



insight

CEREIT ANNOUNCES MAIDEN FULL-YEAR 2018 ANNUAL RESULTS



INSIDE

06

The future of
franking credit
refunds

08

2018 global real
estate market
wrap

12

Compare the
pair: Sydney
and Auckland
Airports

16

Cromwell
Property Group
Foundation calls
for nominations

18

Seven retirement
challenges that
need a different
focus

CONTENTS




- 3 CEO update
- 4 In brief
- 6 The future of franking credit refunds
- 8 2018 global market wrap
- 12 Stock Talk: Compare the pair: Sydney vs Auckland airports
- 16 Cromwell Property Group Foundation calls for nominations
- 18 Seven retirement challenges that need a different focus
- 22 Cromwell implements innovative Building Services Network at Soward Way
- 26 In conversation with ... Lisa Treble
- 28 Revisiting the Cromwell Direct Property Fund five years on

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Insight Magazine

Published by Cromwell Property Group

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Cromwell Property Group (ASX:CMW) (Cromwell) is a Real Estate Investor and Manager with operations on three continents and a global investor base. The Group is included in the S&P/ASX 200. As at 31 December 2018, Cromwell had a market capitalisation of \$2.2 billion, a direct property investment portfolio in Australia valued at \$2.5 billion and total assets under management of \$11.5 billion across Australia, New Zealand and Europe.

Insight Magazine is published by Cromwell for our securityholders, investors, financial planners and other stakeholders. It is distributed quarterly and features our view of industry trends, news and educational matters. We also share our achievements in property markets and report on the progress of our investment funds.

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

All statistics, data and financial information are prepared as at 31 December 2018 unless otherwise indicated. All dollar figures shown are in Australian dollars unless otherwise indicated.

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

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30 QUARTERLY REPORTS

32 Australian Market Update

34 Cromwell Direct Property Fund

35 Cromwell Australian Property Fund

36 Cromwell Phoenix Property Securities Fund

37 Cromwell Property Trust 12

38 Cromwell Ipswich City Heart Trust

39 Cromwell Riverpark Trust

40 Cromwell Phoenix Opportunities Fund

41 QUARTERLY SNAPSHOT



Paul
Weightman
MANAGING DIRECTOR
/CEO

CEO update

Dear Investor,

On 28 February 2019, Cromwell reported half-year statutory profits of \$111.1 million. Operating profit, considered by the Directors to best reflect the underlying earnings of Cromwell, was \$82.6 million, up 7.6% on the prior period (HY18 \$76.8 million). Distributions for the half were 3.63 cents per security and full year distribution guidance was maintained at no less than 7.25 cents per security.

In August, we highlighted our Invest to Manage strategy, under which we seek to obtain additional returns from our direct and indirect investments by earning both fund and asset management fees. Execution of this strategy has seen us continuing to support the Cromwell European REIT and engage with our capital partners to identify opportunities that meet both of our investment objectives.

One of Cromwell's key strengths has been our ability to identify and execute value-add opportunities. These skills are highly valued by our capital partners. We have a number of such opportunities in our direct domestic property portfolio.

We are currently awaiting development application approval for Victoria Avenue, Chatswood, and are examining options at 700 Collins Street in Melbourne and Wakefield Street in Adelaide. The existing conversion of Tuggeranong Office Park to a 390-apartment, 500-resident Seniors Living village, in conjunction with our joint venture partners LDK Healthcare, is also progressing well. There are many other similar opportunities also within the funds we manage.

Trade tension around the world, Brexit and the possibility of slower economic growth in China, Europe and the US has resulted in downward revisions to growth forecasts. In Australia, uncertainty around the upcoming federal election and taxation policies proposed by the federal opposition, the residential market downturn, as well as the Hayne Royal Commission have all contributed to significant falls in Australian consumer confidence and business conditions generally.

Of particular concern are the proposed changes to long-standing tax rules. Whilst the abolition of negative gearing on residential property and removal of cash refunds for franking credits would be good for Cromwell's business, we believe that it is a betrayal of a long-term compact with Australians.

Successive governments have shifted the burden of providing for retirement to individuals, and have provided a tax regime which encourages people to invest to do so. Changing that regime and removing the benefits that encouraged investment in the first place is not only unfair and unreasonable, it will discourage investment in the future.

Overall, downside risks to our outlook are increasing, and while everything we have done so far is on strategy, we are positioning ourselves to be ready to meet these risks and to capitalise on resulting opportunities, should those risks materialise. We are positive but cautious.

In this edition of Insight, we review what happened in global real estate markets last year, look at the issue of franking credit refunds and compare Sydney and Auckland airports as investment options. Our regular 'In conversation' feature talks to Lisa Treble, Cromwell's Sydney-based Leasing Manager and the Cromwell Property Group Foundation is again calling for nominations that align to the Foundation's mission. Full details are included inside.

Yours sincerely,

Paul Weightman

In brief



Entitlement offer raises \$228 million

Cromwell Property Group has successfully completed its 2 for 13 accelerated non-renounceable entitlement offer of stapled securities in Cromwell, which was initially announced to the market on Wednesday 28 November 2018.

The institutional component of the entitlement offer raised approximately \$181 million. The retail component, which closed on Thursday 13 December 2018, raised approximately \$46 million.

"We are very pleased with the result of the entitlement offer and would like to thank everyone who participated," said Managing Director and CEO Paul Weightman.

"The entitlement offer raised approximately \$228 million, which exceeded the committed amount of \$210 million."

"We will now look to deploy the funds when suitably accretive value-add opportunities present themselves," Mr Weightman concluded.



Save the date: 2019 Cromwell Cup

Cromwell proudly sponsors Easts Rugby Union Club, based in Coorparoo, Brisbane.

As part of that support, the club's annual match against fellow Brisbane club, GPS, sees both teams face off for the annual 'Cromwell Cup'.

This year, we would love to see some of our investors join us in supporting the Easts Tigers as they face off against the GPS Gallopers at the Cromwell Cup.

Game day details are as follows:

Saturday 30 March 2019
Kick-off: 3:20pm
Bottomley Park
31 Halifax Street, Coorparoo

If you would like any further information about the day, please contact Cromwell's Investor Services Team on 1300 268 078.



Cromwell increases representation on PCA committees

The Property Council of Australia (PCA) is the leading advocate for Australia's biggest industry and employer – property. One of the ways through which the PCA advocates on policy, research and events is through the contributions of an extensive committee structure.

For participants, sitting on a committee allows them to contribute back to their industry while also building professional networks and knowledge. Selection to these committees is often difficult, simply given the sheer volume of nominations received.

In January, the PCA announced the composition of its 2019-20 committees. In total, 34 Cromwell staff nominated to join a committee and 26 were successfully appointed. Cromwell acknowledges all 34 staff that put their hand up to volunteer their time and expertise to contribute back to the industry.



CEREIT announces maiden full-year 2018 annual results

On 27 February 2019, Cromwell European REIT (CEREIT) announced its maiden full-year 2018 annual results to the Singapore Exchange Securities Trading Limited. Net Property Income was €90.2 million, 3.7% higher than the IPO Forecast, and adjusted 13-month distributions per unit of 4.70 Euro cents, were 1.4% above IPO forecast.

CEREIT raised equity during the half-year to acquire another 23 properties across The Netherlands, Finland, Poland, Italy and France at a total purchase price of €384 million. Cromwell took up its full entitlement under the rights issue as CEREIT's property portfolio increased to 97 assets and €1.8 billion in value.

"We are very pleased with our investment, and the efforts of the manager and the CEREIT management team," said Cromwell Managing Director and CEO, Paul Weightman.

"Our CEREIT investment is accretive to Cromwell and has exceeded its IPO forecasts to date. It has a strong pipeline of potential opportunities which should see it continue on its current growth trajectory."

For more information, visit: cromwelleuropeanreit.com.sg



Christmas Giving Programme

Cromwell and its staff collectively raised, volunteered and contributed A\$46,623 (€29,175 / S\$45,560) to 19 charities across Australia, Europe and Singapore at Christmas.

This figure is A\$15,000 (€9,333 / S\$14,550) more than the 2017 contribution, with an additional seven charities receiving donations.

Charities who benefitted included Cystic Fibrosis Queensland, Kinder und Jugendhaus BOLLE in Germany, Geylang East Home for the Aged in Singapore and Organe de Sauvetage Ecologique in France.

Each charity chosen received a donation to contribute to a specific project or initiative that will make a difference.

We would like to congratulate everyone who took the time to give back to their local community this past year.



Leases signed at 207 Kent Street

Over the past few months, a number of deals have been signed at 207 Kent Street in Sydney's CBD.

LEAP Software developments signed a four-year, 1,569 square metre (sqm) lease across the entirety of level eight which will commence this coming November. Two other notable deals included Unibet leasing 1,021 sqm for five years, and service office provider Compass Offices leasing 998 sqm over ten years.

These deals cap off a busy 12 months at 207 Kent Street. Last year, we reported on other new tenants Cunningham Lindsay Australia, Pipe Networks and GTA Consultants.

Cromwell acquired 207 Kent Street in mid-2013, and it has since undergone extensive modernisation and refurbishment.

The future of franking credit refunds

The proposed changes to franking credit refunds are sparking intense debate amongst Australian investors, particularly retirees and SMSF members. With a federal election just around the corner, now is a good time to consider the role that franking credits and franking credit refunds play in your portfolio.

A brief history of franking credits

Most investors with exposure to the Australian share market will be aware of the franking credit or dividend imputation system, which was introduced to prevent company profits from being taxed twice. Before the system was introduced, companies would pay tax on their profits, and when this profit was passed to shareholders, they would be taxed a second time on the same profit.

In 1987, a rebate was introduced for those who paid tax on dividends that they received, taken off their tax in the form of a credit to be used on any other tax owed that year.

'Fully-franked' dividends were marked only where the full tax on profits had been paid by a company. As a result, fully-franked dividends became sought after, as they carried with them the greatest franking credits.

In 2001, the government enacted changes which resulted in franking credits being paid out in cash to shareholders who didn't have enough, or any, tax to offset.

In 2007, the 'Simplified Superannuation' reform made super benefits, paid from a taxed source, tax free for people aged 60 and over.

Superannuation withdrawals also became tax free, and were no longer classified as 'taxable income' and because of the previous changes six years earlier, many retirees found themselves untaxed while also receiving imputation refund cheques from the government.

Eight years later, the 2015 Treasury tax discussion paper warned the government of 'revenue concerns' about the dividend imputation system. While the cost of imputation credits was \$550 million in 2001, the report outlined they were set to cost \$5 billion in 2018.

Franking credits: tax benefits and cash refunds (for now)

Franking credits have been a particularly active feature for most listed companies since the 2001 changes, with 184 companies on the S&P/ASX 200 paying some form of dividend in the past year. About half of these paid fully-franked dividends, a quarter paid partially-franked dividends and around a quarter paid unfranked dividends¹.

For many Australian investors, the tax offset features of franking credits have been an incentive to invest in the local share market. For some retirees, who do not have a tax bill to offset, the ability to earn additional income from their excess credits, via a cash refund, has been an important consideration in their investment and retirement plans.

Self-managed super funds with investments in franked shares have also been able to use franking credits to offset fund expenses if they satisfied the holding period rules. In retirement (pension) phase when the fund is exempt from tax, the fund would also receive a refund for its franking credits.



