

# CROMWELL PHOENIX CORE LISTED PROPERTY FUND



ARSN 604 286 071 | APIR Code CRM0026AU | ASX mFund Code CFM01

## Additional Information 29 September 2017 Issued by Cromwell Funds Management Limited

The following information is incorporated by reference, and forms part, of the Product Disclosure Statement dated 29 September 2017 ("PDS") for the Cromwell Phoenix Core Listed Property Fund ARSN 604 286 071 ("Fund").

### How to withdraw

For all investors, the minimum withdrawal amount is \$10,000 or a lesser amount at Cromwell Funds Management Limited's ("CFM") discretion. If a withdrawal would result in an investor having less than \$10,000 then CFM may regard the withdrawal request as relating to the investor's entire holding.

#### Direct investors

To make a withdrawal, direct investors should complete a Withdrawal Request Form available from the Fund's website, at [www.cromwell.com.au/Forms-Library](http://www.cromwell.com.au/Forms-Library).

In normal circumstances, withdrawals will be processed and paid within 5 business days from the date the withdrawal request is received, where the request is received before 1.00 pm AEST (or AEDT when observed) on a Sydney business day. Where requests are received after 1.00 pm AEST (or AEDT when observed) on a Sydney business day, they are taken as having been received on the next Sydney business day.

Units are redeemed at the withdrawal unit price based on the valuation of net assets at the close of business on the day the withdrawal request is accepted.

#### Indirect investors

IDPS investors can only withdraw through the IDPS operator in accordance with their terms and conditions. Provisions which relate to withdrawals from the Fund will apply to the operator of the IDPS and not the indirect investor. Indirect investors should consult the IDPS about withdrawals from the Fund.

### For investors using mFund

To make a withdrawal, you lodge a redemption request with your ASX broker (or your financial adviser who uses a stockbroking service on your behalf).

Your broker will direct the redemption request to the Registrar through CHES. Redemption requests received and accepted by the Registrar will be forwarded by CHES to your broker with the withdrawal payment date and the withdrawal unit price as notified by the Registrar. When your withdrawal payment is passed through the CHES daily batch settlement process, the units will be cancelled and your HIN will be updated. If, while the Fund is admitted as an mFund product, you apply for a withdrawal by your broker submitting a redemption request through CHES, the request must be received and confirmed by the Registrar by 11:15am Sydney time on a Business Day for you to receive the withdrawal price effective for that Business Day. If the Registrar receives your redemption request after this time or on a weekend or public holiday, you will receive the withdrawal price effective for the next Business Day.

### Suspension of withdrawals

CFM may suspend withdrawals for up to 180 days in certain circumstances as specified in the Fund's constitution. These circumstances may include when CFM considers it impracticable to calculate unit prices, for example when CFM estimates a significant amount of the Fund's assets must be sold to meet withdrawals, because of closure of or trading restrictions on securities exchanges, an emergency or other state of affairs, or when CFM considers it is not in the best interests of investors to realise the required assets.

Any withdrawal request received during a period of suspension will be taken to have been received by CFM immediately after the end of the suspension period.

The withdrawal conditions described above assume that the Fund remains "liquid" as defined in the Corporations Act 2001 (Cth) ("Corporations Act"). At the date of the PDS, CFM is of the view that the Fund is "liquid". Under the Corporations

Act, where a fund is “illiquid”, the responsible entity can only offer investors the opportunity to withdraw from the Fund by way of a written offer made in accordance with provisions in the Corporations Act and the Fund’s constitution, but is not obliged to do so. Where no such offer is made, investors have no right to withdraw from the Fund.

## Transferring units

### For direct investors

A direct investor can transfer units in the Fund to another person by providing CFM with a completed Cromwell transfer form, signed by both the transferor and the transferee and any other required documents.

The Cromwell transfer form details what documents CFM requires to consider the transfer. CFM reserves the right to decline transfer requests if a transferee does not meet CFM’s criteria for an investor, the transfer is not stamped (where required) or any amount payable to CFM in respect of any of the units to be transferred remains unpaid. Tax implications could be associated with the transfer of units. Investors should discuss their circumstances with their professional adviser before requesting a transfer.

