



CROMWELL
FUNDS MANAGEMENT



Phoenix Portfolios

Cromwell Phoenix Property Securities Fund

ARSN 129 580 267

Half-Year Financial Report

31 DECEMBER 2020

Responsible entity:

Cromwell Funds Management Limited

ABN 63 114 782 777 AFSL 333 214

Level 19, 200 Mary Street

Brisbane QLD 4000

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DIRECTORY

Responsible entity:

Cromwell Funds Management Limited
ABN 63 114 782 777
AFSL 333 214
Level 19, 200 Mary Street
Brisbane QLD 4000
Tel: +61 7 3225 7777
Fax: +61 7 3225 7788
Email: invest@cromwell.com.au
Web: www.cromwell.com.au

Custodian:

Link Fund Solutions Pty Limited
Level 12, 680 George Street
Sydney NSW 2000
Tel: +61 2 8280 7100
Email: LFS_contact@linkgroup.com
Web: www.linkfundsolutions.com

Auditor:

Pitcher Partners
Level 38, Central Plaza One
345 Queen Street
Brisbane QLD 4000
Tel: +61 7 3222 8444
Fax: +61 7 3221 7779
Web: www.pitcher.com.au

Directors' Report

The Directors of Cromwell Funds Management Limited, the responsible entity of Cromwell Phoenix Property Securities Fund (the "Fund"), present their report at the end of the half-year ended 31 December 2020.

The responsible entity and its Directors

Cromwell Funds Management Limited has been responsible entity of the Fund since its registration. Cromwell Funds Management Limited is part of Cromwell Property Group, a global real estate investment manager with \$11.6 billion of assets under management. The responsible entity undertakes management and administrative duties for the Fund and monitors the Custodian, Link Fund Solutions Pty Limited, which holds the Fund's assets on behalf of the unitholders.

The responsible entity's Directors (collectively referred to as "the Directors") are as follows:

Directors		Date of Appointment
Ms TL Cox	Non-executive Chair	14 January 2021, Chair since 14 January 2021
Ms MA McKellar	Non-executive Director	27 July 2011
Ms JA Tongs	Non-executive Director	18 December 2014
Mr WRL Foster	Non-executive Director	29 November 2017
Mr PL Weightman	Executive Director and Chair	Retired 31 December 2020

Review of operations and results

Financial performance

The Fund recorded a statutory profit of \$52,936,000 for the half-year ended 31 December 2020 (2019: statutory profit of \$15,861,000) and paid distributions of \$5,193,000 (2019: \$7,19,000).

The following table shows the Fund's performance against its benchmark index since the Fund's inception:

	Half-year	1 year	3 years (annualised)	5 years (annualised)	Since inception (annualised)
Fund performance (before fees and costs)	23.8%	(6.4)%	4.6%	8.0%	9.3%
Fund performance (after fees and costs)	23.3%	(7.3)%	3.6%	7.0%	8.3%
S&P/ASX 300 A-REIT Index	21.6%	(4.0)%	5.8%	7.4%	4.5%
Excess return (after fees and costs)	1.7%	(3.3)%	(2.2)%	(0.4)%	3.8%

For the half year ending 31 December 2020, the S&P/ASX 300 A-REIT Accumulation Index continued its strong recovery from its March 2020 lows, gaining a further 21.6%. Stocks with active development and / or funds management businesses were particularly strong with Charter Hall Group, Stockland, Goodman Group and Mirvac Group among the large capitalisation index constituents all performing well. Following the same theme, non-index performers included Centuria Capital and Elanor Investors.

Sunland Group performed particularly well, up 118% over the 6-month period with the market rewarding the stock for its decision to effectively wind-up the business and return capital and franking credits to shareholders over a period likely to be around 3 years. The Fund has been a significant investor in Sunland Group for many years and considers the company to have been a particularly good steward of capital. Given Sunland Group is not a component of the benchmark, the Fund's holding in the stock contributed to the excess returns over the period.

Subsequent events

No matter or circumstance has arisen since 31 December 2020 that has significantly affected or may significantly affect:

- the Fund's operations in future financial years; or
- the results of those operations in future financial years; or
- the Fund's state of affairs in future financial years.

Rounding of amounts

The Fund is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that instrument amounts in the Directors' report and financial report have been rounded off to the nearest thousand dollars, or in certain cases to the nearest dollar.

Directors' Report

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* (Cth) accompanies this report on page 5.

