



CROMWELL
PROPERTY GROUP



Phoenix Portfolios

Cromwell Phoenix Property Securities Fund

ARSN 129 580 267

Half-Year Financial Report

31 December 2018

Responsible entity:
Cromwell Funds Management Limited
ABN 63 114 782 777 AFSL 333214
Level 19, 200 Mary Street
Brisbane QLD 4000

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DIRECTORY

Responsible Entity:

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Custodian:

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Email: LFS_contact@linkgroup.com
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Auditor:

Pitcher Partners
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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 2018.

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 \$11.5 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 are as follows:

Ms MA McKellar	Non-executive Director
Ms JA Tongs	Non-executive Director
Mr WRL Foster	Non-executive Director
Mr PL Weightman	Executive Director

Review of operations and results

Financial performance

The Fund recorded a statutory loss of \$4,913,000 for the half-year ended 31 December 2018 (2017: statutory profit of \$23,378,000) and paid distributions of \$6,456,000 (2017: \$5,248,000).

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)	(1.5%)	0.0%	8.7%	14.3%	9.8%
Fund performance (after fees and costs)	(1.9%)	(1.0%)	7.7%	13.2%	8.7%
S&P/ASX 300 A-REIT Index	0.2%	3.3%	7.6%	12.5%	4.0%
Excess return (after fees and costs)	(2.1%)	(4.3%)	0.1%	0.7%	4.7%

For the half year ending 31 December 2018, the S&P/ASX 300 A-REIT Accumulation Index was stable returning 0.2%. The A-REIT sector outperformed weak broader equity markets over the half year reflecting a relative flight to safety. Returns of the sector were buoyed by a tailwind of falling interest rates with the yield on 10 year Australian Government Bonds declining 31 basis points during the period.

The Fund delivered a -1.9% return for the 6 month period ending 31 December 2018, thereby under-performing the benchmark by 2.1% after fees. The major detractor from relative performance was a nil holding in index heavyweight Goodman Group which rose 12% over the period. The fund does not hold a position in Goodman Group as the manager believes at prevailing market prices the stock has a poor relative valuation.

Subsequent events

No matter or circumstance has arisen since 31 December 2018 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.

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 4.

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


PL Weightman
Director
27 February 2019
Brisbane



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

Dear Directors

Auditor's Independence Declaration

As lead auditor for the review of the financial report of Cromwell Phoenix Property Securities Fund for the half year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants*.

PITCHER PARTNERS

WARWICK FACE
Partner

Brisbane, Queensland
27 February 2019

Ken Ogden
Nigel Fischer
Mark Nicholson

Peter Camenzuli
Jason Evans
Ian Jones

Kylie Lamprecht
Norman Thurecht
Brett Headrick

Warwick Face
Nigel Batters
Cole Wilkinson

Simon Chun
Jeremy Jones
Tom Splatt

James Field
Daniel Colwell

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Statement of Comprehensive Income

For the half-year ended 31 December 2018

	Half-year ended	
	31 December 2018 \$'000	31 December 2017 \$'000
Investment and other income		
Distributions and dividend income	5,794	5,725
Interest	37	24
Other income	3	-
Net fair value gains from investments in equity securities	-	18,693
Total investment and other income	5,834	24,442
Expenses		
Fund administration costs	1,099	1,029
Brokerage fees	82	35
Other fees	8	-
Net fair value losses from investments in equity securities	9,558	-
Total expenses	10,747	1,064
(Loss) / profit for the half-year	(4,913)	23,378
Other comprehensive income for the half-year	-	-
Total comprehensive (loss) / income for the half-year	(4,913)	23,378

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of Financial Position

As at 31 December 2018

	Notes	As at	
		31 December 2018 \$'000	30 June 2018 \$'000
Current assets			
Cash and cash equivalents		6,982	7,502
Receivables		3,716	6,707
Investments at fair value through profit or loss	3	232,902	238,158
Total current assets		243,600	252,367
Current liabilities			
Payables		2,418	672
Distribution payable		3,195	10,155
Total current liabilities		5,613	10,827
Net assets		237,987	241,540
Equity			
Contributed equity	4	191,072	183,256
Retained earnings		46,915	58,284
Total equity		237,987	241,540

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the half-year ended 31 December 2018

31 December 2018	Notes	Contributed equity \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2018		183,256	58,284	241,540
Total comprehensive loss for the half-year		-	(4,913)	(4,913)
<i>Transactions with unitholders in their capacity as unitholders:</i>				
Units issued:				
For cash	4	25,787	-	25,787
Reinvestment of distributions	4	3,410	-	3,410
Units redeemed	4	(21,381)	-	(21,381)
Distributions paid / payable	2	-	(6,456)	(6,456)
Total transactions with unitholders		7,816	(6,456)	1,360
Balance at 31 December 2018		191,072	46,915	237,987

31 December 2017	Notes	Contributed equity \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2017		156,903	50,699	207,602
Total comprehensive income for the half-year		-	23,378	23,378
<i>Transactions with unitholders in their capacity as unitholders:</i>				
Units issued:				
For cash	4	30,642	-	30,642
Reinvestment of distributions	4	4,763	-	4,763
Units redeemed	4	(18,676)	-	(18,676)
Distributions paid / payable	2	-	(5,248)	(5,248)
Total transactions with unitholders		16,729	(5,248)	11,481
Balance at 31 December 2017		173,632	68,829	242,461