Potential future changes

According to the Australian Electoral Commission, the next Federal Election must take place by 18 May 2019². If its proposed reforms are successfully legislated, Labor will effectively unwind the decision that introduced cash refunds for excess franking credits.

Franking credits will still be used to reduce tax payments, but the proposed changes would mean that taxpayers will no longer be able to obtain cash refunds for excess credits if they exceed tax liabilities (currently equating to a full refund for investors with no tax liability).

The policy will only apply to individuals and superannuation funds, and not to bodies such as registered charities and not-for-profit organisations. Union bodies, as registered charities, have effectively been exempted.

Additionally, most industry and retail superannuation funds have significant tax liabilities due to large numbers of members in accumulation stage. The funds do not currently receive refunds as they don't have an excess of credits. The policy therefore, while applying to them, will not impact them practically.

Investment funds and listed companies holding franking credits are also likely to be impacted. Some organisations have already initiated sell-offs and special dividend repayments to their shareholders in a bid to get ahead of the potential change.

Financial impact

There is little doubt older independent investors will be most exposed – as they are most likely to receive franking credits in the form of cash refunds, which then contribute to their income stream. Professor Deborah Ralston, Chairperson of the SMSF Association provides the example that around 70% of taxpayers who rely on shares as their preferred savings vehicle over the age of 75 receive franking credits, with an average annual value of \$6,300.

Retirees with SMSFs are likely to be impacted in a similar way. The SMSF Association estimates that it will cut around \$5,000 of income from the median SMSF in retirement phase earning around \$50,000 per year in pension income with a 40% allocation in Australian shares.

Most of the tax-raising benefits of the proposal fall on retired individuals and SMSFs. To combat the accusation that these individuals have been unfairly singled out, a Pensioner Guarantee exemption has been proposed for recipients of a full or part aged care pensioner, and people on other allowances such as

carers, pensioners, disability support, unemployed and parenting payments. This means SMSFs with at least one exempt person, would also be exempt.

It should be noted that Labor has also proposed reducing the Capital Gains Tax discount from 50% to 25%, which will apply to all investments, and also introducing a 30% tax rate for family trusts.

If you believe you may be impacted by any of these changes you should seek professional financial advice.

Tax-deferred distributions

Tax-deferred distributions are a key feature of property funds but they are generally not well understood. Here's a snapshot of how they work.

The regular income payments property funds distribute to investors are mostly derived from rental income earned by the property or properties within the fund. Investors pay income tax on the distributions they then receive.

Commonly the distribution payments contain a 'tax-deferred' component. This component is the result of differences between the earnings of the fund (rental income) and taxable income. The fund's taxable income may be less than the actual earnings due to deductions available on depreciable elements of the underlying physical asset.

The deductions can be for items such as depreciation on the base building and fitout, as well as capital allowances and the costs of raising equity and establishing the debt facility. Generally the newer the asset the higher the depreciation amount.

Rather than paying tax on the tax-deferred component in the year of the distribution at your marginal tax rate, the tax-deferred component is generally not immediately assessable.

Instead of being taxable in the financial year the income is received, the 'tax-deferred' component amounts reduce the investor's cost base in the investment, effectively deferring the tax due until a capital gains tax event is realised (like the sale of the investment).

If this event occurs when the investor has a reduced or marginal tax rate, for example after they have retired, the tax they are liable for is less than would otherwise have been the case. An additional consideration is that the capital gains discount may also apply if an investor holds the investment for 12 months or more.

(1) Data from IRESS, 52 weeks to 19 April 2018

(2) www.aec.gov.au/faqs/elections.htm

2018 global real estate market wrap

Globally, commercial real estate had a strong year in 2018. Full-year direct commercial real estate investment volumes totalled US\$733 billion, which was up 4% on 2017, and represented the best annual performance since 2007.

Regionally the largest market, the Americas, led the way with full-year volumes rising by 13%. After a relatively slow third quarter, Asia Pacific ended the year robustly as the full-year total climbed by 7% to a new all-time high. Europe, the Middle East and Africa (EMEA) witnessed a 6% decline in annual sales activity but was still the largest region by investment volume.

US\$ billion	FY2017	FY2018	% Change FY2017 - FY2018
Americas	249	281	13%
EMEA	310	293	(6%)
Asia Pacific	149	159	7%
TOTAL	708	733	4%

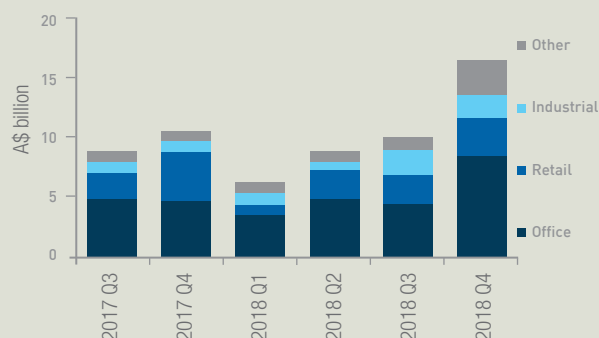
Source: JLL Research

Australia

Weakening sentiment in the residential market drove investors to commercial space in 2018, with a number of records broken across the sector.

A\$41.8 billion was invested over the course of the year, making 2018 the first \$40-plus-billion year on record. This was, in large part, due to the strongest Q4 ever seen in Australia. The \$16.6 billion fourth quarter was up 55% on Q4 2017's \$10.7 billion and included the \$3.4 billion privatisation of Investa Office Fund.

Investment by Sector



Source: Cushman & Wakefield

Office sector

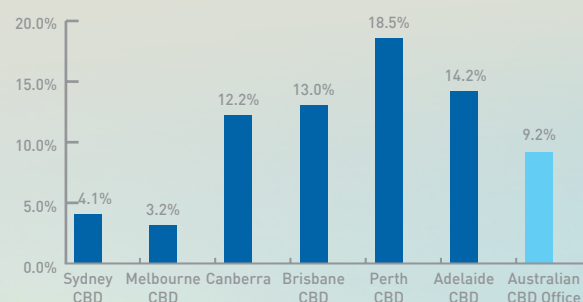
Growing demand for office space, particularly in Sydney and Melbourne, capped a strong 2018 for the sector.

Annual prime effective rental growth was positive for all major cities, with Sydney (14.6%), Melbourne (7.4%) and Adelaide (5.1%) leading the way. Perth (2.4%) and Brisbane (2.1%) experienced marginal growth, but growth nonetheless.

National CBD absorption increased on 2017 levels, with withdrawals, moderate demand and lack of stock all having an impact to varying degrees in different markets. Vacancy rates in Melbourne (3.2%) and Sydney (4.1%) continue to be at cyclical lows with all other markets in double digits.

Prime yields tightened across the board, varying from 4.75% in Sydney and 4.90% in Melbourne, to mid-5% in Brisbane and above 6% in all other markets.

Office Vacancy Rate

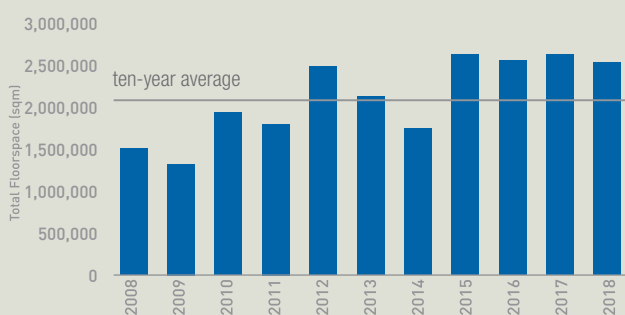


Source: CBRE Research

Industrial and logistics sector

Strong demand for limited stock compressed yields in 2018, while also translating to a strong appreciation in land, rent and capital values. For the fourth consecutive year, gross take-up for industrial space exceeded the ten-year average of 2.1 million sqm.

Industrial Floorspace Gross Take-Up, Australia



Source: JLL Research

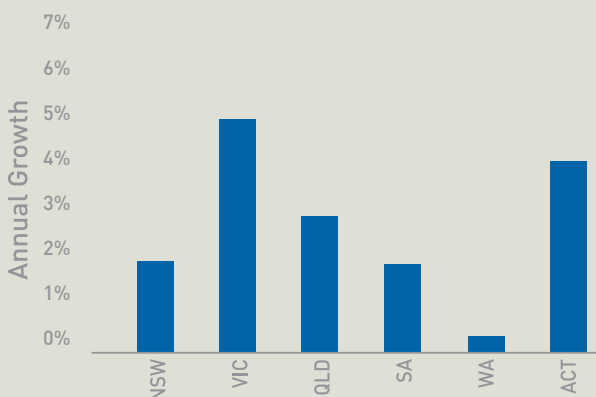
Long WALEs and stable returns are driving an increase in popularity for logistics amongst institutional investors, who have increased their activity in the sector over the past five years. In 2018, institutional investors made up half of all transactions above A\$10 million – the seventh consecutive year in which they were the largest buyer group.

Mid-last year in Insight 22, we reported that e-commerce is set to increase its share of global retail sales with logistics benefitting off the back of last-mile logistics, continued technology advancement and automation, as well as supplementary infrastructure. This still holds true, with Australia's growth in online retail sales between 2013 and 2018 outpacing even that of the United States.

Retail sector

Retail trade grew 3.4% through 2018, an increase on the 2.1% growth experienced across 2017. Each state experienced positive year-on-year growth, highlighted by Victoria (5.9%) and the ACT (4.9%).

Retail Turnover by State, y-o-y Growth



Source: ABS, CBRE Research, Q4 2018

Despite this, transactions in the retail sector totalled A\$9.4 billion in 2018, down 10% on 2017's A\$10.6 billion, and a two-tiered market has begun to emerge with landlords seeking to divest non-core assets, particularly those perceived to be at risk from falling foot traffic and increasing online sales. This trend is expected to continue throughout 2019, meaning yields for non-core assets will be more susceptible to expansion, whilst prime asset yields are expected to stay stable.



Europe

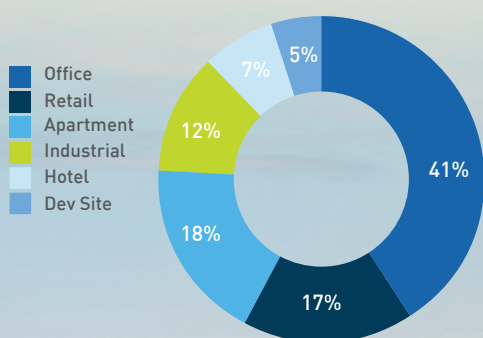
For the fourth consecutive year, 2018 saw European commercial property investment exceed €250 billion. While down year-on-year, activity across a number of markets remains close to the record highs set through 2017, and investor sentiment remains upbeat.

While global uncertainties and geopolitical headwinds are on investor radars, they do not seem to be acting as a deterrent. However, as an increasing number of investors look to de-risk, core markets and long income streams become relatively more attractive.

Office was the most targeted sector with 41% of all deals. Residential (18%) edged ahead of retail (17%) for second and third, with industrial in fourth (12%).

