

Cromwell

PROPERTY GROUP

insight

Cromwell Riverpark Trust Extended

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insight

Insight Magazine

Published by Cromwell Property Group

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Cromwell Property Group is a global real estate investment manager.

As at 30 June 2016 Cromwell had a direct property investment portfolio in Australia valued at \$2.3 billion, and total assets under management of \$10.3 billion across Australia, New Zealand and Europe.

Cromwell Property Group (ASX:CMW) is included in the S&P/ASX 200 and the FTSE EPRA/NAREIT Global Real Estate Index.



Insight Magazine is published by Cromwell for our securityholders, investors and financial planners in Australia. It is distributed quarterly and features our view of the Australian property market, industry trends, news and education. We also share our achievements and report on the progress of each 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 ("CPS"), 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 30 June 2016 unless otherwise indicated. All dollar figures shown are in Australian dollars unless otherwise indicated.

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Past performance is not a reliable indicator of future performance. In particular, distributions and capital growth are not guaranteed.

Various unlisted funds are referred to in this document. At the date of this document, the funds are not offered outside of Australia and, in some cases, New Zealand.

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

Cromwell Property Group ("Cromwell") comprises Cromwell Corporation Limited, ABN 44 001 056 980 ("CCL" or "the Company") and Cromwell Diversified Property Trust, ARSN 102 982 598 ("DPT" or "the Trust") the responsible entity of which is CPS.



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Paul
Weightman
MANAGING DIRECTOR/
CEO

CEO Update

Dear Investor,

Cromwell recently reported its 2016 financial year (FY16) results. If you would like to view the presentation in full it can be found on our website, www.cromwell.com.au. Alternatively page 13 of this issue provides a snapshot of some of the key statistics.

To recap some of the performance highlights, strong transactional income boosted our operating profit to \$164.5 million for the year to 30 June 2016. This represented operating profit of 9.41 cents per security (cps) and distributions to investors of 8.2 cps, an increase of 4.3% on last year.

These results continued Cromwell's trend of consistently providing investors with stable, secure and growing distributions through the property cycle.

During the year funds management earnings increased to \$29.0 million, just short of our long term target of 20% of total earnings. Along with growth in domestic funds under management, trading of €2.1 billion in assets on behalf of institutional investors in Europe contributed substantially to the increase.

The property portfolio had an operating profit of \$135.4 million and a Weighted Average Lease Expiry (WALE) of 6.34 years. Cromwell's core NSW and VIC assets continue to perform well and we are actively managing our vacancies in Queensland and Canberra.

Given the heightened competition for assets in all markets, Cromwell's preference is to continue to recycle capital from disposals to value adding opportunities in our existing portfolio. We are therefore investing \$300 million for the future with the redevelopment of Northpoint Tower in North Sydney and the development of the new Department of Social Services national headquarters at Tuggeranong Office Park in ACT.

FY17 operating profit is conservatively forecast to be not less than 8.4 cps and distributions of not less than 8.34 cps. This represents a forecast FY17 operating profit per security and distributions per security yield of 7.92% and 7.73% respectively, based on Cromwell's closing share price of \$1.06 on 24 August 2016.

Cromwell Riverpark Trust unitholders recently voted overwhelmingly to extend the Trust for a further five years. The Trust has been very popular with unitholders and the extension is a great achievement for our funds management team.

In Insight this quarter we review the Riverpark vote, as well as examining real estate investment market trends in both Australia and Europe. We also look at how to choose the right trustee structure for your SMSF, and Iron Mountain (ASX:IRM) is our stock review. I hope you enjoy this edition of Insight.

Yours sincerely,

Paul Weightman



Tax Time

It's that time of year again, when an investor's administration and record-keeping skills over the previous financial year are tried and tested!

The 2015-2016 Cromwell Property Group (ASX:CMW) annual tax statements were dispatched to Securityholders on 18 August, whilst Cromwell Funds Management (CFM) Fund and Trust Unitholder statements were dispatched on 29 July.

The Cromwell website also has many resources for CMW Securityholders that may help you or your adviser to compile and complete your tax return. Go to our Taxation Information page for historical distribution and income tax components, a discussion on the Capital Gains Tax treatment of stapled securities, as well as the CMW Tax Guide 2016¹.

If you have not yet received your annual tax statements, contact a member of our Investor Services Team on 1300 276 693.

We recommend that you consult your professional tax adviser for specific advice in relation to the tax implications of holding either CMW stapled securities or units in any of CFM's Funds or Trusts.

<http://www.cromwell.com.au/investors/securityholders/taxation-information>

1. Information provided on the CMW Taxation Information page has been prepared for general information only and should not be relied upon as tax advice.



Cromwell Awarded Tuggeranong Fitout

Cromwell Property Group has been awarded the \$42 million fitout of the Department of Social Services' new national headquarters at Tuggeranong Office Park, following on from winning the construction contract for the \$130 million building.

The project is on track to achieve a 5 star Green Star rating and a 4.5 NABERS energy rating, and is set to become Canberra's biggest LED lighting-only office development.

Damian Horton, Cromwell Head of Property, said the fitout win demonstrated Cromwell's ability across the entire lifecycle of projects, particularly its expertise in designing energy efficient buildings.

"Sustainability is a focal point for new buildings and we continuously look for ways to incorporate green principles into the design and management of our assets," Mr Horton said.

Construction is on schedule for the Department of Social Services to relocate to their modern national headquarters in September 2017.



Morningstar Individual Investor Conference 2016

Do you consider yourself an engaged and active investor? If so, the 2016 Morningstar Individual Investor Conference is coming up, and Cromwell is again pleased to be a lead sponsor of the event.

As sponsors of the event, we have negotiated a discounted entry offer for our investors. To receive the special Cromwell discount of \$49 (normally \$79), quote the code CROMWELL1 when purchasing your tickets.

The conference is always informative and this year will be no exception, with the conference theme "Balancing risk and reward in a new investment world".

SMSFs will also receive special focus at this year's conference, with sessions covering regulation and portfolio construction among others.

Come and visit our stand where members of our Investor Services Team will be available to answer any questions you may have on the suite of Cromwell funds.

Event details:
Friday 14 October
Wesley Conference Centre
220 Pitt Street Sydney

For more details and to register visit <http://www.cvent.com/d/0fqhs4>



Investment Trends – Invitation to Participate

Cromwell has recently sent out an invitation to our investors to once again participate in the annual Investment Product and Advice Needs Survey.

Conducted by leading independent research house 'Investment Trends', the online survey provides valuable insight into the Australian investment market. The results also provide Cromwell with information on our investors' requirements when looking to develop new products.

Everyone who completes the survey can opt to receive a valuable summary report showing the portfolios, intentions and preferences of investors throughout Australia.

The survey request and link was sent to email inboxes early September. If you have any questions please contact Cromwell Investor Services Team on 1300 276 693.



Cromwell Cup Celebrates 10 Years of Local Sponsorship

The Annual Cromwell Cup was held on Saturday 2nd July, celebrating the 10 year milestone of Cromwell's sponsorship of Easts Rugby Union Club, Coorparoo. The traditional match between the Cromwell Easts Tigers and rivals GPS ended with the Tigers scoring a big 18 point win over GPS, the final score Easts 30 - GPS 12.

The day was well supported by many of the wider Cromwell community with staff, family and friends enjoying a great day out. A raffle was also held to raise funds for the Cromwell Property Group Foundation.




Super Budget Roundup

With the election done and dusted, we are all waiting to see which of the Federal Government's superannuation budget proposals are passed as legislation and to what extent.

The proposals include:

- Introduction of a transfer balance cap of \$1.6 million to retirement pensions.
- Annual concessional contributions cap lowered to \$25,000.
- \$500,000 lifetime cap introduced for non-concessional (after-tax) contributions (back dated to 1 July 2007).
- Removal of tax exemption for fund earnings on transition-to-retirement pensions (TTR).
- The carry forward of any unused portion of the annual concessional contributions cap for up to 5 years (for balances under \$500,000).
- Removal of the work test for over-65s wanting to make super contributions.
- Personal tax-deductible super contributions being made available to all Australians, not just the self-employed.
- Increase in the income threshold for spouse tax offset from \$10,800 to \$37,000.

To stay abreast of the changes we recommend keeping in close contact with your professional adviser to manage any possible impact.



“ Given the Trust’s impressive record, it is unsurprising that Unitholders have overwhelmingly voted to extend the term for a further five years. This type of high-quality investment, with consistent distributions and potential capital growth upside is rare in the current market.

