



CROMWELL
PROPERTY GROUP

insight

The changing face of the logistics sector

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Investing in property within your SMSF

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What a time to be alive

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20 years - built on the accomplishments of our people



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insight

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Cromwell Property Group [ASX:CMW] is a Real Estate Investor and Manager with operations on three continents and a global investor base. The Group is included in the S&P/ASX 200. As at 31 December 2017, Cromwell had a market capitalisation of \$2.0 billion, a direct property investment portfolio in Australia valued at \$2.5 billion and total assets under management of \$11.2 billion across Australia, New Zealand and Europe.

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.

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All statistics, data and financial information are prepared as at 31 December 2017 unless otherwise indicated. All dollar figures shown are in Australian dollars unless otherwise indicated.

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Cromwell Property Group (Cromwell) comprises Cromwell Corporation Limited, ABN 44 001 056 980 (CCL or the Company) and the 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,

July 2018 marks the 20-year anniversary of Cromwell Property Group.

Cromwell's journey began in the early months of 1998 when a number of like-minded individuals came to the conclusion that there were a lot of people in the property industry that didn't put the needs of investors first.

We collectively thought we could do property investment better. We also thought that we could do it with the right focus on what investors wanted, and the right ethic in terms of servicing their needs.

Scraping together every cent possible we managed to recapitalise a listed property syndicator called Westholme Limited. A new Board of Directors was subsequently appointed and the name changed to Cromwell Corporation Limited. That was the beginning of our journey.

Since then there have been many milestones. The first syndicate was Terrace Office Park in Fortitude Valley in 1998 and 700 Collins Street in the Melbourne Docklands in 2007 was a major transformative acquisition.

Key subsequent transactions included the Qantas HQ in Mascot in 2010, Northpoint Tower and the NSW Government portfolio both in 2013 and Cromwell's European platform in 2015. The successful listing of the Cromwell European REIT on the Singapore Exchange Securities Trading Limited (SGX-ST) at the end of last year was another important step.

Cromwell has now grown into a business with 370 employees across 15 countries and \$11.2 billion in assets under management. Throughout the entire journey we have been unwavering in our focus on always doing the right thing by our investors. I would like to thank you for your trust and look forward to Cromwell continuing to serve your interests for the next 20 years.

In this edition of Insight, we touch on the growth of e-commerce and its impact on the logistics sector, investing in property within an SMSF, life expectancy and In Conversation features our Chief Capital Officer, Simon Garing. I hope you enjoy your copy.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'P. Weightman', written in a cursive style.

Paul Weightman

In brief



Northpoint Tower completes

On 19 March 2018, Cromwell's Northpoint Tower redevelopment successfully reached practical completion with the support of FDC Construction & Fitout. Most of the retailers then completed their fit-outs, and commenced trading during the months of April and May.

Cromwell acquired 50% of Northpoint in 2013 and soon thereafter commenced planning for a \$130 million refurbishment and overhaul of the landmark site. The repositioning includes an integrated retail and dining precinct, updated tower façade and a 187-room Vibe Hotel with a rooftop bar.

Key statistics of the project were:

- 791,978 hours of labour delivered by over 65 different trades for base building works;
- An average of 132 construction personnel on site each day with a peak of 287;
- 6,000 tonnes of waste produced from demolition; and
- 92% of waste recycled.

Cromwell has subsequently partnered with technology firm Equiem to create a local Northpoint community by combining an online portal with exclusive offers and content, an Onsite Community Manager, and a wide range of exciting events and activities.



Development application lodged for 475 Victoria Avenue, Chatswood

On 25 May 2018, Cromwell submitted a development application (DA) for 475 Victoria Avenue, Chatswood.

Head of Property, Bobby Binning, said Cromwell saw significant opportunities in North Shore, where the building is located.

"With no new supply planned in the near future, Cromwell's DA will provide new quality office space and augment the existing amenity in the Chatswood area, increasing options for the growing professional and residential population," Mr Binning said.

Cromwell's DA is for a new low-rise 3,500 sqm premium-grade office building fronting Victoria Avenue. It also includes a proposal for a new 4.5-star, 156-room, full service hotel and envisages significant plaza and amenity improvements, including new end-of-trip, outdoor, conferencing and dining facilities.

The DA process is subject to Council approval and expected to take approximately six months.



Cromwell European REIT's inaugural results exceed IPO forecast

Cromwell EREIT Management Pte. Ltd., the manager of the Cromwell European Real Estate Investment Trust (CEREIT), announced CEREIT's maiden financial results to the Singapore Exchange Securities Trading Limited (SGX-ST) on 10 May 2018.

The Manager is a wholly owned subsidiary of Cromwell. Its Chief Executive Officer, Philip Levinson, stated, "Our primary focus since listing has been to keep our commitments to investors. I am delighted to announce that we have delivered on the goal of meeting and exceeding our IPO forecast for the reporting period."

CEREIT recorded gross revenue amounting to €41.0 million during the reporting period, up from the IPO forecast of €40.7 million. Net property income came in at €27.0 million, surpassing the IPO forecast of €26.3 million by 2.8%.

Distributions per unit for the period were 1.45 Euro cents, exceeding the IPO forecast by 3.5%.

Cromwell owns approximately 35% of the units in CEREIT.



Cromwell Ipswich City Heart Trust draws closer to maturity

The Cromwell Ipswich City Heart Trust (Trust) is due to mature in December 2018.

Cromwell recently asked investors in the Trust for their feedback on how they would vote if given the chance to extend the term of the Trust past the initial maturity period, for a further five years.

The feedback returned in favour of extending and will be one of many factors the Cromwell Funds Management Board will consider when examining options at the maturity of the Trust.

Cromwell Ipswich City Heart Trust investors are advised that any further decision on the extension of the term of the Trust will be communicated to them in due course.



207 Kent Street providing firms with a gateway to Barangaroo

Cromwell has attracted a number of new tenants to its 207 Kent Street property as financial and professional services firms continue to flock to Sydney's new landmark waterfront precinct, Barangaroo.

The significant demand from blue-chip firms for office space in prime locations and quality A-grade buildings has led to Cromwell securing gross rents above \$1,000 per sqm at Kent Street.

Cromwell purchased Kent Street in 2013, and it has since undergone extensive modernisation and refurbishment, including a new lobby area completed in 2014. The 18-level building is now more than 95% leased.

"This is just another example of our value-add capabilities at work, and our focus on delivering value for our customers," said Head of Property, Bobby Binning.



Cromwell signs logistics partnership with Linkcity (Bouygues)

On 14 May 2018, Cromwell formally entered into a strategic partnership with Linkcity, a member of global construction company, Bouygues Construction, to invest in the rollout of logistics and light industrial assets in Central Europe.

The portfolio is targeting an eventual gross asset value of €500 million, with assets representing more than 25% of the portfolio already identified. The first asset is an 8,000 sqm logistics building. Located just over 100km east of Prague in the Czech Republic, it is already 88% pre-let and due to complete in the coming months.

Cromwell's Managing Director for Europe, Mark McLaughlin, said "We are delighted to partner with an experienced developer of the calibre of Bouygues to create a portfolio of premium logistics and light industrial assets that are already in high demand from transport and e-commerce related occupiers."

The larger second and third assets, covering a combined 180,000 sqm, are currently seeking pre-let commitments.

The changing face of the logistics sector

A combination of factors is driving increased interest in logistics real estate assets, including the continued growth of e-commerce and ongoing improvements to last-mile logistics, technology and the push towards automation.

Contemporary logistics

Logistics is the part of supply chain management that plans, implements and controls the efficient forward and reverse flow and storage of goods and information between the point of origin and the point of consumption.

In conjunction with the cyclical drivers that have positioned the current logistics landscape, there are also structural drivers shaping the sector, such as more demanding consumers, the evolution of e-commerce in retail, urbanisation, robotics and global investment in logistics real estate assets.

Global drivers and future trends

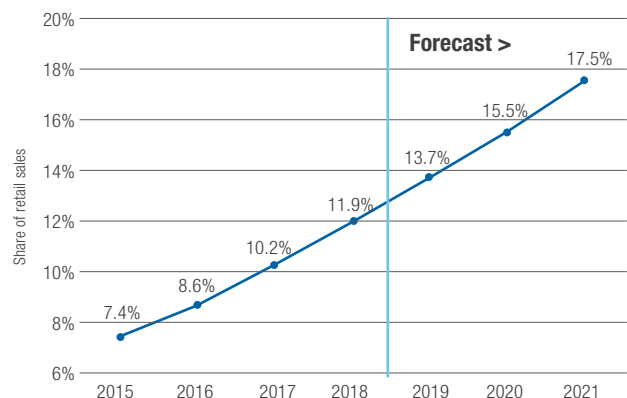
Cloud's the limit for e-commerce

Recent years have seen a surge in popularity for logistics assets. This is perhaps unsurprising, given that 2017 saw an estimated US\$2.23 trillion in worldwide e-commerce sales, up from US\$1.3 trillion just three years previously.

Consumer spending is increasing at its fastest rate since the GFC, providing a tailwind for overall growth, with the proportion of this expenditure accounted for by e-commerce increasing even faster. For the first time, last year e-commerce comprised more than 10% of global retail sales, with this figure set to grow to 17.5% by 2021 while total sales are forecast to exceed US\$4.8 trillion.

The uptake of e-commerce varies by country. The UK is leading the way, as e-commerce accounts for 12% of retail sales. The US sits at 10%, but Australia lags with only about 7-8% of retail sales coming from e-commerce, perhaps showing the immediate opportunity ahead, and also the challenges faced by traditional retailers such as Myer and David Jones.

E-commerce share of total global retail sales from 2015 to 2021



Last-mile logistics driving urban demand

Millennials will comprise 75% of the workforce by 2030. As such, their lifestyle patterns and demand for instant fulfilment will increasingly impact commercial real estate investment into the logistics sector. Broadly, customer expectations are increasing, with the focus now placed on goods arriving faster, more flexibly, and often with little to no delivery costs.

The shift towards urban logistics is therefore underpinned by greater supply chain management, facilitated by constantly evolving technology. While the need for buffer stock is less, e-commerce operators require an estimated three times more space than traditional warehouses, due to the greater diversity of products and the need to have them readily available.

Big data is also having an impact. Companies are analysing the vast, unstructured data sets produced by internet-connected devices to gain a greater understanding of who buys what, from where, and then how best to optimise route planning and minimise the cost of delivery.

These insights are ultimately useful for customer retention, as on-time delivery motivates 72% of consumers to make repeat purchases. Similarly, a significant proportion of online shoppers will abandon their purchases if shipping costs appear excessive. All of these considerations have implications for both the location and size of logistics assets.