This report is made pursuant to section 306(3) of the *Corporations Act 2001* (Cth).

A handwritten signature in black ink, appearing to read 'TL Cox', with a small 'x' at the end of the signature.

TL Cox

Chair

24 February 2021

Brisbane



Level 38, 345 Queen Street
Brisbane, QLD 4000

Postal address
GPO Box 1144
Brisbane, QLD 4001

p. +61 7 3222 8444

The Directors
Cromwell Funds Management Limited
As Responsible Entity for Cromwell Phoenix Property Securities Fund
Level 19, 200 Mary Street
BRISBANE QLD 4000

Auditor's Independence Declaration

In relation to the independent auditor's review of Cromwell Phoenix Property Securities Fund for the half year ended 31 December 2020, to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

PITCHER PARTNERS

WARWICK FACE
Partner

Brisbane, Queensland
24 February 2021

Brisbane Sydney Newcastle Melbourne Adelaide Perth

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MARK NICHOLSON	JASON EVANS	NORMAN THURECHT	WARWICK FACE	SIMON CHUN	TOM SPLATT	DANIEL COLWELL	FELICITY CRIMSTON	KIERAN WALLIS	

Statement of Profit or Loss

For the half-year ended 31 December 2020

	Half-year ended	
	31 December 2020 \$'000	31 December 2019 \$'000
Investment and other income		
Distributions and dividend income	5,215	7,278
Interest	1	22
Net fair value gain from investments in equity securities	48,955	10,047
Total investment and other income	54,171	17,347
Expenses		
Fund administration costs	1,187	1,410
Brokerage fees	48	76
Total expenses	1,235	1,486
Profit for the half-year	52,936	15,861
Other comprehensive income for the half-year	-	-
Total comprehensive income for the half-year	52,936	15,861

The above statement of profit or loss should be read in conjunction with the accompanying notes.

Balance Sheet

As at 31 December 2020

	Notes	As at	
		31 December 2020 \$'000	30 June 2020 \$'000
Assets			
Cash and cash equivalents		2,536	7,059
Trade & other receivables		3,609	3,053
Investments at fair value through profit or loss	3	274,474	225,627
Total assets		280,619	235,739
Liabilities			
Payables		704	1,142
Distribution payable		2,825	2,836
Total liabilities		3,529	3,978
Net assets		277,090	231,761
Equity			
Contributed equity	4	236,592	239,006
Retained earnings / (accumulated losses)		40,498	(7,245)
Total equity		277,090	231,761

The above balance sheet should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the half-year ended 31 December 2020

31 December 2020	Notes	Contributed equity \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2020		239,006	(7,245)	231,761
Total comprehensive income for the half-year		-	52,936	52,936
<i>Transactions with unitholders in their capacity as unitholders:</i>				
Units issued:				
For cash	4	22,038	-	22,038
Reinvestment of distributions	4	1,070	-	1,070
Units redeemed	4	(25,522)	-	(25,522)
Distributions paid / payable	2	-	(5,193)	(5,193)
Total transactions with unitholders		(2,414)	(5,193)	(7,607)
Balance at 31 December 2020		236,592	40,498	277,090

31 December 2019	Notes	Contributed equity \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2019		208,632	66,816	275,448
Total comprehensive income for the half-year		-	15,861	15,861
<i>Transactions with unitholders in their capacity as unitholders:</i>				
Units issued:				
For cash	4	39,138	-	39,138
Reinvestment of distributions	4	2,490	-	2,490
Units redeemed	4	(22,247)	-	(22,247)
Distributions paid / payable	2	-	(7,179)	(7,179)
Total transactions with unitholders		19,381	(7,179)	12,202
Balance at 31 December 2019		228,013	75,498	303,511

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the half-year ended 31 December 2020

	Half-year ended	
	31 December 2020 \$'000	31 December 2019 \$'000
Cash flows from operating activities		
Distributions and dividends received	3,623	7,163
Interest received	1	29
Expenses paid	(1,057)	(1,298)
Net cash provided by operating activities	2,567	5,894
Cash flows from investing activities		
Payments for investments at fair value through profit or loss	(39,635)	(61,095)
Proceeds from sale of investments at fair value through profit or loss	40,834	40,731
Net cash provided by / (used in) investing activities	1,199	(20,364)
Cash flows from financing activities		
Proceeds from issue of units	22,009	39,138
Payment for units redeemed	(26,164)	(21,805)
Payment of distributions	(4,134)	(9,364)
Net cash (used in) / provided by financing activities	(8,289)	7,969
Net decrease in cash and cash equivalents	(4,523)	(6,501)
Cash and cash equivalents at 1 July	7,059	10,907
Cash and cash equivalents at 31 December	2,536	4,406