HAMISH WEHL, FUND MANAGER ”

8.4% yield
6.5% capital growth

> **Total Return**
14.9% annualised since inception¹

Cromwell Riverpark Trust Unitholders vote to extend the Trust

Throughout May and June, Unitholders in the Cromwell Riverpark Trust (the Trust) took part in a vote to extend the Trust's term for a further five years beyond the Trust's initial maturity date of 8 July 2016. Unitholders voted overwhelmingly in support of the proposal, which was finalised and implemented following a formal Meeting of Unitholders held on Thursday, 7 July 2016.

In true testament to the long-term success of the Trust, almost 80% of the Trust's 91,000,000 Units were voted in favour of extending the term, well exceeding the 50% required. Cromwell's Investor Services Team worked tirelessly to ensure Unitholders were aware of the vote, the potential outcomes, and also knew there was an option to sell their Units via the Matching Facility.

Relationship Manager, Pat Brock, personally spoke to countless Unitholders in a Trust whose register is so widely held that the largest investor holds less than 0.6% of Units.

"It was important that Unitholders understood the options put forward, in particular those Unitholders who originally intended to invest for only seven years," said Mr Brock.

As part of the vote, Unitholders (including Cromwell Funds Management's (CFM) Cromwell Direct Property Fund) were able to apply to purchase additional units in the Trust, allowing those Unitholders wanting to exit to do so. This option was so popular that potential buyers far exceeded sellers of units in the Trust, resulting in all buyers having their purchase scaled back by 45%.

"It was not surprising to see the majority of Unitholders wanting to remain in the Trust, as well as buy additional Units, as I take calls from our investors every day looking for the next opportunity," said Pat.

Fund Manager, Hamish Wehl, said the vote was a great result for Unitholders of the Trust.

"Given the Trust's impressive record, it is unsurprising that Unitholders have overwhelmingly voted to extend the term for a further five years. This type of high-quality investment, with consistent distributions and potential capital growth upside is rare in the current market," Mr Wehl said.

"It was exceptionally pleasing to see a high percentage of Unitholders electing to remain for a further five year term and the Matching Facility allowed all Unitholders wishing to exit to do so in full. The Matching Facility allowed those Unitholders wanting to sell to achieve an annualised return of 14.9% since inception," he added.

[Article continues over the page...](#)

Terms capitalised have the meaning given to them in the Cromwell Riverpark Trust Notice of Meeting and Explanatory Memorandum dated 20 May 2016.

1. Annualised to 30 June 2016 (inception February 2009), based on an initial unit price of \$1.00 per unit, redeemed at \$1.49 per unit in Matching Facility.

"We see this as a vote of confidence in Cromwell's offering and ability to consistently deliver returns and provide predictable monthly income to investors. It is a testament to our successful 'back-to-basics' approach and expertise in identifying quality assets.

As was the environment when we launched the Trust in 2009, there is currently uncertainty in global markets and again we're seeing falling interest rates. This makes simple investments backed by a high quality asset, strong tenant profile and long lease term even more attractive," Mr Wehl said.

The Trust's asset, Energex House, is currently valued at \$237 million and the unit price now stands

at approximately \$1.52 (before selling costs). As a further boost to Unitholders, the Trust's annual distribution rate increased in July to 11 cents per unit (cpu) per annum (p.a.), up 1.25 cpu on the 9.75 cpu p.a. paid in the 2015/16 financial year. Whilst the rental agreement allows for an increase in the rent on an annual basis, the distribution increase was assisted by the expiry of the existing interest rate swap on reaching the end of the initial term, resulting in re-negotiation on extensively cheaper rates in the current low interest rate environment.

Following on from the vote, the Trust is now due to mature in five years time, on 8 July 2021.

	August 2010	June 2016		
Cap Rate	7.75%	6.75%	▼	1.3%
NTA	\$0.90	\$1.52	▲	69%
Valuation	\$173m	\$237m	▲	37%
Distribution	8.25 cpu p.a.	9.75 cpu p.a.	11.0 cpu p.a.	Current distribution
LVR	55%	40.1%	▼	14.9%

Access to the Trust is only available through the Cromwell Direct Property Fund, which following the vote holds approximately 18% of units in the Cromwell Riverpark Trust.

Cromwell Direct Property Fund

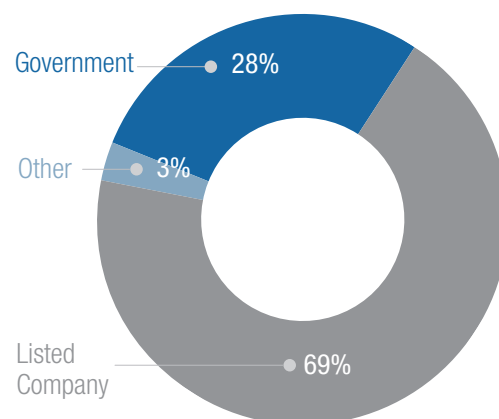
ARSN 165 011 905 | PIC CODE CRM0018AU | JUNE 2016

- Quality leases: Long Weighted Average Lease Expiry (WALE) of 11.1 years¹
- Monthly Income: Distribution Yield of 6.1%²
- Low levels of gearing: Look through gearing of 13% as at 30 June 2016
- Monthly Withdrawals³: Direct Property + Liquidity

This award winning fund provides exposure to property throughout Australia either directly or through investments in unlisted property trusts.

Minimum investment \$10,000
See performance on page 26

Quality Assets¹



To order a Product Disclosure Statement

 **1300 276 693**

 invest@cromwell.com.au

 www.cromwell.com.au/dpf

1. Figures as at 30 June 2016 adjusted for on-completion value of properties that are under construction. Positions held by the Fund are subject to change. Calculated on a "look-through" gross passing income basis.

2. Based on current distributions at 7 cents per annum per unit and a current unit price of \$1.1519 as at 30 June 2016.

3. Withdrawals are limited and cannot be guaranteed. For further information, see Section 7.4 of the Product Disclosure Statement dated 1 September 2016.

Medium Term Economic and Property Outlook

In the Summer 2016 issue of Insight (December 2015), we took a snapshot of Australia's property market and examined how factors in the wider economy were impacting on the sector. In this update we look at what influence global and domestic financial market developments are having on Australian commercial property markets, in particular on both the capital and rental cycles in our key geographical markets.

Economic Outlook

The Australian economy remains soft as the investment phase of the mining boom ends. The economy continues to work through a slow process of structural change, punctuated by cyclical shifts.

We are now around half way through the fall in mining investment with the impact partially offset by strong growth in resources production and exports. Income and expenditure in the domestic economy are weak but consumption expenditure is being maintained as households spend more of what they earn.

Non-mining industries are still struggling to recover from the GFC, with weak demand, weak profits and excess capacity keeping costs tight and investment deferred. Nevertheless, services are beginning to come off the post-GFC trough. This is boosting employment in finance and, more slowly, business services.

The dollar is low enough to stimulate the dollar-exposed industries that were suppressed during the period of the mining boom, but it will take time for them to build momentum and broaden through the rest of the economy.

We believe the residential boom has nearly run its course and will contribute negatively to growth next year. Public infrastructure spending is starting to recover after four years of negative real growth. The net effect of these changes is continued weakness until non-mining sectors pick up momentum and start to invest. We expect that will take several years yet.

However recent growth figures have contradicted this. GDP growth has strengthened to 3.1% through the year to March. We expect this strengthening to be short lived. A full 1.0% of the last year's GDP growth was directly attributable to rising resources production and exports as iron ore production surged and as major gas projects came on stream.

Underlying growth is still around 2.5% and once the production surge has run its course, and as residential building slows down, growth will again weaken. It will take longer for non-mining industries to build momentum.

Financial Markets

Pre, and post, Brexit there have been shifts in financial markets at home and abroad.

The US Federal Reserve is being extremely cautious in raising cash rates suggesting that this phase will be an extremely slow, long phase of incrementally rising interest rates in the US, underpinning corresponding bond rate rises both in the US and in Australia. In the last few months bond rates have stayed low. Indeed, they have fallen in the US, in Australia and around the world, in many cases to new lows. US bond rates will eventually rise but the timing is uncertain.

Australian inflation has been low, below the RBA's 2% to 3% band (on average through the cycle) - largely because of low wage increases and the effect of the fall in the oil price on distribution costs. However there is little chance of a deflationary episode taking hold in Australia.

The RBA has reduced the cash rate to 1.50%, the lowest level on record, with many commentators expecting further falls. We're not so sure. The buffer between Australian and US rates gives the RBA the leeway to use monetary policy for domestic considerations. Given how slowly Fed rate rises are likely to come through, that buffer may remain in place for a while yet.

