

31 December 2014

**Cromwell
Direct
Property
Fund**

Disclosure Guide

**Information Provided Pursuant To ASIC
Regulatory Guide 46 (RG46)**

Important Notice and Disclaimer

As responsible entity of the Cromwell Direct Property Fund ARSN 165 011 905 ("DPF" or "the Fund"), Cromwell Funds Management Limited ABN 63 114 782 777, AFSL 333214 ("Cromwell") is the issuer of this Disclosure Guide ("Guide") which should be read in conjunction with the attached Product Disclosure Statement for the Fund dated 21 August 2013 ("PDS") and the attached Supplementary Product Disclosure Statement for the Fund dated 28 May 2014 ("SPDS").

Updates on the Fund are available at www.cromwell.com.au/DPF.

The information in this Guide is general information only and does not take into account your objectives, financial situation or needs. Therefore, before deciding whether to acquire or continue to hold an investment you should consider the PDS and SPDS and updates to them carefully and assess, with or without your financial or taxation advisor, whether the Fund fits your objectives, financial situation or needs.

Scope of this Disclosure Guide

The Australian Securities & Investments Commission (ASIC) issued RG 46 in September 2008 and updated it in March 2012. RG 46 sets out particular disclosure principles and benchmarks designed to provide improved disclosure to retail investors to help them compare risks and returns across investments in the unlisted property sector.

Set out below are tables which list each disclosure principle and benchmark and where the relevant information is included in this Guide and, if applicable, the attached PDS and SPDS.

| | Disclosure Principles | Guide reference | PDS Reference |
|---|------------------------------|------------------------|----------------------|
| 1 | Gearing Ratio | Section 4.2 | Section 1.7 |
| 2 | Interest Cover Ratio | Section 4.3 | Section 1.7 |
| 3 | Scheme Borrowing | Section 4 | Section 1.7 |
| 4 | Portfolio Diversification | Section 1 | Section 1.2 and 1.4 |
| 5 | Related Party Transactions | Section 7 | Section 1.13 |
| 6 | Distribution Practices | Section 5 | Section 1.5 |
| 7 | Withdrawal Arrangements | Section 6 | Section 1.11 |
| 8 | Net Tangible Assets | Section 2 | Section 1.6 |

| | Benchmarks | Guide reference | PDS Reference |
|---|---|------------------------|----------------------|
| 1 | Gearing Policy – The Fund meets the benchmark. The Fund maintains and complies with a written policy that governs the level of gearing for the Fund | Section 4.2 | Section 1.7 |
| 2 | Interest Cover Policy – The Fund meets the benchmark. The Fund maintains and complies with a written policy that governs the level of interest cover for the Fund. | Section 4.3 | Section 1.7 |
| 3 | Interest Capitalisation – The Fund meets the benchmark. The interest expense of the Fund is not capitalised. | Section 4 | Sections 1.7 |
| 4 | Valuation Policy – The Fund meets the benchmark. The Fund maintains and complies with a written valuation policy. | Section 3 | Sections 1.8 |
| 5 | Related Party Transactions – The Fund meets the benchmark. The Fund maintains and complies with a written policy on related party transactions, including the assessment and approval processes for such transactions and arrangements to manage conflicts of interest. | Section 7 | Section 1.13 |
| 6 | Distribution Practices – The Fund meets the benchmark. The Fund will pay distributions from annual operating income. | Section 5 | Sections 1.5 |

All statistics and amounts in this Guide are as at 31 December 2014 unless stated otherwise.

Cromwell may update this Guide from time to time and it is recommended unitholders refer to our website at www.cromwell.com.au/DPF for these updates. A paper copy of this Guide or any updated information will be given to you on request and without charge.

From time to time, Cromwell may become aware of information that is material to unitholders but not covered by a disclosure principle. Any such material information will be provided to unitholders in continuous disclosure notices on our website www.cromwell.com.au/DPF.

1 Portfolio Diversification

1.1 Investment Strategy

The Fund will invest directly, or through unlisted property trusts, in non-residential Australian property with a primary focus on commercial, industrial and retail property.

The Fund may also hold cash where CFM considers it prudent, including for Fund liquidity or while CFM is considering new investment opportunities.

