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PROPERTY GROUP

insight

Department of Social Services moves into Soward Way



INSIDE

6

The 2018
Australian
economic &
property outlook

10

How retirement
can shift
perspectives on
property
investment

12

Matching your
lifestyle to your
investment
strategy

14

The Australian
high net worth
investment
landscape 2017



CONTENTS


- 3 CEO update
- 4 In brief
- 6 The 2018 Australian economic & property outlook
- 10 How retirement can shift perspectives on property investment
- 12 Matching your lifestyle to your investment strategy
- 14 The Australian high net worth investment landscape 2017
- 16 What is CERET?
- 18 Cromwell Property Group Foundation - call for nominations
- 20 Poland to continue to prosper
- 23 Soward Way, Greenway
- 24 The rising importance of sustainability to the commercial real estate industry
- 27 Cromwell's Half Yearly Results at a glance

insight

Insight Magazine

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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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28 Stock Talk: Westfield-Unibail-Rodamco

31 INVESTMENT REPORTS

35 Cromwell Direct Property Fund

36 Cromwell Australian Property Fund

37 Cromwell Phoenix Core Listed Property Fund

38 Cromwell Phoenix Property Securities Fund

39 Cromwell Property Trust 12

40 Cromwell Ipswich City Heart Trust

41 Cromwell Riverpark Trust

42 Cromwell Phoenix Opportunities Fund



Paul
Weightman
MANAGING DIRECTOR/
CEO

CEO update

Dear Investor,

On 28 February 2018, Cromwell reported half-year statutory profits, before the write down of intangibles, of \$155.5 million, up 1.5% on the prior comparable period. Operating profit, which is considered by the Directors to best reflect the underlying earnings of the business, was \$76.8 million, equivalent to 4.32 cents per security (cps).

Importantly, distributions paid to securityholders in the half were unchanged at 4.2 cps.

The five-year investment, and divestment, programme we commenced in 2013 with the purchase of Northpoint and our New South Wales government portfolio, the planning and construction of the new Department of Social Services building in Canberra and the investment made into Europe and Singapore, have all come to fruition at the same time.

Cromwell looks very different now to what it did in 2013. We are a real estate investor and manager operating on three continents with a global investor base. We have over 370 people working from 29 offices in 15 countries, managing \$11.2 billion in assets across more than 330 properties and 4.2 million square metres (sqm).

Despite this growth, we remain deeply committed to creating value and providing sustainable returns for our investors and securityholders. We aim to provide an attractive combination of stable long-term cashflows, demonstrated asset enhancement capabilities and transactional profits, and low risk exposure to European economic growth and Asian capital flows.

The establishment of a presence in Singapore, and the successful IPO of Cromwell European Real Estate Investment Trust (CEREIT), means that Asia will be an increasing source of capital for the business. These new sources will increase our ability to connect capital to real estate opportunities and grow our funds management business.

In this edition of Insight, we present the 2018 Australian economic and property outlook, examine how your attitude to investing in property might change upon retirement, look at the recent economic performance of Poland, as well as the industry wide push behind sustainability. The Cromwell Property Group Foundation is also calling for nominations for causes that align with its mission. Full details are included inside.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'P. Weightman', written over a light blue horizontal line.

Paul Weightman

In brief



Christmas Giving Programme

Cromwell's sustainability framework focuses on how we can engage with key stakeholders and make a positive contribution to the local communities in which we operate.

This Christmas, we once again raised and donated funds to charities that Cromwell staff were directly or indirectly involved with. Each charity chosen received a donation to go towards a project or initiative that will make a difference.

We collectively raised, volunteered and contributed approximately \$30,000 / €20,000 to 12 different charities across Australia, the United Kingdom, Holland, France, Germany, Poland, Denmark and Sweden.

Charities nominated included the Cure Brain Cancer Foundation, Alzheimer's (Dementia) Australia, O.S.E (Organisation of Ecological Rescue), Ronald McDonald Huis VUmc, Bolle Kids, and LandAid.

Cromwell congratulates everyone who took the time to give back to their local community this past year.



Albury's Regent Cinema restored to former glory

Cromwell has invested \$475,000 to restore Albury's iconic Regent Cinema to its former glory. Supported by Jason Smith Construction, the works revived the external façade and restored the original paintwork of the heritage-listed building.

The works and colour scheme were approved by award winning heritage architect Noel Thomson.

Originally constructed in 1926, the Regent Cinema Centre has been an Albury mainstay for more than 90 years. As the only cinema within a 65-kilometre radius, it is a significant venue within the local community.