There is no compelling reason for further interest rate declines in the short term. But the prospect of a weakening in growth starting from next year - once the current surge in mining export growth runs out of steam and as residential building turns down - means that the RBA would be well advised to keep their powder dry for the next few quarters.

Irrespective, the RBA won't be raising interest rates aggressively until the economy strengthens, or until US Fed rates rise by enough to close the gap. That is likely to give us at least another few years of low cash rates.

State by State Growth Outlook

Domestically, the regional shift away from the mining regions towards the non-mining, trade exposed and services regions continues. The mining states of Western Australia and Queensland are weak. In Western Australia the major impact of falling mining investment is yet to come whilst in Queensland the full impact of falling mining investment is being delayed by the strength of residential building.

New South Wales and Victoria are now the strongest growth states. In those states, falling residential building will impact on the economy. However the fall in mining investment in these states has completed and construction should be boosted by infrastructure spending. Moreover, already strengthening services will also be boosted once non-mining business investment comes through, however this will happen slowly.

Article continues over the page...



Property Implications

Australia faces both structural and cyclical shifts and the property market will look very different in five years time. We continue to emphasise the implications of bond rate rises on yields but acknowledge continued uncertainty about how soon and how far bond rates will rise. The slow economic recovery will mean a slow build-up of tenant demand for property space across property sectors. We are expecting performance differentials to remain within the various capital cities, as the economic drivers of each remain separate. The divergence between strong capital values and weak rental growth will remain.

Property Sectors:

The industrial and retail markets will continue to exhibit a steady, albeit suppressed state of returns, providing a small yield above inflation minus a small margin, until impacted by rising bond rates, whenever that might happen. Office markets, where Cromwell most commonly invests, are more cyclical and this is reflected in more detail below.

Office Markets:

The Sydney office leasing market has begun to tighten via a moderate increase in demand and a lack of new supply. There are limited new Sydney CBD development projects in place in the medium term post-Barangaroo and a reduction in space due to withdrawals, including those absorbed for the Metro rail project and for residential conversions, means supply of new stock will be tight for several years until the next round of developments come through.

The result is the Sydney office market will continue to perform with strong rental, and some price growth, to come over the next few years. Melbourne will differ from Sydney, not on the demand side, but there will be more supply. The leasing market in Melbourne therefore won't tighten up as much but it will be a solid performer.

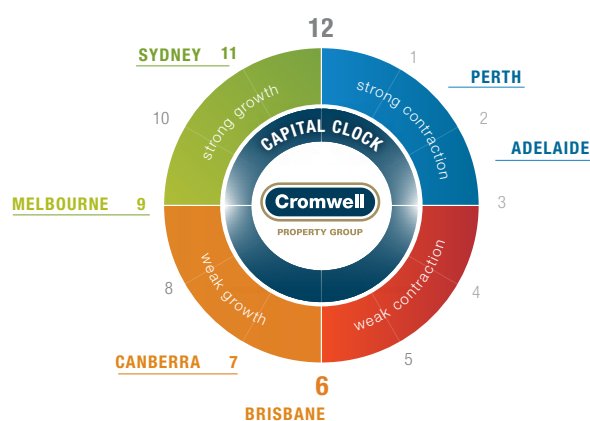
The Canberra market has bottomed and therefore has the potential to show growth over the next 5 years. However, the Canberra market is very much a 'two tenant town', focused on State and Federal government tenancies; and this may impact on the ability to extract maximum value from an upswing. The mining cities of Perth, Brisbane and Adelaide will continue to remain weak until 2018.

Cromwell's Office Rental Clock



The mining states of Queensland and Western Australia continue to be impacted by decreases in net effective rent with Perth still having the furthest to fall. As suggested, Canberra has bottomed out and we are seeing some net rental growth in Melbourne and Sydney. This is manifesting itself through a reduction in incentives and once these come down further, growth will feed into gross rent increases.

Cromwell's Office Capital Clock



We expect the mining states to show a softening in capital values, as a further downturn in net effective rents and high vacancies begin to counteract the volume of international capital looking for a home. Sydney and Melbourne however are likely to see some further cap rate compression as their status as 'gateway cities' and net rental growth supports the strong capital growth they have seen in recent years. Canberra will also see some future tightening although this more due to its cyclical positioning having experienced declining rental values over recent years.

Cromwell's FY16 Results

\$329.6 million
STATUTORY PROFIT

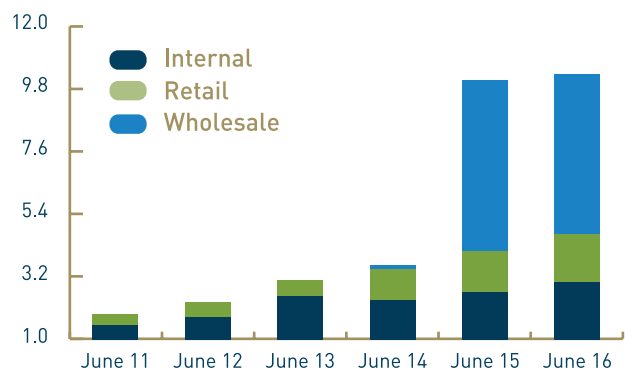
\$164.5 million
OPERATING PROFIT

9.41 cps
OPERATING PROFIT

8.20 cps
DISTRIBUTIONS

\$10.3bn¹
ASSETS UNDER MANAGEMENT

ASSETS UNDER MANAGEMENT

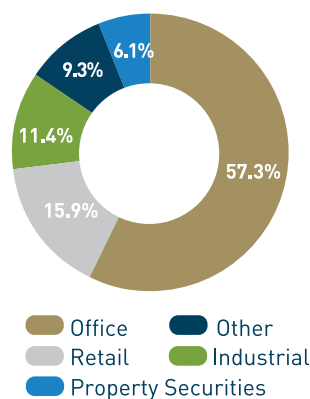


These results continued Cromwell's trend of consistently providing investors with stable, secure and growing distributions through the property cycle.

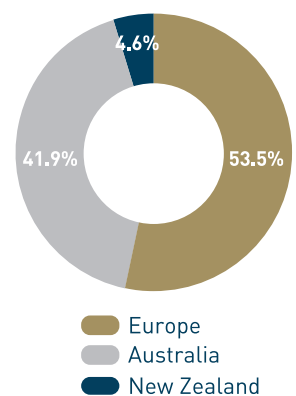
PAUL WEIGHTMAN
CROMWELL PROPERTY GROUP CEO



AUM BY SECTOR



AUM BY GEOGRAPHY



BALANCE SHEET

\$2.3bn
PROPERTY

45.7%
GOVERNMENT TENANTS²

26
PROPERTIES

419,878sqm
NET LETTABLE AREA

1. Assumes completion of property currently under construction.
2. Includes Government owned and funded entities.



SMSF Trustees – Corporate or Individual?

Cromwell's Investor Services Team regularly facilitates the transfer of asset ownership required when members of a SMSF decide, or under some circumstances need, to make the change from individual trustee to a corporate trustee or vice versa. This can be a frustrating and time consuming exercise for fund members and trustees, often involving the completion of extensive paperwork and the provision of new certified identification documents, banking documents and transfer forms. The cost of such transfers can also be expensive! An examination of the two options and the reasons, advantages and disadvantages of each may help in avoiding the need for future structural changes.

In establishing a self-managed superannuation fund (SMSF), one of the first decisions members need to make is to appoint trustees to manage and hold the assets on behalf of the fund's beneficiaries, or fund members. SMSF legislation allows for either an individual or a corporate trustee structure. The choice of trustee structure will be influenced by factors such as cost, simplicity, and future fund membership plans for the fund.

Role of the Trustee

A SMSF trustee's role is to take responsibility for the operation of the fund, and the effective ownership of the fund's assets, including making decisions that impact on the fund and meeting its sole purpose (which is to provide retirement benefits upon retirement or death). Breach of this role can result in hefty penalties; including the loss of tax concessions afforded a complying superannuation fund. Trustees are also responsible for overseeing all of the running and administrative tasks involved in operating a SMSF, of which there are many. While appointing specialist professionals to assist in running the fund is common practice, the responsibility and legal liability will ultimately lie with the trustees, and therefore the role should not be taken lightly.

Options for Fund Trustee

A corporate trustee is a formal company established and incorporated to manage the assets and administration of the fund. All fund members under this option must in turn be directors of the Trustee company (with some exceptions, such as underage or incapacitated members).

In an individual trustee structure, each member of the fund must act as a trustee (again with some exceptions).

