



CROMWELL
PROPERTY GROUP



Phoenix Portfolios

Cromwell Phoenix Opportunities Fund

ARSN 602 776 536

Half-Year Financial Report

31 DECEMBER 2019

Responsible Entity
Cromwell Funds Management Limited
ABN 62 114 782 777, AFSL 333 214
Level 19, 200 Mary Street
Brisbane QLD 4001

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DIRECTORY

Responsible entity:

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Auditor:

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Directors' Report

The Directors of Cromwell Funds Management Limited, the responsible entity of Cromwell Phoenix Opportunities Fund (the "Fund"), present their report at the end of the half-year ended 31 December 2019.

The responsible entity and its Directors

Cromwell Funds Management Limited has been responsible entity of the Fund since its registration. Cromwell Funds Management Limited is part of Cromwell Property Group, a global real estate investment manager with \$11.9 billion of assets under management. The responsible entity undertakes management and administrative duties for the Fund and monitors the Custodian, Link Fund Solutions Pty Limited, which holds the Fund's assets on behalf of the unitholders.

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

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

Review of operations and results

Financial performance

The Fund recorded a statutory profit of \$4,090,000 for the half-year ended 31 December 2019 (2018: statutory loss of \$885,000) and paid distributions of \$1,241,000 (2018: \$986,000).

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

	Half-year	1 year	3 years (annualised)	5 years (annualised)	Since inception (annualised)
Fund performance excluding franking (after fees and costs)	12.0%	19.2%	12.9%	14.8%	17.4%
Fund performance including franking (after fees and costs)	13.4%	21.6%	14.8%	16.4%	19.1%
S&P/ASX Small Ordinaries Accumulation Index	3.9%	21.4%	10.0%	10.6%	6.4%
Excess return (after fees and costs)	9.5%	0.2%	4.8%	5.8%	12.7%

The Cromwell Phoenix Opportunities Fund returned 13.4% (post fees including franking credits) for the half year ending 31 December 2019. Over longer periods, performance outcomes remain very strong in both an absolute sense and relative to the S&P/ASX Small Ordinaries Accumulation Index.

The Fund holds small positions in several resource stocks with exposure to gold projects which have benefited from the rally in the Australian Dollar gold price. Takeover activity also supported the Fund's positions highlighting the significant discount at which microcap gold equities trade relative to both large cap gold stocks and the net present value of projects.

Other positive contributions to the Fund's performance came from holdings in property fund manager APN Property Group and South Australian based metal fabricator Korvest.

Subsequent events

No matter or circumstance has arisen since 31 December 2019 that has significantly affected or may significantly affect:

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

Rounding of amounts

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

Directors' Report

Auditor's independence declaration

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

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



PL Weightman
Director
25 February 2020
Brisbane



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

Auditor's Independence Declaration

In relation to the independent auditor's review of Cromwell Phoenix Opportunities Fund for the half-year ended 31 December 2019, to the best of my knowledge and belief there have been:

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

PITCHER PARTNERS

WARWICK FACE
Partner

Brisbane, Queensland
25 February 2020

Brisbane Sydney Newcastle Melbourne Adelaide Perth

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Statement of Profit or Loss

For the half-year ended 31 December 2019

	Half-year ended	
	31 December 2019 \$'000	31 December 2018 \$'000
Investment and other income		
Distributions and dividend income	1,193	1,079
Interest	5	8
Other income	-	1
Net fair value gain from investments in equity securities	3,877	-
Total investment and other income	5,075	1,088
Expenses		
Performance fees	941	745
Other expenses	44	42
Net fair value loss from investments in equity securities	-	1,186
Total expenses	985	1,973
Profit / (loss) for the half-year	4,090	(885)
Other comprehensive income for the half-year	-	-
Total comprehensive income / (loss) for the half-year	4,090	(885)