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 2018

	Half-year ended	
	31 December 2018 \$'000	31 December 2017 \$'000
Cash flows from operating activities		
Distributions and dividends received	5,776	5,197
Interest received	36	23
Other income received	3	-
Expenses paid	(1,473)	(1,171)
Net cash provided by operating activities	4,342	4,049
Cash flows from investing activities		
Payments for investments at fair value through profit or loss	(31,444)	(21,207)
Proceeds from sale of investments at fair value through profit or loss	32,009	11,439
Net cash provided by / (used in) investing activities	565	(9,768)
Cash flows from financing activities		
Proceeds from issue of units	25,787	30,642
Payments for units redeemed	(21,208)	(18,459)
Payment of distributions	(10,006)	(11,770)
Net cash (used in) / provided by financing activities	(5,427)	413
Net decrease in cash and cash equivalents	(520)	(5,306)
Cash and cash equivalents at 1 July	7,502	9,493
Cash and cash equivalents at 31 December	6,982	4,187

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 2018

1 Basis of preparation

This general purpose financial report of Cromwell Phoenix Property Securities Fund (the "Fund") for the half-year reporting period ended 31 December 2018 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 2018. The Fund is a for-profit entity for the purposes of preparing financial statements.

The accounting policies adopted, other than those outlined below under *New and amended standards adopted by the Fund*, are consistent with those of the previous financial year and corresponding half-year reporting period.

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.

New and amended standards adopted by the Fund

During the half-year reporting period ended 31 December 2018, the following accounting new standards and interpretations were adopted by the Fund:

	Application date of Standard	Application date for the Fund
AASB 9 <i>Financial Instruments</i>	1 Jan 2018	1 Jul 2018
AASB 15 <i>Revenue from Contracts with Customers</i>	1 Jan 2018	1 Jul 2018

The impact of adoption of the new standards for the half-year reporting period is summarised below.

AASB 9 Financial Instruments

AASB 9 addresses the classification, measurement and derecognition of financial assets that are classified as available-for-sale or are designated at fair value through profit or loss and are held both for collecting contractual cash flows and sales integral to achieving the objective of the business model, as well as financial liabilities designated at fair value through profit or loss. The standard also introduces new rules for hedge accounting, to align more closely with an entity's risk management practices.

As noted in the Fund's annual financial report for the year ended 30 June 2018, the Fund does not carry such financial assets or financial liabilities, and currently does not apply hedge accounting. As a result, adoption of the new accounting standard from 1 July 2018 will not have a material impact on the accounting for financial assets or financial liabilities, nor will it have a material impact on the Fund's hedging arrangements in the half-year reporting period ended 31 December 2018. Comparative results have not been restated.

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 118 *Revenue*, which currently covers contracts for goods and services, and AASB 111 *Construction Contracts* which covered construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

As noted in the Fund's annual financial report for the year ended 30 June 2018, the standard does not change the recognition of the Fund's primary revenue item, being distributions and dividend income. As a result, adoption of the new accounting standard from 1 July 2018 will not have a material impact on the Fund. Comparative results have not been restated.

The Fund has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Continuous disclosure

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

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. Total distributions paid / payable during the half-year were as follows:

	Half-year ended	
	31 December 2018	31 December 2017
	\$'000	\$'000
Distributions paid / payable	6,456	5,248

Notes to the Financial Statements

For the half-year ended 31 December 2018

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 2018 the investments of the Fund were primarily composed of securities listed on the ASX.

(b) Investment details

As at period end the Fund held the following investments:

	As at	
	31 December 2018 \$'000	30 June 2018 \$'000
Listed equity securities	232,713	237,969
Unlisted equity securities	189	189
Total investments	232,902	238,158

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's) 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 2017	169,066	156,903
Units issued for cash	23,898	30,642
Distribution reinvestments	3,873	4,763
Units redeemed for cash	(14,749)	(18,676)
Balance at 31 December 2017	182,088	173,632
Units issued for cash	22,405	28,515
Distribution reinvestments	1,187	1,517
Units redeemed for cash	(16,111)	(20,408)
Balance at 30 June 2018	189,569	183,256
Units issued for cash	20,252	25,787
Distribution reinvestments	2,674	3,410
Units redeemed for cash	(17,055)	(21,381)
Balance at 31 December 2018	195,440	191,072

5 Fair value disclosures – financial instruments

(a) Overview

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.

(b) Fair value hierarchy

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;

Notes to the Financial Statements

For the half-year ended 31 December 2018

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 ASX listed securities with the fair value being determined by reference to the quoted ASX closing price.

(c) 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) Contingent liabilities

As disclosed in the Fund's 30 June 2018 annual 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 report.

(b) Commitments

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

Directors' Declaration

In the opinion of the Directors of Cromwell Funds Management Limited as responsible entity for Cromwell Phoenix Property Securities Fund (collectively referred to as "the Directors"):

- (a) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable;
- (b) 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 2018 and of its performance for the half-year ended on that date.

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



PL Weightman
Director
27 February 2019
Brisbane



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INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of Cromwell Phoenix Property Securities Fund

Report on the Half-Year Financial Report

We have reviewed the accompanying half year financial report of Cromwell Phoenix Property Securities Fund, which comprises the balance sheet as at 31 December 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Cromwell Funds Management Limited (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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, 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 2018 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*. As the auditor of Cromwell Phoenix Property Securities Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

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

- a) giving a true and fair view of the fund's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

PITCHER PARTNERS

WARWICK FACE

Partner

Brisbane, Queensland

27 February 2019

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Nigel Fischer
Mark Nicholson

Peter Camenzuli
Jason Evans
Ian Jones

Kylie Lamprecht
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