For single member funds, the choice lies between appointing an additional separate individual to ensure the fund has at least two individual trustees, or a corporate trustee structure must be selected.

Based on the ATO's report: Self-managed super funds: A statistical overview 2013–14¹, as at 30 June 2015, 78% of all SMSFs had individual trustees, rather than a corporate trustee.

Cost and Liability

Perhaps more SMSFs appoint individual trustees due to the upfront cost savings.

Incorporating a company to appoint as trustee of a SMSF will incur upfront charges; for both professional (advisory) fees and ASIC registration fees. The current charge for application for registration as an Australian company (special purpose) is \$469. Add to this legal fees to incorporate the company and the overall upfront costs of a corporate trustee will almost certainly outweigh those incurred in appointing individual trustees.

Corporate trustees of a SMSF will also pay an annual ASIC review fee of (currently) \$47.

Whilst the upfront costs for a corporate trustee can be more expensive, members should also consider the cost of professional advice to add or remove a fund member for an individual trustee structure should a member leave the fund or pass away. It is a much simpler exercise to retire or admit a company director than it is to obtain deeds of appointment or retirement when changes occur to an individual trustee structure.

A less common consideration, but none-the-less important when comparing costs, is the personal liability potential if a fund is subject to legal action. According to DBA Lawyers², a corporate trustee may provide an additional level of protection in comparison to an individual trustee structure by limiting financial recourse to the trustee company and not the underlying directors when faced with litigation. This could potentially be a very real risk if the SMSF owns direct property in the fund.

Simplicity

When establishing a SMSF, appointing individual trustees is certainly simpler than going through the process of establishing and incorporating a trustee company.

However, possibly the greatest benefit of a corporate trustee comes with the asset ownership structure. Assets held in a SMSF with a corporate trustee are owned by the trustee company, not the fund members, thereby any change to the directors or fund membership requires little or no change to the administration of the assets. In contrast, any change to the trustees or membership (for example death or exit of one of the members) in an individual trustee structure will inevitably require some transfer paperwork and administration. In the case of the death of one of the trustees, this process is usually the last thing a spouse or relative will want to have to deal with.

Fund Flexibility

One of the key motivations or benefit of a SMSF is the ability to add family members over time in an ongoing tax effective environment. As noted above, using an individual trustee structure creates considerable administration work, whereas no alterations to the underlying assets are necessary using a company trustee structure, other than possibly the requirement to appoint a new director of the trustee company.

On the flip side, the implications of death, divorce or exit of a member should also be considered when choosing the right structure. Again, a corporate trustee structure allows for ease of succession of assets to fund members without the need for appointing new individual trustees.

We have presented only some of the advantages and disadvantages of both types of SMSF trustee structures in this article. Careful consideration of the implications now and in the future may save you time and money over the life of the fund. To consider what is right for your fund, contact a SMSF specialist or financial planner for individual guidance and advice.

1. https://www.ato.gov.au/super/self-managed-super-funds/in-detail/statistics/annual-reports/self-managed-superannuation-funds--a-statistical-overview-2013-14/?page=10#SMSF_management

2. <http://www.dbalawyers.com.au/smsf-compliance/changing-smsf-trustees-why-advisers-should-be-more-alert-to-the-tips-and-traps/>

Stock Talk | Iron Mountain – Durability at its Core



Stuart Cartledge

MANAGING DIRECTOR
PHOENIX PORTFOLIOS

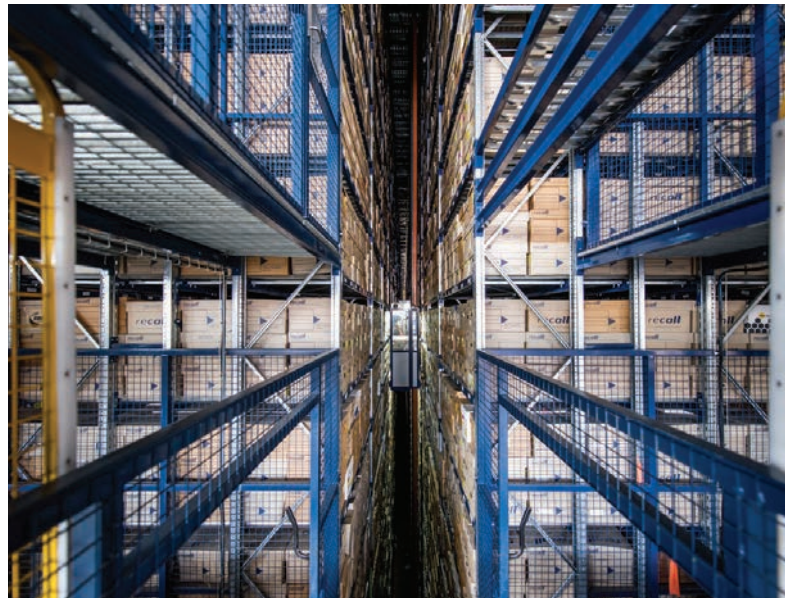
INVESTMENT MANAGER OF THE
"CROMWELL PHOENIX" FUND SERIES.

Investors like REITs for their predictability of earnings and cold, hard asset backing, which underpins their share prices. When considering Recall Holdings Limited as an investment over a year ago, Cromwell's investment manager for listed property securities, Phoenix Portfolios (Phoenix), ran the idea past a number of their wholesale investors. They were unanimously supportive once presented the investment case.

Background to the Takeover: Consolidation, Divestments and Synergies

Recall began its short existence as a separately listed entity in December 2013 having been spun out of Brambles Limited, the ASX-listed container management and logistics company. In April 2015, Recall announced an 'in-principle' agreement to be acquired by Iron Mountain, the US-listed REIT

Destined to Become a Real Estate Investment Trust (REIT)



and global leader in records management. At the back of the announcement document was a much overlooked paragraph stating that the acquisition was conditional on the receipt of regulatory approval. By the time the deal finally closed in April 2016, both companies and their investors were made well aware of how important that paragraph was.

To get competition regulators over the line on the deal, Iron Mountain committed to the divestment of assets in Australia, the UK, USA and Canada. Originally targeting synergy benefits of US\$185 million per year, higher than expected divestments reduced the benefit to closer to US\$105 million by the time the deal closed. Despite lower synergies, Iron Mountain still expects the deal to be 15% accretive and furthermore, consolidates Iron Mountain's position at the apex of the document storage industry.

Bland But Built to Withstand Harsh Weather

Iron Mountain is by no means a flashy and exciting operation, and correctly identifies itself as “durable” in almost all of its public releases. The majority of its revenue comes from taking other company’s paper documents and storing them in an Iron Mountain industrial shed, instead of in expensive, premium-grade office space.

Iron Mountain’s global network of properties makes it a dominant player in the industry, with significant competitive advantage. This is made obvious when considering that 94% of Fortune 1000 companies are Iron Mountain’s clients.

Iron Mountain’s durability was tested during 2008 and 2009, when many companies were on their knees. In contrast, Iron Mountain grew its operating earnings in each year between 2007 and 2010, with 2010 figures up 40% from 2007 levels. Whilst many businesses may have been cutting costs at that time, document storage was not a cost lever that was pulled. Relatively speaking, it is cheap to store documents, undoubtedly cheaper than settling any legal action that may have resulted from poor record retention.

Will Digital Kill the Storage Business?

Many people call for the demise of businesses like Iron Mountain, suggesting that digitalisation means they will no longer be required. The evidence does not support this, as storage volume growth has averaged 3.8% per annum over the past 8 years. Underpinning this growth are the often-misunderstood dynamics that are at play for Iron Mountain. An average document stays with Iron Mountain for 15 years. Its clients are often required by law to store physical copies of documents for a period of time and this will likely be the case for many years to come.

Despite its strong business and resilient earnings, Iron Mountain acknowledges there are changes in its revenue mix. In particular, while storage as a means of “proof” for legal and compliance purposes continues to show robust and sustainable growth, services related to the storage business have shown a greater propensity to be eroded by digital technologies.

Iron Mountain also operates in the digital space, particularly in data management. This is mostly through the storage of physical disc drives and tape, which is cheaper than operating in “the cloud,” and due to the extreme growth in the amount of data being stored is still a growing industry¹. Iron Mountain is

still seeing solid revenue growth in this area and is the dominant player in the physical data storage industry.

After a previous ill-fated attempt to enter the data centre and remote data storage business at the end of the last decade, Iron Mountain has begun to re-enter the space through the creation of data centres. This has been a very slow and deliberate process this time around and even by 2020, ancillary activities such as data centre ownership and art storage are only expected to make up 5% of revenue.