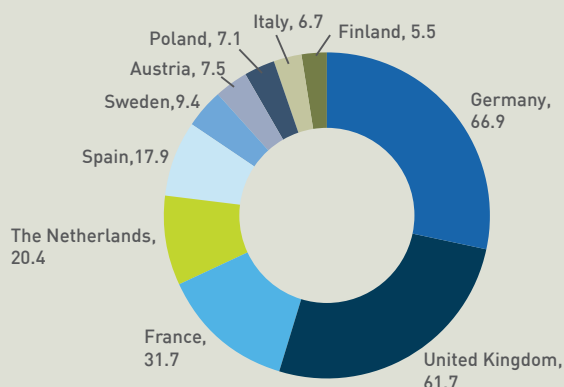
In 2018, there was a 50:50 split between international and domestic capital. Asian capital is more active, particularly from Singaporean and Korean investors who continue to buy into European real estate. The rise in popularity of Germany as a capital destination continued in 2018, surpassing the UK amid Brexit uncertainty. Among the best of the rest was France, The Netherlands and Spain.

European Commercial Real Estate - Investment by Sector (12 months to December 2018)



Real Capital Analytics – data as at 30 January 2019
CBRE – European Outlook 2019

Top Ten European Destinations (€ billion, 12 months to December 2018)



Real Capital Analytics – data as at 30 January 2019
CBRE – European Outlook 2019

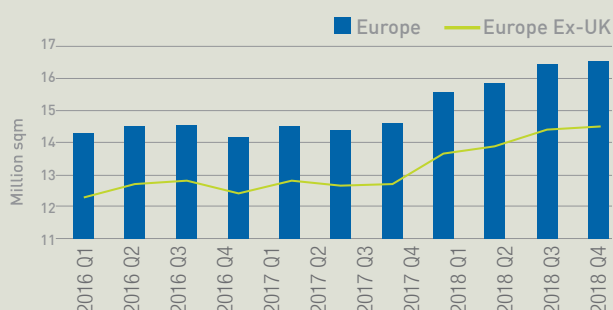
Office sector

Office yields are at, or close to, historic lows in the majority of European markets following sustained downward pressure. A stabilisation is largely expected in 2019.

For the fifth consecutive year, the office market drew more than €100 billion in capital. For the first time since 2015, more was spent on CBD offices than non-CBD assets, indicating where demand has focussed, and some of the risk awareness that has started to deter investors from pressing into less liquid markets at a mature point in the cycle.

Office take-up growth was between 5% and 10% in 2018. This growth is expected to slow in 2019. Similarly, rent growth was 4.5% in 2018, but is expected to slow to around 3% in 2019. Moscow, Frankfurt, Berlin and Madrid were the strongest performing cities through 2018, with London and Paris beginning to experience lower rental growth as the economy slows.

European Office Take-Up



Source: CBRE Research

Industrial and logistics sector

The industrial and logistics market continued to tighten in 2018, with year-on-year rental growth of 2.3% on 2017.

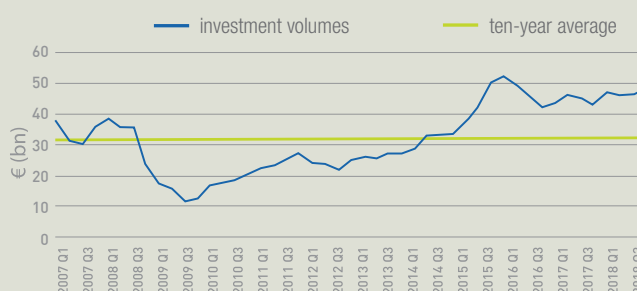
Market dynamics for the sector remain strong, and are set to remain that way for the year ahead. Vacancy rates remain low for the most part, despite a steady flow of new development projects. The exceptions to this were Spain, the Czech Republic and the UK, who all witnessed a modest rise in vacancy to end the year as a result of increasing development activity.

Retail sector

Outside of the UK, the European retail market remains well above the ten-year investment average. This largely reflects the contribution of the maturing markets in Central and Eastern Europe. However, negative sentiment from the UK is affecting distribution and reducing the number of buyers in the market.

Beyond the rise of e-commerce, the UK market in particular is suffering from structural concerns, such as business costs and an over servicing of retail space. Even though these threats are less prevalent elsewhere in Europe, there is still an elevated level of uncertainty in the sector.

European (Excluding UK) Retail Investment



Source: CBRE Research



Stock Talk

Compare the pair: Sydney and Auckland airports



Stuart Cartledge

MANAGING DIRECTOR,
PHOENIX PORTFOLIOS

INVESTMENT MANAGER OF THE
CROMWELL PHOENIX FUND SERIES

Airports are terrific natural monopolies that provide investors and regulators with some interesting challenges and opportunities. This article looks at two listed securities in our investment universe and sets out the key factors and valuation metrics that we consider when choosing between them.



Sydney Airport



Auckland Airport

Sydney Airport (SYD)

Located just 8km from Sydney's Central Business District, Sydney Airport is the international gateway to Australia, handling 40% of all the country's international traffic.

Sold by the Commonwealth Government in 2002, it became the seed investment for the ASX-listed Macquarie Airports Group which went on to build a portfolio of airport assets and then subsequently sell down everything except Sydney Airport.

As host for the 2000 Olympic Games, Sydney Airport was the beneficiary of substantial capital expenditure prior to the sale transaction, which has facilitated an extended period of traffic growth. In the 2000 calendar year, total passenger movements were under 24 million. This has risen to over 44 million in the 2018 year. With its three-runway configuration, total capacity is currently estimated at approximately 72 million passenger movements.

While passenger figures indicate a skew towards domestic travel, the higher spend per passenger for the international traveller, particularly in duty free, results in international passengers delivering over 70% of SYD's total revenue.

Auckland International Airport (AIA)

With over 70% of international visitors coming to, and from, New Zealand via Auckland International Airport, and serving 30 airline partners, this asset is enormously important to the New Zealand economy.



Listed in 1998 when the New Zealand Government sold down its holding, the single biggest investor is Auckland Council Investments Limited, with just over 22% of the share register.

Located 21km south of the Auckland CBD, the airport currently has a single runway configuration. A second runway is part of the company's masterplan to facilitate an anticipated 40 million passenger movements a year by 2044. Total passenger movements in the year to June 2018 was 20.5 million.

Regulatory environment

Both stocks operate in a 'dual till' configuration whereby aeronautical activities are separated from non-aeronautical activities like retail and car parking. However, Auckland's returns from its aeronautical activities are regulated by the New Zealand Commerce Commission while Sydney's aeronautical returns are derived through negotiation with airline partners and are subject to light-handed regulatory reviews.

Ultimately, AIA's aeronautical returns are established with reference to the company's cost of capital and stock specific empirical evidence. Capital spend, along with traffic growth assumptions are used as inputs into a pricing mechanism that determines the pricing levels required to derive the appropriate rate of return.

While it is difficult to say with certainty which mechanism is best for which group of stakeholders, there is no doubt that the AIA system delivers substantially more clarity given the disclosure requirements of the regulated system. AIA's regulated return environment is also arguably less risky, particularly in a prolonged weak environment, where

pricing can be reset to re-establish the regulated return, whereas SYD would simply have to accept lower returns for longer.

Non-aeronautical operations are not regulated at either airport and returns on capital have typically been higher as a result.

Valuation considerations

When calculating the fair value for any property or infrastructure type asset, our primary valuation tool is a discounted cash flow model using forecasts for future revenues and costs. We cross-check this with simpler valuation metrics such as a ratio that compares the entity's enterprise value (EV) to its operating earnings before interest, tax, depreciation and amortisation (EBITDA).

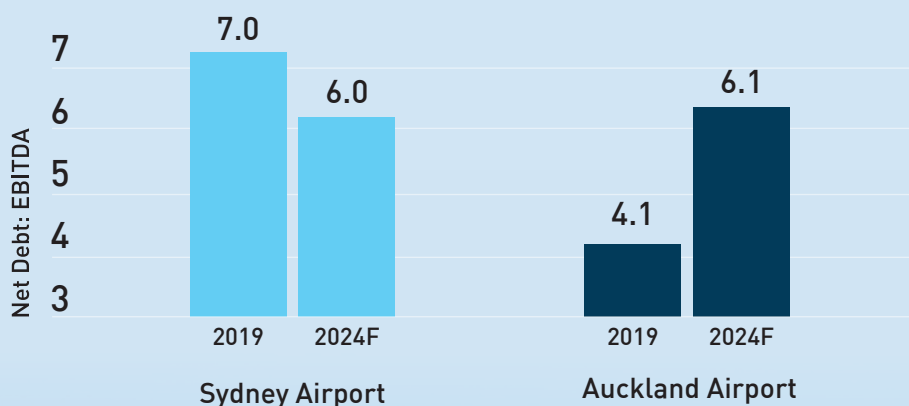
EV is equal to the company's net debt (debt less cash) plus the market value of all equity. Comparing stocks based on an EV:EBITDA methodology helps to strip out the distorting effect that different capital structures and accounting treatments can have and thus supports a more apples for apples comparison.

Based on a comparison between the current EV and the last reported EBITDA for each airport, set out in the table below, SYD looks more attractive.

	SYD (A\$m)	AIA (NZ\$m)
EV	23,700	10,600
EBITDA	1,288	521
EV:EBITDA	18.4	20.5

Enterprise Value: EBITDA ratios, based on earnings to Jun-18 and share price as at 31 December 2018.

Net Debt: EBITDA; Phoenix Portfolios Estimate



Capital structure

Airports are capital intensive investments. While both airports have substantial capital expenditure plans, as a proportion of their current EV, AIA has a lot more money to spend than Sydney, because, among other things, AIA must build a second runway to meet its projected demand, whereas SYD will grow into the capacity provided by its three runways.

Using announced capital expenditure plans over the next five years for both airports, the chart above shows our estimates of the ratio of debt to the earnings available to meet interest and principal repayments.

AIA starts from a position of relative strength, with much lower levels of debt / earnings than SYD. However, as time marches forward, Sydney's projected ratios improve, while Auckland's deteriorate. This is largely a function of AIA's bigger capital spend, in proportion to the size of its business.

Whilst not without a plethora of problems, another sanity check might be to calculate the EV of each business per passenger movement. At the raw level, AIA looks marginally better value here too, but we would expect these metrics to swing back towards SYD as the capital expenditure program rolls out at Auckland.



EV: Total Passengers

SYD	AIA
A\$529	NZ\$535

Enterprise Value: Total Passengers; Phoenix Estimates

Tax and franking

AIA is a profitable business and pays tax at the New Zealand corporate rate of 28%.

SYD is also a profitable business but has substantial tax losses and is not expected to pay any meaningful tax until the mid-2020s, whereupon it will pay tax at 30%.

Over the medium term, however, the key difference between an investment in SYD and an investment in AIA is that SYD dividends will ultimately have franking credits attached, whereas AIA dividends will not.

While investment performance is typically measured and quoted in a pre-tax world, we are cognisant that the returns that really matter need to consider the impact of tax. Putting aside any potential changes to the franking credit system in Australia, we fully value the impact of franking credits, and on this basis, AIA faces a big headwind.

Competitive pressures

Following a significant amount of exploratory work, SYD chose not to exercise its option to develop Western Sydney Airport. We applaud the company for demonstrating financial discipline but now recognise that SYD will face competition from around 2026 when the new airport is due to open.

While too early to be able to really forecast the economic impact, we continue to believe that SYD will manage this new environment well and a two-airport system can be developed for the benefit of all stakeholders.

Conclusion

Both SYD and AIA offer unique and high-quality investment opportunities and we will continue to monitor both. SYD appears cheaper on current pre-tax investment metrics and we are cognisant of both the positive and negatives around AIA's regulated return environment and the substantial levels of capital expenditure associated with the aeronautical development program. Tax is an important issue and makes a big difference for Australian investors.