Technology continues to advance

Technological innovation continues to exert significant, overwhelmingly positive effects on the sector. Broad trends include widespread automated and intelligent manufacturing processes, storage and retrieval systems, and delivery.

The prospects of full automation are appealing. Where land can be expensive, autonomous warehouses that



Automation and innovation firsts

As of early 2017, the world's largest online retailer, Amazon, employed 45,000 robots in 20 of its US distribution centres. Additionally, British online-only supermarket, Ocado, has recently opened a largely automated distribution facility that allows it to process 3.5 million items or roughly 65,000 orders each week.

Chinese e-commerce, retail and technology conglomerate, Alibaba, has committed to investing US\$15 billion over the next five years to increase research and development in logistics data technology, as well as for the development of smart warehousing, smart delivery and global logistics infrastructure. Alibaba considers this core to building the global logistics network of the future.

Automation along the supply chain also extends outside of the warehouse. Route optimisation to better serve the last-mile logistics process have been in effect as far back as 2013, with UPS developing a predictive system called ORION to shorten routes for drivers, saving the company millions of dollars in fuel costs.

Driverless delivery vehicles may be the next wave of innovation. In late-2017, Tesla unveiled an autonomous truck, which can drive 800 kilometres on a single charge of its lithium-ion battery pack. On a smaller scale, earlier this year tech startup, Nuro, received US\$92 million of funding to develop fully autonomous self-driving vehicles designed to bring items from local businesses directly to a customer's home.

can utilise vertical space efficiently may be the future. However, as it stands, partial automation rules the sector, as occupiers consider operational flexibility and return on investment.

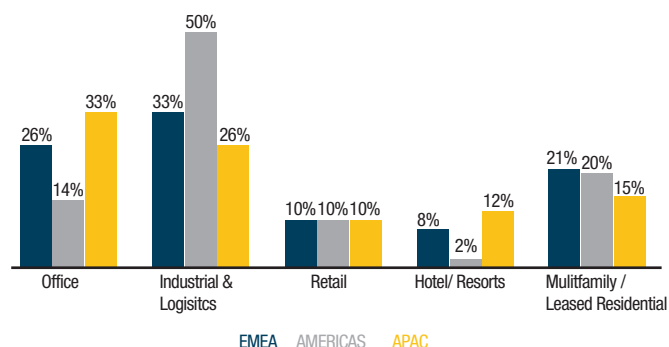
Supplementary infrastructure

While the trend to acquire urban logistics real estate is in full swing, there is still a place for traditional logistics assets. Infrastructure investment has always been one of the primary contributors to growth and major road and transport investment continues to open up less accessible land and locations. This is evident through China's Belt and Road Initiative (see breakout adjacent).

Investor intentions

Global real estate investment activity rose to US\$953 billion in 2017, up slightly from US\$941 billion in 2016, with economic conditions set to remain favourable through 2018. Logistics assets are the most popular amongst investors in 2018, with 36% of respondents across EMEA, the Americas and APAC scoring it as their most attractive sector in CBRE's Investor Intentions Survey. This is up 4% on 2017.

Which property sector do you believe is the most attractive for investment purchases?



Source: CBRE Research, Global Investments Survey, 2018

Technological, demographic and economic changes are nothing new. However, the logistics sector has never before experienced the structural shifts spurred on by the continued rise of e-commerce and automation, as well as the need for last-mile logistics. This has meant a blurring of the lines between logistics and retail, a transformation in worldwide supply chains, and has resulted in increasing levels of capital investment.

Belt and Road Initiative

The Belt and Road Initiative (BRI) was launched by China in 2013 as a means of providing a platform for multilateral cooperation to create new trade routes, economic links and business networks.

The development of the built environment across the BRI, whether infrastructure-related, logistics, townships or new urban settlements over the coming decades will be considerable. As it stands, US\$1 trillion worth of projects have already been initiated, with another US\$5 trillion worth of projects expected to begin over the next five years.

The BRI will involve 65 countries with a total population of 4.4 billion and 30% share of the global economy. In comparative terms, the project is more than seven times the scale of the Marshall Plan to rebuild Europe after WWII.

The benefits of the BRI include filling infrastructure gaps in developing countries such as Pakistan and Afghanistan, who see it as a pathway from poverty. It is likely to accelerate economic growth in the countries involved, as well as China, as it increases trade and facilitates the transit of goods and international cooperation.

Michael Nijdam, Port of Rotterdam's (the world's busiest port) Corporate Strategist, said in an interview with IPE that freight trains already carry laptops and other higher-value products from China to Germany, travelling through Kazakhstan, Russia, Belarus and Poland in the process.

The trains currently haul about 80,000 twenty-foot equivalent unit (TEU) containers a year, with this expected to rise to 300,000 TEUs a year.

Transporting goods between China and Germany via train takes approximately 16 days, which is less than half of the 36 days required for maritime freight.

Nijdam says there will be increased cargo movement from China to production centres in Eastern Europe, to Western Europe, then to the UK, and beyond to the US. "We are already working on improving rail links from the Port of Rotterdam, back to Southern Germany, Hungary, the Czech Republic and Poland," said Mr Nijdam.

Projects subsumed under China's Belt and Road Initiative

- Proposed economic corridors
- Railroad connections**
 - Existing
 - Planned or under construction
- Gas Pipelines**
 - Existing
 - - - Planned or under construction
- Oil Pipelines**
 - Existing
 - - - Planned or under construction
- Ports with Chinese engagement**
 - Existing
 - - - Planned or under construction
- Silk Road Economic Belt
- Maritime Silk Road of the 21st Century
- AIIB member states



Source: <https://www.merics.org/en/china-mapping/silk-road-initiative>

Six investment lessons from 15 years of data



Daryl Wilson

CEO AND PORTFOLIO MANAGER OF
AFFLUENCE FUNDS MANAGEMENT LIMITED

This article is for general information only and not an investment recommendation. It should not be construed as tax, legal, or investment advice.

The latest SPIVA (Standard & Poor's Indices versus Active) results are in. They provide important lessons on where to look if you'd like to find long-term outperforming managed funds.

In their latest scorecard, S&P evaluated returns of 786 Australian equity funds (large, mid, and small cap, as well as A-REIT), 378 international equity funds, and 109 Australian bond funds. For the first time in Australia, S&P was able to provide data for a 15-year period. The results are summarised below:

Percentage of Funds Outperformed by the Index (based on Absolute Return)

Fund Category	Comparison Index	One-year (%)	Three-year (%)	Five-year (%)	Ten-year (%)	15-year (%)
Australian Equity General	S&P/ASX 200	59.00	66.77	63.00	73.94	77.00
Australian Equity Mid- & Small-cap	S&P/ASX Mid-Small	74.04	75.00	55.67	40.00	54.72
International Equity General	S&P Developed Ex-Australia LargeMidCap	52.51	80.93	90.86	88.26	87.10
Australian Bonds	S&P/ASX Australian Fixed Interest 0+ Index	68.63	77.36	85.42	85.00	NA
Australian Equity A-REIT	S&P/ASX 200 A-REIT	43.94	66.18	83.56	71.59	78.08

Source: S&P Dow Jones Indices LLC, Morningstar. Data as of Dec 29, 2017. Past performance is no guarantee of future results. Table is provided for illustrative purposes

The SPIVA study has consistently observed that the majority of Australian managed funds fail to beat comparable benchmark indices over the longterm. For example, over the 15-year period ending December 2017, more than 87% of all international equity funds underperformed their benchmark after fees. In all categories, over almost all time periods, a large percentage of managed funds failed to beat a fair benchmark.

But behind the headlines, there are some important lessons to be gleaned. Here are six investment lessons from 15 years of data.

Funds that invest in smaller companies do better

The best performing group of funds by far over five, ten and 15 years were those that invested in Australian smaller companies. More than 60% outperformed over ten years and around 45% over five and 15 years. While that's still not great, it's way better than all other categories, where success rates are generally less than 25%.

It's often pointed out that the Australian small caps index is poorly constructed and easy to beat, which makes it a low hurdle. There is some truth in that. But it's also true that smaller company funds delivered a greater total return compared to larger company funds, as can be seen below:

Average Fund Performance (Asset-Weighted)

Index/Peer Group	One-year (%)	Three-year annualised (%)	Five-year annualised (%)	Ten-year annualised (%)	15-year annualised (%)
S&P/ASX 200	11.80	8.63	10.23	4.14	9.49
Australian Equity General	11.90	8.47	10.58	4.60	9.38
S&P/ASX 200 Mid-Small	21.16	15.79	12.17	2.30	9.66
Australian Equity Mid- & Small-cap	17.04	14.04	12.45	5.47	10.85
S&P Developed Ex-Australia LargeMidCap	14.51	11.72	18.93	6.96	7.09
International Equity General	16.61	11.39	17.51	6.55	7.01
S&P/ASX Australian Fixed Interest 0+ Index	3.61	3.04	4.10	6.20	NA
Australian Bonds	3.54	2.79	3.82	5.83	5.32
S&P/ASX 200 A-REIT	5.72	11.00	13.23	1.89	5.99
Australian Equity A-REIT	7.26	10.96	12.98	2.09	5.90

Source: S&P Dow Jones Indices LLC, Morningstar. Data as of Dec 29, 2017. All returns in AUD. Past performance is no guarantee of future results. Table is provided for illustrative purposes

Over all time periods, mid-small company funds beat their larger company peers.

So, Lesson One, it's a good idea to have some exposure to smaller companies in the equities part of your investment portfolio.

Overall returns aren't as great as most people think

The Table above also shows that the best 15-year returns came from small to mid-sized companies at around 10% p.a. Funds investing in larger companies delivered 9-10% p.a. on average, depending on whether you had an active manager or an index fund. That excludes franking credits, which probably would have added up to another 1% p.a. So that's pretty good.

In comparison, international shares fared worse at around 7% annual returns. This is the case even though global shares have performed much better over the past five years. It supports our current positioning in the Affluence

Investment Fund Portfolio. We maintain a low allocation to global shares because compared to Australian shares, we believe they're significantly more overvalued.

Bringing up the rear returns-wise, over 15 years Australian bonds have delivered just over 5%. A-REITs (or listed property trusts) returned around 6% p.a.

This means on average, a balanced portfolio of 60% shares/property, 40% bonds/cash might have delivered investors around 7.5% p.a. This compares well to the average balanced super fund, which according to Chant West has delivered around 6.8% p.a. over the past 15 years, after tax.

Lesson Two, recognise that average returns aren't that great, and make sure your return target is realistic.

But there's also more to this story. On average, investors do far worse than this. That's because they tend to invest near market highs and sell near lows. Many credible studies show the impact of poor timing is that the average investor will achieve returns 2-3% p.a. worse than the average, mostly because of poor timing decisions.