Looking Forward: Focus on Cost Efficiency

Undoubtedly the key to Iron Mountain’s future success is making the core storage business as robust as possible. As a shareholder, Phoenix is supportive of the company’s “2020 vision,” which has an intense focus on cost efficiency. Acknowledging that the business is becoming less service-oriented, Iron Mountain has identified a number of cost savings which will provide an estimated \$US125 million extra to the bottom line every year. These savings in combination with synergies from the Recall transaction could support the Iron Mountain business and its ongoing durability for years to come.

There has also been substantial growth in the demand for document storage in emerging markets, which could make up 20% of revenues by 2020. This is likely to continue due to regulation and legal changes in those nations requiring firms to maintain records in a more professional manner.

If Iron Mountain is able to focus and deliver on its promises, operating income will grow at 9.2% annually between now and 2020, hardly the dying business that many are predicting.

Both the Cromwell Phoenix Property Securities Fund and the Cromwell Phoenix Core Listed Property Fund own the locally listed Iron Mountain, which is now very much part of the local REIT scene given its recent index inclusion. Both portfolios will continue to own the stock for as long as it represents value to investors.

1. The Tape Storage Council, “Data Growth and Technology Innovations Fuel Tape’s Future”

European Property Investment Market Update



David Kirkby

CEO, EUROPE
CROMWELL PROPERTY GROUP

Mr David Kirkby is CEO of Cromwell's European business. He joined the business in 2008 as Head of Funds Management. Prior to that David was CEO of the European funds management division of Lend Lease Group. In this article, Mr Kirkby provides invaluable insight and a current snapshot of the European property investment markets.

European commercial real estate is attracting serious interest from a broad range of institutional investors across the globe, including parts of Asia and Australia.

Its appeal continues despite the widely reported 'Brexit' vote for the UK to leave the European Union and the perception among some in Australia that not much happens over here except for the occasional, sometimes successful, sporting expedition to the Southern Hemisphere.

On closer inspection, the European commercial property market provides a number of advantages to long-term investors seeking the type of liability-matching returns that are becoming harder to find in more traditional asset classes such as government bonds. The European market is appearing particularly attractive to some

pension and life insurance funds which are accustomed to investing in real estate but are perhaps already fully-allocated to domestic markets. During periods of volatility, such as those triggered post-Brexit, dislocation in the European market also creates situations that are attractive to private equity-style capital with a much shorter investment horizon.

Europe is a highly liquid commercial real estate market. In fact, it is the second largest real estate market in the world, second only to North America. Together, Europe and the US account for more than 60% of institutional-grade commercial real estate globally. Liquidity is maintained because of the availability of assets and number of investors pursuing a broad range of investment strategies. Given the size and complexity of the market, it is extremely transparent with hundreds of years of institutional involvement and well-documented transactions.

In addition, Europe offers excellent potential for diversification due to its heterogeneous and increasingly deep national markets and a broad exposure to tenants according to sectors and geography.

We have already seen large investments into the European real estate market from institutions based in Asia. Earlier in the year there was a high profile example of this when a consortium of Korean institutions invested €350 million in a 44-storey office tower in Rotterdam, marking the largest single-asset investment transaction in Dutch real estate history.

As local opportunities become increasingly more expensive in Australia, many Super Funds are starting to look overseas in their first major move into off-shore commercial real estate in a decade.

With size and complexity comes opportunity, especially in European real estate. Key to recognising

and capitalising on opportunity is choosing to partner with managers that understand the dynamics of each sector and have the experience of managing investments across jurisdictions and, importantly, throughout the investment cycle. The greater the local expertise, the deeper the understanding of each submarket and the easier it is for the investment manager to underwrite the asset management plans for individual assets or portfolios.

For core investors, the occupier markets in the more established economies in the North of Europe have consistently provided 5%+income returns despite fluctuations in capital values. Subdued levels of development activity since the global financial crisis have created scarcity in the availability of new stock while significant economic healing across continental Europe is

stimulating occupier growth. As such, we are experiencing a strong resurgence in rental growth.

As the European real estate investment market continues to mature, new regions will become attractive and some of the regions that are currently popular will fall out of favour or be re-priced, a fact which is backed up by our recent internal analysis of Europe's top 29 cities for real estate investment.

Based on this regional fluctuation through the investment cycle, successful investors will be those who prioritise the selection of enduring themes rather than focus on acquiring single or trophy assets. It requires a more sophisticated and active skill set, with a combination of regional knowledge and expertise and the ability to continually acquire and sell assets to ensure maintenance of the investment strategy and a stable return profile.

In summary, despite some of the less favourable news emanating from Europe, there is a window of opportunity for overseas investors to invest in funds employing smart, dynamic strategies that require a deep understanding of the underlying regional submarkets.

With interest rates forecast to remain at unprecedented low levels, at least until there are further signs of an established economic recovery, the premium of commercial property yields over interest rates will continue to attract investment into Europe.

This article first appeared in Estates Gazette (www.estatesgazette.com), which is an industry publication focused on the European Investment Property Market.





Rotary



Destination Outback 2016: Cromwell Property Group Foundation raises over \$38,000 for rural health

Cromwell Property Group and FDC Construction & Fitout recently participated in Destination Outback 2016. Destination Outback is a biennial charity event organised by the Rotary Club of Dubbo South. The week-long journey in August covered over 3,400 kilometres visiting some of Australia's most remote regions.



Since its inception, the Destination Outback initiative has raised over \$1.9 million for various rural charities with the primary beneficiary being the Royal Flying Doctor Service.

Cromwell and FDC raised \$38,500 through vehicle sponsorships and individual voluntary donations, on behalf of the Cromwell Property Group Foundation (Foundation). This result was almost double the original goal of \$20,000.

Two pre-selected charities will benefit from this initiative: The Black Dog Institute, whose aim is to improve the lives of people affected by mental illness including those within regional areas of Australia, and the Pink Angels, who provide the much needed support to Breast Cancer patients in the Rural NSW region.

Both charities will receive \$19,250 from the Cromwell Property Group Foundation and an additional

\$10,000 each from the Rotary Club of Dubbo.

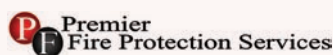
Cromwell CEO Paul Weightman has participated in Destination Outback for the past three events.

"Destination Outback is a rewarding experience providing a unique opportunity to explore Australia's outback and to appreciate the lives of those who live and work in these regions. As with my previous experiences, I have again thoroughly enjoyed this year's journey and thank everyone involved for helping to support those who genuinely make a difference," Mr Weightman said.

"We are thankful to have had the opportunity to partner with FDC to raise over \$38,000 for these two charities and we are proud to be in a position to be able to support the valuable work of the Black Dog Institute and the Pink Angels. We also thank those individuals and companies who generously donated and sponsored our two



Thank you to our Sponsors



vehicles. Their support will make a difference,” he added.

Cromwell Property Group established the Foundation in 2014 to support health, education, social and community welfare, and humanitarian efforts in the community.

The Foundation seeks to support charities which may receive little public attention, but whose valuable work will benefit significantly through philanthropic support.

Donations to the Foundation of more than \$2 are tax deductible. To donate, request a grant or seek more information, visit www.cromwellfoundation.org.au

About the Black Dog Institute

The Black Dog Institute is a not-for-profit organisation and world leader in the diagnosis, treatment and prevention of mood disorders such as depression and bipolar disorder. The organisation aims to improve the lives of people affected by mental illness through the rapid translation of high quality research into improved clinical treatments, increased accessibility to mental health services and delivery of long-term public health solutions. For more information, visit www.blackdoginstitute.org.au/

About Pink Angels

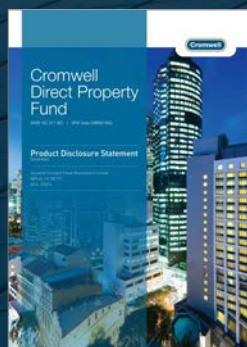
Pink Angels, based in Dubbo, is an organisation which aims to support local Breast Cancer patients. The organisation - founded by Donna Falconer, a woman from regional NSW who was diagnosed with breast cancer - cares, helps and supports patients in the region on their journey by providing products and services to ease some of the pressure on their lives. For more information, visit www.pinkangels.org.au/



CROMWELL'S INVESTMENT FUNDS



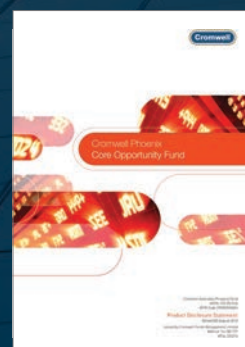
**Cromwell Australian
Property Fund**



**Cromwell Direct
Property Fund**



**Cromwell Phoenix Core Listed
Property Fund**



**Cromwell Phoenix
Opportunities Fund**



**Cromwell Phoenix
Property Securities Fund**
(Closed to new investors)



The closed 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**

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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 Investor Services on 1300 276 693. 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 indicative 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 30 June 2016 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.