Phoenix currently holds a position in SYD and currently no holding in AIA.



Cromwell Property Group Foundation calls for nominations

Underpinning Cromwell's values is the belief that we have a responsibility to support the communities in which we operate. Cromwell has a long history of supporting charitable organisations, and continues to build on this legacy through the Cromwell Property Group Foundation (Foundation).

Foundation history

Since its inception in 2014, the Foundation has donated or pledged almost \$800,000 to causes that align with its mission to benefit organisations that conduct research into, or provide support to, initiatives relevant to the mature-aged community.

The Foundation donates to organisations that might ordinarily miss out on the spotlight, and whose work will benefit from the level of support that the Foundation can provide.

Foundation Committee Chair and Cromwell Chief Operations Officer, Jodie Clark, said the Foundation is proud to continue providing support to lesser known

Cromwell Foundation Donation Breakdown by Year

Year	Organisation	Donation Sum	
FY19 (pledged to date)	Pink Angels	\$46,670	
	Royal Far West	\$46,670	
	Black Dog Ride	\$46,670	\$140,010
FY18	Neuroscience Research Australia	\$40,000	
	University of Newcastle (Live Well, Age Well)	\$50,580	
	Trigeminal Neuralgia Association Australia	\$20,000	
	Black Dog Ride	\$37,420	\$148,000
FY17	Black Dog Institute	\$19,250	
	Pink Angel	\$19,250	
	Griffith University (Active Rehabilitation Physiotherapy)	\$55,500	
	Australian Liver Foundation	\$50,000	\$144,000
FY16	Trigeminal Neuralgia Association Australia	\$30,000	
	Alzheimer's Australia Dementia Research Foundation	\$50,000	
	Australian Liver Foundation	\$50,000	\$130,000
FY15	MS Research Australia	\$50,000	
	Neuroscience Research Australia	\$20,000	
	Australian Liver Foundation	\$50,000	\$120,000
FY14	Trigeminal Neuralgia Association Australia	\$50,000	
	Parkinson's NSW	\$50,000	\$100,000
			\$782,010

charities, and of the positive change these donations have made on the lives of many.

As reported in Insight 23, the Foundation donated a total of \$148,000 in FY18 to Neuroscience Research Australia, the University of Newcastle's 'Live Well, Age Well' initiative, Trigeminal Neuralgia Association Australia, and Black Dog Ride. Additionally, more than \$140,000 has so far been pledged in FY19.

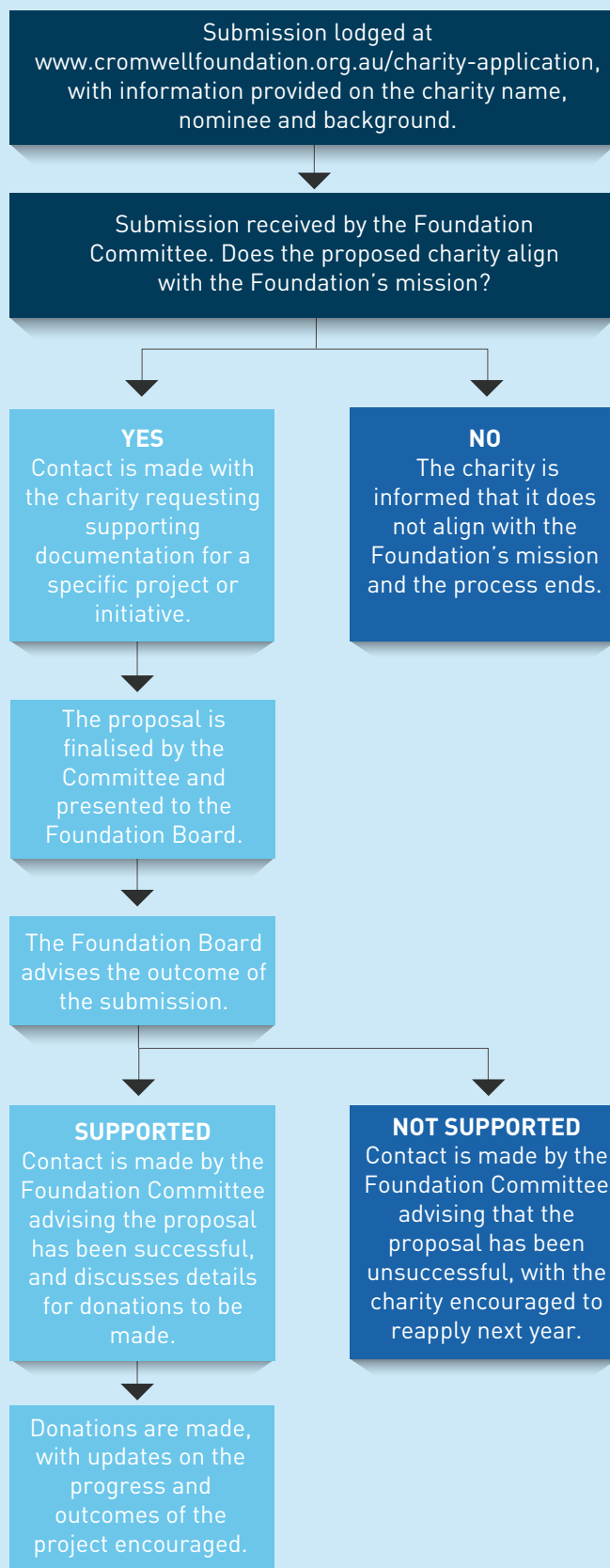
Nominations now open

You can now nominate a cause or charitable organisation for consideration. To submit a charity, complete the nomination form and follow the process outlined by 31 May 2019.

Please note the following key considerations:

1. All nominees must confirm their Australian Deductible Gift Recipient (DGR) Status;
2. The nominees must support the mature aged community;
3. The funds must be allocated to a specific project and make a tangible difference; and
4. Successful nominees must commit to providing Cromwell with regular updates.

Nomination process



Seven retirement challenges that need a different focus

Darren Beesley

SENIOR PORTFOLIO MANAGER,
AMP CAPITAL

In the past, most Australians have been in accumulation phase of superannuation, with the primary objective of building wealth. But that started to change when the first of five million Australian baby boomers began to hit retirement age. Every day, another 800 baby boomers retire, and the result is that a large proportion of the population now has significantly different investment needs than in the past.

Unfortunately, most funds are not sensitive to the unique needs and challenges of post-retirement. Super funds are offered indiscriminately to all investors, both accumulators and retirees, and simply focus on a total return outcome, and attempting to beat their respective benchmarks.

Amid a suite of possible investment strategies and tactics, we believe there are seven key factors that are vital to shifting an investment approach's focus from accumulation to one more suitable for retirees.

1. Limiting large losses

While younger people can weather steep falls in markets and can even take advantage of them by buying low, retirees – with no future contributions to make and without the luxury of time to wait for markets to recover – could be forced to sell assets at low prices to fund their retirement.

Therefore, retirees (or their fund managers), need to be aware of how large negative returns could become in any single stress event and they need to be actively managing that downside risk, particularly at the start of retirement.

One way to do this is to invest in portfolio protection, typically in the form of equity options, which can help to mitigate the risk of a large loss by smoothing returns.

2. Managing behavioural risk

Human instinct can be our own worst enemy and the natural response of a 'flight to safety' can destroy significant wealth if applied to financial markets. To exacerbate the issue, non-advised investors can easily access and change their investment mix via super fund online portals or directly via SMSF structures, which means that investors managing their own investment strategy can more easily fall victim to their behavioural instincts.

In our experience, investors are much less likely to be reactionary if they have clear goals set for retirement, are aware of the types of losses they could incur in a single market event, have portfolio protection (as discussed above) in place, and are aware of other actions they can take to combat poor performance such as adjusting their lifestyle or potentially increasing their risk exposure.

3. Focussing on income over growth

An investment strategy that prioritises income over growth offers significant benefits to retirees.

The primary benefit is matching their cash flow needs with assets that continually produce cash flow via dividends, coupon payments or rent. Additionally, when income equals expenditure out, investors have less need to sell underlying investments to fund their lifestyle, allowing them to ride out market volatility and reduce transaction costs.

However, investing for income can be overdone; what is needed is a balanced approach that invests in quality assets with resilient income streams and stable capital values.

4. Managing duration

Duration is an approximate measure of a bond's price sensitivity to changes in interest rates, expressed as a number of years. For example, if a bond has a duration of five years its price will rise about 5% if its yield drops by 1%, and its price will fall by about 5% if its yield rises by 1%.

As the objective of retirement savings is to fund the retirees' future outflows, it is essential to understand how both the value of those outflows and of the retirees' current assets would be affected by changes in interest rates.

To remove uncertainty around interest rates, the duration sensitivity of the assets can be matched with that of future consumption; this is referred to as asset-liability matching. Or if there is an expectation that interest rates will rise in the future the portfolio can be actively tilted towards shorter-duration bonds, which have less interest-rate risk.

5. Inflation awareness

When in accumulation phase, inflation is not such a big threat because as the cost of living rises, so do earnings. But it's a different story for retirees as an inflation spike means they pay more for their basic living expenses, such as groceries and utilities, without a rise in income to help meet those additional costs.

Yet many retirees are invested in conservative and moderately conservative index funds which

have a large exposure to government bonds and duration, which underperform when inflation spikes.

Instead, retirees should hold assets that work to combat inflation risk such as inflation-linked bonds (rather than nominal bonds) and tilt toward sectors that have revenues linked to inflation such as infrastructure, property, energy and agriculture.



6. Managing liquidity

For investors, liquidity is the ease with which they can exit an investment at a favourable price, with reasonable fees and in a timely manner, should they need their funds immediately. As unexpected costs do arise in retirement (often in relation to health) having a strategy to manage liquidity in retirement is important.

Given the illiquid nature of property and some annuities, the retiree's account-based pension is typically the first point of call for emergency funding. If invested in a managed fund, the retiree should check that it offers daily liquidity, can be sold at a reasonable 'sell spread' and 90% or more of its holdings are in liquid assets.

If, in addition, retirees hold direct investments, they should also be aware of their portfolio's combined liquidity profile.

7. Tax awareness

Some retirees might think that they don't have to worry about tax given they are no longer working, but by investing retirement savings in a tax-aware manner, the result can be a boost in income.

Franking credits – the tax credit investors can claim for tax already paid on a company's corporate earnings – became refundable in the early 2000s.

Investors who pay lower tax (including retirees) receive a cash payment for the difference between any franked rate of dividend income and their individual tax rate. For retirees on a 0% tax rate, they receive an uplift of up to 43 cents on each dollar of fully franked dividend. For every 70 cents of dividends, investors can receive a tax credit of up to 30 cents, which equates to 43 cents per dollar of dividends.

Final thoughts

During the dark days of the global financial crisis many retirees panicked and sold out of investments at the worst possible time. But even more concerning were the stories of retirees scrimping and living below the poverty line, worried about their future.

Our investment approach for retirement has for too long been modelled off the approach developed for younger accumulators, yet the risks that need to be managed are vastly different.

By considering these seven factors we will be more likely to have a generation of retirees who are confident in their investments, more likely to stay the course and able to enjoy the best retirement they can afford.

Darren Beesley is a Senior Portfolio Manager at AMP Capital. This article has been prepared for the purpose of providing general information, without taking account of any particular investor's objectives, financial situation or needs.