Lesson Three, unless you're very comfortable going against the crowd, any strategy that delivers more consistent returns should be preferred. It means you aren't tempted by wild valuation swings to buy and sell at the wrong times.

Growth vs Value

Although the Australian study doesn't look at differences in returns from investment styles, the much bigger US study does. It showed that over 15 years, there was not a large amount of difference between value and growth styles. But within shorter periods, there could be quite a big difference. For example, over the past year, US large-cap growth funds delivered almost 30% returns, compared to value funds at just 15%. There have been other times when the reverse has occurred, although rarely to the same degree.

There is not a lot of difference over the longer term. Over 15 years, large-cap growth funds outperformed large value funds slightly. And small-cap value outperformed small-cap growth slightly. These results are perhaps not what you would expect.

Lesson Four, allocations to both growth and value styles are likely to outperform at different times.

You might get the same long-term result, but perhaps a smoother overall result if you have both in your portfolio.

The recent stars are more likely to be future laggards

One of the common trends we see is the herd piling into last year's best performing funds. That's usually a big mistake. Our experience is that an equity fund delivering above 12% p.a. over 10 years or more is extremely rare. So, if you invest in one that just did 20% p.a. for the last two years, chances are that a big part of that performance was due to the fact that the assets or market they have invested in is now overvalued. Or their investment style has had a good run. Or they had a low amount of funds to manage but now they have a lot. Maybe all three.

Any or all of these things don't bode well for the next few years' returns from that fund. Last year's outperformers can be next year's laggards.

So, Lesson Five, be wary of funds that have delivered high returns in recent years. In many cases, it's just not repeatable.

The best funds might not actually be in the survey

The SPIVA survey is limited. They do include over 1,300 funds, which is a lot. But their data set is limited to those funds included in Morningstar's database and in the categories stated. In our experience, many of the best funds, including a great number available only to wholesale investors, are not on the Morningstar database. Or they pursue an investment strategy not covered in the SPIVA survey.

So finally, and most importantly, Lesson Six. Despite what this study suggests, great funds and managers who can outperform over the long term are out there. If you know where to look. And what to look for. Much of the answer to that is encompassed in our motto, Invest Differently.

By the way, if you're interested, the full SPIVA report can be found at <https://au.spindices.com/documents/spiva/spiva-australia-year-end-2017.pdf>

Take care and all the best with your investing.

Investing in property within your SMSF

Direct property investment remains a popular investment option for self-managed super fund (SMSF) investors. But it requires careful consideration before taking action. Other property asset classes may help SMSF investors achieve the same outcome but in a better way.

One of the most appealing features of SMSFs is the control trustees and members can exercise over their investment choices. Property is the third most popular asset class for SMSFs, and an asset class that most investors are familiar with.

However, investing within a SMSF poses a specific set of risks, rules and possible outcomes, which should prompt trustees to compare the risk, return and tax scenarios of all the different types of property investment vehicles available to them – including direct property investments, unlisted funds, and trusts.

SMSFs and direct property investment

Superannuation funds have always been able to invest directly in property, but historically many SMSFs didn't have sufficient funds to do so. The introduction of limited recourse borrowing arrangements (LRBA) in 2007 put direct property investment within reach of many more SMSF investors by allowing them to borrow funds to purchase assets within their fund.

Since then, SMSF borrowing has gained momentum, reaching \$25.4 billion in 2016 (the latest dates for which we have figures) with 93% of that borrowing being invested in real property assets. However,



if borrowing through an LRBA, an additional level of cost and regulation can be added to the fund and its assets.

Whether investing in direct property within your SMSF via lending or accumulated capital, the investment should be evaluated for its suitability based on characteristics such as diversification, liquidity, management and cashflow. Most important is the investment's potential to contribute to the main purpose of superannuation, to provide an income in retirement.

Diversification

Depending on the overall fund balance, the level of capital required to invest in direct property can restrict diversification within the fund, and therefore increase overall allocation risk. Investing in direct property can sometimes have a sentimental element,

particularly when investors have an affinity with a certain type of property (such as residential or industrial), a location, or based on past market experience.

While choosing a direct property on this basis may appeal to the control element desired by many SMSF trustees, this same sentiment can potentially cloud some of the inherent risks of holding such a large amount of the fund in the one asset.

Lack of diversification can increase the risk of breaching SMSF regulations. SMSFs are required to report their investment strategy to the Australian Taxation Office (ATO), and if the majority of capital is directed into a single asset, like an investment property, the ATO may find that the investment strategy is not diverse enough to provide sufficient stability and achieve returns in line with the fund's investment objectives.

Liquidity

Liquidity is a major consideration for SMSFs and again can be similarly challenging if a significant proportion of members' financial resources are tied up in an illiquid investment. This can be a significant issue on the occurrence of an unplanned event, like the death or disablement of a trustee, or a divorce, each of which can require the fund to sell part or all of the investment.

This, in turn, introduces its members to sequencing risk as the trigger of the sale might be during an inopportune time, for example a dip in the market. This may prevent the other members of the SMSF from being able to realise the capital growth they were relying on for their own retirement planning.

The fund also needs to cover the costs to hold and manage the property – including council, strata, water rates, maintenance and property management fees. Familiar direct property capital growth strategies, like renovating an older property to sell at a higher price, can still be implemented but must be funded from money outside of any LRBA.

While the risks discussed can all be present in various degrees across all property asset classes, the concentration of a large amount of capital in the one asset within an SMSF requires additional consideration given the heightened overall risk to the fund.

Unlisted property funds and Real Estate Investment Trusts (REITs)

A more flexible option could be to invest in an unlisted commercial property fund or a property trust that can provide liquidity, diversification, capital growth and regular returns more in line with an SMSFs investment objectives, particularly if it is a smaller fund.

Reports reveal that unlisted property funds are one of the best performing asset classes in the country, with an average annual return of 20.5% for the year ending March 2018, and total annualised returns of 19.6% over the five years to the same period.

Borrowing to invest in unlisted property funds or REITs is still an option for SMSFs, as the rules allow for investment in a collection of identical assets that have the

same market value, including parcels of identical shares (in one company) or units (in a managed fund). Gaining their property exposure in this way also relieves SMSF trustees of the responsibility of asset management, leaving the leasing, maintenance and financing elements to specialist managers.

Fund selection can be tailored to capital growth or regular distributions, or both, depending on the objectives of the SMSF strategy and life-stage of members. Liquidity can vary depending on maturity terms, with suitability again depending on the needs of the fund's members.

Another investment option, REITs, offer investors a property investment with the liquidity of shares. This can be especially useful when investors need access to cash or, in the case of insurance pay-outs, pension payments or SMSF members exiting the fund, a partial sell down of the investments is required while still protecting the long-term interests of the remaining members.

Distributions from unlisted property funds and REITs can also include a tax-deferred component, representing a distribution of non-assessable income. This is made possible when the taxable income for the fund is less than the distribution income paid to investors, due to factors such as depreciation. The distributions have the effect of reducing the cost base of the units, 'deferring' the tax payable until capital gains are crystallised on sale.

For SMSF investors, this provides tax planning opportunities around the timing of the sale of the units. Reduced or nil tax is payable on the distributions when received within the accumulation phase of superannuation due to the non-assessable portion. By deferring sale of the units until the SMSF account is in the tax-free pension phase, the tax payable on the distribution income can potentially be eliminated altogether.

Superannuation and property can be complicated, so it's a good idea to do your research. This should include finding an accountant or adviser who is qualified to provide advice on SMSFs, and who can explain the complete range of options – including, but not limited to, borrowing to invest in direct property and the advantages of the potential alternatives such as unlisted property funds and REITs.



What a time to be alive

Medical, economic and societal advances mean people are drastically outliving life expectancy estimates from only a century ago. Further, morbidity, the time people are ill at the end of their lives, is shorter than ever before. While this is all great news, living a longer and healthier life does require greater financial resources.

If you are currently 65 years of age, your life expectancy at birth was around 68 for males and 74 for females. However, don't start counting down the remaining days just yet! You are obviously still living and breathing, and there's some more good news. With all the recent advances we have alluded to, as a 65 year old, you are now, on average, expected to live another 19.5 years if you are a male, and 22.3 years if you are a female.

Perhaps most staggering is that, of all people in the 200,000 years of human existence to ever live beyond 65 years of age, more than half are alive right now. As a matter of fact, at 65, males have a 42% chance of living beyond 90, and females have a 55% chance.

When you were born, there was no telling whether or not you were going to survive until your given life expectancy. That's exactly why the life expectancy average is a measure taken **at birth**. Therefore, the longer someone lives, the more likely it is that they will exceed their initial life expectancy.

There is an abundance of reasons as to why humans are living longer. Quality-of-life continues to drastically increase through advances in medical science, technology, education and better nutrition and hygiene. We are continually trying to find ways to live longer and healthier lives. It is something that we, as humans, have been very successful at.

The fact is, remarkable technological and medical

advances have allowed people to continue to live and age in a way that was previously thought of as impossible. There isn't a single country in the world that currently has a lower life expectancy than the countries with the highest life expectancy in 1800.

Further, child mortality, defined as the number of children who died prior to their fifth birthday, has also substantially declined. In 1800, in Sweden, perhaps the most advanced country in the world at the time, over 30% of children did not reach their fifth birthday. Even the most disadvantaged countries in the world now have rates substantially below this.

It's not just childhood mortality that is on the retreat. The last global case of Small Pox was in 1977. Measles deaths have dropped 75% across the globe and have been eradicated in most affluent countries. Polio cases have declined 99% since 1988. There is no shortage of statistics on reduced deaths from disease.

Additionally, external factors like war, violence, drought and famine, while still prevalent - particularly in third world countries - are increasingly less likely to be a factor when viewed at a global level. Despite everything that you might see and hear in the media, there has never been a better time to be alive.

