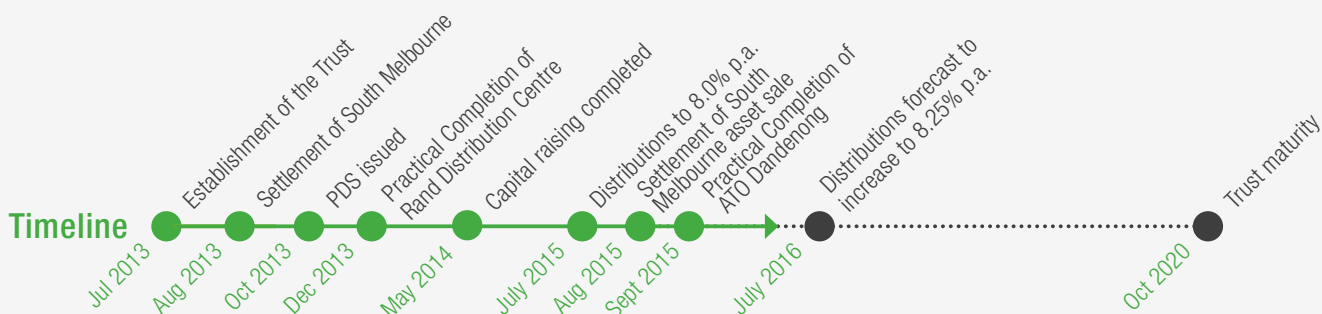
Status	CLOSED
NAV Price	\$1.17
Distribution Yield	6.84% p.a.
WALE	15.6 years ²

Performance

	6 Months	1 Year	2 Year	Inception (Oct-13)
Trust Performance				
After fees & costs	5.1%	31.8%	19.3%	17.0%
Benchmark				
PCA/IPD Australian Pooled Property Fund Index – Unlisted Core Retail	25.1%	37.8%	26.2%	23.5%
Excess Returns				
After fees & costs	(20.0%)	(6.0%)	(6.9%)	(6.5%)

Trust Update

- Values remain constant at \$41.7 million for the Rand Distribution Centre and \$87 million for the ATO Dandenong Building¹
- Next independent valuation for the Rand Distribution Centre is expected on 30 June 2016
- Next independent valuation for the ATO Dandenong Building is expected on 30 September 2016



In addition to the footnotes below, please read the important disclaimer at the beginning of the Quarterly Reports section on page 27.

1. Based on valuations for ATO Dandenong (\$87 million) as at 30 September 2015 and Rand Distribution Centre (\$41.7 million) as at 31 December 2015.

2. Calculated by gross income.

See the PDS dated 29 October 2013 and www.cromwell.com.au/c12 for further information.

CLOSED TO INVESTMENT

www.cromwell.com.au/ich

Investment Report to 31 March 2016

CROMWELL IPSWICH CITY HEART TRUST

The unlisted Trust's asset is the \$110 million¹ Ipswich City Heart Building in Ipswich, Queensland. The Trust was the first Cromwell trust to be certified as a Responsible Investment by the Responsible Investment Association of Australasia.

Key Statistics

as at 31 March 2016

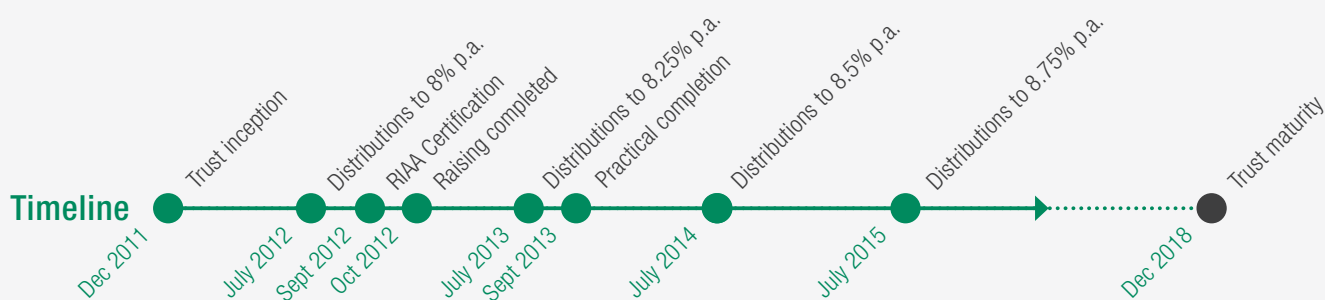
Status	CLOSED
NAV Price	\$1.18
Distribution Yield	7.42% p.a.
WALE	11.4 years ²