This article originally appeared in Cuffelinks, a free online financial newsletter that can be accessed via the following link:

<https://cuffelinks.com.au/newsletter-invite/>



Cromwell implements innovative Building Services Network at Soward Way

In September 2017, the Department of Social Services (DSS) moved into its newly-constructed headquarters at Soward Way, Greenway in the ACT. Integral to the design was a resilient, highly flexible network solution that could support future technological changes and continuously improve operational management of the building.

All aspects of the building were designed to support future increases in occupation density and to facilitate incremental and continuous improvements in the building's operational requirements.

Testament to this, the building received a 5-Star Green Star Office Design v3 rating, with the tenancy NABERS rating receiving 5.5-Star, exceeding the original 4.5-Star commitment.

This achievement is due, in part, to the innovative design and implementation of the Building Services Network (BSN). Cromwell commissioned award-winning technical solutions company, Airmaster, to implement a cutting edge solution.

The implementation across Soward Way - the challenge

In order for the BSN to provide a stable, failsafe and resilient network for the day-to-day running of the building, robust server infrastructure with reliable power distribution units and uninterruptible power supplies was required.

DSS had strict requirements in terms of cybersecurity and safety of the data that is created and stored

Building Services Network

A Building Services Network provides high speed data transfer between all engineering systems such as the building management system, security, lighting control, energy metering and more, thereby providing all the data required to streamline operational management of the building.

The BSN reduces the amount of cabled infrastructure and hardware required as it combines passive structured cabling with active networking to support the large amount of information being transmitted throughout the building.

The addition of high-resolution CCTV, access panels and multi-tenant WiFi means the backbone of the building needs to be able to provide sufficient bandwidth to meet these and other future new technologies.

This is achieved through the BSN's design, which allows for either a reduction or elimination of the need for multiple cabling distribution systems, parallel networks and additional headend (communication receiving) equipment.

With a greater shift towards operating 'smarter' buildings, the success of a BSN is in its ability to collect, store, analyse and use data across many disparate control systems in a single structure.

there. These aspects were taken into consideration throughout the solution development.

As such, a comprehensive edge computing solution was implemented to ensure the BSN has maximum uptime and the building runs efficiently and effectively. Edge computing allows data from devices to be analysed at the 'edge' of the network before being sent to a data centre or the cloud.

Soward Way, Greenway, ACT

The solution

Enabling edge computing and smart building applications, the BSN is a unique application of existing information technology systems utilising a number of sensors which monitor all the services throughout the building. This crossover of IT, sensors and operational technology infrastructure is becoming more common as the Internet of Things phenomenon continues to take hold.

The design has also incorporated the provision that, in the event of a complete power failure, including generator and base building uninterruptible power supply failure, the BSN will still operate. This configuration provides 30 minutes of backup power to activate alarms across the building's services, and to allow safe shutdown of equipment. All alarms are sent via the BSN, at which point rules are applied and alarms are communicated to key stakeholders for actions. The BSN also notifies stakeholders when the building power is restored and alarms are cleared.

The Internet of Things

The Internet of Things (IoT) is, simply, the concept of connecting almost any device with an on and off switch to the internet. This can range from the obvious, such as mobile phones and wearable devices, to the more obscure, such as coffee makers, washing machines and lamps.

It is anticipated that by next year, there will be anywhere from 25 to 100 billion connected devices. The IoT is a giant network of connected 'things', with relationships between people and people, people and things, and things and things.



The outcomes

In addition to many other benefits, the BSN strengthens the building's cybersecurity credentials through reducing the number of internet-connected systems within the building to just one. Offsite, the BSN can only be accessed via a secure VPN, and onsite, every port on the building is locked to a specific IP address. If a foreign device is plugged into the port, access is disabled.

By locking services into the BSN, the cybersecurity of the building has been significantly increased by reducing the number of ways in which access can be gained, and therefore, exploited.

Additional ongoing improvements as a result of the data provided by the BSN relate to the building's plant control strategy and lighting.

The plant control strategy has been changed for the chillers and cooling towers, which work together to condition the air in the building. Prior to this change, the strategy was for two chillers and cooling towers to be operational at all times. However, the new strategy factors in the lower-than-anticipated building load to run a single chiller and cooling tower where necessary, and increase output to two or more only when required.

Additionally, while the LED lighting throughout the building already promotes sustainability, Cromwell's Facilities Management team was able to develop a night time lighting program which increases operational efficiency off the back of data provided by the BSN.

They placed the lighting on an astronomical timeclock to ensure the lighting is being triggered at exactly the right time each day, based on sunrise and sunset. Additionally, the lighting automatically turns off between midnight and 6am each night.

The concept of running all building services via one sophisticated BSN is proving to be successful at Soward Way. The innovative nature of the system enables the building to be smarter, while also addressing new technology and concerns. As such, Cromwell will look to adopt similar innovative BSNs across its portfolio.



In conversation with... Lisa Treble

Leasing Manager, NSW



Prior to joining as Cromwell's Sydney based Leasing Manager in mid-2018, Lisa Treble established herself as a successful

leasing agent on Sydney's North Shore. We sat down with Lisa to discover what her role entails, the challenges of the Sydney market and the evolving needs of today's commercial office tenant.

What is your role?

I am Cromwell's Sydney-based Leasing Manager. I am responsible for ensuring any vacancies within our Sydney and Canberra assets are leased with the least amount of downtime. I also need to be strategic with these vacancies to ensure the total asset is considered when doing a leasing transaction to ensure we maximise leasing income and guarantee the overall strategy of each building is met.

What do you do on a day-to-day basis?

At the building level, I negotiate lease terms for prospective tenants, review the condition of vacancies to confirm they are presenting the best way to the market, and ensure letting up periods are kept to a minimum.

Beyond each building, I also liaise with agents to make sure Cromwell is on top of what is happening in the wider markets in which we operate.

What are some of the challenges of the Sydney market at present?

The market is moving so quickly. Overall in Sydney, vacancy rates are at record low levels, which is creating a competitive marketplace for prospective tenants. The key challenge is managing tenant expectations of what they think a market deal is compared to what the market deals actually are.

How are tenant expectations of their workplace changing?

The way in which tenants are working in their offices continue to evolve. Staff are working different hours, and the reality is that employees don't have to go to the office to work anymore. This is resulting in a continued shift towards a tenant-focussed, holistic lifestyle offering.

Employers need to offer the best workplace in order to retain the best talent. Traditional offerings such as extensive natural light, open plan floors that facilitate connectivity and collaboration, sustainable features and greenery are still integral.

However, lifestyle offerings with a focus on wellness are becoming increasingly important. End-of-trip facilities, comprised of lockers, bike storage, changing facilities and other amenities have become commonplace in the market, but continue to evolve.

Proximity to a wide range of retail and transport options is also vital to tenants.



Are there any recent Cromwell leasing deals that stand out?

207 Kent Street in Sydney's CBD has been a standout. A whole floor lease transaction was completed in January last year. Six months later, we completed another whole floor lease transaction with a 15% increase on the rental we achieved earlier in the year.

In the last few months, we've also signed three new leases in the building totalling 998 sqm, 1,021 sqm and 1,569 sqm respectively.

A recent deal at Northpoint in North Sydney has also been a highlight. We achieved over \$1,000 per square metre for a commercial office, which is a great achievement for the North Sydney market.

What's your background?

Prior to joining Cromwell midway through 2018, I spent the previous 15 years as a Commercial Leasing Agent working on Sydney's North Shore with Colliers and CBRE. I studied throughout that time and have an Advanced Diploma in Property (Valuation).

What are your interests outside of work?

I enjoy hiking, getting out either in the mountains or a coastal walk. When I'm not hiking, you'll find me on a more local walking track with my dog.

207 Kent Street

Cromwell acquired the 20-level, PCA A-grade 207 Kent Street in mid-2013. The building overlooks Darling Harbour and is adjacent to the Barangaroo precinct on the western side of Sydney's CBD.

In 2014, the building underwent a refurbishment to modernise the lobby, as well as upgrading the secure end-of-trip facilities. The investment helped increase the building's NABERS Energy rating to 4.5 stars.

Additional building amenities include conference facilities, a café, attractive garden and outdoor area, as well as access to local conveniences including Wynyard walk and train station, bus and ferry links. Extensive dining and entertainment options offered by Barangaroo and the wider Sydney CBD are also close by.





Revisiting the Cromwell Direct Property Fund five years on

The Cromwell Direct Property Fund (DPF / Fund) met a significant milestone in the 2018 calendar year, reaching five years since it was established in August 2013.

Since inception, DPF has gone through significant change, both through capital growth and asset acquisition. Five years on, we revisit DPF's objectives and current portfolio.

DPF's key objective is to provide investors with a monthly tax advantaged income stream, combined with the potential for capital growth through investing in a diversified portfolio of quality property assets.

Initially, the portfolio achieved this through an investment portfolio which consisted only of units in Cromwell's four unlisted trusts. This was a win-win for both DPF, which was able to kick off with an indirect portfolio of quality properties, and for trust investors, who had the comfort of some measure of liquidity where previously there was none. On inception, DPF was forecast to purchase approximately \$26 million of trust units as investment increased.

Jump to 2019, where gross assets of DPF are now valued at approximately \$260 million, comprised of units in the trusts valued at approximately \$62.5 million and a direct property portfolio consisting of five quality assets valued at approximately \$184 million. Direct gearing remains at a very conservative 18%, and look-through gearing at 27.3%.

The Fund's objective aligns with DPF's investment philosophy, which is to target properties with reliable long-term rental income backed by high quality tenants. As a testament to the quality of tenants, overall property occupancy sits at 99.4% and the WALE is now at 9.0 years.

Property profile

The ideal property targeted by DPF is either a commercial, industrial or retail property, valued in the \$20 - \$60 million bracket and tenanted by either government, ASX-listed or quality privately owned companies.

Property has been increasingly expensive in major cities ever since DPF's inception. This has resulted in the investment team looking, and successfully acquiring, assets outside of capital cities in either fringe CBD locations, satellite cities or regional centres to meet these guidelines.

Looking to regional centres has also benefitted DPF by providing greater geographical diversification, with assets now held in Queensland, Victoria, South Australia and the ACT.

Energy Queensland

As an example, DPF's most recent acquisition, 420 Flinders Street, Townsville, is fully leased with the major tenant, Queensland Government-owned energy provider, Energy Queensland, providing 93% of the property's income, and approximately 20% of DPF's overall income. The lease to Energy Queensland is 15 years in duration, with the overall property WALE of 9.6 years contributing positively to DPF's overall WALE of 9.0 years.



ENERDEX HOUSE, NEWSTEAD QLD



RAND DISTRIBUTION CENTRE, SA



19 GEORGE STREET, DANDENONG VIC



ICON, IPSWICH QLD



PARAFIELD RETAIL COMPLEX, SA



64 ALLARA STREET, CANBERRA ACT



BUNNINGS MUNNO PARA, SA



433 BOUNDARY STREET, SPRING HILL QLD



420 FLINDERS STREET, TOWNSVILLE QLD

Liquidity

Unlike many direct property funds that are characterised by a fixed investment term with no formal available withdrawals, DPF provides a monthly liquidity opportunity. This is because it holds a portion of its holdings in cash. Monthly income and liquidity appeals particularly to investors where regular cashflow is central to their objectives.