## Additional risks

In addition to the risks mentioned in the PDS, the risks below may also relate to an investment in the Fund.

### Property risk

Although the Fund does not invest in direct property, through its investments in property securities and property related securities many of the factors affecting the direct property market will affect the value of securities held by the Fund. These factors, which may affect the Fund’s performance, include the quality of properties, current and expected income, geographic location of the underlying properties and supply and demand issues.

### Fund risk

Risks particular to the Fund include that the Fund could terminate, the fees and expenses could change and CFM or Phoenix could be replaced. There is also a risk that investing in the Fund could give different results than investing directly due to income or capital gains accrued in the Fund and the consequences of investment and withdrawal by other investors.

### Diversification risk

Generally, the more diversified a fund, the lower the impact that an adverse event affecting one security will have on the overall performance of the fund.

There are currently approximately 30 large cap property and property related securities in the Fund’s universe of investment options. In the future there may be a reduction in this number due to consolidation, de-listing or other factors. This could lead to a reduction in available investments and a decrease in diversification of the Fund.

### Performance risk

The Fund may fail to perform as expected and the Fund’s investment returns objective may not be achieved.

## Currency risk

The Fund is likely to invest in securities that hold assets or have borrowings in foreign countries and therefore the value of these assets or borrowings may be impacted by currency fluctuations. Currency hedging strategies may be used by individual securities to reduce these risks, but the impact of foreign exchange fluctuations cannot be completely eliminated.

## Withdrawal risk

Your ability to withdraw your investment out of the Fund may be suspended in certain circumstances.

## General economic factors

Economic risks relate to a broad range of investments, however the returns on investments, including investment in the Fund, can be affected by a range of economic factors including changes in interest rates, exchange rates, inflation, government policy (including monetary policy and other laws) and the general state of the domestic and international economies.

## Tax risk

In the unlikely event that the Fund ceases to qualify as a Managed Investment Trust (“MIT”), or an Attribution Managed Investment Trust (“AMIT”), the constitution provides that the pre-AMIT provisions apply to allocate tax to investors. In these circumstances investors will be presently entitled to the distributable income and will be allocated a share of the taxable income based on their entitlements to the distributable income. This may result in a different allocation of tax to investors or the Fund than outlined in the PDS and this AID.

The tax information provided in the PDS and this AID reflects the Australian income tax legislation in force and the interpretation of the Australian Taxation Office (“ATO”) and the courts as at the date of issue of the PDS and this AID. Tax laws are subject to continual change and this may impact the taxation of trusts and investors.

## Additional explanation of fees and costs

### Management costs

These fees and costs are paid indirectly by you in proportion to your investment in the Fund. If CFM or a related party is liable to pay Goods and Services Tax (“GST”) on any fees charged to the Fund, CFM is entitled to be reimbursed by the Fund for the GST liability.

### Management fee

The management fee payable to CFM is charged for the management of the Fund’s investment portfolio, for acting as the responsible entity of the Fund and for overseeing the operations of the Fund. CFM charges a management fee of 0.65% p.a. of the Fund’s gross asset value (i.e., \$65 out of every \$10,000 of the Fund’s gross asset value). The management fee accrues daily and is payable monthly in arrears. It is deducted from the Fund’s assets and reflected in the unit price.

Out of CFM’s management fee CFM pays Phoenix for investment management services. The Fund does not pay any additional management fees to Phoenix.

## Ongoing administration costs

The Fund will also incur administration expenses which CFM will cap at 0.15% p.a. of the Fund's gross asset value (i.e., \$15 out of every \$10,000 of the Fund's gross asset value). These expenses include audit costs, custodial fees, compliance committee costs, accounting/tax/legal advice fees, bank charges, printing and stationery costs, postage and a registry fee. CFM has agreed to bear any normal administrative expenses above 0.15% p.a.. If we remove the cap on normal administrative expenses in the future, we will give you 30 days' written notice.