Performance

	1 year	2 years	3 years	Inception (Dec-11)
Trust Performance				
After fees & costs	28.0%	18.0%	14.7%	12.9%
Benchmark				
PCA/IPD Australian Pooled Property Fund Index – Unlisted Core Retail	37.8%	26.2%	21.2%	18.0%
Excess Returns				
After fees & costs	(9.8%)	(8.2%)	(6.5%)	(5.1%)

Trust Update

- Value of the Ipswich City Heart Building remains at \$110 million¹
- Next independent valuation expected at 31 December 2016
- New State Government public service department Jobs Queensland relocate to the Trust's Ipswich City Heart Building in the next few months³



In addition to the footnotes below, please read the important disclaimer at the beginning of the Quarterly Reports section on page 27.

1. Based on valuation as at 31 December 2015.

2. Calculated by gross income.

3. Source: <http://www.qt.com.au/news/public-servants-on-their-way/2907496/>

See the PDS dated 16 December 2011 and www.cromwell.com.au/ich for further information.

CLOSED TO INVESTMENT

www.cromwell.com.au/crt

Investment Report to 31 March 2016

CROMWELL RIVERPARK TRUST

This was the first of Cromwell's next generation 'back to basics' single property trusts and served as a bellwether for the type of investments being sought in an uncertain economic environment.

Key Statistics

as at 31 March 2016

Status	CLOSED
NAV Price	\$1.47
Distribution Yield	6.63% pa
WALE	9.1 years ²

Performance

	1 year	3 years	5 years	Inception (Jul-09)
Trust Performance				
After fees & costs	23.3%	21.2%	17.2%	15.0%
Benchmark				
PCA/IPD Australian Pooled Property Fund Index – Unlisted Core Retail	37.8%	21.2%	17.5%	14.4%
Excess Returns				
After fees & costs	(14.5%)	0.0%	(0.3%)	0.6%

Trust Update

- Unitholders are being asked to vote on the future of the Trust. Voting to extend the current Trust maturity date of July 2016 to July 2021 will commence in late May.

Voting materials and Explanatory Memorandum will be sent to unitholders on Friday 20 May

- Value of Energex House currently remains at \$233 million¹; however an updated valuation will be disclosed in the Explanatory Memorandum. The updated valuation will form the price unitholders can sell and acquire additional units at if the Trust term is extended
- Further details at www.cromwell.com.au/CRTvote

Timeline



In addition to the footnotes below, please read the important disclaimer at the beginning of the Quarterly Reports section on page 27.

1. Based on valuation as at 31 December 2015.

2. Calculated by gross income.

See the PDS dated 25 February 2009, SPDS dated 30 June 2009 and www.cromwell.com.au/crt for further information.

CLOSED TO NEW INVESTMENT

www.cromwell.com.au/psf

Investment Report to 31 March 2016

CROMWELL PHOENIX PROPERTY SECURITIES FUND

This award winning Fund is one of the top performing property securities funds in Australia, with underlying investments chosen by Phoenix Portfolios using a 'best ideas' approach. Due to its self-imposed capacity constraint, it is now closed to new investors.