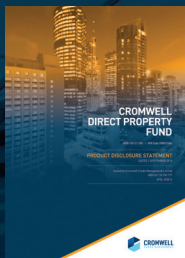
If you would like further information on investing into the Cromwell Direct Property Fund, get in touch with Cromwell's Investor Services Team on 1300 268 078 or go to the Fund's webpage at www.cromwell.com.au/dpf.

Up to date information on DPF can be found on the Fund's website in the ASIC Benchmarks and Disclosure Principles Regulatory Guide. This document is updated when material changes occur within the Fund, and should be downloaded in conjunction with the Fund's Product Disclosure Statement before making an investment into the Fund.

CROMWELL'S INVESTMENT FUNDS



Cromwell Australian Property Fund



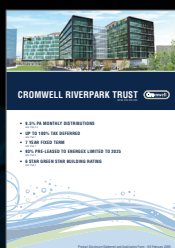
Cromwell Direct Property Fund



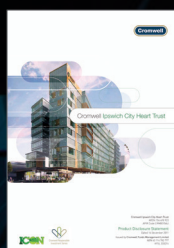
Cromwell Phoenix Property Securities Fund



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



Cromwell Riverpark Trust



Cromwell Ipswich City Heart Trust



Cromwell Property Trust 12



Cromwell Phoenix Opportunities Fund

(Closed)

QUARTERLY REPORTS

Investment Reports to 31 December 2018

CONTENTS

Open for investment

- 34 Cromwell Direct Property Fund ARSN 165 011 905
- 35 Cromwell Australian Property Fund ARSN 153 092 516
- 36 Cromwell Phoenix Property Securities Fund ARSN 129 580 267

Closed to investment

- 37 Cromwell Property Trust 12 ARSN 166 216 995
- 38 Cromwell Ipswich City Heart Trust ARSN 154 498 923
- 39 Cromwell Riverpark Trust ARSN 135 002 336
- 40 Cromwell Phoenix Opportunities Fund ARSN 602 776 536

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

Cromwell Funds Management Limited ABN 63 114 782 777 AFSL 333214 (CFM) has prepared these reports and is the responsible entity of, and the issuer of units in, the funds and trusts referred to in these reports (the Funds). In making an investment decision in relation to a Fund, it is important that you read the disclosure document for that Fund. The report for each Fund refers to the disclosure document (product disclosure statement and any supplementary product disclosure statement) issued for that Fund. The disclosure document for each Fund is issued by CFM and is available from www.cromwell.com.au or by calling Cromwell's Investor Services Team on 1300 268 078. Not all of the Funds are open for investment. Applications for units in open Funds can only be made on application forms accompanying the disclosure document for the Fund.

These reports have been prepared without taking into account your objectives, financial situation or needs. Before making an investment decision, you should consider the report and the disclosure document for the particular Fund and assess, with or without your financial or tax adviser, whether the Fund fits your objectives, financial situation or needs. Past performance is not a reliable indicator of future performance. Forward-looking statements (provided here as a general guide only) and the performance of a Fund are subject to the risks and assumptions set out in its disclosure document. CFM and its related bodies corporate, and their associates, do not receive any remuneration or benefits for the general advice given in these reports. If you acquire units in a Fund, CFM and certain related parties may receive fees from the Fund and these fees are disclosed in the disclosure document for that Fund. Performance data for Cromwell-managed Funds are calculated based on unit prices for each Fund, which may differ from underlying net asset values. Performance data for periods longer than one year have been annualised. Distribution rates and yields are based on the 31 December 2018 unit price and are subject to change. The proportion of distributions that are tax deferred will depend on a number of factors (for example, building amortisation and depreciation of plant and equipment) and may vary from year to year. Deferred tax may be payable, in whole or in part, on the sale, transfer or redemption of units in the Fund.

AUSTRALIAN MARKET UPDATE

Direct property update



Hamish Wehl

HEAD OF RETAIL FUNDS MANAGEMENT

Late last year, I spoke at Cromwell's Sydney, Brisbane and Melbourne Investor Conferences on 'Why it pays to be patient'. On 21 December 2018, that patience paid off when the Cromwell Direct Property Fund (DPF) acquired 420 Flinders Street, Townsville for \$63.5 million. This was the first acquisition for DPF in 12 months and during this time DPF's cash reserves and debt facilities were unutilised.

DPF was in a strong position prior to the acquisition with no direct gearing and a weighted average lease expiry (WALE) of 8.7 years. The Townsville acquisition is accretive to earnings and takes the WALE to 9.0 years. Direct gearing is a very conservative 18%, and look-through gearing only 27%.

Townsville, in North Queensland, encompasses five major regional centres: Townsville, Charters Towers, Burdekin, Palm Island and Hinchinbrook. The region contributes over \$14.1 billion annually to the Queensland economy and is home to nearly 240,000 people. Townsville itself is Australia's 13th largest city, and is acknowledged by State and Federal

Governments as the 'Capital of Northern Australia'.

Townsville is also attracting some significant investment. The Singaporean Government has committed \$2.25 billion in investment to expand the current Shoalwater Bay and Townsville Field Training Areas as part of the Defence partnership outlined in the amended Australia Singapore Comprehensive Strategic Partnership. North Queensland Stadium and some significant energy infrastructure investments are also underway.

With recent increased volatility in equities, highlighted by the S&P/ASX200 index being down in excess of 8% throughout the quarter ending 31 December 2018, interest in DPF continues to be strong.

Increased volatility was further reflected within the pricing of the Australian ten-year government bond rate, which reduced significantly over recent months. On 10 November 2018, the rate was 2.76%, whereas on 3 January 2019, it had reduced to 2.17%. All else being equal, a reduction in bond rates is a positive for property valuations.

Increased equity and bond volatility, the soft Australian domestic housing market and the 'Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry' may stifle broader economic buoyancy. For these reasons, we continue to proceed with caution.

Listed property update



Stuart Cartledge

MANAGING DIRECTOR
PHOENIX PORTFOLIOS

The S&P/ASX 200 A-REIT Accumulation Index and the S&P/ASX 300 A-REIT Accumulation Index both moved lower over the quarter to 30 December 2018, falling 1.9% and 1.7% respectively. Property significantly outperformed a weak broader equity market, reflecting a relative flight to safety, with the S&P/ASX 200 Accumulation Index falling 8.2% for the quarter.

Retail landlords, particularly those with exposure to smaller suburban assets, outperformed the benchmark during the December quarter. Charter Hall Retail REIT (CQR) rose 9.0% and Shopping Centres Australasia (SCP) gained 9.2%, after raising capital early in the quarter to acquire ten suburban malls from Vicinity Centres (VCX). VCX itself gained 2.3%, as its quarterly update included slow, but improving sales growth and foot traffic results. Scentre Group (SCG) was the weakest of the large domestic retail REITs, losing 1.8% over the quarter.

Office stocks had a mixed quarter, with some stock specific news driving results. Dexs (DXS) was

a strong performer, up 3.1%, as it announced it had entered into a joint venture with the Singaporean sovereign wealth fund, GIC, which will be seeded with its existing industrial assets. GDI Property Group also had a solid quarter rising by 5.2%. Both Mirvac Group (MGR) and Cromwell Property Group (CMW) lagged the other office owners, dropping by 4.9% and 5.2% respectively.

The most challenged part of the market during the December quarter was residential development. After a long period of substantial residential house price gains, the market has turned in recent times, with the CoreLogic Home Value Index (5 Capital Cities) falling 2.9% in the quarter and 6.4% across the 2018 calendar year. Each of: Finbar Group Limited (FRI) (-14.6%), Sunland Limited (SDG) (-14.9%), Villa World Ltd (VLW) (-16.0%), Peet Limited (-17.0%) and AV Jennings Limited (AVJ) (-20.5%), gave up significant ground.

Sentiment with regards to large property fund managers was clearly not dented in the quarter. Both Charter Hall Group (CHC) and Goodman Group (GMG), confirmed their previous guidance and added to funds under management according to their respective quarterly updates. CHC gained 5.9% whilst GMG was 4.0% higher over the quarter.

Whilst merger and acquisition activity took its customary pause over the end of year period, it continued to be prevalent over the quarter as a whole. Investa

Office Fund (IOF) was finally purchased after many attempts, from many parties, over many years. Elsewhere, Australian Unity Office Fund (AOF) initially accepted an acquisition proposal, before changing course and rejecting an amended proposal at the end of November.

Market Outlook

The macroeconomic environment for property markets has been mixed, supported by falling bond yields, yet facing a headwind from the slowdown in the previously fast-moving residential property market and weak growth in retail sales. The sector has continued to demonstrate strong earnings certainty, an element that is attractive to many investors. August's reporting season and November's AGM updates confirmed this, with minimal changes to forward expectations. Given the choppy global market backdrop, it is unsurprising that a defensive asset class such as property has outperformed equity markets in recent times.

We are cognisant of the structural changes occurring in the retail sector and the need for ongoing changes to the product provided by retail landlords. Also, according to the Australian Bureau of Statistics, the annualised growth in total retail sales is still only 3%, materially less than the 5% levels observed for the last two decades. Retail represents over 50% of property assets in the benchmark and this changing landscape is being carefully monitored.

Property is an interest rate sensitive sector and will come under pressure to the extent that we see a long and protracted rise in bond yields. The sector now offers investors a current-year distribution yield of around 5.3%. In comparison to bond yields trading around 2.2% the yield premium of the sector now sits above its long-term average of 1.9%. It is also worth noting that today's distribution yield is more robust than historical yields because it is based on a more conservative payout policy that retains some earnings to support growth.

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

OPEN FOR INVESTMENT

www.cromwell.com.au/dpf

Investment Report to 31 December 2018

CROMWELL DIRECT PROPERTY FUND

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

Key Statistics

as at 31 December 2018

Status	OPEN ¹
Unit Price	\$1.2491 ²
Distribution Yield	5.60% p.a. ³
WALE	9.0 years ⁴

Performance

	1 Year	3 Years	5 Years	Inception (Aug-13)
Fund Performance After fees & costs	7.5%	8.5%	10.5%	10.5%
Benchmark PCA/IPD Unlisted Retail Property Fund Core Index	12.5%	18.1%	21.0%	20.4%
Excess Returns After fees & costs	(5.0%)	(9.6%)	(10.5%)	(9.9%)

Fund Update

- The Fund acquired its fifth direct property in the quarter, with the purchase of 420 Flinders Street, Townsville for \$63.5 million. Read more about this acquisition on page 28
- An external valuation of the 64 Allara Street, Canberra asset as at 31 December 2018 has provided good news for Fund unitholders: a 1% increase in the value of the asset to \$18 million, up from the valuation of \$17.5 million as at 31 December 2017
- The Fund also benefited from an internal valuation increase to both the Rand Distribution Centre, located in Direk, SA, and Energex House, Newstead, Brisbane, owned by the Cromwell Property Trust 12 and the Cromwell Riverpark Trust respectively, in which the Fund owns units
- An external valuation of the Boundary Street, Spring Hill asset as at 31 December 2018 resulted in no change to the asset value, which remains at \$42 million
- The value of the Bunnings asset, located in Angle Vale, SA, remains constant at \$31.3 million, with the next external valuation due in September 2019
- The value of the Parafield Retail Complex, Parafield, SA remains constant at \$27.25 million, with the next external valuation due in March 2019
- The Townsville acquisition was partly funded by debt, with the Fund's existing debt facility undergoing a refinancing, bringing direct gearing to 18.2%, and look-through gearing to 27.3%
- The Fund's performance to 31 December 2018 was 10.5% per annum annualised since inception

In addition to the footnotes below, please read the important disclaimer at the beginning of the Quarterly Reports section on page 31.