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

Balance Sheet

As at 31 December 2019

	Notes	As at	
		31 December 2019 \$'000	30 June 2019 \$'000
Assets			
Cash and cash equivalents		1,906	1,030
Trade & other receivables		183	719
Investments at fair value through profit or loss	3	35,454	33,255
Total assets		37,543	35,004
Liabilities			
Payables		251	146
Distribution payable		900	829
Total liabilities		1,151	975
Net assets		36,392	34,029
Equity			
Contributed equity	4	30,053	30,539
Retained earnings		6,339	3,490
Total equity		36,392	34,029

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

Statement of Changes in Equity

For the half-year ended 31 December 2019

31 December 2019	Notes	Contributed equity \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2019		30,539	3,490	34,029
Total comprehensive income for the half-year		-	4,090	4,090
<i>Transactions with unitholders in their capacity as unitholders:</i>				
Units issued:				
Reinvestment of distributions	4	667	-	667
Units redeemed	4	(1,153)	-	(1,153)
Distributions paid / payable	2	-	(1,241)	(1,241)
Total transactions with unitholders		(486)	(1,241)	(1,727)
Balance at 31 December 2019		30,053	6,339	36,392

31 December 2018	Notes	Contributed equity \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2018		32,021	5,048	37,069
Total comprehensive loss for the half-year		-	(885)	(885)
<i>Transactions with unitholders in their capacity as unitholders:</i>				
Units issued:				
Reinvestment of distributions	4	844	-	844
Units redeemed	4	(1,734)	-	(1,734)
Distributions paid / payable	2	-	(986)	(986)
Total transactions with unitholders		(890)	(986)	(1,876)
Balance at 31 December 2018		31,131	3,177	34,308

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

Statement of Cash Flows

For the half-year ended 31 December 2019

	Half-year ended	
	31 December 2019 \$'000	31 December 2018 \$'000
Cash flows from operating activities		
Distributions and dividends received	1,122	824
Interest received	5	9
Other income received	-	1
Performance fees paid	(847)	(887)
Expenses paid	(43)	(41)
Net cash provided by / (used in) operating activities	237	(94)
Cash flows from investing activities		
Payments for investments at fair value through profit or loss	(11,725)	(12,769)
Proceeds from sale of investments at fair value through profit or loss	14,161	14,146
Net cash provided by investing activities	2,436	1,377
Cash flows from financing activities		
Payment for units redeemed	(1,294)	(2,047)
Payment of distributions	(503)	(787)
Net cash used in financing activities	(1,797)	(2,834)
Net increase / (decrease) in cash and cash equivalents	876	(1,551)
Cash and cash equivalents at 1 July	1,030	2,193
Cash and cash equivalents at 31 December	1,906	642

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

Notes to the Financial Statements

For the half-year ended 31 December 2019

1 Basis of preparation

This general purpose financial report of Cromwell Phoenix Opportunities Fund for the half-year reporting period ended 31 December 2019 has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001* (Cth). The financial report is designed to provide an update on the Fund's financial performance and financial position since the last annual financial report was issued. This financial report therefore does not include all the notes normally included in an annual financial report and needs to be read in conjunction with the annual report for the year ended 30 June 2019. The Fund is a for-profit entity for the purposes of preparing financial statements.

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

Rounding of amounts

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

New and amended standards adopted by the Fund

During the half-year reporting period ended 31 December 2019, the following accounting new standards was adopted by the Fund:

	Application date of Standard	Application date for the Fund
AASB 16 <i>Leases</i>	1 Jan 2019	1 Jul 2019

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

AASB 16 Leases

The AASB has issued a new standard for leases, which replaces AASB 117 *Leases* (AASB 117). The accounting standard introduces a single accounting model for leases by lessees and effectively does away with the operating lease concept. It requires all operating leases, which are currently not recorded on the balance sheet, to be recognised on the balance sheet as a right-of-use asset with a corresponding financial liability, except for short-term leases and leases of low value assets.