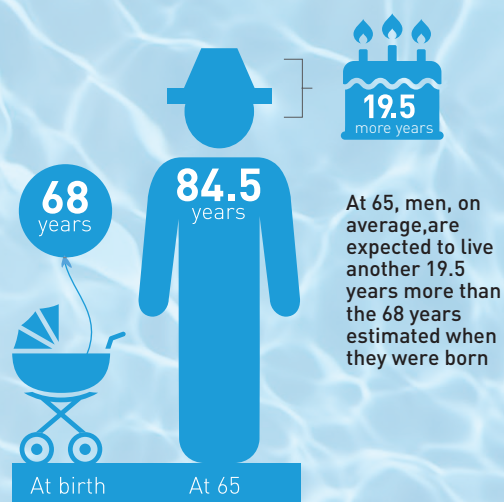
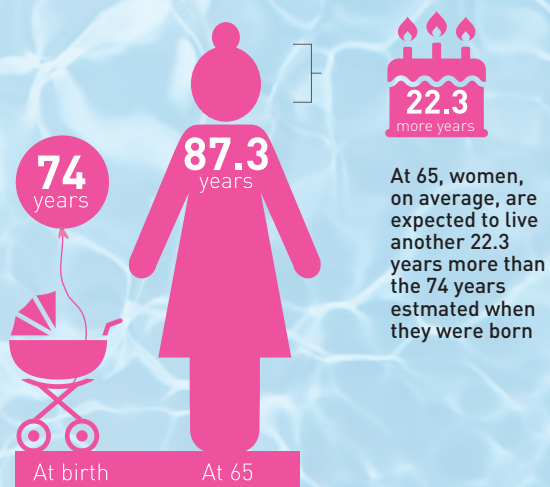
This is all unequivocally good news. However, within these statistics and figures lies a potential hazard. People have been progressively, and sometimes significantly, outliving their previously estimated lifespans. This means they are becoming more likely to be impacted by longevity risk. The risk that they simply run out of money because they have lived longer than expected.

Consideration is required in order to manage this risk. A better understanding of how long you, or your spouse, will actually live can underpin and guide superannuation and investment decisions. Being better informed can help ensure your lifestyle in retirement can be maintained.

In our Autumn 2018 edition of Insight we discussed strategies relating to property investment to combat the longevity risk. To find this article and more, visit www.cromwell.com.au/insights/



LIFE EXPECTANCY



Life expectancy (expected age at death in years) at different ages by sex, 1960-1962 and 2013-2015

Age (years)	Females		Males	
	1960-1962	2013-2015	1960-1962	2013-2015
0	74.2	84.5	67.9	80.4
1	75.5	84.8	69.5	80.7
15	76.0	84.9	70.1	80.8
25	76.3	85.1	70.8	81.1
45	77.4	85.6	72.4	82.1
65	80.7	87.3	77.5	84.5
85	89.8	92.2	89.1	91.2
95	97.6	98.3	97.3	98.0

In conversation with...

Simon Garing

Simon Garing joined Cromwell in December 2017 as Chief Capital Officer. He started his career as an accountant with IBM, then jumped into financial markets with Citibank, becoming an investment manager in the burgeoning LPT (Listed Property Trust) sector in the early 1990s.



Simon's career has taken him through some of the more storied names in real estate investment banking including BZW, Merrill Lynch and UBS where he was Global Coordinator of REIT Research. He returned to Merrill Lynch in 2010, spending the last four years in Hong Kong as Deputy Director of APAC Research, with oversight of coverage of 1,200 companies. We sat down with Simon to delve into his background, career to date at Cromwell and passions outside of work.

Why Property?

I guess property is in the blood. It was the family business. My grandfather was the first person to import foamed concrete for high rise buildings from Denmark to Australia in the 1950s, and we have always been around property for as long as I can remember. It has always been a focus, and no matter where we go, my wife complains I spend too much time staring into the window of the local real estate agency.

I started as a traditional accountant, crunching numbers at IBM. That was a great grounding but I decided I didn't want to do another 40 years there. Financial markets seemed the logical step, and LPTs were starting to take off at the time. The combination of markets, numbers and property was the perfect mix.

You moved to Hong Kong in 2013. Why?

I've been travelling to Asia for 20 years, and I love the different cultures and how busy and industrious it all is. Hong Kong is obviously a major financial centre, but it's also the gateway to a wider Asia. From a professional point of view, the sheer breadth of opportunity is fantastic.

I was also fortunate to see the start of the rise of 'Asian capital' first-hand, which is now having such a prominent role in real estate markets around the world. From a personal perspective, spending time in a place like Hong Kong

can't help but broaden your world view. I really enjoyed it.

What attracted you to Cromwell?

I've known Cromwell since about 2009 when it was a 'stock' our team covered. That's when I first met Paul [Cromwell CEO Paul Weightman]. Our paths have crossed at different times, and in different countries, since then. I've watched with interest as the business has developed and grown.

I like how Paul has always been very clear about putting investors' interests first, and isn't afraid to call a spade a spade. As an Australian, I appreciate that.

I was also attracted to the global orientation, focus on Asian capital and the European platform. It is a clear point of differentiation from all of our local peers. It took courage and conviction to stand out from the crowd and buy a platform in Europe in the first place, but Cromwell has often gone against trend.



Photo Courtesy of Guy Nowell

When the opportunity arose, it was a conversation I was happy to have. I love that Cromwell is not institutional. It still has the essence of an entrepreneurial business - one that gets things done.

What does a Chief Capital Officer do?

In a nutshell, I am here to help connect our investors, who provide capital, to real estate opportunities across our Australian and European platforms.

With the successful IPO of the Cromwell European REIT late last year, and also the investment in Cromwell by ARA Asset Management, we are really starting to get noticed in Asia. We have a unique ability to connect Asian capital to some compelling investment opportunities.

I've also spent a lot of time in bigger businesses with substantial international operations. I know how they work and what they require. I'm working with Paul and the rest of the Executive team to help Cromwell get ready for the next stage of its growth.

Finally, *MiFID II*, which stands for the second Markets in Financial Instruments Directive, is a bit of arcane legislation, but is already beginning to have a huge impact on financial markets, particularly the provision of investment research. As intermediaries are unable to subsidise research, and clients have to pay for it upfront, the number of stocks being covered is falling.

This is both an opportunity and a challenge. Companies like Cromwell have to work harder to sell their story, but they can also take this story direct to investors, and effectively hold their future in their own hands. I'm really excited about the opportunity that this presents.

What do you do outside of work?

Not enough! I have four fantastic kids, three boys and one girl - aged from 23 to 14 - all of whom I'm really proud of. I love getting on to the water, and racing J/80 sportsboats is a passion. I also cycle, and like most middle-aged men, wear lycra.

I travel a lot, both for work and for pleasure. My mum was born in Denmark and we still have family there, as well as Portugal, Spain, the UK and obviously Australia. We try and do family get togethers reasonably regularly, generally in Europe.

Do you have a favourite destination?

Yes. Northern Italy. When I was with UBS I spent a lot of time in Zurich, and Milan was only a short trip away. The lakes around Como in Northern Italy are fantastic. Great food, wine, beautiful countryside and a great lifestyle. La Dolce Vita!

Lake Como, near George Clooney's villa? Do you have any stories?

Just one. But it would require at least a bottle of good Italian red for me to tell it.

Thanks for your time, Simon.



**built on the
accomplishments
of our people**

This July will mark the 20-year anniversary of Cromwell Property Group. What began as five like-minded individuals identifying an opportunity to better service the needs of real estate investors has grown into a business with 370 employees across 15 countries and \$11.2 billion in assets under management.

Early Days (1998 – 2001)

1998

“There was a group of five of us in the early months of 1998, who looked to build the business from nothing.”

– PAUL WEIGHTMAN

Recapitalisation of Westholme Limited

Property syndicator Westholme Limited was recapitalised, resulting in a new Board of Directors and a name change to Cromwell Corporation Limited. Cromwell, as we know it, was born.

“We saw that there were a lot of people in the industry at the time that probably didn’t put the needs of investors first. We thought we could do it well, and we thought that we could do it with the right focus on what investors wanted, and the right ethic in terms of servicing their needs,” Paul Weightman said.

First syndicate: Terrace Office Park, Fortitude Valley, QLD

Cromwell Directors (left to right): Richard Foster, Ross Stiles, Greg Poole, Paul Weightman



2001

Creation of Cromwell Diversified Property Trust

Between 1998 and 2003, Cromwell purchased 14 properties in five states with a value of more than \$300 million. Of this, \$58 million becomes part of the Cromwell Diversified Property Trust (CDPT).

Acquired current headquarters, 200 Mary Street, Brisbane, QLD

Set 5-year target of \$1 billion Assets Under Management (AUM) and a share price of \$0.50

200 Mary Street, Brisbane



2002-4

2003: Lodged \$133 million offer for 700 Collins Street

October 2004: 700 Collins Street settled

The landmark \$133 million purchase of 700 Collins Street, Melbourne, formed the cornerstone investment in the CDPT. By 2004, Cromwell's portfolio included 11 trusts and syndicates, holding more than 26 properties valued at over \$650 million. AUM increased by 35% to \$732 million.



700 Collins Street, Melbourne



2005-6

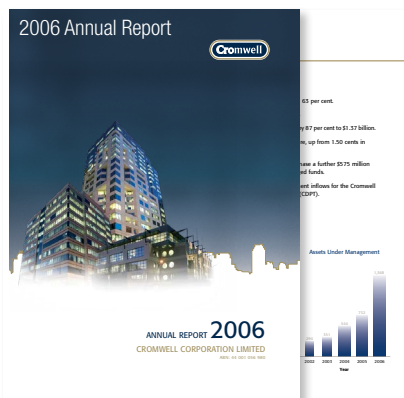
Cromwell showcased its opportunistic abilities through Bundall Corporate Centre

2006: Five-year goal met

In FY06, AUM increased by 87% to \$1.37 billion. Final dividend of 4.50 cents per share and security price of \$0.974.

Cromwell's 2006 Annual Report stated 'The CDPT holds total assets valued in excess of \$724 million, has more than 6,500 investors and has attracted more than \$445 million in subscriptions. According to industry analyst PIR, as at May 2006, it was the largest unlisted direct property trust in Australia.'

2006: Stapling and creation of REIT Five of Cromwell's unlisted syndicates were successfully merged with the Cromwell Diversified Property Trust. Units in the consolidated Trust were then stapled to Cromwell Corporation Limited shares to form Cromwell Property Group stapled securities (ASX:CMW), providing investors with liquidity and the ability to sell their units (now stapled securities) on the listed market.



Bundall Corporate Centre



- August 2005:** Initial purchase of Corporate Centre at Bundall for \$54 million.
- October 2007:** Building is sold in a booming market for \$106 million, almost doubling the original acquisition price in just over two years. Throughout this time, Cromwell's in-house team improved the onsite appeal of the building through greater management and maintenance practices. A development application (DA) was also lodged for a second building on the existing site.
- January 2012:** Purchased Bundall Corporate Centre once again for \$63.5 million, however, a second building, constructed at a cost of \$40 million, has been added to the site off the back of Cromwell's DA.
- June 2017:** Sold for \$89 million.

“To our knowledge, we are the only REIT that didn’t have to undertake a dilutive capital raise in 2008-09 to pay down our debt. We were in a position where we were able to continue paying distributions and meet the demands of our investors.” – PAUL WEIGHTMAN

A Significant Foothold (2010 – 13)

2007–8

2007: Geoff Levy AO joined the Board as Independent Non-executive Chairman

May 2008: Cromwell released a new investment vehicle to the market, the Cromwell Phoenix Property Securities Fund (PSF)

To date, the fund has returned 8.8% per annum annualised since inception (as at 31 March 2018, after fees and costs).