Direct Property

At the May 2016 Reserve Bank of Australia meeting, the Board lowered the cash rate by 25 basis points to 1.75% due to inflationary pressures being lower than expected. In the August 2016 meeting, the Board again lowered the cash rate by 25 basis points to a historical low of 1.50% due to inflation remaining low and very subdued growth in labour costs.

The Australian property market, similar to many other asset classes internationally, is still in a yield compression cycle, with investors targeting higher risk adjusted returns than those available from cash and term deposits. The increased demand for commercial property has seen the Sydney CBD Core Prime yields compressed by 44 basis points to 5.50%, and Melbourne CBD Prime yields by 69 basis points to 5.60% for the 12 months ending 30 June 2016. The Australian capital city CBD average compression rate was 41 basis points¹.

The flood of foreign capital combined with high net wealth investors, private syndicators, superannuation funds, AREITs, wholesale and retail funds all chasing a relatively small concentrated commercial property market in Australia has made acquiring the right asset at the right price more difficult.

With many forecasters predicting yields to remain flat given the significant compression over the previous three years, the next round of valuation increases are expected to result from net effective rental gains, driven largely by Sydney and to a lesser extent Melbourne.

Countering the strong capital property markets, debt funding for many investors is becoming more difficult. Developers have reported further deterioration in their ability to source debt.

Given the historical low rates and difficulty in finding risk adjusted income returns, it was not surprising to see a large majority of unitholders in the Cromwell Riverpark Trust (Trust) vote to extend the term of the Trust for a further 5 years. The Trust has delivered both a consistent and increasing income along with capital growth. Tax deferred distributions have increased from 8.25 cents per unit (cpu) per annum (p.a.) in the first year to 11.0 cpu p.a. today. Similarly, significant capital growth has seen the unit price increase 69% from the original NTA of \$0.90 per unit to the current \$1.52 per unit.

With an original maturity period of seven years, unitholders were invited to vote in mid-2016 to either



Hamish Wehl

FUND MANAGER
CROMWELL FUNDS MANAGEMENT

extend the Trust for a further five years or sell the asset and wind-up the Trust. More than three quarters of the unitholders voted in favour of extending the Trust term, far exceeding the 50% required.

This vote demonstrated the level of confidence unitholders have in Cromwell's long term investment philosophy.

¹ Colliers International



Listed Property

Property markets in Australia were strong once again throughout the June quarter with the S&P/ASX 300 A-REIT Accumulation Index posting a very solid gain of 9.2% and thereby strongly out-performing the broader equity market which closed up 4.0% over the same period.

With the potentially damaging impact to both the UK economy and Europe of the “Brexit” vote, along with serious concerns regarding the voting intentions of US citizens and of course the very real potential of a “difficult to govern” Australia over the next 3 years, it is little surprise that the relatively secure and forecastable income streams delivered by A-REITs continue to remain attractive.

Dexus Property Group was the strongest of the large-cap A-REITs over the quarter, posting a gain of 16.2%. A proposal by Dexus to acquire 100% of the issued capital of Investa Office Fund (ASX : IOF) was rejected by IOF unit holders in April, with the subsequent rally in the Dexus price perhaps partly reflecting the discipline demonstrated by Dexus to walk away rather than pay too much for IOF. Dexus also provided a quarterly update in May showing leasing success and the acquisition of a development site in North Sydney.

Iron Mountain concluded its takeover of Recall Holdings during the quarter, which delivered a strong performance for Recall shareholders

and introduced a new stock, Iron Mountain Chess Depository Receipts into the domestic property sector and benchmarks. We discuss Iron Mountain further in this issue’s Stock Talk, on page 16.

Westfield Corporation found itself among the under-performers over the quarter, despite rallying 6.2%. The stock provided a first quarter update showing flat specialty sales growth for the 3 months ending March, but up 4.4% over the year. Significantly, the retail component of the redeveloped World Trade Centre (operated and managed by Westfield) in New York is now fully leased and opened on 16 August 2016.

While high by global standards, the rally in the Australian 10-year Government bond saw yields fall below 2% adding further support to all asset classes, but particularly property.

The listed property sector has performed very well over the last 5 years, such that the compelling valuation argument for the sector has diminished. However, the ongoing fall in bond yields and the resultant upward pressure on property valuations continues to be extremely supportive.

Earnings certainty is another key driver that investors find appealing with property. There have been very few downgrades to forecast earnings and we expect a robust outlook will also make property stand out in what



Stuart Cartledge

MANAGING DIRECTOR
PHOENIX PORTFOLIOS

may well be a difficult broader equity market.

The sector is currently offering investors a current-year distribution yield of around 4.1%. In comparison to bond yields trading at around 1.9%, the yield premium of the sector continues to reside above its long term average of 1.9%. Furthermore, 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 continue to be relatively secure given the contracted nature of rental income and long average lease terms. The sector still presents a relatively low risk investment alternative, as financial leverage remains low, with gearing across the sector still at approximately 30% (Debt to Total Assets).

OPEN FOR INVESTMENT

www.cromwell.com.au/dpf

Investment Report to 30 June 2016

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

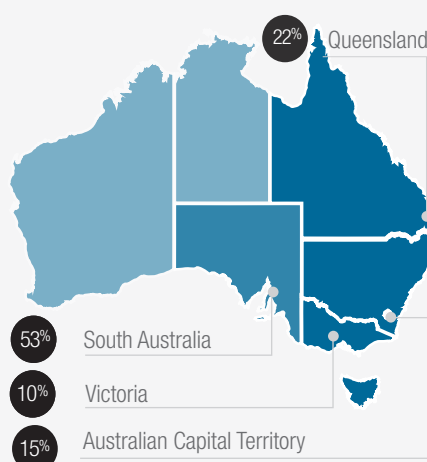
as at 30 June 2016

Status	OPEN ¹
Unit Price	\$1.1519 ²
Distribution Yield	6.1% p.a. ³
WALE	11.1 years ⁴

Performance

	6 Months	1 Year	2 Years	Inception (Aug-13)
Fund Performance After fees & costs	2.1%	10.4%	9.8%	11.6%
Benchmark PCA/IPD Australian Pooled Property Fund Index - Unlisted Retail	7.5%	32.7%	27.3%	22.8%
Excess Returns After fees & costs	(5.4%)	(22.3%)	(17.5%)	(11.2%)

Geographic Diversification by Asset Value



Fund Update

- DPF distribution rate increased to 7 cents per unit per annum from 01 July 2016 underpinned by an increase in annual rental income for the Fund, in addition to the Masters Parafield, SA building reaching practical completion and subsequent commencement of the lease, and the practical completion of the Bunnings Munno Para West, SA building (completed early August 2016)
- DPF's holding in the Cromwell Riverpark Trust (Trust) increased through the recent Trust unitholder vote on the Rollover Proposal⁵ to approximately 18% of total units
- Quarterly performance of the Fund was 0.9%

In addition to the footnotes below, please read the important disclaimer at the beginning of the Quarterly Reports section on page 23.

1. Withdrawals are limited, cannot be guaranteed and are subject to the assumptions and risks set out in the PDS dated 1 September 2016.
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 \$1.1519 (30 June 2016).
4. Figures as at 30 June 2016 adjusted for on-completion value of properties that are under construction. Calculated on a "look-through" gross passing income basis.
5. Please see the Cromwell Riverpark Trust Notice of Meeting and Explanatory Memorandum dated 20 May 2016 for further information. See www.cromwell.com.au/dpf for further information.