## Indirect costs

Indirect costs are essentially any amounts that reduce (or may reasonably be expected to reduce) the Fund's returns. The management costs disclosed in the PDS (see Section 6: Fees and Costs) include all indirect costs of the Fund, including the costs of investing through interposed vehicles. The indirect costs incurred by the Fund will depend on the Fund's portfolio composition and are generally calculated based on the amounts paid in the previous financial year. Actual indirect costs for a financial year may therefore differ from the amount disclosed in Table 1 of the PDS. However, CFM considers that the indirect costs of investing through interposed vehicles is unlikely to exceed 0.1% p.a. of the Fund's net asset value on an ongoing basis (i.e., \$10 out of every \$10,000 of the Fund's net asset value). Indirect costs are paid from the Fund's assets (or from the assets of interposed vehicles) when the cost is incurred and are reflected in the unit price. Indirect costs are not directly payable by you.

## Abnormal expenses

CFM is entitled to be reimbursed from the Fund for abnormal expenses, such as the cost of unitholder meetings, legal costs of any proceedings involving the Fund and terminating the Fund. Whilst it is not possible to estimate such expenses with certainty, CFM anticipates that the events that give rise to such expenses will rarely occur.

## Transactional and operational costs

Transactional and operational costs are costs incurred by the Fund for dealing with the Fund's assets. These costs include brokerage and the transactional and operational costs of interposed vehicles. Brokerage costs, including market impact of transactions required to be made to implement cash flows into and out of the Fund, are generally covered by the buy/sell spread (see below). Brokerage costs associated with the active management of the portfolio are difficult to estimate as they depend on turnover levels in the Fund, which have been historically volatile.

The Fund's total transactional and operational costs were 0.1% of the net assets of the Fund (e.g., \$50 for every \$50,000 of net assets). If the buy/sell spread applied is not sufficient to cover the Fund's total transactional and operational costs, the balance of the costs will be paid out of the Fund's assets. If the buy/sell spread applied exceeds the Fund's transactional and operational costs, the balance of the buy/sell spread will be retained by the Fund.

Phoenix has limited its funds under management to ensure it is able to implement investment insights with minimal market impact in the ordinary course of business. Therefore

we have assumed no bid/ask spread is incurred within transactional and operational costs.

Transactional and operational costs are disclosed based on amounts paid in the previous financial year and in any year will differ depending on the investment activity of the Fund.

## Buy/sell spread

The buy/sell spread is an additional cost to you and is generally incurred whenever you invest in, or withdraw from, the Fund. The buy/sell spread is retained by the Fund (it is not a fee paid to CFM) and reflects an estimated amount of transaction costs. The buy/sell spread includes CFM's estimate of brokerage and other costs that the Fund would be expected to incur in buying and selling the assets of the Fund as a result of applications and withdrawals made by investors. There is no buy/sell spread on distributions that are reinvested.

The current buy/sell spread is +0.20% /-0.20% of the amount that you invest or withdraw, represented as the difference between the issue price and withdrawal price. For example, if you invested \$50,000 in the Fund, then the cost of your buy spread would be \$100, and if you withdrew \$50,000 from the Fund, then the cost of your sell spread would be \$100.

CFM may vary the buy/sell spread from time to time and prior notice may not be given. Updated information on the buy/sell spread will be posted on our website at [www.cromwell.com.au/pcf](http://www.cromwell.com.au/pcf).

## Goods and services tax

All fees in this section and Section 6 of the PDS are inclusive of the net effect of GST (i.e. includes GST net of input tax credits and any available reduced input tax credits). The Fund may not be entitled to claim a reduced input tax credit in all circumstances. Under the constitution, CFM is also entitled to recover an additional amount from the Fund on account of any GST liability it has in relation to the fees and costs disclosed.

## Waiver or deferral of fees and costs

CFM may at its discretion partially or fully waive any fees to which it is entitled.

## Differential fees

CFM may negotiate reduced management fees on an individual basis as permitted by the Corporations Act and ASIC relief. By way of example, CFM may negotiate reduced fees with wholesale investors and professional investors as defined in the Corporations Act including indirect investors.

## Related party transactions

CFM or a related party may also provide other services to the Fund or the investors in the future such as management services. Should that occur, CFM or a related party will charge fees for those services at commercial market rates.