1. Withdrawals are limited, cannot be guaranteed and are subject to the assumptions and risks set out in the PDS dated 29 September 2017.
 2. Unit prices are calculated daily. See the PDS for further information and www.cromwell.com.au/dpf for latest pricing.
 3. Paying 7 cents per unit p.a. Yield based on current unit price of approximately \$1.2491 (31 December 2018).
 4. Figures as at 31 December 2018. Calculated on a "look-through" gross passing income basis.
- See www.cromwell.com.au/dpf for further information.

OPEN FOR INVESTMENT

www.cromwell.com.au/apf

Investment Report to 31 December 2018

CROMWELL AUSTRALIAN PROPERTY FUND

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

Key Statistics

as at 31 December 2018

Status	OPEN ¹
Unit Price	\$1.2456 ²
Distribution Yield	4.82% p.a. ³

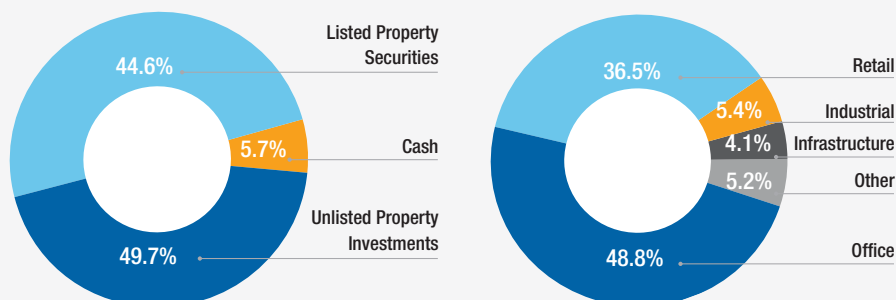
Performance

	1 Year	3 Years	5 Years	Inception (Oct-13)
Fund Performance After fees & costs	2.5%	7.3%	10.6%	10.0%
Benchmark⁴	7.1%	11.1%	14.9%	14.0%
Excess Returns After fees & costs	(4.6%)	(3.8%)	(4.3%)	(4.0%)

Fund Update

- The Fund's performance to 31 December 2018 was 10.0% per annum annualised since inception
- The Fund's performance for the quarter ending 31 December 2018 was impacted by negative performance in the listed property market

Sector Weightings⁵



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

3. Paying 6 cents per unit p.a. Yield based on current unit price of approximately \$1.2456 (31 December 2018).

4. The benchmark is set out in the PDS.

5. Figures as at 31 December 2018. Positions held by the Fund are subject to change.

See www.cromwell.com.au/apf for further information.

OPEN FOR INVESTMENT

www.cromwell.com.au/psf

Investment Report to 31 December 2018

CROMWELL PHOENIX PROPERTY SECURITIES FUND

This award-winning Fund is one of the top performing property securities funds in Australia, with underlying investments chosen by Phoenix Portfolios using a 'best ideas' approach.

Key Statistics

as at 31 December 2018

Status	OPEN ¹
Unit Price	\$1.2153 ²
Distribution Yield	5.30% p.a.

Performance

	1 Year	3 years	5 years	7 years	Inception (Apr-08)
Fund Performance After fees & costs	(1.0%)	7.7%	13.2%	16.6%	8.7%
Benchmark S&P/ASX 300 A-REIT Accumulation Index	3.3%	7.6%	12.5%	14.4%	4.0%
Excess Returns After fees & costs	(4.3%)	0.1%	0.7%	2.2%	4.7%

Top 10 stock holdings³

CHARTER HALL GROUP LIMITED
DEXUS
GENERAL PROPERTY TRUST
MIRVAC GROUP
SCENTRE GROUP
STOCKLAND LTD
SYDNEY AIRPORT
TRANSURBAN GROUP
UNIBAIL-RODAMCO-WESTFIELD
VICINITY CENTRES

Alphabetical order

Fund Update

- Positive contributions came from overweight positions in Charter Hall Group and Transurban, along with an underweight position in the underperforming Stockland Group
- An overweight position in the underperforming Unibail-Rodamco-Westfield and Lendlease group detracted value, as did an underweight position in the outperforming Dexs Property Group and Goodman Group
- The Fund delivered a net return of (3.5%) over the quarter, underperforming the benchmark by 1.7%
- The Fund's performance to 31 December 2018 was 8.7% per annum annualised since inception

In addition to the footnotes below, please read the important disclaimer at the beginning of the Quarterly Reports section on page 31.

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

1. Withdrawals cannot be guaranteed and are subject to the assumptions and risks set out in the PDS dated 29 September 2017.

2. Unit price as at 31 December 2018. Unit prices are calculated daily. See the PDS dated 29 September 2017 for further information and www.cromwell.com.au/psf for latest pricing.

3. As at 31 December 2018. Positions held by the Fund are subject to change.

See www.cromwell.com.au/psf for further information.

CLOSED TO INVESTMENT

www.cromwell.com.au/c12

Investment Report to 31 December 2018

CROMWELL PROPERTY TRUST 12

This Trust replicates many features of Cromwell's other unlisted property trusts, including the seven-year investment period, innovative construction funding structure and long lease term. However, this Trust is underpinned by two assets valued at \$144.95 million¹.

Key Statistics

as at 31 December 2018

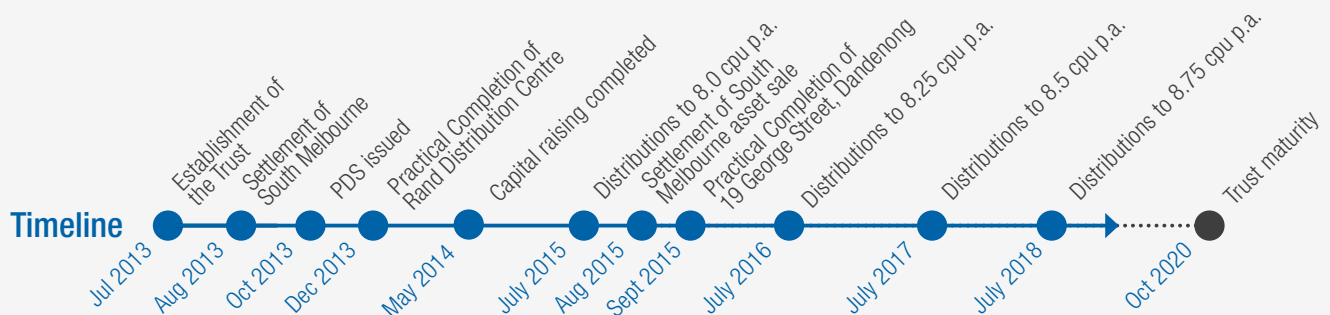
Status	CLOSED
NAV Price	\$1.32
Distribution Yield	6.61% p.a.
WALE	12.9 years ²

Performance

	1 Year	2 Years	3 Years	Inception (Oct-13)
Trust Performance After fees & costs	10.5%	11.1%	14.5%	14.2%
Benchmark PCA/IPD Unlisted Retail Property Fund Core Index	12.5%	17.8%	20.5%	20.3%
Excess Returns After fees & costs	(2.0%)	(6.7%)	(6.0%)	(6.1%)

Trust Update

- The Trust's performance for the quarter ending 31 December 2018 was 2.2%
- An internal valuation of the Rand Distribution Centre, located in Direk, SA as at 31 December 2018 has provided good news for Trust unitholders: a 1.5% increase in the value of the asset to \$49.75 million, up from \$49 million as at 31 March 2018
- The value of the 19 George Street, Dandenong asset remains constant at \$95.2 million, with the next external valuation due in September 2019
- The Trust's unit price is currently at \$1.32



In addition to the footnotes below, please read the important disclaimer at the beginning of the Quarterly Reports section on page 31.

1. Based on valuations for 19 George Street, Dandenong (\$95.2 million) as at 30 September 2018 and Rand Distribution Centre (\$49.75 million) as at 31 December 2018.

2. Calculated by gross income.

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

CLOSED TO INVESTMENT

www.cromwell.com.au/ich

Investment Report to 31 December 2018

CROMWELL IPSWICH CITY HEART TRUST

The unlisted Trust's asset is the \$123 million¹ Ipswich City Heart Building in Ipswich, Queensland. The Trust was the first Cromwell trust to be certified as a Responsible Investment by the Responsible Investment Association of Australasia.

Key Statistics

as at 31 December 2018

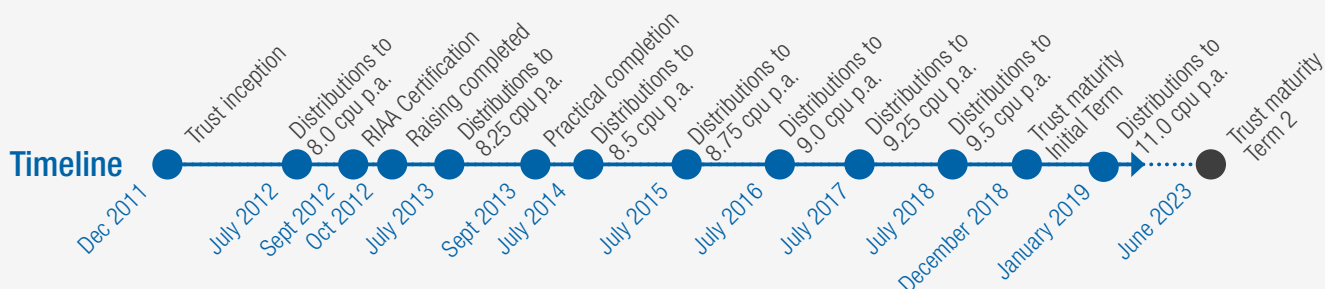
Status	CLOSED
NAV Price	\$1.43
Distribution Yield	6.65% p.a.
WALE	9.2 years ²

Performance

	1 year	3 years	5 years	Inception (Dec-11)
Trust Performance After fees & costs	14.0%	14.6%	15.9%	13.7%
Benchmark PCA/IPD Unlisted Retail Property Fund Core Index	12.5%	17.8%	20.5%	17.7%
Excess Returns After fees & costs	1.5%	(3.2%)	(4.6%)	(4.0%)

Trust Update

- The Trust's performance for the quarter ending 31 December 2018 was 1.7%
- 116 square metres of the lower ground floor retail space has been leased to Ashley Institute of Training on a two-year lease that commenced 24 December 2018, taking overall property occupancy to over 99%
- Distributions for the Trust have been increased by 1.5 cents per unit (cpu) from January 2019. The increase takes the distribution to 11.0% per annum, based on the unit issue price of \$1.00 and 7.7% based on the Trust's current unit price and was underpinned by the finalisation of a new interest rate swap for the Trust's bank loan
- The Trust's unit price is currently \$1.43



In addition to the footnotes below, please read the important disclaimer at the beginning of the Quarterly Reports section on page 31.

1. Based on valuation as at 30 June 2018.

2. Calculated by gross income.

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

CLOSED TO INVESTMENT

www.cromwell.com.au/crt

Investment Report to 31 December 2018

CROMWELL RIVERPARK TRUST

This was the first of Cromwell's next generation 'back to basics' single property trusts and served as a bellwether for the type of investments being sought in an uncertain economic environment. The Trust's building, Energex House, is currently valued at \$274 million¹.