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the half-year ended 31 December 2020

1. Basis of preparation

This general purpose financial report of Cromwell Phoenix Property Securities Fund for the half-year reporting period ended 31 December 2020 has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001* (Cth). The financial report is designed to provide an update on the Fund's financial performance and financial position since the last annual financial report was issued. This financial report therefore does not include all the notes normally included in an annual financial report and needs to be read in conjunction with the annual report for the year ended 30 June 2020. The Fund is a for-profit entity for the purposes of preparing financial statements.

The accounting policies adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Fund's 2020 annual report for the year ended 30 June 2020, except for the impact of the standards and Interpretations described below. These accounting policies are consistent with applicable Australian accounting standards and with international financial reporting standards.

Rounding of amounts

The Fund is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that instrument amounts in the Directors' report and financial report have been rounded off to the nearest thousand dollars, or in certain cases to the nearest dollar.

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current half-year.

Continuous disclosure

Continuous disclosure and updates on the Fund's performance and events significant to the Fund are provided on Cromwell's webpage at www.cromwell.com.au/pof.

Segment information

The Fund operates in one operating segment, being investment in ASX listed small capitalisation securities. The Fund earns dividends and derives capital appreciation from investments in listed ASX securities.

a) New and amended accounting standards and interpretations adopted by the Fund

There are no material changes to the Fund's financial performance and financial position as a result of the adoption of the new and amended Australian accounting standards and interpretations effective for annual reporting periods beginning on or after 1 July 2020.

b) New accounting standards and interpretations and amendments thereto issued but not yet adopted by the Fund

There are no new Australian accounting standards or interpretation or amendments thereto that are issued but not yet effective that are expected to have a material impact upon the financial performance and financial position of the Fund.

2. Distributions

a) Overview

The Fund earns income, such as distributions, dividends, interest and realised capital gains, from its investments. Distributions are paid quarterly. When calculating the amount of distribution, the expected return from the Fund's investments (on an annualised basis) is taken into account. The actual amount distributed may be higher or lower than this amount but is no less than the Fund's net taxable income.

b) Distributions paid / payable

The distribution history of the Fund may be viewed on Cromwell's webpage at www.cromwell.com.au/psf. Total distributions paid / payable during the half-year were as follows:

	Half-year ended	
	31 December 2020 \$'000	31 December 2019 \$'000
Distributions paid / payable	5,193	7,179

Notes to the Financial Statements

For the half-year ended 31 December 2020

3. Investments at fair value through profit or loss

a) Overview

The Fund invests in listed property securities with the aim to deliver a total return (after fees) in excess of the S&P/ASX 300 A-REIT Accumulation Index over 3-5 years with lower overall risk. As at 31 December 2020 the investments of the Fund were primarily comprised of securities listed on the ASX.

b) Investment details

As at period end, the Fund held the following investments:

	As at	
	31 December 2020 \$'000	30 June 2020 \$'000
Listed equity securities	274,474	225,492
Unlisted equity securities	-	135
Total investments	274,474	225,627

For accounting purposes, the fund's investments in listed securities are classified as investments at fair value through profit or loss with fair value gains or losses recognised in profit or loss. For further details about the fair value measurement of these financial assets refer to note 5.

4. Contributed equity

a) Overview

The Fund commenced in April 2008 as a wholly owned fund of the Cromwell Property Group.

Units are issued and redeemed by the Fund at a unit price determined daily in accordance with the responsible entity's Unit Pricing Policy. Per the Australian Securities and Investments Commission ("ASIC") and the Australian Prudential Regulation Authority's ("APRA") Unit Pricing: Guide to Good Practice, investors will receive compensation for any material unit pricing errors. In accordance with these guidelines the Fund does not pay exited members compensation for material unit pricing errors where the amount of any compensation payable is less than \$20.