Geoff Levy AO



100 Waymouth Street, Adelaide



243 Northbourne Avenue, Canberra



2009

Resisted market pressure for dilutive capital raise off the back of the 2008 GFC

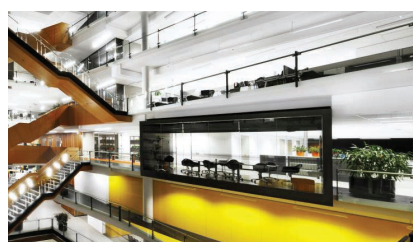
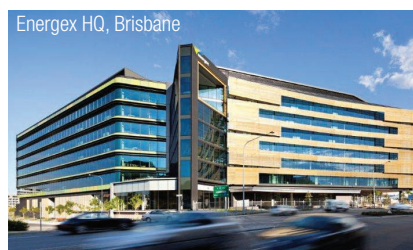
Cromwell Riverpark Trust

Cromwell raised \$91 million for the launch of the Cromwell Riverpark Trust. Riverpark closed to applications fully subscribed on 23 December 2009, a significant achievement in the immediate post-GFC commercial property market. Units in the Trust are currently worth \$1.86, and paying an annual distribution of 11.25 cents per unit per annum.

Redefine investment

South African REIT, Redefine Properties, invested \$73.3 million and secures a 15% share of Cromwell. The strategic alliance with Redefine was a key part of Cromwell’s growth strategy at the time, and allowed us to make acquisitions that were of long-term value to the Group.

Energex HQ, Brisbane



2010–13

2010: Qantas Global HQ acquisition

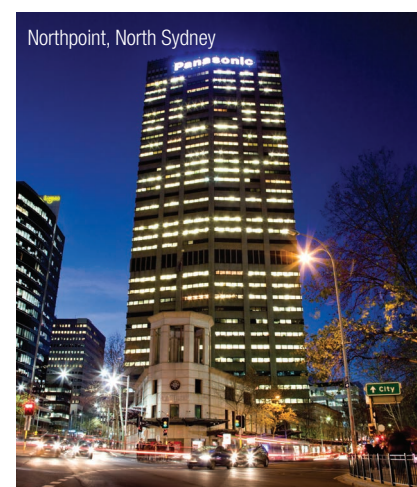
In August 2010, Cromwell acquired the Qantas Global HQ in Mascot for \$143 million with intentions to redevelop the existing buildings.

2013: Northpoint acquisition

Cromwell acquired 50% of the landmark North Sydney building, Northpoint Tower, in a joint venture with South African REIT, Redefine Properties for \$278 million.

Cromwell entered the S&P/ASX 300 Index

Northpoint, North Sydney



“Our successful capital raisings, and the growth that we were able to achieve from the redevelopment and improvement of assets, saw us grow in terms of market capitalisation.”

– PAUL WEIGHTMAN

Expansion Overseas (2014 – 2018)

2013

2013: Acquisition of NSW Government portfolio for \$405.025 million, which included seven properties

CEO Paul Weightman on the circumstances surrounding the bid for the NSW Government portfolio:

“Immediately prior to the lodgement of the bid, Richard Foster, the old Stock and Station Agent, said, ‘You never lodge an even numbered bid.’ And so, we increased our final offer by \$25,000, from \$405 million to \$405.025 million. That advice was to prove fairly prescient as our final bid was the successful bid by \$25,000. In fact, the story goes that our competitor had a similar discussion, but the institutional investment behind them had decided that they’d put their final number in, and they weren’t going to change it. Thanks, Richard!”

2014

January : Qantas Global HQ refurbishment completed ahead of time and under budget

Cromwell worked closely with Qantas on the \$131 million refurbishment of the 50,000 sqm Qantas Global HQ. The project transformed their existing workplace, delivering a major building refurbishment and fully integrated fitout supporting their organisational, cultural and business aspirations at the time.

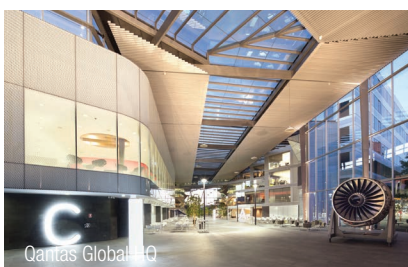
January: Cromwell Property Group Foundation founded

Cromwell’s long history of supporting charitable organisations resulted in the creation of the Cromwell Property Group Foundation in early 2014. To date, the Foundation has raised almost \$500,000 for various organisations and causes related to the mature age community.

Oyster acquisition

Based on the success of high-quality partnerships with boutique fund managers, such as Phoenix Portfolios, Cromwell extended this model with the acquisition of a 50% share of New Zealand’s Oyster Group.

Autumn: First edition of Insight released



Qantas Global HQ

2015

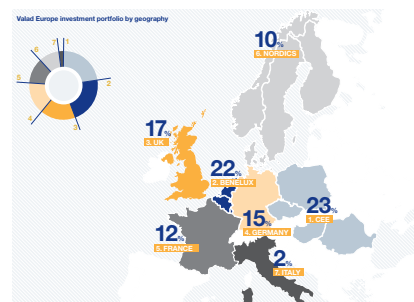
Valad acquisition

The acquisition of Valad Europe for \$208 million in March 2015 considerably increased the scale of our funds management business and transformed Cromwell into a Global Real Estate Investor and Manager, with offices in 15 countries and investors and capital providers in many more.

DSS development

Construction begins on the \$172 million development of the Department of Social Services headquarters at Soward Way, ACT.

VALAD



Breaking ground at Soward Way, ACT

2016

\$130 million redevelopment of Northpoint commenced

Cromwell acquired a 9.83% stake in Investa Office Fund for \$4.24 per unit on 12 April



Northpoint redevelopment renders

2017

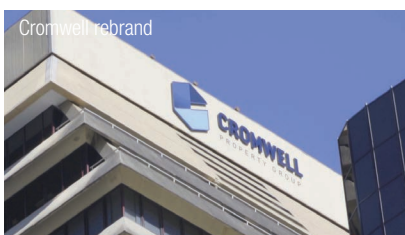
Rebrand - Valad Europe was rebranded to Cromwell in order to create a consistent global presence.

Cromwell sold its stake in Investa Office Fund for \$4.65 per unit on 4 October

Cromwell European REIT IPO

Cromwell European Real Estate Investment Trust was successfully listed on the Singapore Exchange Securities Trading Limited (SGX-ST) on 30 November 2017.

CEREIT invests in a diversified portfolio of 74 assets in five European countries, covering an aggregate lettable area of 1.1 million sqm across office, light industrial and logistics sectors.



Cromwell rebrand



Cromwell European REIT property



Cromwell European REIT property

2018

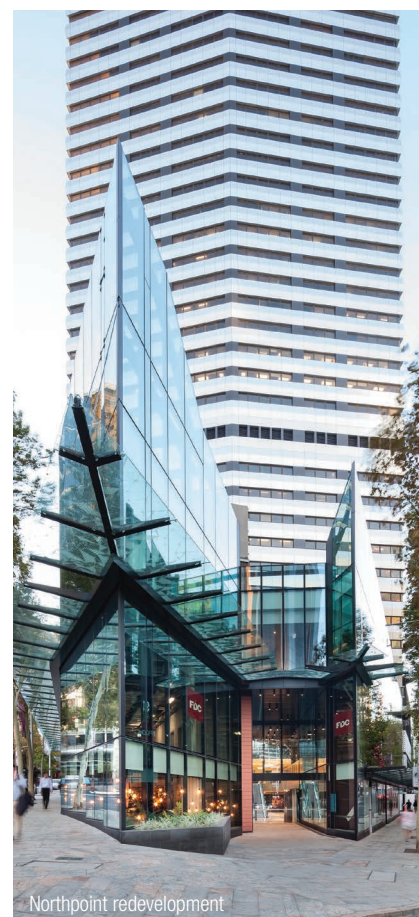
Northpoint redevelopment reached practical completion on 19 March

Aged Care JV announced with Aspire Healthcare

ARA Asset Management acquired Redefine stake for \$405 million



Aged care site



Northpoint redevelopment

Cromwell Property Group Foundation sponsors Destination Outback 2018 (D018)



This August, the Cromwell Property Group Foundation and FDC Construction & Fitout will again partake in Destination Outback, supporting causes relevant to the rural communities visited throughout the journey.

The journey

The idea of Destination Outback was born as a means to raise funds for the Rotary Club of Dubbo South in 1989, with the first biennial event held in 1990. Nearly three decades, and 14 adventures later, Destination Outback has raised \$1.9 million for over 60 rural causes, with the Royal Flying Doctor's Service as the primary benefactor.

This year, the Cromwell Property Group Foundation (Foundation) is the Platinum Sponsor of the event, and will again partner with FDC

Construction & Fitout to raise funds throughout this worthwhile journey.

Between 10 and 18 August, the fleet of 50 4WDs will travel from the Collie Hotel, located just outside Dubbo, to Longreach in Central Queensland, and then back to the Armatree Hotel in Northern NSW. Some of Australia's most iconic towns will be visited along the way, including Quilpie, Cunnamulla, Yaraka, Isisford and St George.

The journey will consist of more than 40 hours of driving and 3,000 kilometres travelled.

Cromwell CEO Paul Weightman has been a participant of Destination Outback since 2012.

"The generosity of spirit struck me on those first events. You meet the most genuine and real people. After D014 we got to talking about how we could do more to assist Destination Outback through the Cromwell Property Group Foundation. We decided to identify two charities to support for the D016 event and we chose the Black Dog Institute and Pink Angels", said Mr Weightman.

In 2016, the fundraising target of \$20,000 was exceeded, with \$38,500 raised. This year, the Foundation has set a target of \$50,000 to be split between the charities identified by Rotary, as well as the communities visited along the way.

Call for corporate sponsors and individual donations

Destination Outback supports charities relevant to the Rotary Club of Dubbo South and causes that are important to rural communities visited throughout the drive. In order to raise money for these causes,

we would again like to offer our Insight readers the opportunity to sponsor the vehicles the team will be travelling in on this incredible journey, or by making an individual donation.

Readers have the opportunity to make a one-off donation to the causes that the Foundation are supporting throughout D018.

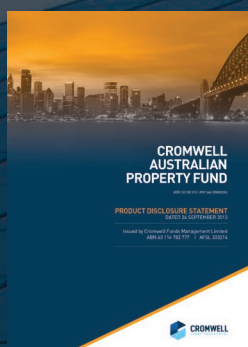
For further information, please contact the Cromwell Property Group Foundation, at Foundation@cromwell.com.au

Donations to the Cromwell Property Group Foundation of more than \$2 are tax deductible.