Investment Report to 30 June 2016

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 30 June 2016

Status	OPEN ¹
Unit Price	\$1.2224 ²
Distribution Yield	4.9% p.a. ³

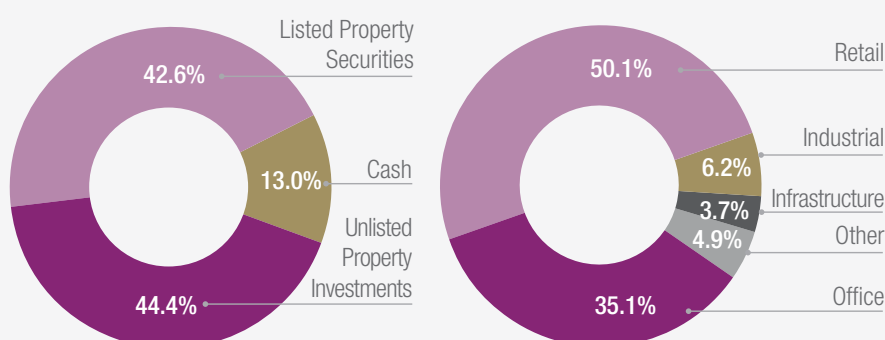
Performance

	6 Months	1 Year	2 Years	Inception (Oct-13)
Fund Performance After fees & costs	6.9%	15.7%	14.1%	14.0%
Benchmark⁴	11.1%	25.6%	22.5%	19.5%
Excess Returns After fees & costs	(4.2%)	(9.9%)	(8.4%)	(5.5%)

Fund Update

- Unit price benefited from strong performance in the listed property sector and the resulting movement in the underlying Cromwell Phoenix Property Securities Fund
- Quarterly performance of the Fund was 4.3%

Asset Allocation⁵



In addition to the footnotes below, please read the important disclaimer at the beginning of the Quarterly Reports section on page 23.

1. Withdrawals cannot be guaranteed and are subject to the assumptions and risks set out in the PDS dated 24 September 2013.

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 \$1.2224 (30 June 2016).

4. The benchmark is set out in the PDS.

5. Figures as at 30 June 2016. Positions held by the Fund are subject to change.

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

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www.cromwell.com.au/pcf

Investment Report to 30 June 2016

CROMWELL PHOENIX CORE LISTED PROPERTY FUND

The Fund provides investors with exposure to a diverse range of large, well-established Australian property securities that hold underlying investments including office, retail, industrial and hotel assets.

Key Statistics

as at 30 June 2016

Status	OPEN ¹
Unit Price	\$1.1424 ²
Distribution Yield	4.2%p.a.

Performance

	3 months	6 months	1 year	Inception (Mar-15)
Fund Performance				
After fees & costs	9.1%	15.8%	25.3%	16.5%
Benchmark				
S&P/ASX 200 A-REIT Accumulation Index	9.3%	16.3%	24.6%	16.1%
Excess Returns				
After fees & costs	(0.2)%	(0.5%)	0.7%	0.4%

Top 10 stock holdings³

CHARTER HALL GROUP LIMITED

DEXUS PROPERTY GROUP

GENERAL PROPERTY TRUST

GOODMAN GROUP

IRON MOUNTAIN INCORPORATED

MIRVAC GROUP

SCENTRE GROUP

STOCKLAND LTD

VICINITY CENTRES

WESTFIELD CORPORATION

Alphabetical order

Fund Update

- An over-weight position to Recall Holdings Ltd (Iron Mountain) and Charter Hall Group added value by out-performing the market
- Also providing a positive contribution to relative returns were under-weight positions in the under-performing stocks SCA Property Group, Stockland and Vicinity Centres
- Over-weight positions in Lend Lease, Westfield Corp and Transurban detracted value
- Recall was successfully acquired by Iron Mountain over the quarter, and its strong performance has contributed positively to performance from both a relative and absolute sense. For further discussion on this stock, refer to Stock Talk on page 16
- The Fund delivered a strong return over the quarter of 9.1%, net of fees

In addition to the footnotes below, please read the important disclaimer at the beginning of the Quarterly Reports section on page 23.

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 10 March 2015.

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

3. Figures as at 30 June 2016. Positions held by the Fund are subject to change.

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

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www.cromwell.com.au/pof

Investment Report to 30 June 2016

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

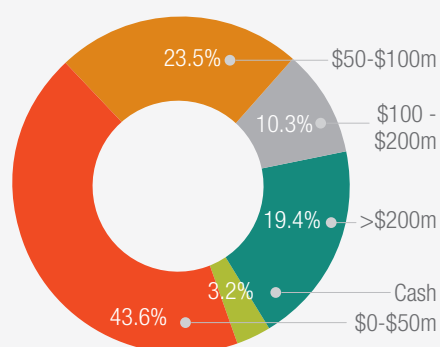
as at 30 June 2016

Status	OPEN ¹
Unit Price	\$1.5660 ²
Distribution Yield	N/A

Performance

	1 year	2 years	3 years	4 years	Inception (Dec-11)
Fund After fees & costs, inclusive of the value of franking credits	23.0%	17.1%	19.6%	20.6%	20.2%
Fund After fees & costs, excluding the value of franking credits	21.8%	16.0%	18.5%	19.2%	18.8%
S&P/ASX Small Ords Accumulation Index	14.4%	7.2%	9.1%	5.3%	3.5%

Truly Microcap³



Fund Update

- Positive contributions to the Fund's performance came from holdings in Fleetwood, Copper Strike and Mount Gibson Iron
- Detracting from Fund performance over the quarter were holdings in the commercial services and consumer durables sectors
- The strong recent performance of small companies has diminished the compelling valuation argument versus large cap stocks. However, we continue to remain confident that we can achieve strong results by following a disciplined, value orientated approach and by focusing our efforts on the very smallest companies, where competition from other institutional investors is scarce and market inefficiencies are often greatest
- Fund delivered a net return of 7.4% over the quarter (net of fees, inclusive of franking credits)

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1. Withdrawals cannot be guaranteed and are subject to the assumptions and risks set out in the PDS dated 17 April 2015.

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

3. Figures as at 30 June 2016. Positions held by the Fund are subject to change.

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

CLOSED TO INVESTMENT

www.cromwell.com.au/c12

Investment Report to 30 June 2016

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 \$128.7 million¹.

Key Statistics

as at 30 June 2016

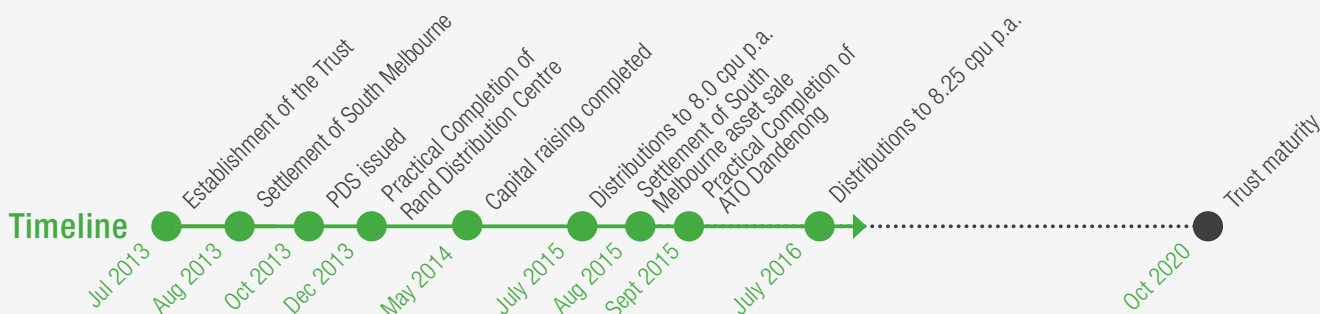
Status	CLOSED
NAV Price	\$1.16
Distribution Yield	7.1% p.a.
WALE	15.4 years ²

Performance

	6 Months	1 Year	2 Year	Inception (Oct-13)
Trust Performance				
After fees & costs	2.2%	27.4%	18.7%	15.7%
Benchmark				
PCAV/IPD Australian Pooled Property Fund Index – Unlisted Core Retail	5.9%	34.6%	26.4%	23.4%
Excess Returns				
After fees & costs	(3.7%)	(7.2%)	(7.7%)	(7.7%)

Trust Update

- Values remain constant at \$87 million for the ATO Dandenong Building and \$41.7 million for the Rand Distribution Centre
- The distribution rate increased to 8.25 cents per unit per annum from 01 July 2016 underpinned by an increase in annual rental income for the Trust



In addition to the footnotes below, please read the important disclaimer at the beginning of the Quarterly Reports section on page 23.

1. Based on valuations for ATO Dandenong (\$87 million) as at 30 September 2015 and Rand Distribution Centre (\$41.7 million) as at 31 December 2015.