CFM will deliver on the Fund's investment objective by acquiring the Initial Investment Portfolio set out in Section 3 of the PDS. The Fund's Initial Investment Portfolio comprises an investment in four unlisted property trusts managed by CFM which own a total of six assets. Over time, the Fund may also directly acquire property which meets the Fund's investment criteria. This will provide unitholders with diversification and access to a strong income stream the majority of which is expected to be tax deferred.

The Fund's investment portfolio will initially comprise the Initial Investment Portfolio, which will be acquired as units are issued. As set out in the SPDS, CFM is currently assessing potential direct property acquisitions for the Fund. CFM is still acquiring the Initial Investment Portfolio, however, it may enter into a contract to acquire a direct property(ies) prior to the acquisition of all of the Initial Investment Portfolio being completed. Over time, as CFM acquires or sells assets, the Fund's investment portfolio will change.

The Fund may increase or decrease the amounts invested over time but does not intend to hold more than 20% of the issued units in any of the underlying property trusts at any time.

As at 31 December 2014, the investment portfolio includes indirect interests in the following:

| Building | Valuation | Initial Investment Portfolio | 31 December 2014 Ownership | Sector | Valuation Date | Cap Rate | Occupancy | Valuer |
|---|---------------|------------------------------|----------------------------|------------|----------------|----------|-----------|-------------|
| 33 Breakfast Creek Road, Newstead, QLD | \$215,000,000 | 6.5% | 6.5% | Commercial | December 2014 | 7.00% | 100% | Independent |
| 117 Brisbane Road, Ipswich, QLD | \$101,000,000 | 7.0% | 7.0% | Commercial | December 2014 | 7.63% | 100% | Internal |
| 913 Whitehorse Road, Box Hill, VIC | \$118,000,000 | 10.0% | 10.0% | Commercial | March 2014 | 7.75% | 100% | Independent |
| 10-16 Dorcas Street, South Melbourne, VIC | \$27,800,000 | 12.6% | 6.1% | Commercial | December 2014 | 7.75% | 100% | Internal |
| Lot 2, 902 Caribu Drive, Direk, SA | \$34,800,000 | 12.6% | 6.1% | Industrial | December 2014 | 8.00% | 100% | Internal |
| 11-13 Robinson Street, Dandenong, VIC | \$73,500,000 | 12.6% | 6.1% | Commercial | October 2014 | 7.50% | 100% | Independent |

1.2 Development Properties

913 Whitehorse Road, Box Hill, VIC ("Box Hill") and 11-13 Robinson Street, Dandenong, VIC ("ATO Dandenong") (together, "the Properties") are both currently under construction, which means they are currently a development asset of the Cromwell Box Hill Trust and Cromwell Property Trust 12 respectively. Both of those Trusts comprise part of the Initial Investment Portfolio of the Fund.

Finalisation of construction of the buildings to an extent that they are capable of being occupied (“Practical Completion”) is expected to occur by 31 March 2015 for Box Hill and 30 September 2015 for ATO Dandenong. The Properties will be in the commercial office sector of the property market.

As at 31 December 2014, the Fund only had exposure to the Box Hill development asset. When the Initial Investment Portfolio has been fully acquired, these two properties will represent 42% of the Fund.

1.3 Construction Progress

The target and actual dates for key milestones in the construction of the Box Hill building are as follows:

| Milestone | Target Date | Actual Date |
|----------------------|----------------|----------------|
| Land Settlement | December 2012 | December 2012 |
| Site Establishment | April 2013 | April 2013 |
| Piling Construction | May 2013 | May 2013 |
| Structure Completion | August 2014 | August 2014 |
| Facade Completion | September 2014 | September 2014 |
| Practical Completion | March 2015 | |

The target and actual dates for key milestones in the construction of the ATO Dandenong building are as follows:

| Milestone | Target Date | Actual Date |
|----------------------|----------------|---------------|
| Land Settlement | November 2013 | February 2014 |
| Site Establishment | May 2014 | May 2014 |
| Piling Construction | July 2014 | July 2014 |
| Structure Completion | February 2015 | February 2015 |
| Facade Completion | February 2015 | February 2015 |
| Practical Completion | September 2015 | |

2 Net Tangible Assets

The net tangible assets (“NTA”) of the Fund can be calculated on a per unit basis. This amount can be used as an approximate measure of what a unitholder could expect to receive per unit held (before selling costs) if the Fund was wound up at that particular point in time. Therefore, to the extent that the NTA at any time is less than the price paid for a unit, it is also an approximate measure of the risk of a capital loss.