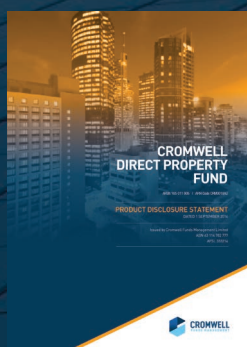
To donate, request a grant or seek more information, visit www.cromwellfoundation.org.au



CROMWELL'S INVESTMENT FUNDS



Cromwell Australian Property Fund



Cromwell Direct Property Fund



Cromwell Phoenix Core Listed Property Fund



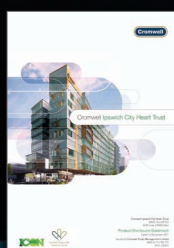
Cromwell Phoenix Property Securities Fund



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



Cromwell Riverpark Trust



Cromwell Ipswich City Heart Trust



Cromwell Property Trust 12



Cromwell Phoenix Opportunities Fund

(Closed)

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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 268 078. Not all of the Funds are open for investment. Applications for units in open Funds can only be made on application forms accompanying the disclosure document for the Fund.

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

MARKET UPDATE

Direct property update



Hamish Wehl

HEAD OF RETAIL FUNDS MANAGEMENT

Capital markets within the property sector continue their exceptionally strong run, with media speculation that 117 Clarence Street in the Sydney CBD is on the market with expectations of fetching more than \$150 million. This reflects a strong premium on its last traded value of \$81 million just three years ago.

Furthermore, an Australian listed property fund has been announced as the preferred bidder for a 50% stake in 275 Kent Street, Sydney, at a price of \$850 million. The US-based Blackstone purchased its half stake in the property for \$435 million in 2014 from listed group Mirvac, which still owns the other half.

As previously alluded to, with cap rates at record lows and bond rates rising, we struggle to see how these assets, at these prices, will create long-term value for investors. The abundance of capital chasing these assets doesn't seem to be dissipating any time soon.

We have therefore started to research other property asset classes with strong long-term thematics, such as the retirement sector, which we highlighted in Cromwell's half-year results presentation in February.

Retirement village and aged care sectors

Changing demographics, impacted by factors such as longer life expectancy, population growth and better health care, has resulted in opportunities within industries and sectors that service and cater for this group. Within property, those opportunities lie within retirement housing and the construction and operation of facilities supporting the ageing population.

Cromwell believes in the strong thematic behind the sector for a number of reasons, including:

- 3.2 million Australians are currently aged over 65, with that number expected to grow to 5.1 million by 2025, and 8.1 million by 2050;
- the increased number of ageing Australians will also put pressure on government funding. Social security and welfare is already the largest category of expenditure at \$164.06 billion, and assistance to the aged is the largest sub sector within it at \$64.3 billion; and
- the industry is facing an ageing stock crisis as its original development stock was built in

the 1970s. The average age of retirement villages in Australia is 23 years.

What defines the retirement village sector?

The Retirement Village sector has 2,272 villages that house 184,000 residents Australia-wide, offering a lifestyle and community for retirees who are perhaps down-sizing, but still remain active and independent. The sector contributes turnover of \$4.7 billion to the Australian economy and \$2.93 billion to Australia's GDP, creating approximately 38,000 jobs nation-wide.

There are broadly three types of models for retirement villages:

Deferred Management Fee (DMF) villages - the dominant model in the sector, the village will deduct a 'deferred' fee at the time of settlement of sale or re-occupancy of your home. The fee forms part of the purchase price, but its payment is deferred until the end of the occupancy.

Caravan Park or Manufactured Home Park villages - a growing market

segment offering community retirement living, with direct home ownership with an accompanying ongoing land lease.

Rental villages - a smaller segment where residents pay a rental fee and do not purchase a unit upfront.

For-profit organisations dominate the retirement village sector. The larger participants in the industry include AVEO, Lend Lease, Stockland and Retire Australia.

What defines the aged care sector?

The sector caters for those retirees that require a greater level of health or personal care and/or nursing home support. Not-for-profits still dominate the aged care sector and these organisations will generally offer one or all three main types of care:

Home Support - for seniors who live at home but need support with some tasks. The Commonwealth Government provides an entry-level home support package.

Home Care - for seniors with more complex needs. Formal assessment is required, and if approved, seniors fall into one of four care packages

funded by the Commonwealth Government. This group received \$4.6 billion of funding in 2018.

Residential Care - for seniors who are unable to live on their own. Residents usually pay a refundable accommodation deposit (RAD) or a daily accommodation payment (DAP). This group received \$12 billion of funding in 2018.

Demographics including population growth and longer life expectancy, alongside increased health care requirements are strongly driving demand. Capital requirements, long time-frames and ageing existing stock are restricting supply, creating an imbalance that we believe will lead to investment opportunities in the sector.

Listed property update



Stuart Cartledge

MANAGING DIRECTOR,
PHOENIX PORTFOLIOS

The S&P/ASX 200 A-REIT Accumulation Index and the S&P/ASX 300 A-REIT Accumulation Index gave up a lot of the previous quarter's gains, dropping 6.4% and 6.2% respectively (with a solid bounce-back in April, adding 4.5% and 4.3% respectively over the month). The broader market also lost ground over the March quarter, but not to the same extent as property markets, with the S&P/ASX 300 Accumulation Index off 3.8%.

News flow in the quarter was dominated by the reporting season period. Broadly speaking, results were in line with market expectations, with the recent selloff more likely linked to macroeconomic factors than any bottom-up disappointment. Capital management continued to be front of mind over the period, with a number of REITs announcing or continuing buybacks.

The laggards over the quarter were undoubtedly retail landlords. In particular, Vicinity Centres (VCX) fell 11.4% after new CEO Grant Kelley announced the company would turn off its buyback, whilst

Listed property update

consideration to broader capital management is considered. Stockland (SGP) was also a weak performer, losing 10.0% after producing relatively anaemic specialty sales growth of 1.2% in its retail portfolio. SGP also announced the resignation of long-term CEO of Commercial Property, John Schroder, to be replaced by Louise Mason, formerly of AMP Capital. Scentre Group (SCG) was one of the few retail landlords to outperform the index, only falling 6.0% after releasing a solid, yet unsurprising full year result in February.

Residential developers were strong outperformers during the first quarter of 2018. The standout performer was Lendlease Group (LLC), which gained 8.0%, after revealing a bumper profit in its residential division and subsequently announcing a commencement of a buyback. As at the end of March, LLC has completed approximately 5% of its total buyback. Elsewhere, Sunland Group (SDG) and Peet Limited (PPC) both significantly outperformed property benchmarks, lifting 4.0% and 2.1% respectively on the back of solid financial results.

In company specific news, Westfield Group (WFD) announced that its proposed transaction with Unibail-Rodamco has received

Foreign Investment Review Board approval and announced a proposed timeline for the deal. Cromwell (CMW) also announced that a 19.5% stake previously held by South African property owner Redefine had been sold to Singapore-based ARA Asset Management.

Market outlook

Property is an interest rate sensitive sector and will come under pressure to the extent that we see a long and protracted rise in bond yields. This has been evident over the last 12 months with the property sector underperforming the broader equity markets.

However, even in the face of rising bond yields, the February 2018 reporting season once again demonstrated that property valuations continued to benefit from lower capitalisation rates, which fell approximately 0.15% across the sector.

Earnings certainty is another key driver that investors find appealing with property and the February 2018 reporting season delivered solid results across the board with some upgrades.

We are cognisant of the structural changes occurring in the retail sector and the need for ongoing changes to the product provided

by retail landlords. Retail represents over 50% of property assets in the benchmark and this changing landscape is being carefully monitored.

As at the end of April, the sector is offering investors a current-year distribution yield of around 4.8%. In comparison to bond yields trading around 2.8%, the yield premium of the sector now sits slightly above its long-term average of 1.9%. It is worth noting that this spread has closed somewhat due to the strong performance of property stocks, however, today's distribution yield is more robust than historical yields because it is based on a more conservative payout policy that retains some earnings to support growth.

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

OPEN FOR INVESTMENT

www.cromwell.com.au/dpf

Investment Report to 31 March 2018

CROMWELL DIRECT PROPERTY FUND

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

Key Statistics

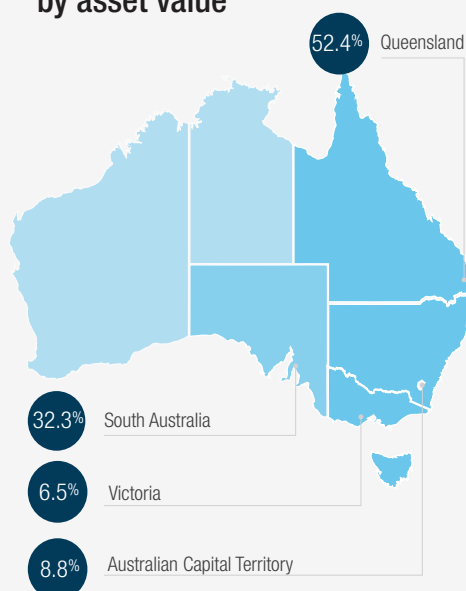
as at 31 March 2018

Status	OPEN ¹
Unit Price	\$1.2366 ²
Distribution Yield	5.66% p.a. ³
WALE	9.2 years ⁴

Performance

	1 Year	2 Years	3 Years	Inception (Aug-13)
Fund Performance After fees & costs	9.8%	9.5%	10.3%	11.1%
Benchmark PCA/IPD Unlisted Retail Property Fund Core Index	21.2%	20.7%	25.8%	21.4%
Excess Returns After fees & costs	(11.4%)	(11.2%)	(15.5%)	(10.3%)

Geographic diversification by asset value



Fund Update

- An external valuation of the Parafield Retail Complex asset (located at Main North Road, Parafield, South Australia) as at 31 March 2018 resulted in a 2.8% increase in the value of the asset to \$27.25 million, up from the internal valuation of \$26.5 million as at 31 December 2017. The increase in valuation is underpinned by a reduction in the capitalisation rate
- The value of the Bunnings asset, Angle Vale, SA remains constant at \$30.35 million, with the next external valuation due in September 2018. The value of the Allara Street, Canberra asset also remains constant at \$17.5 million, with the next external valuation due in December 2018
- The Fund's look-through gearing at 31 March 2018 was 13.9%. Direct gearing was nil with the Fund's loan facility paid out in full in February 2018
- The Fund's performance as at 31 March 2018 was 11.1% per annum annualised since inception
- Performance for the quarter ending 31 March 2018 was 2.0%

In addition to the footnotes below, please read the important disclaimer at the beginning of the Quarterly Reports section on page 29.