CFM has entered into an investment management agreement with Phoenix on behalf of the Fund.

## Additional adviser fees

Although this is not paid from the Fund, investors may agree on additional fees to be paid to their financial adviser.

## Indirect investors

If you are investing via an IDPS, fees and expenses applicable to the IDPS (and set out in the IDPS offer document or client agreement) are payable in addition to the fees and expenses stated in the PDS. Indirect investors should contact their IDPS operator if they have any questions.

## Investors using mFund

Investors using mFund may pay additional fees in the form of brokerage costs. Brokerage costs are paid by the investor and are not paid from the Fund. Investors should refer to the broker's Financial Services Guide for details of the brokerage costs.

## Additional explanation of how managed investment schemes are taxed

The taxation information in this AID is of a general nature only and does not take into account the financial objectives, situation or needs of any particular investor and is based on current taxation legislation as at the date of issue of the PDS and this AID.

This information is for resident investors who hold their units as long term investments on capital account. We have also provided general observations in relation to the tax implications for non-resident investors who hold their units as long term investments on capital account.

Tax law may change over time and tax treatment may vary according to individual circumstances and investors are advised to seek their own tax advice in respect of their investment in the Fund. Tax liabilities are the responsibility of each individual investor and CFM is not responsible for taxation or penalties incurred by investors.

## Australian resident investors

The Fund is an Australian resident trust for Australian tax purposes. CFM intends to limit the investment activities to ensure that the Fund is treated as a 'flow through' entity for the purposes of Australian tax.

The Fund qualifies as a Managed Investment Trust ("MIT") and satisfied the requirements to make a choice to be an Attribution Managed Investment Trust ("AMIT") for taxation purposes. The Fund has made a choice to be an AMIT for taxation purposes. The AMIT regime provides greater certainty on the application of the tax provisions for both the investors and the Fund.

## AMIT regime

Under the AMIT regime, the Fund is a flow through entity and investors will be attributed the taxable income of the Fund regardless of whether the Fund makes a distribution of income or capital.

The Fund will attribute taxable income and tax offsets to investors on a fair and reasonable basis. The attribution will be based on the investors' rights to the income and capital in the fund as provided for in the constitution.

Investors will be attributed tax components that may include interest, dividends, foreign income, franking credits, capital gains and income from property. CFM will provide investors with an AMIT member annual statement outlining the tax components. The components of interest, dividends, foreign income, franking credits, capital gains and income from property retain their character in the investor's hands.

## Attribution of income

Investors will include the tax components attributed to them in their assessable income. The tax implications for investors will depend upon the tax character of the tax components attributed to them.

## Dividends

A tax component attributed to an investor may include an entitlement to imputation credits on dividends. Imputation credits are not cash receipts though they will need to be included in investors' assessable income. Certain investors may offset their tax liability or be entitled to receive the imputation credit as a refund if they exceed their total tax liability. The entitlement to franking credits is subject to the holding period rules.

## Foreign income

A tax component attributed to an investor may include income received by the Fund from sources outside Australia which may be subject to taxation in the country of source. Australian resident investors may be entitled to claim an offset against their Australian tax liability in respect of the attributed amount of such foreign tax paid.

## Capital gains of the Fund

The Fund has made an election to treat investments on capital account for taxation purposes. Consequently, gains or losses on the disposal of investments will be taxable as a capital gain or loss.

Broadly, where the Fund disposes of an investment it has held for more than 12 months it may be eligible for discount Capital Gains Tax ("CGT") concessions. The taxable capital gain will be attributable to investors. Where an investor is an eligible investor, such as an individual, trustee or complying superannuation fund, the investor may be entitled to the discount CGT concessions.

The capital gain will be identified in the AMIT member annual statement to ensure that investors can calculate their net capital gain position.

## Cost base adjustments

The Fund will distribute income monthly in arrears based on the number of units held at the end of the distribution period. The amount of the cash distribution may be greater than, or less than, the taxable income attributed to an investor. Broadly, the cost base of the units will be increased by any amounts attributed to investors and the cost base will be reduced by any actual payments received (or are entitled to receive) and tax offset amounts attributed to investors. These amounts are netted off resulting in either an increase or decrease in cost base.

