



CROMWELL
PROPERTY GROUP



Phoenix Portfolios

Cromwell Phoenix Opportunities Fund

ARSN 602 776 536

Half-Year Financial Report

31 December 2018

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

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DIRECTORY

Responsible Entity:

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Custodian:

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Tel: +61 2 8280 7100
Email: LFS_contact@linkgroup.com
Web: www.linkfundsolutions.com

Auditor:

Pitcher Partners
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Brisbane QLD 4000
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Fax: +61 7 3221 7779
Web: www.pitcher.com.au

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 2018.

The responsible entity and its Directors

Cromwell Funds Management Limited has been responsible entity of the Fund since its registration. Cromwell Funds Management Limited is part of Cromwell Property Group, a global real estate investment manager with \$11.5 billion of assets under management. The responsible entity undertakes management and administrative duties for the Fund and monitors the Custodian, Link Fund Solutions Pty Limited, which holds the Fund's assets on behalf of the unitholders.

The responsible entity's Directors are as follows:

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

Review of operations and results

Financial performance

The Fund recorded a statutory loss of \$885,000 for the half-year ended 31 December 2018 (2017: statutory profit of \$5,386,000) and paid distributions of \$986,000 (2017: \$129,000).

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)	(2.5%)	(2.4%)	15.6%	14.7%	17.2%
Fund performance including franking (after fees and costs)	(1.4%)	(0.6%)	17.2%	16.1%	18.7%
S&P/ASX Small Ordinaries Accumulation Index	(12.7%)	(8.7%)	7.5%	5.6%	4.4%
Excess return (after fees and costs)	11.3%	8.1%	9.7%	10.5%	14.3%

The Cromwell Phoenix Opportunities Fund returned -1.4% (post fees including franking credits) for the half year ending 31 December 2018. Smaller companies sold off sharply over the half year as evidenced by a decline of 12.7% in the S&P/ASX Small Ordinaries Accumulation Index creating a challenging environment for Fund performance.

The Fund benefited from a position in Mount Gibson Iron which rose 33.3% over the period. Mount Gibson announced that the restart of Koolan Island remains on track with the benches of first ore expected in February 2019 in time for sales to commence in late March 2019. When operational Koolan Island will be the highest grade direct ship hematite mine in Australia. Holdings in OneMarket and MMA Offshore detracted from performance over the half year as both stocks declined significantly. The MMA Offshore share price was impacted by the substantial fall in oil prices experienced over the period.

Subsequent events

No matter or circumstance has arisen since 31 December 2018 that has significantly affected or may significantly affect:

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

Rounding of amounts

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

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

27 February 2019

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

Dear Directors

Auditor's Independence Declaration

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

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

PITCHER PARTNERS



WARWICK FACE
Partner

Brisbane, Queensland
27 February 2019

Ken Ogden
Nigel Fischer
Mark Nijhalson

Peter Camenzuli
Jason Evans
Ian Jones

Kylie Lamprecht
Norman Thurecht
Brett Hradilick

Warwick Face
Nigel Batters
Cole Wilkinson

Simon Chun
Jeremy Jones
Tom Splatt

James Field
Daniel Colwell

Statement of Comprehensive Income

For the half-year ended 31 December 2018

	Half-year ended	
	31 December 2018 \$'000	31 December 2017 \$'000
Investment and other income		
Distributions and dividend income	1,079	761
Interest	8	13
Other income	1	-
Net fair value gain from investments in equity securities	-	5,870
Total investment and other income	1,088	6,644
Expenses		
Performance fees	745	1,220
Other expenses	42	38
Net fair value loss from investments in equity securities	1,186	-
Total expenses	1,973	1,258
(Loss) / profit for the half-year	(885)	5,386
Other comprehensive income for the half-year	-	-
Total comprehensive (loss) / income for the half-year	(885)	5,386

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

Statement of Financial Position

As at 31 December 2018

	Notes	As at	
		31 December 2018 \$'000	30 June 2018 \$'000
Current assets			
Cash and cash equivalents		642	2,193
Receivables		773	550
Investments at fair value through profit or loss	3	34,253	36,655
Total current assets		35,668	39,398
Current liabilities			
Payables		692	1,016
Distribution payable		668	1,313
Total current liabilities		1,360	2,329
Net assets		34,308	37,069
Equity			
Contributed equity	4	31,131	32,021
Retained earnings		3,177	5,048
Total equity		34,308	37,069

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

Statement of Change in Equity

For the half-year ended 31 December 2016

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	3,176	34,308

31 December 2017	Notes	Contributed equity \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2017		28,696	2,656	31,352
Total comprehensive income for the half-year		-	5,386	5,386
<i>Transactions with unitholders in their capacity as unitholders:</i>				
Units issued:				
For cash	4	2,885	-	2,885
Reinvestment of distributions	4	636	-	636
Units redeemed	4	(464)	-	(464)
Distributions paid / payable	2	-	(129)	(129)
Total transactions with unitholders		3,057	(129)	2,928
Balance at 31 December 2017		31,753	7,913	39,666