1. Withdrawals are limited, cannot be guaranteed and are subject to the assumptions and risks set out in the PDS dated 29 September 2017.
 2. Unit prices are calculated daily. See the PDS for further information and www.cromwell.com.au/dpf for latest pricing.
 3. Paying 7 cents per unit p.a. Yield based on current unit price of approximately \$1.2366 (31 March 2018).
 4. Figures as at 31 March 2018. Calculated on a "look-through" gross passing income basis.
- See www.cromwell.com.au/dpf for further information.

OPEN FOR INVESTMENT

www.cromwell.com.au/apf

Investment Report to 31 March 2018

CROMWELL AUSTRALIAN PROPERTY FUND

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

Key Statistics

as at 31 March 2018

Status	OPEN ¹
Unit Price	\$1.2299 ²
Distribution Yield	4.88% p.a. ³

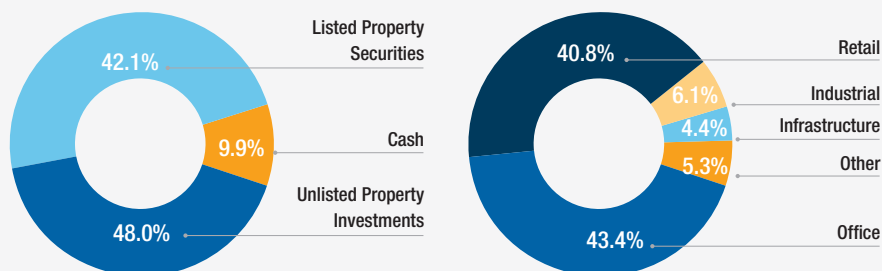
Performance

	1 Year	2 Years	3 Years	Inception (Oct-13)
Fund Performance After fees & costs	5.3%	7.1%	8.3%	10.6%
Benchmark⁴	8.1%	9.6%	13.0%	14.2%
Excess Returns After fees & costs	(2.8%)	(2.5%)	(4.7%)	(3.6%)

Fund Update

- The Fund's performance as at 31 March 2018 was 10.6% per annum annualised since inception
- Performance for the quarter ending 31 March 2018 was negative 2.4%

Sector Weightings⁵



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

3. Paying 6 cents per unit p.a. Yield based on current unit price of approximately \$1.2299 (31 March 2018).

4. The benchmark is set out in the PDS.

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

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

OPEN FOR INVESTMENT

www.cromwell.com.au/pcf

Investment Report to 31 March 2018

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 31 March 2018

Status	OPEN ¹
Unit Price	\$1.0116 ²
Distribution Yield	5.00% p.a.

Performance

	1 year	2 year	3 years	Inception (Mar-15)
Fund Performance After fees & costs	(1.3%)	2.4%	5.5%	5.4%
Benchmark S&P/ASX 200 A-REIT Accumulation Index	(0.8%)	2.6%	5.4%	5.3%
Excess Returns After fees & costs	(0.5%)	(0.2%)	0.1%	0.1%

Top 10 stock holdings³

CHARTER HALL GROUP LIMITED
DEXUS
GENERAL PROPERTY TRUST
GOODMAN GROUP
MIRVAC GROUP
SCENTRE GROUP
STOCKLAND LTD
TRANSURBAN GROUP
VICINITY CENTRES
WESTFIELD CORPORATION

Alphabetical order

Fund Update

- Positive contributions came from an overweight position in Lendlease Group, as did an underweight position in the underperforming stocks Abacus Property Group and Mirvac Group
- An overweight position in the underperforming stock Vicinity Centres detracted value
- The Fund delivered a negative net return of 7.0% over the quarter, underperforming the benchmark by 0.6%
- The Fund's performance as at 31 March 2018 was 5.4% per annum annualised since inception

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

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

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

3. Figures as at 31 March 2018. Positions held by the Fund are subject to change.

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

OPEN FOR INVESTMENT

www.cromwell.com.au/psf

Investment Report to 31 March 2018

CROMWELL PHOENIX PROPERTY SECURITIES FUND

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

Key Statistics

as at 31 March 2018

		1 Year	3 years	5 years	7 years	Inception (Apr-08)
Status	OPEN ¹	Fund Performance After fees & costs				
		2.2%	8.1%	13.3%	16.5%	8.8%
Unit Price	\$1.2286 ²	Benchmark S&P/ASX 300 A-REIT Accumulation Index				
		(0.1%)	5.8%	10.8%	12.0%	3.4%
Distribution Yield	4.85% p.a.	Excess Returns After fees & costs				
		2.3%	2.3%	2.5%	4.5%	5.4%

Top 10 stock holdings³

CHARTER HALL GROUP LIMITED
DEXUS
GENERAL PROPERTY TRUST
MACQUARIE ATLAS ROADS GROUP
MIRVAC GROUP
SCENTRE GROUP
STOCKLAND LTD
SYDNEY AIRPORT
VICINITY CENTRES
WESTFIELD CORPORATION

Alphabetical order

Fund Update

- Positive contributions came from overweight positions in Lendlease Group, Propertylink Group and Peet Limited
- Also providing a positive contribution to relative returns was an underweight position in the underperforming Stockland
- Underweight positions in Goodman Group, Cromwell Property Group and Shopping Centres Australasia detracted value
- The Fund delivered a negative net return of 6.4% over the quarter, underperforming the benchmark by 0.2%
- The Fund's performance as at 31 March 2018 was 8.8% per annum annualised since inception

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

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

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

CLOSED TO INVESTMENT

www.cromwell.com.au/c12

Investment Report to 31 March 2018

CROMWELL PROPERTY TRUST 12

This Trust replicates many features of Cromwell's other unlisted property trusts, including the seven-year investment period, innovative construction funding structure and long lease term. However, this Trust is underpinned by two assets valued at \$140 million¹.

Key Statistics

as at 31 March 2018

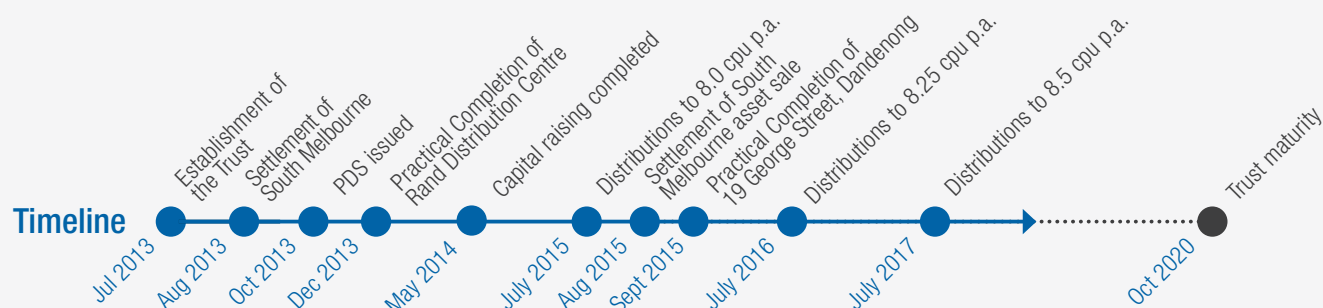
Status	CLOSED
NAV Price	\$1.31
Distribution Yield	6.49% p.a.
WALE	13.6 years ²

Performance

	1 Year	2 Years	3 Years	Inception (Oct-13)
Trust Performance After fees & costs	10.7%	13.2%	19.1%	15.3%
Benchmark PCA/IPD Unlisted Retail Property Fund Core Index	21.1%	20.3%	24.9%	21.4%
Excess Returns After fees & costs	(10.4%)	(7.1%)	(5.8%)	(6.1%)

Trust Update

- An external valuation of the Rand Distribution Centre, located in Direk, South Australia as at 31 March 2018 has provided a 6.5% increase in the value of the asset to \$49 million, up from the valuation of \$46 million as at 31 March 2017
- The asset at 19 George Street, Dandenong remains constant at \$94 million
- The Trust's unit price is currently at \$1.31, with the next external valuation of the Rand Distribution Centre expected in March 2019, and 19 George Street, Dandenong in September 2018



In addition to the footnotes below, please read the important disclaimer at the beginning of the Quarterly Reports section on page 29.

1. Based on valuations for 19 George Street, Dandenong (\$94 million) as at 31 December 2017 and Rand Distribution Centre (\$49 million) as at 31 March 2018.

2. Calculated by gross income.

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

CLOSED TO INVESTMENT

www.cromwell.com.au/ich

Investment Report to 31 March 2018

CROMWELL IPSWICH CITY HEART TRUST

The unlisted Trust's asset is the \$118 million¹ Ipswich City Heart Building in Ipswich, Queensland. The Trust was the first Cromwell trust to be certified as a Responsible Investment by the Responsible Investment Association of Australasia.

Key Statistics

as at 31 March 2018

Status	CLOSED
NAV Price	\$1.35
Distribution Yield	6.85% p.a.
WALE	9.8 years ²

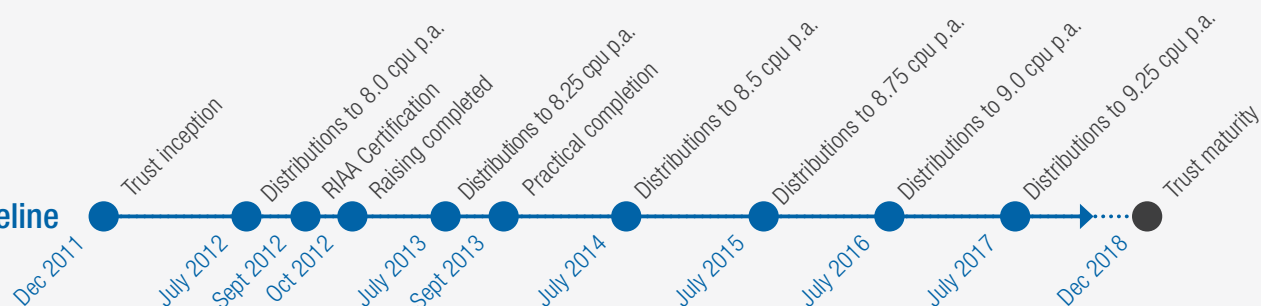
Performance

	1 year	2 years	3 years	5 years	Inception (Dec-11)
Trust Performance After fees & costs	14.2%	14.9%	19.1%	14.8%	13.5%
Benchmark PCA/IPD Unlisted Retail Property Fund Core Index	21.1%	20.3%	24.9%	20.1%	18.2%
Excess Returns After fees & costs	(6.9%)	(5.4%)	(5.8%)	(5.3%)	(4.7%)

Trust Update

- The Trust's unit price is currently \$1.35, with the next external valuation of the asset likely to be performed through any maturity vote or sale process
- The Trust reaches the end of its seven-year term in December 2018. Section 1.3 of the Trust's PDS (which can be found at www.cromwell.com.au/ICH) provides guidance on the process to be followed at the maturity date, with the property likely to be offered for sale by public campaign, and capital returned to Unitholders
- However, if Cromwell Funds Management (CFM), as the responsible entity of the Trust, considers it in the best interest of Unitholders to extend the Trust for a further period of time an extraordinary resolution is required. An extraordinary resolution to sell the Property before the end of the term or to extend the term of the Trust would require at least 50% of total units able to be voted to vote in favour of the resolution for it to be passed
- CFM recently invited investor feedback on the option of extending the term of the Trust. Further discussion on the extension of the term of the Trust will be communicated to investors in due course

Timeline



In addition to the footnotes below, please read the important disclaimer at the beginning of the Quarterly Reports section on page 29.