The right-of-use asset will initially be measured at cost and subsequently at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. Depreciation will be charged on a straight-line basis over the lease term. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

The Fund has not entered into any lease arrangements, therefore there is no impact on the Trust's accounting policies.

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

Continuous disclosure

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

Continuous disclosure

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

2 Distributions

(a) Overview

The Fund earns income, such as distributions, dividends, interest and realised capital gains, from its investments. All income, after fees, except for capital gains, is distributed quarterly. Net capital gains are distributed at least once a year.

(b) Distributions paid / payable

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

	Half-year ended	
	31 December 2019 \$'000	31 December 2018 \$'000
Distributions paid / payable	1,241	986

Notes to the Financial Statements

For the half-year ended 31 December 2019

3 Investments at fair value through profit or loss

(a) Overview

The Fund invests in a concentrated portfolio of ASX listed small capitalisation securities ("microcaps") that are selected using a value orientated 'best ideas' investment philosophy. As at 31 December 2019 the investments of the Fund were primarily comprised of securities listed on the ASX.

(b) Investment details

As at period end the Fund held the following investments:

	As at	
	31 December 2019 \$'000	30 June 2019 \$'000
Listed equity securities	34,508	33,255
Unlisted equity securities	946	-
Listed equity securities	35,454	33,255

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

4 Contributed equity

(a) Overview

The Fund commenced in December 2011 as a wholly owned fund of the Cromwell Property Group. It commenced accepting unit applications from external investors in December 2014. From 26 January 2018 the Fund no longer accepts applications. However, existing investors can redeem units and may reinvest distributions.

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

(b) Movements in contributed equity

	#'000	\$'000
Balance at 1 July 2018	18,531	32,021
Distribution reinvestments	417	844
Units redeemed	(870)	(1,734)
Balance at 31 December 2018	18,078	31,131
Distribution reinvestments	487	942
Units redeemed	(789)	(1,534)
Balance at 30 June 2019	17,776	30,539
Distribution reinvestments	341	667
Units redeemed	(562)	(1,153)
Balance at 31 December 2019	17,555	30,053

5 Fair value disclosures – financial instruments

(a) Overview

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

Notes to the Financial Statements

For the half-year ended 31 December 2019

(b) Fair value hierarchy

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

- Investments at fair value through profit or loss.

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

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

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

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

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

The measurement of the fair value of the Fund's investments is a level 1 measurement. The Fund's investments are predominantly ASX listed securities with the fair value being determined by reference to the quoted ASX closing price. The measurement of the fair value of the Fund's investments in unlisted equity securities are a level 2 measurement. These investments are comprised of unlisted equity securities which predominantly invest in investment property. The fair value of these financial assets is based upon the net tangible assets as publicly reported by the underlying unlisted entity, adjusted for inherent risk where appropriate.

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

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

6 Unrecognised items

(a) Contingent liabilities

As disclosed in the Fund's 30 June 2019 annual financial report the Directors are not aware of any material contingent liabilities and the Directors are not aware of any material changes in contingent liabilities of the Fund since the last annual financial report.

(b) Commitments

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

Directors' Declaration

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

- (a) the attached financial statements and notes are in accordance with the *Corporations Act 2001* (Cth), including:
 - (i) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* (Cth), and
 - (ii) giving a true and fair view of the Fund's financial position as at 31 December 2019 and of its performance for the half-year ended on that date;
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

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



PL Weightman
Director
25 February 2020
Brisbane



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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Cromwell Phoenix Opportunities Fund, which comprises the balance sheet as at 31 December 2019, the statement of profit or loss, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the fund's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Cromwell Phoenix Opportunities Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the responsible entity, would be in the same terms if given to the directors as at the time of this auditor's report.

Brisbane Sydney Newcastle Melbourne Adelaide Perth

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Cromwell Phoenix Opportunities Fund is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Fund's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Pitcher Partners
PITCHER PARTNERS


WARWICK FACE
Partner

Brisbane, Queensland
25 February 2020