Key Statistics

as at 31 December 2018

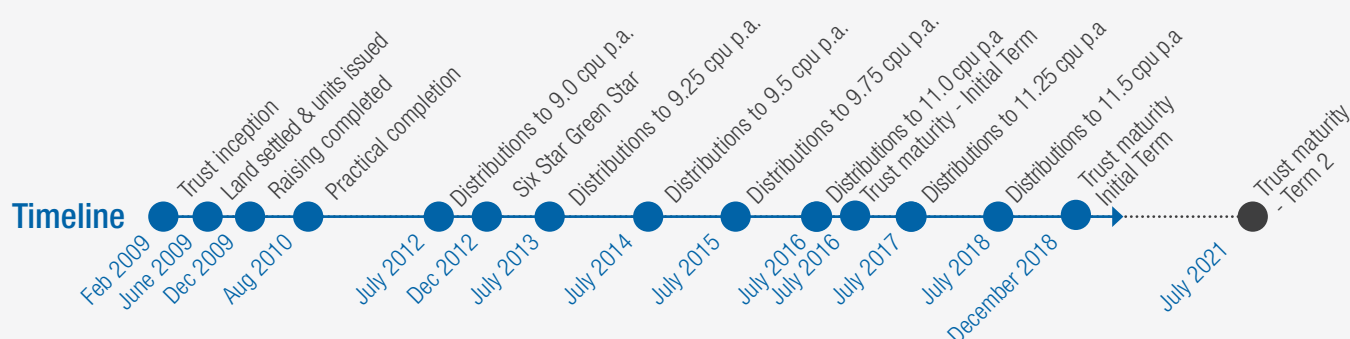
Status	CLOSED
NAV Price	\$1.97
Distribution Yield	5.84% p.a.
WALE	6.3 years ²

Performance

	1 year	3 years	5 years	7 years	Inception (Jul-09)
Trust Performance After fees & costs	12.5%	17.5%	19.9%	18.5%	16.0%
Benchmark PCA/IPD Unlisted Retail Property Fund Core Index	12.5%	17.8%	20.5%	17.6%	14.9%
Excess Returns After fees & costs	(0.0%)	(0.3%)	(0.6%)	0.9%	1.1%

Trust Update

- An internal valuation of Energex House, Newstead, Brisbane as at 31 December 2018 has provided good news for Trust unitholders: a 0.4% increase in the value of the asset to \$274 million, up from \$273 million as at 30 June 2018
- Performance for the quarter ending 31 December 2018 was 1.9%
- The Trust's unit price is currently \$1.97, with the next external valuation of the asset expected in June 2019



In addition to the footnotes below, please read the important disclaimer at the beginning of the Quarterly Reports section on page 31.

1. Based on valuation as at 31 December 2018.

2. Calculated by gross income.

See the 25 February 2009 (PDS) and the supplementary product disclosure statement dated 30 June 2009 (SPDS) and www.cromwell.com.au/crt for further information.

CLOSED TO INVESTMENT

www.cromwell.com.au/pof

Investment Report to 31 December 2018

CROMWELL PHOENIX OPPORTUNITIES FUND

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

Key Statistics

as at 31 December 2018

Status	CLOSED ¹
Unit Price	\$1.8882
Distribution Yield	N/A

Performance

	1 year	3 years	5 years	Inception (Dec-11)
Fund Performance After fees & costs, inclusive of the value of franking credits	(0.6%)	17.2%	16.1%	18.7%
Fund Performance After fees & costs, excluding the value of franking credits	(2.4%)	15.6%	14.7%	17.2%
S&P/ASX Small Ords Accumulation Index	(8.7%)	7.5%	5.6%	4.4%

Fund Update

- The Fund's performance to 31 December 2018 was 18.7% annualised since inception (net of fees, inclusive of franking credits)
- Positive contributions to the Fund's performance over the quarter came from, among others, holdings in Mount Gibson Iron, Ariadne and Korvest
- Detracting from Fund performance over the quarter were holdings in OneMarket, MMA Offshore and Seven Group Holdings
- The Fund delivered a net return of (8.7%) over the quarter (net of fees, inclusive of franking credits)
- The Fund outperformed the return of the Small Ordinaries Index over the quarter which returned (13.7%)

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1. Withdrawals cannot be guaranteed and are subject to the assumptions and risks set out in the PDS dated 29 September 2017.

2. Unit price as at 31 December 2018. Unit prices are calculated monthly. See the PDS for further information and www.cromwell.com.au/pof for latest pricing.

See www.cromwell.com.au/pof for further information.

CROMWELL PROPERTY GROUP

QUARTERLY SNAPSHOT



Cromwell Property Group (ASX:CMW) is a Real Estate Investor and Manager with operations on three continents and a global investor base. The Group is included in the S&P/ASX 200. As at 31 December 2018, Cromwell had a market capitalisation of \$2.2 billion, a direct property investment portfolio in Australia valued at \$2.5 billion and total assets under management of \$11.5 billion across Australia, New Zealand and Europe.

Key Statistics as at 27 February 2019

Security Price	\$1.095 ¹
Distribution Guidance	7.25 cpu ²
Distribution Yield	6.62% p.a. ²

Performance as at 31 December 2018

	1 Year	3 Years	10 Years
CMW Performance			
After fees & costs	5.4%	6.3%	15.1%
Benchmark			
S&P/ASX 300 A-REIT Accumulation Index	3.3%	7.6%	10.7%
Excess Returns			
After fees & costs	2.1%	(1.3%)	4.4%

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

21 December 2018	Change of Director's Interest Notice - PL Weightman	28 November 2018	Trading Halt
21 December 2018	Appendix 3B	26 November 2018	Trading Halt
21 December 2018	Dividend/Distribution - CMW	24 November 2018	Cromwell Diversified Property Trust - Constitution
19 December 2018	Change of Director's Interest Notice - JA Tongs	23 November 2018	Appendix 3B
19 December 2018	Change of Director's Interest Notice - MA McKellar	21 November 2018	Final Director's Interest Notice - M Wainer
19 December 2018	Change of Director's Interest Notice - AJ Fay	21 November 2018	September 2018 Quarter Distribution - Taxation Components
19 December 2018	Change of Director's Interest Notice - GH Levy	21 November 2018	Appointment of Auditor
19 December 2018	Appendix 3B	21 November 2018	Retirement of Cromwell Director - M Wainer
18 December 2018	Cromwell Successfully Completes Entitlement Offer	21 November 2018	Results of Meeting
12 December 2018	Amended Appendix 3B	21 November 2018	AGM Presentation
11 December 2018	Appendix 3B	21 November 2018	Chairman's Address and CEO's Address to Securityholders
5 December 2018	Despatch of Retail Entitlement Offer Booklet	12 November 2018	Change of Director's Interest Notice - PL Weightman
3 December 2018	Cleansing Notice	7 November 2018	Appendix 3B
3 December 2018	Appendix 3B	2 November 2018	Change of Director's Interest Notice - AJ Fay
30 November 2018	Change of Director's Interest Notice - AJ Fay	2 November 2018	Update - Dividend/Distribution - CMW
30 November 2018	Equity Raising - Notification to Ineligible Securityholders	31 October 2018	Cromwell To Take Up Rights and Grow AUM
30 November 2018	Retail Entitlement Offer Booklet	16 October 2018	Notice of Annual General Meeting/Proxy Form
30 November 2018	Successful Completion Of Institutional Entitlement Offer	15 October 2018	Initial Director's Interest Notice - AJ Fay
28 November 2018	Cleansing Notice	15 October 2018	Appointment of Cromwell Director - AJ Fay
28 November 2018	Appendix 3B		
28 November 2018	Equity Raising Presentation		
28 November 2018	Equity Raising Of Up To \$300M To Fund Growth Opportunities		

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

- Based on security price as at close of trading 27 February 2019. Securities are traded on the ASX and the price is subject to market movements and will change daily. Current pricing is available at www.asx.com.au.
- Capital growth, distributions and tax consequences cannot be guaranteed and are subject to assumptions and risk. Annualised distributions and yield based on most recent distribution and security prices.

Cromwell Property Securities Limited ABN 11 079 147 809, AFSL 238052 (CPSL) has prepared this report and is the responsible entity of the Cromwell Diversified Property Trust ARSN 102 982 598 (DPT). This report is issued by CPSL as responsible entity of DPT and on behalf of Cromwell Corporation Limited ABN 44 001 050 980. This report has been prepared without taking into account your objectives, financial situation or needs. In making an investment decision, you should consider all available information and assess, with or without your financial or tax adviser, whether the product fits your objectives, financial situation or needs. Past performance is not a reliable indicator of future performance. Forward-looking statements in this report are provided as a general guide only. These statements are not guarantees of future performance. Actual results could differ materially from those expressed. CPSL does receive fees as responsible entity of DPT.

CONTACT US WITH ANY QUESTIONS

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

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KEY EVENTS CALENDAR

Friday, 22 February 2019	Q2 FY19 Distribution Payment Date
Thursday, 28 February 2019	1H19 Results Announcement
The following dates are indicative	
Thursday, 28 March 2019	Q3 FY19 Distribution Ex Date
Thursday, 29 March 2019	Q3 FY19 Distribution Record Date
Friday, 24 May 2019	Q3 FY19 Distribution Payment Date
Thursday, 27 June 2019	Q4 FY19 Distribution Ex Date
Friday, 28 June 2019	Q4 FY19 Distribution Record Date
Friday, 23 August 2019	Q4 FY19 Distribution Payment Date
Thursday, 29 August 2019	FY19 Results Announcement
Friday, 27 September 2019	Q1 FY20 Distribution Ex Date
Monday, 30 September 2019	Q1 FY20 Distribution Record Date
Wednesday, 20 November 2019	2019 Annual General Meeting
Friday, 22 November 2019	Q1 FY20 Distribution Payment Date
Monday, 30 December 2019	Q2 FY20 Distribution Ex Date
Tuesday, 31 December 2019	Q2 FY20 Distribution Record Date

GLOSSARY

\$	All dollar values are in Australian dollars	GFC	Global Financial Crisis
A-REIT	Australian real estate investment trust	IRR	Internal rate of return
AUM	Assets under management	NOI	Net operating income
Cap rate	Capitalisation Rate	NLA	Net lettable area
CCL	Cromwell Corporation Limited	NTA	Net tangible assets per security
CPSL	Cromwell Property Securities Limited	p.a.	Per annum
CPS	Cents per security	RBA	Reserve Bank of Australia
CPU	Cents per unit	RE	Responsible Entity
DPS	Distribution per security	REIT	Real Estate Investment Trust
DPT	Cromwell Diversified Property Trust	Securityholder	A person who holds a Security
Distribution yield	Return on investment, based on current unit price	Security	Stapled security consisting of one share in CCL and one unit in DPT
EPS	Operating Earnings per Security	Small Cap	Stock with a relatively small capitalisation
EBITDA	Earnings before interest, taxes, depreciation, and amortisation	SMSF	Self managed superannuation fund
FY	Financial year (1 July to 30 June)	VWAP	Volume weighted average price
Gearing	Total borrowings less cash/total assets less cash	WACR	Weighted average capitalisation rate
GDP	Gross domestic product - total dollar value of all goods and services produced over a specific time period	WALE	Weighted average lease expiry by gross income



insight >