The NTA is calculated in accordance with the following formula:

$$\text{NTA} = \frac{\text{Net assets} - \text{intangible assets} +/- \text{other adjustments}}{\text{Number of units on issue}}$$

As at 31 December 2014 the NTA per unit was \$1.06.

3 Valuation Policy

CFM has, and complies with, a valuation policy for the Fund.

Where the Fund invests in property trusts that are not managed by CFM, the assets held by those trusts are subject to separate valuation policies administered by the manager of that trust. Investments in property trusts will be valued in accordance with the unit pricing policy of the Fund. Refer to Section 1.6 of the PDS for further detail regarding the Fund’s unit pricing policy.

Where practical, property assets owned by the Fund, as well as property trusts managed by CFM, will be independently valued each year (or if applicable after the building is completed). All independent valuations will be carried out by appropriately qualified valuers with a minimum of five years relevant experience and membership with the Australian Property Institute. Valuers are instructed to undertake their valuation in accordance with industry standards and to outline their valuation methodology within their valuation report.

Unitholders can obtain a copy of the valuation policy by calling Cromwell Investor Services on 1300 276 693.

4 Fund Borrowing

4.1 Borrowing Policy

Borrowing by the Fund is known as gearing. Repayment of borrowings ranks ahead of unitholders' interests in the Fund and payment of interest on borrowings must be funded prior to any distributions being made to unitholders. As a result, the borrowing policy and expiry profile of any borrowing facilities of the Fund are important factors to consider.

There are risks involved in investing in a geared Fund as gearing magnifies profits, losses, capital gains and capital losses. See "Borrowing Risk" in Section 4 of the PDS for further information.

CFM has, and complies with, a borrowing policy for the Fund which outlines the level of gearing and interest cover the Fund expects to maintain. CFM does not intend that the Fund itself will have borrowings unless the Fund acquires a property directly. CFM aims to maintain Look-Through Gearing for the Fund as a whole at no more than 50% and will not acquire any direct property or units in any unlisted property trusts that would result in a Look-Through Gearing level above 50%.

4.2 Gearing Ratio

The Gearing Ratio indicates the extent to which the Fund has used borrowings to acquire assets. The Gearing Ratio gives an indication of the potential risks faced by the Fund as a result of its borrowings due to, for example, an increase in interest rates or a decrease in asset values.

The Fund's Gearing Ratio is calculated as follows:

$$\text{Gearing Ratio} = \frac{\text{Total interest bearing liabilities}}{\text{Total assets}}$$

CFM intends to limit borrowings to no more than 50% of the value of any property assets acquired directly by the Fund. Based on the Initial Investment Portfolio, which does not include direct property, the Gearing Ratio will be nil.

The Fund will also be exposed indirectly to gearing because the property trusts in which it invests will have used borrowings to acquire their property. CFM periodically calculates the gearing of the Fund taking into account the Fund's share of assets and liabilities of underlying property trusts. This is known as Look-Through Gearing.

Based on the Initial Investment Portfolio, the Look-Through Gearing Ratio for the Fund is expected to be 28.5%.

As at 31 December 2014 the Look-Through Gearing Ratio was 21.6%.

4.3 Interest Cover

The Interest Cover Ratio measures the ability of the Fund to meet its interest payments on borrowings

from its earnings. The level of interest cover gives an indication of the Fund's financial health. A higher number indicates greater available funds with which to pay interest costs and distributions. It is a key measure of the risks associated with any borrowings which the Fund may have.

Interest cover is calculated as follows:

$$\text{Interest cover} = \frac{\text{EBITDA} - \text{unrealised gains} + \text{unrealised losses}}{\text{Interest expense}}$$

The Fund does not currently have any borrowings and hence does not pay any interest. Therefore, the Interest Cover Ratio of the Fund is nil.