1. Based on valuation as at 31 December 2017.

2. Calculated by gross income.

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

CLOSED TO INVESTMENT

www.cromwell.com.au/crt

Investment Report to 31 March 2018

CROMWELL RIVERPARK TRUST

This was the first of Cromwell's next generation 'back to basics' single property trusts and served as a bellwether for the type of investments being sought in an uncertain economic environment. The Trust's building, Energex House, is currently valued at \$264 million¹.

Key Statistics

as at 31 March 2018

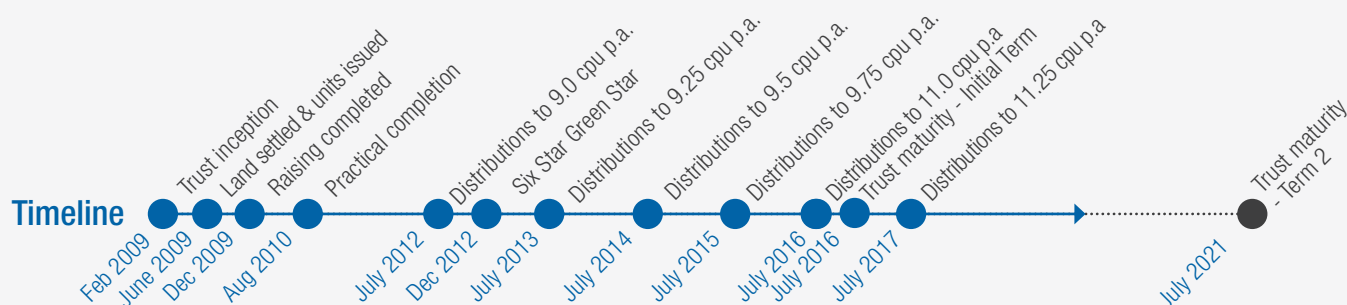
Status	CLOSED
NAV Price	\$1.86
Distribution Yield	6.05% p.a.
WALE	7.1 years ²

Performance

	1 year	3 years	5 years	7 years	Inception (Jul-09)
Trust Performance After fees & costs	19.0%	21.0%	20.7%	18.0	16.1%
Benchmark PCA/IPD Unlisted Retail Property Fund Core Index	21.1%	24.9%	20.1%	17.5%	15.0%
Excess Returns After fees & costs	(2.1%)	(3.9%)	0.6%	0.5%	1.1%

Trust Update

- The Trust's unit price is currently \$1.86, with the next external valuation of the asset expected in June 2018



In addition to the footnotes below, please read the important disclaimer at the beginning of the Quarterly Reports section on page 29.

1. Based on valuation as at 30 June 2017.

2. Calculated by gross income.

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

CLOSED TO INVESTMENT

www.cromwell.com.au/pof

Investment Report to 31 March 2018

CROMWELL PHOENIX OPPORTUNITIES FUND

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

Key Statistics

as at 31 March 2018

Status	CLOSED ¹
Unit Price	\$2.0272 ²
Distribution Yield	N/A

Performance

	1 year	3 years	4 years	5 years	Inception (Dec-11)
Fund Performance After fees & costs, inclusive of the value of franking credits	13.3%	19.8%	19.2%	18.4%	21.1%
Fund Performance After fees & costs, excluding the value of franking credits	12.0%	18.5%	18.0%	17.2%	19.6%
S&P/ASX Small Ords Accumulation Index	15.0%	10.7%	8.5%	6.4%	6.0%

Fund Update

- Performance history shows 21.1% annualised since inception (net of fees, inclusive of franking credits)
- Positive contributions to the Fund's performance over the quarter came from, among others, holdings in Specialty Fashion Group and Alliance Resources
- Detracting from Fund performance over the quarter were holdings in Mount Gibson Iron, Managed Account Holdings and Karoon Gas Australia
- The Cromwell Phoenix Opportunities Fund outperformed the return of the Small Ordinaries Index over the quarter which returned negative 2.8%. The Small Ordinaries Index continued its extended run of outperformance versus the large cap ASX200 which declined 3.9%
- The Fund delivered a negative net return of 1.1% 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 29 September 2017.

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

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

CROMWELL PROPERTY GROUP

QUARTERLY SNAPSHOT



Cromwell Property Group (ASX: CMW) is a Real Estate Investor and Manager with operations on three continents and a global investor base. The Group is included in the S&P/ASX 200. As at 31 December 2017, Cromwell had a market capitalisation of \$2.0 billion, a direct property investment portfolio in Australia valued at \$2.5 billion and total assets under management of \$11.2 billion across Australia, New Zealand and Europe.

Key Statistics as at 31 March 2018

Security Price	\$1.065 ¹
Annual Distribution	8.34 cpu ²
Distribution Yield	7.83% p.a. ²

Performance as at 31 March 2018

	1 Year	3 Years	10 Years
CMW Performance After fees & costs	21.2%	6.3%	10.3%
Benchmark S&P/ASX 300 A-REIT Accumulation Index	(0.1%)	5.8%	10.8%
Excess Returns After fees & costs	21.1%	0.5%	(0.5%)

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

28 March 2018	Results of Meeting	21 February 2018	Change of Director's Interest Notice - JA Tongs
28 March 2018	General Meeting Presentation	21 February 2018	Change of Director's Interest Notice - MA McKellar
28 March 2018	CEO General Meeting Address	21 February 2018	Change of Director's Interest Notice - PL Weightman
26 March 2018	Offering Circular for Convertible Bond Offer	21 February 2018	Change of Director's Interest Notice - GH Levy
26 March 2018	Becoming a substantial holder	21 February 2018	December 2017 quarter distribution - taxation components
23 March 2018	Dividend/Distribution - CMW	16 February 2018	Appendix 3B
22 March 2018	Cromwell Successfully Prices its Convertible Bond Offer	15 February 2018	Appendix 3B
22 March 2018	Convertible Bonds Issue and Concurrent Repurchase	15 February 2018	Cromwell closes SPP offer for eligible securityholders
19 March 2018	Becoming a Substantial Holder	12 February 2018	Change of Director's Interest Notice
8 March 2018	Becoming A Substantial Holder	2 February 2018	Update - Dividend/Distribution - CMW
8 March 2018	Confirmation Of Investment From ARA Asset Management	19 January 2018	Security Purchase Plan Booklet
7 March 2018	Musk Avenue Goes Unconditional For \$84 Million	15 January 2018	Cleansing notice
28 February 2018	HY18 Results Presentation	15 January 2018	Cromwell announces SPP offer for eligible securityholders
28 February 2018	HY18 Results Announcement	15 January 2018	Cromwell announces extension of on-market buy-back
28 February 2018	HY18 Appendix 4D and Half Year Report		
23 February 2018	Notice of General Meeting/Proxy Form		
23 February 2018	Appendix 3B		

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

- Based on security price as at close of trading 29 March 2018. Securities are traded on the ASX and the price is subject to market movements and will change daily. Current pricing is available at www.asx.com.au.
- Capital growth, distributions and tax consequences cannot be guaranteed and are subject to assumptions and risk. Annualised distributions and yield based on most recent distribution and security prices.

Cromwell Property Securities Limited ABN 11 079 147 809 AFSL 238052 (CPSL) has prepared this report and is the responsible entity of the Cromwell Diversified Property Trust ARSN 102 982 598 (DPT). This report is issued by CPSL as responsible entity of DPT and on behalf of Cromwell Corporation Limited 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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PROPERTY GROUP

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KEY EVENTS CALENDAR

Friday, 23 February 2018	Q2 FY18 Distribution Payment Date
Wednesday, 28 February 2018	1H18 Results Announcement
Wednesday, 28 March 2018	Q3 FY18 Distribution Ex Date
Thursday, 29 March 2018	Q3 FY18 Distribution Record Date
Friday, 25 May 2018	Q3 FY18 Distribution Payment Date

The following dates are indicative

Thursday, 28 June 2018	Q4 FY18 Distribution Ex Date
Friday, 29 June 2018	Q4 FY18 Distribution Record Date
Thursday, 23 August 2018	FY18 Results Announcement
Friday, 24 August 2018	Q4 FY18 Distribution Payment Date
Thursday, 27 September 2018	Q1 FY19 Distribution Ex Date
Friday, 28 September 2018	Q1 FY19 Distribution Record Date
Wednesday, 21 November 2018	2018 Annual General Meeting
Friday, 23 November 2018	Q1 FY19 Distribution Payment Date
Friday, 28 December 2018	Q2 FY19 Distribution Ex Date
Monday, 31 December 2018	Q2 FY19 Distribution Record Date

GLOSSARY

\$	All dollar values are in Australian dollars
A-REIT	Australian real estate investment trust
AUM	Assets under management
Cap rate	Capitalisation Rate
CCL	Cromwell Corporation Limited
CPSL	Cromwell Property Securities Limited
CPS	Cents per security
CPU	Cents per unit
DPS	Distribution per security
DPT	Cromwell Diversified Property Trust
Distribution yield	Return on investment, based on current unit price
EPS	Operating Earnings per Security
EBITDA	Earnings before interest, taxes, depreciation, and amortisation
FY	Financial year (1 July to 30 June)
Gearing	Total borrowings less cash/total assets less cash
GDP	Gross domestic product - total dollar value of all goods and services produced over a specific time period

GFC	Global financial crisis
IRR	Internal rate of return
NOI	Net operating income
NLA	Net lettable area
NTA	Net tangible assets per security
p.a.	Per annum
RBA	Reserve Bank of Australia
RE	Responsible Entity
REIT	Real Estate Investment Trust
Securityholder	A person who holds a Security
Security	Stapled security consisting of one share in CCL and one unit in DPT
Small Cap	Stock with a relatively small capitalisation
SMSF	Self managed superannuation fund
VWAP	Volume weighted average price
WACR	Weighted average capitalisation rate
WALE	Weighted average lease expiry by gross income

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