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

Statement of Cash Flows

For the half-year ended 31 December 2018

	Half-year ended	
	31 December 2018 \$'000	31 December 2017 \$'000
Cash flows from operating activities		
Distributions and dividends received	824	736
Interest received	9	11
Other income received	1	-
Performance fees paid	(887)	(933)
Expenses paid	(41)	(48)
Net cash used in operating activities	(94)	(234)
Cash flows from investing activities		
Payments for investments at fair value through profit or loss	(12,769)	(11,986)
Proceeds from sale of investments at fair value through profit or loss	14,146	10,686
Net cash provided by / (used in) investing activities	1,377	(1,300)
Cash flows from financing activities		
Proceeds from issue of units	-	2,870
Proceeds from unit applications not yet allotted	-	(364)
Payments for units redeemed	(2,047)	-
Payment of distributions	(787)	(680)
Net cash (used in) / provided by financing activities	(2,834)	1,826
Net (decrease) / increase in cash and cash equivalents	(1,551)	292
Cash and cash equivalents at 1 July	2,193	2,049
Cash and cash equivalents at 31 December	642	2,341

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

Notes to the Financial Statements

For the half-year ended 31 December 2018

1 Basis of preparation

This general purpose financial report of Cromwell Phoenix Opportunities Fund (the "Fund") for the half-year reporting period ended 31 December 2018 has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001* (Cth). The financial report is designed to provide an update on the Fund's financial performance and financial position since the last annual financial report was issued. This financial report therefore does not include all the notes normally included in an annual financial report and needs to be read in conjunction with the annual report for the year ended 30 June 2018. The Fund is a for-profit entity for the purposes of preparing financial statements.

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

Rounding of amounts

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

New and amended standards adopted by the Fund

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

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

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

AASB 9 Financial Instruments

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

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

AASB 15 Revenue from Contracts with Customers

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

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

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

Continuous disclosure

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

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

	Half-year ended	
	31 December 2018	31 December 2017
	\$'000	\$'000
Distributions paid / payable	986	129

Notes to the Financial Statements

For the half-year ended 31 December 2018

3 Investments at fair value through profit or loss

(a) Overview

The Fund invests in a concentrated portfolio of ASX listed small capitalisation securities ("microcaps") that are selected using a value orientated 'best ideas' investment philosophy.

(b) Investment details

As at period end the Fund held the following investments:

	As at	
	31 December 2018 \$'000	30 June 2018 \$'000
Listed equity securities	34,253	36,655

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 29 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's) Unit Pricing: Guide to Good Practice, investors will receive compensation for any material unit pricing errors. In accordance with these guidelines the Fund does not pay exited members compensation for material unit pricing errors where the amount of any compensation payable is less than \$20.

(b) Movements in contributed equity

	#'000	\$'000
Balance at 1 July 2017	16,926	28,696
Units issued for cash	1,404	2,885
Distribution reinvestments	342	636
Units redeemed	(229)	(464)
Balance at 31 December 2017	18,443	31,753
Units issued for cash	512	1,107
Distribution reinvestments	418	852
Units redeemed	(842)	(1,691)
Balance at 30 June 2018	18,531	32,021
Distribution reinvestments	417	844
Units redeemed	(870)	(1,734)
Balance at 31 December 2018	18,078	31,131

5 Fair value disclosures – financial instruments

(a) Overview

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

(b) Fair value hierarchy

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

- Investments at fair value through profit or loss.

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

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

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);

Notes to the Financial Statements

For the half-year ended 31 December 2018

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

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

The measurement of the fair value of the Fund's investments is a level 1 measurement. The Fund's investments are ASX listed securities with the fair value being determined by reference to the quoted ASX closing price.

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

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

6 Unrecognised items

(a) Contingent liabilities

As disclosed in the Fund's 30 June 2018 annual report the Directors are not aware of any material contingent liabilities and the Directors are not aware of any material changes in contingent liabilities of the Fund since the last annual report.

(b) Commitments

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

Directors' Declaration

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

- (a) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable;
- (b) the attached financial statements and notes are in accordance with the *Corporations Act 2001* (Cth), including:
 - (i) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* (Cth), and
 - (ii) giving a true and fair view of the Fund's financial position as at 31 December 2018 and of its performance for the half-year ended on that date.

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



PL Weightman
Director
27 February 2019
Brisbane



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INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of Cromwell Phoenix 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 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the fund's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Cromwell Phoenix 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*.

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:

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

PITCHER PARTNERS

WARWICK FACE
Partner

Brisbane, Queensland
27 February 2019

Ken Ogden
Nigel Fischer
Mark Nicholson

Peter Camenzuli
Jason Evans
Ian Jones

Kylie Lamprecht
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Jeremy Jones
Tom Splatt

James Field
Daniel Colwell

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