The restorations meant it was a great choice for the premiere of the Australian comedy movie, *The BBQ*, starring Shane Jacobson, Magda Szubanski, Manu Fieldel and Julia Zemiro. More than 1,000 people attended the first screening of the film, prior to its national release on 22 February 2018.



Cromwell proudly supports Gold Coast paratriathlete Sara Tait

Sara Tait is an inspirational young woman who will be competing in the Commonwealth Games on the Gold Coast as part of Australia's paratriathlon team. Not only has Sara made the Commonwealth Games team following a number of successful placings in paratriathlons around the country, she has also been announced as a baton bearer in the Queen's Baton Relay as it makes its way to the Opening Ceremony in April 2018.

As a corporate sponsor of Sara, Cromwell has recently rallied its business partners to donate funds to provide her with a new custom made bike. This has allowed Sara's training regime to continue positively in the lead up to the Games, with a win for Sara in the recent qualifying St Kilda Paratriathlon event.

We wish Sara the best of luck at the Commonwealth Games and know she'll do Australia proud.



Cromwell Phoenix Opportunities Fund closed to investment

On Friday 26 January 2018, the Cromwell Phoenix Opportunities Fund closed to all further investment, after reaching its self-imposed cap of \$40 million.

Distribution reinvestment and redemptions from the Fund are still available, however no new money will be accepted into the Fund.

The benchmark-unaware Fund provides its investors diversification by investing in listed microcaps, predominately outside the ASX 300. As at 28 February 2018, the Fund had returned 21.5% per annum annualised since its 2011 inception (after fees and costs, inclusive of franking credits).

Current investors can contact Cromwell Investor Services Team on 1300 276 693 with any questions regarding the closure, or visit the Fund's web page at www.cromwell.com.au/pof.



Wakefield Private Hospital and Clinic acquired

Cromwell has finalised the purchase of Adelaide's Wakefield Private Hospital and Clinic from Australian Unity for \$50 million.

The significant 8,712 square metre site will suit a wide variety of uses and purposes as a redevelopment opportunity due to its versatile Capital City zoning, premier location and multiple street frontages.

The major tenant, Calvary Health Care Adelaide, is one of South Australia's largest providers of orthopaedic, cardiac, and neurosurgical services. The sale was finalised on 14 December 2017, and was the largest healthcare repositioning and redevelopment transaction in South Australia last year.



Cromwell sponsors ACT PCA OMR breakfast

The Property Council of Australia held their bi-annual Office Market Report in each state across the country at the start of February.

Cromwell sponsored the breakfast held in Canberra, which provided an overview of the current position of the ACT and national office markets, and the outlook for 2018 and beyond.

This highly anticipated event revealed the latest results from the Property Council's January 2018 Office Market Report. This data was dissected by the industry's leading experts, with the implications for the year discussed at length.

For more on what's expected in 2018, see Cromwell's economic and property outlook in this edition of Insight (page 6).

Destination Outback 2018 – Call for sponsors

Later this year, the Cromwell Property Group Foundation, in partnership with FDC Construction & Fitout, will again participate in Destination Outback. Between 10 and 17 August, participants will travel from the Collie Hotel in Central NSW, to Longreach in Outback Queensland, and back to the Armatree Hotel just north of Dubbo. It is anticipated that the distance travelled over the eight days will be in excess of 3,000 kilometres.

Destination Outback is run to support causes that are important to the rural communities visited throughout the drive. In order to raise money for these causes, we would like to offer our Insight readers the opportunity to sponsor the vehicles our team will be travelling in on this incredible journey.

For sponsorship and pricing opportunities, please contact the Cromwell Property Group Foundation, at Foundation@cromwell.com.au.

The 2018 Australian economic & property outlook

Overview

While Australia is still working through an extended period of slow economic growth, the rest of the world is strengthening.

The key drivers for Australia continue to be the rise and fall of the mining production and investment cycle, tentative business investment for growth, the impact of the Australian dollar and the prospect of rising bond rates.

Overall for property markets, as interest rates rise, the search for yield will transform into a search for assets which will experience strong rental income growth.

GDP flat while economy rebuilds

Rebuilding the non-mining industries that suffered through the mining boom is taking time and involves significant industry and regional differences. The rebuild is slowly being led by dollar-exposed industries such as tourism and education services, with Australian GDP growth averaging only 2.5% over the last five years.

Going forward, a downturn in residential building will take over as the main factor constraining growth. Growth is expected to continue to average 2.5% over the next three years, with employment growth averaging 1.5%.