Key Statistics

as at 31 March 2016

Status	CLOSED TO NEW INVESTMENT
Unit Price	\$1.2984 ¹
Distribution Yield	4.40% pa

Top 10 stock holdings²

Carindale Property Trust
Charter Hall Group Limited
Dexus Property Group
General Property Trust
Macquarie Atlas Roads Group
Mirvac Group
Scentre Group
Stockland Ltd
Vicinity Centres
Westfield Corporation

Alphabetical order

Performance

	1 Year	3 years	5 years	Inception (Apr-08)
Fund Performance				
After fees & costs	12.1%	18.3%	20.9%	9.5%
Benchmark				
S&P/ASX 300 A-REIT Accumulation Index	11.4%	16.3%	15.8%	3.4%
Excess Returns				
After fees & costs	0.7%	2.0%	5.1%	6.1%

Fund Update

- Positive contributions came from over-weight positions in Macquarie Atlas, Carindale Property Trust, Galileo Japan and Recall Limited
- A larger than benchmark position in Charter Hall Group added value in an absolute sense, however the stock under-performed the benchmark and therefore detracted from performance on a relative basis
- Underweight positions in Scentre Group and Vicinity Centres detracted from value after strong performances in both of these stocks
- The Fund delivered a return over the quarter of 4.6%, net of fees

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1. Unit prices are calculated daily. See the PDS dated 1 November 2012 for further information and www.cromwell.com.au/psf for latest pricing.

2. As at 31 March 2016. Positions held by the Fund are subject to change.

CROMWELL PROPERTY GROUP

QUARTERLY SNAPSHOT



Cromwell Property Group (ASX:CMW) is a global real estate investment manager. The Group is included in the S&P/ASX 200 and the FTSE EPRA/NAREIT Global Real Estate Index.

Cromwell had a direct property investment portfolio in Australia valued at \$2.2 billion, and total assets under management of \$9.8 billion across Australia, New Zealand and Europe as at 31 December 2015.

Key Statistics as at 31 March 2016

Security Price	\$1.04 ¹
Annual Distribution	7.97 cpu ²
Distribution Yield	7.66% p.a. ²
Market Capitalisation	\$1.8 billion

Performance

	1 Year	5 Years	10 Years	15 Years
CMW Performance After fees & costs	-2.9%	17.1%	13.3%	29.6%
Benchmark S&P/ASX 300 A-REIT Accumulation Index	11.4%	15.8%	2.4%	7.0%
Excess Returns After fees & costs	(14.3%)	1.3%	10.9%	22.6%

Key ASX Announcements Update – see www.asx.com.au (ASX:CMW)

23 March 2016	Notification of quarterly distribution of AUD 0.02107500 cents per security
10 March 2016	Cromwell extends debt platform terms
19 February 2016	HY16 results presentation
2 February 2016	Moody's Investors Service rating

FOR FURTHER INFORMATION, SPEAK TO YOUR BROKER OR VISIT WWW.CROMWELL.COM.AU

1. Based on security price as at close of trading 31 March 2016. Securities are traded on the ASX and the price is subject to market movements and will change daily. Current pricing is available at www.asx.com.au.
2. Capital growth, distributions and tax consequences cannot be guaranteed and are subject to assumptions and risk. Annualised distributions and yield based on most recent distribution and security prices.

Cromwell Property Securities Limited ABN 11 079 147 809 AFSL 238052 ("CPSL") has prepared this report and is the responsible entity of the Cromwell Diversified Property Trust ARSN 102 982 598 ("DPT"). This report is issued by CPSL as responsible entity of DPT and on behalf of Cromwell Corporation Limited ACN 001 050 980. This report has been prepared without taking into account your objectives, financial situation or needs. In making an investment decision, you should consider all available information and assess, with or without your financial or tax adviser, whether the product fits your objectives, financial situation or needs. Past performance is not indicative of future performance. Forward-looking statements in this report are provided as a general guide only. These statements are not guarantees of future performance. Actual results could differ materially from those expressed. CPS does receive fees as responsible entity of DPT.

CONTACT US WITH ANY QUESTIONS

For the answer to any questions regarding Cromwell and our funds, please contact your financial adviser, broker or Cromwell Investor Services directly.

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