(b) Movements in contributed equity

	#'000	\$'000
Balance at 1 July 2019	208,436	208,632
Units issued for cash	28,413	39,138
Distribution reinvestments	1,869	2,490
Units redeemed for cash	(16,201)	(22,247)
Balance at 31 December 2019	222,517	228,013
Units issued for cash	27,593	30,446
Distribution reinvestments	1,252	1,341
Units redeemed for cash	(19,039)	(20,794)
Balance at 30 June 2020	232,323	239,006
Units issued for cash	20,371	22,038
Distribution reinvestments	1,057	1,070
Units redeemed for cash	(23,812)	(25,522)
Balance at 31 December 2020	229,939	236,592

Notes to the Financial Statements

For the half-year ended 31 December 2020

5. Fair value disclosures – financial instruments

a) Fair value hierarchy

This note provides an update on the fair value measurements of financial instruments since the last annual financial report, including estimates and judgements made to determine the fair value of financial instruments.

The Fund measures and recognises the following financial instruments at fair value on a recurring basis:

- Investments at fair value through profit or loss.

AASB 13 *Fair Value Measurement* describes a hierarchy of fair value measurements depending on the type of inputs used to determine fair value. The levels of fair value measurement as described in the accounting standard are as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The classification into different levels provides an indication about the reliability of the inputs used in determining fair value with level 1 measurements using the most reliable inputs and level 3 using the least reliable inputs as they are based on judgements and estimates.

The measurement of the fair value of the Fund's investments is a level 1 measurement. The Fund's investments are predominantly ASX listed securities with the fair value being determined by reference to the quoted ASX closing price.

b) Fair values of other financial instruments not measured at fair value

The carrying amounts of receivables, payables and distributions payable are assumed to approximate their fair values due to their short-term nature.

6. Unrecognised items

a) Overview

Items that have not been recognised on the Fund's balance sheet include contractual commitments for future expenditure and contingent liabilities which are not sufficiently certain to qualify for recognition as a liability on the balance sheet. This note provides details of any such items.

b) Contingent liabilities

As disclosed in the Fund's 30 June 2020 annual financial report, the Directors are not aware of any material contingent liabilities and the Directors are not aware of any material changes in contingent liabilities of the Fund since the last annual financial report.

c) Commitments

At period end the Fund does not have any material expenditure commitments. There was no change since the Fund's last annual financial report.

7. Subsequent events

No matter or circumstance has arisen since 31 December 2020 that has significantly affected or may significantly affect:

- the Fund's operations in future financial years; or
- the results of those operations in future financial years; or
- the Fund's state of affairs in future financial years.

Directors' Declaration

In the opinion of the Directors of Cromwell Funds Management Limited as responsible entity for Cromwell Phoenix Property Securities Fund:

- (a) the attached financial statements and notes are in accordance with the *Corporations Act 2001* (Cth), including:
 - (i) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* (Cth), and
 - (ii) giving a true and fair view of the Fund's financial position as at 31 December 2020 and of its performance for the half-year ended on that date;
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

This report is made pursuant to section 303(5) of the *Corporations Act 2001* (Cth).



TL Cox

Chair

24 February 2021

Brisbane



Level 38, 345 Queen Street
Brisbane, QLD 4000

Postal address
GPO Box 1144
Brisbane, QLD 4001

p. +61 7 3222 8444

Independent Auditor's Review Report To the Members of Cromwell Phoenix Property Securities Fund

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Cromwell Phoenix Property Securities Fund ("Fund") which comprises the balance sheet as at 31 December 2020, the statement of profit or loss, statement of changes in equity and statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Cromwell Phoenix Property Securities Fund does not comply with the *Corporations Act 2001* including:

- a) giving a true and fair view of the Fund's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of Cromwell Funds Management Limited ("the responsible entity"), would be in the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the Directors for the Financial Report

The directors of the responsible entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Brisbane Sydney Newcastle Melbourne Adelaide Perth

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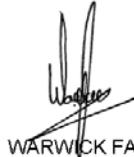
NIGEL FISCHER	PETER CAMENZULLI	KYLIE LAMPRECHT	BRETT HEADRICK	COLE WILKINSON	JEREMY JONES	JAMES FIELD	ROBYN COOPER	CHERYL MASON	MURRAY GRAHAM
MARK NICHOLSON	JASON EVANS	NORMAN THURECHT	WARWICK FACE	SIMON CHUN	TOM SPLATT	DANIEL COLWELL	FELICITY CRIMSTON	KIERAN WALLIS	

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Fund's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

PITCHER PARTNERS



WARWICK FACE
Partner

Brisbane, Queensland
24 February 2021