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 30 June 2016

CROMWELL IPSWICH CITY HEART TRUST

The unlisted Trust's asset is the \$109 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 30 June 2016

Status	CLOSED
NAV Price	\$1.19
Distribution Yield	7.6% p.a.
WALE	11.8 years ²

Performance

	1 year	2 years	3 years	Inception (Dec-11)
Trust Performance				
After fees & costs	25.7%	18.2%	14.9%	12.7%
Benchmark				
PCA/IPD Australian Pooled Property Fund Index – Unlisted Core Retail	34.6%	26.4%	22.2%	18.3%
Excess Returns				
After fees & costs	(8.9%)	(8.2%)	(7.3%)	(5.6%)

Trust Update

- The distribution rate increased to 9.00 cents per unit per annum from 01 July 2016, underpinned by an increase in annual rental income for the Trust
- The Trust has received a payout from the Developer, Leightons Properties (Brisbane) Pty Limited, on their remaining lease obligations on the mezzanine tenancy and the retail tenancies on Bell Street, resulting in a slight valuation decrease to \$109 million based on an internal valuation. CFM have commenced a marketing strategy to find suitable tenants to occupy the vacancy
- Conversely, the increased cash balance held by the Trust resulted in a slight provisional net tangible asset (NTA) value increase to approximately \$1.19 per unit as at 30 June 2016



In addition to the footnotes below, please read the important disclaimer at the beginning of the Quarterly Reports section on page 23.

1. Based on valuation as at 30 June 2016.

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 30 June 2016

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.

Key Statistics

as at 30 June 2016

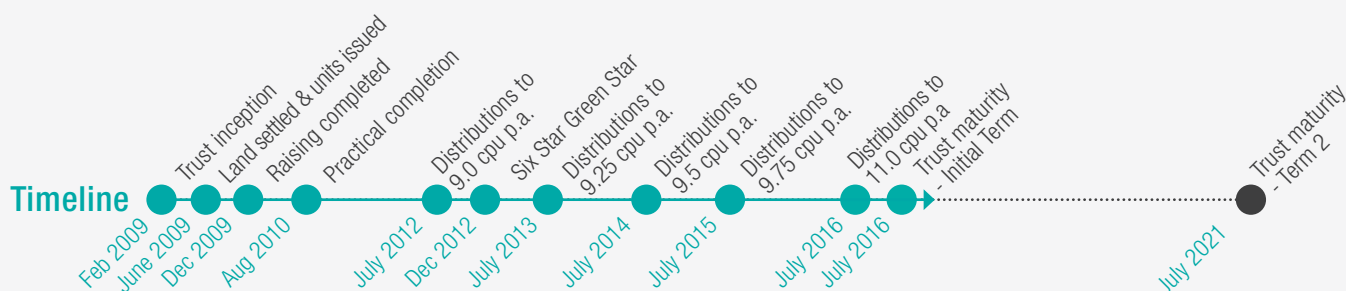
Status	CLOSED
NAV Price	\$1.52
Distribution Yield	7.2% pa
WALE	8.8 years ²

Performance

	1 year	3 years	5 years	Inception (Jul-09)
Trust Performance				
After fees & costs	23.1%	22.2%	17.3%	15.2%
Benchmark				
PCA/IPD Australian Pooled Property Fund Index – Unlisted Core Retail	34.6%	22.2%	17.2%	14.5%
Excess Returns				
After fees & costs	(11.5%)	0.0%	0.1%	0.7%

Trust Update

- Trust unitholders voted to extend the Trust for a further 5 years until 8 July 2021. An excellent voting participation rate of 83.4% by unitholding was a very pleasing result. Of those units voted, 77.8% were in favour, meaning the result reflected the views of the majority of Trust unitholders.
- Energex House was independently valued at \$237 million as at 30 June 2016¹, an increase of \$4 million since the last valuation
- The distribution rate increased by 1.25 cents per unit per annum to 11 cents per unit pa underpinned by an increase in annual rental income in addition to the expiry of the interest rate swap on 30 June 2016



In addition to the footnotes below, please read the important disclaimer at the beginning of the Quarterly Reports section on page 23.

1. Based on valuation as at 30 June 2016 and as disclosed in the Cromwell Riverpark Trust Notice of Meeting and Explanatory Memorandum dated 20 May 2016.

2. Calculated by gross income.

See the PDS dated 25 February 2009, SPDS dated 30 June 2009 and www.cromwell.com.au/crt for further information.

CLOSED TO NEW INVESTMENT

www.cromwell.com.au/psf

Investment Report to 30 June 2016

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. Due to its self-imposed capacity constraint, it is now closed to new investors.

Key Statistics

as at 30 June 2016

Status	CLOSED TO NEW INVESTMENT
Unit Price	\$1.3665 ¹
Distribution Yield	4.2% pa

Top 10 stock holdings²

APN PROPERTY GROUP LIMITED
CARINDALE PROPERTY TRUST
CHARTER HALL GROUP LIMITED
DEXUS PROPERTY GROUP
GENERAL PROPERTY TRUST
MACQUARIE ATLAS ROADS GROUP
MIRVAC GROUP
SCENTRE GROUP
STOCKLAND LTD
WESTFIELD CORPORATION

Alphabetical order

Performance

	1 Year	3 years	5 years	Inception (Apr-08)
Fund Performance After fees & costs	26.2%	20.5%	21.9%	10.3%
Benchmark S&P/ASX 300 A-REIT Accumulation Index	24.6%	18.5%	18.0%	4.4%
Excess Returns After fees & costs	1.6%	2.0%	3.9%	5.9%

Fund Update

- An over-weight position to Recall Holdings Ltd (Iron Mountain), Carindale Property Trust, APN, Brookfield and Charter Hall Group added value by out-performing the market
- Also providing a positive contribution to relative returns were under-weight positions in the under-performing stocks SCA Property Group and Vicinity Centres
- Over-weight positions in Lend Lease, Folkestone, Event, and Peet detracted value, as did under-weight positions in Scentre Group and Stockland
- Recall was successfully acquired by Iron Mountain over the quarter, and its strong performance has contributed positively to performance from both a relative and absolute sense. For further discussion on this stock, refer to Stock Talk on page 16
- The Fund delivered a strong return over the quarter of 9.2%, net of fees

In addition to the footnotes below, please read the important disclaimer at the beginning of the Quarterly Reports section on page 23.

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. Unit prices are calculated daily. See the PDS dated 1 November 2012 for further information and www.cromwell.com.au/psf for latest pricing.

2. As at 30 June 2016. Positions held by the Fund are subject to change.

CROMWELL PROPERTY GROUP

QUARTERLY SNAPSHOT



Cromwell Property Group (ASX:CMW) is a global real estate investment manager.

The Group is included in the S&P/ASX 200 and the FTSE EPRA/NAREIT Global Real Estate Index.

Cromwell had a direct property investment portfolio in Australia valued at \$2.3 billion, and total assets under management of \$10.3 billion across Australia, New Zealand and Europe as at 30 June 2016.

Key Statistics as at 25 August 2016

Security Price	\$1.06 ¹
Annual Distribution	8.20 cpu ²
Distribution Yield	7.74% p.a. ²
Market Capitalisation	\$1.8 billion

Performance as at 30 June 2016

	1 Year	5 Years	10 Years ³	15 Years ³
CMW Performance				
After fees & costs	7.2%	17.4%	10.2%	28.9%
Benchmark				
S&P/ASX 300 A-REIT Accumulation Index	24.6%	18.0%	2.9%	7.1%
Excess Returns				
After fees & costs	(17.4%)	(0.6%)	7.3%	21.8%

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

25 August 2016	FY16 Results Presentation
25 August 2016	FY16 Announcement
25 August 2016	Appendix 4E and 2016 Full Year Financial Accounts
18 August 2016	Appendix 3B
16 August 2016	Distribution for the Qrt Ended 30 June 2016 (Tax Components)
28 July 2016	Update - Dividend/Distribution - CMW
24 June 2016	Dividend/Distribution - CMW
02 June 2016	Change in substantial holding
11 May 2016	Appendix 3B
10 May 2016	Distribution for the Qrt Ended 31 March 2016 (Tax Components)
20 April 2016	Update - Dividend/Distribution - CMW
14 April 2016	Response to Media Speculation
13 April 2016	DXS: notes acquisition of interest in IOF by Cromwell Trust
13 April 2016	IOF: Acquisition of relevant interest by Cromwell Property Group
12 April 2016	Cromwell Acquires Stake in IOF

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

1. Based on security price as at close of trading 25 August 2016. 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.
2. 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.
3. 10 and 15 year CMW return includes period prior to stapling in December 2006.

Cromwell Property Securities Limited ABN 11 079 147 809 AFSL 238052 ("CPS") 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 CPS as responsible entity of DPT and on behalf of Cromwell Corporation Limited ACN 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. CPS 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 Investor Services directly.

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