Should CFM borrow to acquire direct property assets, CFM intends to fund interest payments from income received by the Fund and does not intend to capitalise any interest payments.

CFM periodically calculates a Look-Through Interest Cover Ratio, taking into account the Fund's share of earnings and interest expense from underlying property trusts. Once the Initial Investment Portfolio has been acquired, the Look-Through Interest Cover Ratio is expected to be 3.1 times.

4.4 Hedging

Where the Fund borrows to purchase property assets directly, CFM may enter into interest rate hedges in order to provide increased certainty in relation to the Fund's interest expense through fixing the cost of debt for an agreed period. CFM will also take into account hedging in underlying unlisted property trusts when considering whether to hedge any direct borrowings in the future.

5 Distribution Practices

The Fund is expected to earn income such as rent, distributions and interest from its investments.

The Fund aims to distribute an amount which is no more than 100% of expected profits available for distribution (excluding unrealised gains/losses) over the medium term. CFM will estimate profits available for distribution on a regular basis and will pay distributions monthly taking into account that estimate.

Distributions are not guaranteed and may be reduced or not paid if the profit available for distribution is less than forecast or if other unforeseen events occur. The key risks which may impact distributions are outlined in Section 4 of the PDS.

Distributions are calculated in cents per unit and will be paid to unitholders based on the number of units held at the end of the distribution period. Distributions will normally be paid electronically within 10 days of each month end.

Distributions can also be reinvested in the Fund by completing the relevant section of the application form or, for existing unitholders, by advising CFM in writing. Where no election is made, distributions will be reinvested as additional units in the Fund.

For direct investors, the price of units issued on reinvestment of distributions is the issue price (without any buy spread) on the business day immediately after the end of the distribution period adjusted for the income distributed.

At any time, CFM may notify unitholders that the distribution reinvestment option has ceased and that subsequent distributions will be paid in cash and not reinvested.

Capital gains or losses may also occur on the sale of the Fund's assets. The distribution may be greater in these circumstances. Refer to Section 6 of the PDS for information on the taxation of distributions and taxation of an investment in the Fund generally.

6 Withdrawal Arrangements

CFM offers unitholders the opportunity to withdraw all or part of their investment through a Limited Monthly Withdrawal Facility generally limited to 0.5% of the Fund's net asset value per month.

At the end of the Initial Term, on 1 July 2020 and every three years thereafter, CFM intends to offer a full withdrawal opportunity where unitholders can elect to withdraw all of their investment at a specified price.

The Fund invests primarily in unlisted property trusts and may invest in direct property assets. These investments are usually illiquid. As a result, the Fund Constitution allows CFM up to 365 days to meet any withdrawal requests (although CFM expects to meet withdrawal requests under the Limited Monthly Withdrawal Facility within 15 days after month end) by holding a limited portion of the Fund's assets in cash.

Further information on withdrawals is in Section 7.4 of the PDS.

Further information on the Fund's liquidity risk is in Section 4.3.4 of the PDS.

7 Related Party Transactions

CFM is the responsible entity for the Fund and may appoint related entities to provide services to the Fund if required. Related party transactions carry a risk that they could be assessed and reviewed less rigorously than transactions with other parties. Where material transactions occur, unitholders should consider the capability and sustainability of those related party arrangements and the potential for conflicts of interest.

CFM has, and complies with, written policies with regard to related party transactions. The policies cover, amongst other things, the assessment and approval process for related party transactions as well as how the risk of any actual or perceived conflict of interest as a result of a related party transaction is managed. All related party transactions require Board approval and the Board will only approve transactions if the transactions are on arm's length terms. Otherwise, unless another exception is available under the Corporations Act 2001, the transaction would be subject to approval by the Fund's unitholders.

CFM and related entities may also subscribe for, or acquire, units in the Fund on the same terms as other unitholders.

For further information, please refer to Section 5 of the PDS (regarding fees paid to CFM and its related parties for services provided to the Fund) and Section 9.7 of the PDS (regarding the related party arrangements that relate to the Fund).

Unitholders can obtain copies of the Conflict of Interest and Related Party Policies by calling Cromwell Investor Services on 1300 276 693.