CFM will reflect any net increase or decrease in the cost base in the AMIT member annual statement issued to the investor.

Where your cost base is reduced to nil any net decreases to the cost base will result in a capital gain equal to that excess.

### Disposal of units

Investors may be liable for tax on capital gains realised on transfer, redemption or otherwise disposing of units in the Fund.

In order to determine their capital gains tax position, investors will need to adjust the tax cost base of their units in the Fund for any tax deferred distributions that were received from the Fund prior to the Fund electing to become an AMIT. Investors may also need to adjust the cost base to take into account any adjustments to the cost base under the AMIT rules as noted above.

Investors may be entitled to the discount capital gain concessions where the units have been held for more than 12 months. The Fund does not issue a separate capital gains statement if the investor disposes of units in the Fund.

### Under and overs

Where the Fund discovers an over estimate or under estimate of a tax component relating to a previous year, the AMIT rules allows CFM to attribute the tax consequence to either the previous year, or the year of discovery.

Consequently, an investor may be attributed a tax component related to an under estimate or over estimate of the tax component of a previous year. CFM will consider the facts and circumstances in determining whether to correct an under or over estimation in the discovery year or in the year that the under or over estimation relates.

### Member challenge

The Fund will issue an AMIT member annual statement to investors outlining the tax components attributed to that investor each year. The AMIT rules provide that an investor may object to the determined member component by notifying the Commissioner and substituting the amount with their own determination.

If an investor chooses to object against the amount attributed to them by the Fund as noted in the AMIT member annual statement, the investor must provide CFM with notification seven days prior to notifying the Commissioner of their choice to object. The notification to CFM must outline the investor's reasons for the objection. The investor will also be required to provide CFM with information so that CFM can assess the investor's objection. The investor will be required to meet all costs and liabilities incurred by CFM in assessing the objection.

## Quoting a Tax File Number ("TFN"), TFN Exemption or Australian Business Number ("ABN")

Collection of an investor's TFN is authorised, and their use and disclosure strictly regulated by the tax laws and the Privacy Act 1988. Investors may quote a TFN or claim a TFN exemption in relation to their investment in the Fund when, for direct investors, completing their application

form. Investors may quote an ABN instead of a TFN if they are making this investment in the course of an enterprise carried out by them.

If an investor chooses not to quote a TFN, TFN exemption or ABN, CFM will be required to deduct tax at the prescribed rate from that investor's income distributions. At the date of the PDS, this rate was 47%.

### Social security

Investing in the Fund may affect an investor's entitlement to social security as their investment may be included in the income and assets tests of Centrelink and the Department of Veterans' Affairs. Investors should obtain professional advice concerning the particular social security implications for their circumstances.

### Goods and Services Tax (GST)

The issue and withdrawal of units in the Fund is not subject to GST. However, some fees and expenses incurred by the Fund, such as management fees, will attract GST at the rate of 10%. The Fund may not be entitled to claim input tax credits for the full amount of the GST incurred.

However, for the majority of the expenses, a Reduced Input Tax Credit ("RITC") of 75% or 55% (depending on the nature of the expense) of the GST paid may be claimed.

Any unclaimable GST charged on fees and expenses is incorporated in the management costs for the Fund.

### Non-resident investors

The following comments are general in nature. Non-resident investors may be subject to withholding tax on amounts distributed or attributed to them by the Fund. The withholding tax rate depends on whether the Fund qualifies as a withholding tax MIT, the character of the income distributed or attributed and the residency of investors. The Fund currently qualifies as a withholding tax MIT. CFM will monitor the requirements to ensure that the Fund continues to qualify as a withholding tax MIT.

Non-resident investors should seek independent tax advice before investing, taking into account their particular circumstances and the provisions of any relevant Double Taxation Agreement between Australia and their country of residence.

### Tax on income

CFM is required to withhold tax on a non-resident investor's behalf in respect of any Australian taxable income distributed or attributed by the Fund.