Stronger growth in Australia must wait for now

In Australia, despite experiencing a credit squeeze rather than a financial crisis and a downturn rather than recession, business confidence is still moderate. There has been a lot of action on the building and mining side of the investment equation, but businesses have not yet really started to invest for growth.

The signs are positive, but investment is tentative. Equipment investment remains soft, but computer-related investment in software, computer system design and related services are picking up.

The next stage is a shift from cost containment to growth. The missing elements are



strengthening demand and profitability, and also the emergence of capacity constraints. Businesses are starting to invest, but primarily just to catch up on maintenance investment.

Non-mining demand and profits, while picking up, remain soft. Investment in increasing capacity and servicing growing demand are required to accelerate economic growth.

Given the impending negative impact of a residential downturn, growth will remain slow at least until non-mining business investment builds sufficient momentum to take over as a primary driver of growth.

The Australian Dollar to remain a little high

A stronger world economy driving demand for mineral exports will keep the dollar at a level which constrains the competitiveness of many domestic industries. The rise in US interest rates relative to Australian rates could lead to some moderation, but an exchange rate higher than USD\$0.70-\$0.75 will slow the structural change required.

World growth to strengthen

It has been a long, hard road for Western economies since the Global Financial Crisis (GFC). It is only now that investment is chiming in to accelerate growth worldwide.

Having been the primary driver of post-GFC growth, China's growth is now slowing. However, despite all the doom and gloom stories, growth is likely to slow only moderately, particularly given that stronger world growth will boost Chinese exports. That augurs well for Australian commodities.

In the US, it was always going to take a decade to absorb the excess capacity created during the financial engineering boom which preceded the GFC. The US economy is already strong and now, a decade on, it's looking as though business investment is starting to build momentum. US growth will strengthen further as investment kicks in.

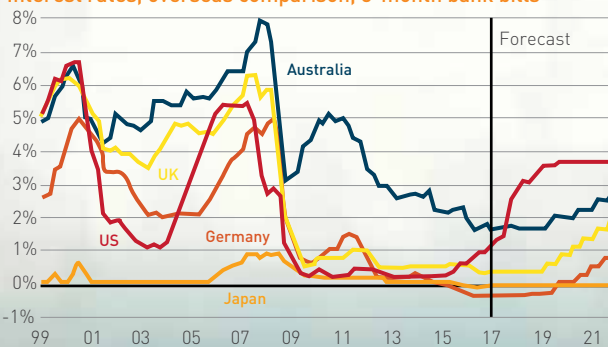
Europe faced a harder road, not just because of debt, but largely because of the emergence of cost imbalances in a fixed exchange rate system. After the introduction of the euro, costs blew out for many countries, while Germany kept costs contained. That left Germany hiding undervalued in the euro and other economies uncompetitive, with higher costs.

Labour costs have since pulled back in the high cost countries, reducing the cost imbalances and allowing a rebuilding of Eurozone economies. Now, European growth is improving though it remains to be seen how quickly stronger growth will translate to business investment.

The impact of Brexit on the UK remains uncertain. Not only will the UK lose some European markets, but some businesses currently located in the UK will relocate. With trade agreements to be negotiated, the question is about the size and timing of these impacts.

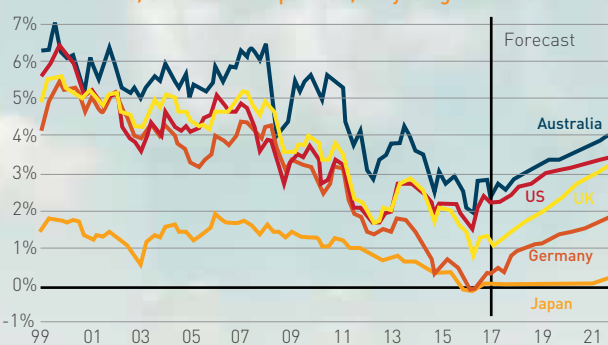
A phase of rising interest rates has begun