Where the distribution or attribution includes Australian sourced interest, a final withholding tax of 10% will apply to that component. The final withholding tax on amounts referable to royalties and dividends is dependent on relevant Double Taxation Agreements and whether the dividend is franked.

A concessional final withholding tax rate of 15% will apply to distributions or attributions of fund payments to investors that are tax residents in countries approved as 'information exchange countries'. A fund payment is a distribution or

attribution of an amount other than an amount referable to interest, dividends, royalties, non-taxable Australian real property capital gains or amounts that are not from an Australian source.

A final withholding tax rate of 30% will apply to fund payments attributed or distributed to investors that are not residents of information exchange countries.

A 'final' withholding tax means that tax is deducted from the relevant component of the investor's Fund attribution or distribution and the investor is not required to lodge an Australian tax return in respect of this component. Further, expenses incurred in connection with deriving this income cannot be claimed as a deduction against this income in Australia.

### Tax on disposal of units

Where a non-resident investor holds less than 10% of the units in the Fund, the investor should not be subject to Australian capital gains tax on disposal of units.

### Foreign Account Tax Compliance Act and Common Reporting Standard

The Fund is required to collect and report financial account information about US tax residents or certain entities that have US controlling persons to the ATO. This information may be forwarded by the ATO onto the US Internal Revenue Service.

The Fund is also required to separately collect and report financial account information for all non-resident investors and certain entities with non-resident controlling persons under the Common Reporting Standard ("CRS") to the ATO. CRS applies from 1 July 2017. The ATO may exchange this information with the participating foreign tax authorities of those non-residents.

To assist us in complying with these obligations, we may request certain information from you.

### Indirect investors

The taxation information in this section and the PDS does not consider the treatment of indirect investors. Indirect investors should consult their tax adviser in relation to investing through an IDPS.

The following information is relevant to but does NOT form part of the Product Disclosure Statement dated 29 September 2017 ("PDS") for the Cromwell Phoenix Core Listed Property Fund ARSN 604 286 071 ("Fund").

### Constitution

The constitution of the Fund, the PDS, the Corporations Act and other laws such as the general law relating to trusts govern the relationship between investors and Cromwell Funds Management Limited ABN 63 114 782 77, AFSL 333214 as responsible entity of the Fund.

A number of the provisions of the Fund's constitution have been dealt with in the PDS. Other important provisions of the constitution are set out below. A copy of the Fund's constitution can be obtained from ASIC or inspected at CFM's head office, or can be requested by contacting CFM on 1300 268 078.

The constitution establishes the Fund and sets out the basis upon which CFM is appointed responsible entity of the Fund. The responsible entity or the appointed custodian holds the assets of the Fund at all times on trust for the investors subject to the provisions of the constitution and the Corporations Act.

Generally the constitution:

- defines an investor's rights to withdraw from the Fund;
- defines what an investor's is entitled to receive when withdrawing from the Fund;
- defines when the Fund may be wound up and what investors are entitled to receive on winding up; and
- states that an investor's liability is generally limited to the amount paid or which remains unpaid on that investor's units, however higher courts are yet to determine the effectiveness of these types of provisions.

In relation to CFM's powers, duties and liabilities as responsible entity of the Fund, the constitution:

- allows CFM to refuse applications for units, in whole or in part, at CFM's discretion and without giving reasons;
- allows CFM to set a minimum investment to be made in the Fund;
- provides that, unless the Corporations Act imposes liability, CFM is not liable in contract, tort or otherwise to unitholders for any loss suffered in any way relating to the Fund; and
- allows CFM to change the Fund's constitution, but only with investors' approval if the change would adversely affect the rights of investors.

### Compliance plan and compliance committee

The compliance plan sets out the measures that CRM applies in operating the Fund to ensure that it complies with the provisions of the Corporations Act and the Fund's constitution.

Each financial year the compliance plan is independently audited as required by the Corporations Act, and a copy of the auditor's report is lodged with ASIC.

CFM has a compliance committee with a majority of external members. The functions of the compliance committee include:

- assessing the adequacy of the compliance plan and recommending any changes; and
- monitoring CFM's compliance with the compliance plan and reporting findings to CFM.