Interest rates, overseas comparison, 3-month bank bills



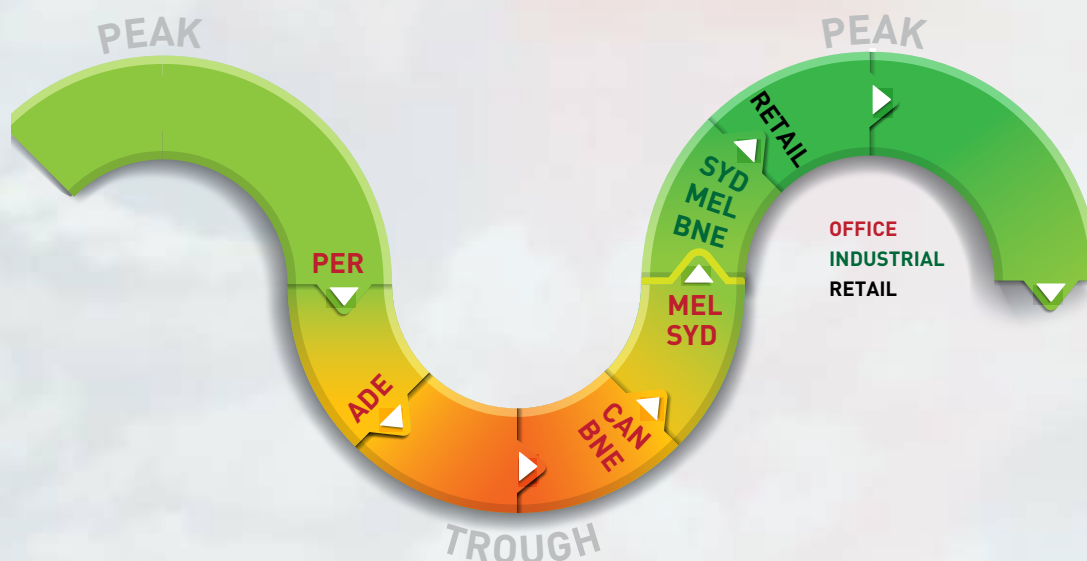
Source: BIS Oxford Economics, RBA, AFR, Haver Analytics

Interest rates, overseas comparison, 10-year government bonds



Source: BIS Oxford Economics, RBA, AFR, Haver Analytics

State of property cycle by sector and city



The rise in US rates has started, with further rate rises expected in coming years. With a buffer between Australian and US cash rates, Australian rates need not directly follow US rate rises. Australian cash rates will stay at current levels for a while yet, before a strengthening Australian economy and the threat of rising inflation cause the RBA to raise rates. Australian bond rates, however, will track US rate rises.

Worldwide inflation has remained contained as growth has strengthened. This is not the new norm as wages will eventually pick up as labour constraints emerge. In Australia, the labour market is a lot weaker than the employment figures suggest. Given the relatively low growth, inflation will remain contained for some time yet.

Implications for property markets

INVESTOR DEMAND WILL BE DENTED BY RISING INTEREST RATES

Low interest rates worldwide have driven strong demand for assets, not just property, but also infrastructure and equities. Indeed, in the majority of markets, most of the capital growth experienced was driven by firming yields rather than any underlying income growth.

Though bond rates have started to rise, and while investor demand remains strong with the prospect of some further firming of yields, rising bond rates will eventually lead to a softening of yields and prices.

This will create a headwind for investment markets. Expected returns will be lower. This will transform the search for yield into a search for income growth to drive future prices and returns.

PROPERTY BY SECTOR

There have been few surprises in the property markets in the last year. **The exception is the shift in sentiment against retail property.** Triggered by the concern about the entry of Amazon into the Australian market, this has caused a polarisation in attitudes towards the sector.

Industrial

Industrial property has come into its own as an institutional investment class. It was a major beneficiary of the period of falling interest rates and firming yields. The GFC cleaned out industrial property, allowing returns to build from a low base.

However, it became apparent that new roads infrastructure had opened up large tracts of industrial land (often zoned but not serviced). Broadly speaking, as yields firmed, leasing competition from developers led to a fall in rents, even while firming of yields allowed residual land values from development to rise.

The problem is that softening yields will put pressure on development rents, as a means of offsetting the impact of these softening yields and to maintain prices, as well as to underwrite development feasibilities. Further, availability of land will limit capital growth. Recent strong historical returns are unlikely to continue. While returns remain solid, they are unlikely to meet current institutional benchmarks.

Retail

Investor sentiment has turned against the sector, largely triggered by the aforementioned entry of Amazon into the Australian market. To that, there is also the weakness of household income and expenditure, and hence, retail sales growth.

Moderate total shopping centre income growth has to be shared between current centres, moderately increasing supply and also the large inroads being made 'into the pie' by increasing levels of internet shopping. All of this will put pressure on centre incomes.

The key to performance is control over the catchment. The outlook for the strongly performing 'super' centres looks solid, but there is increasing risk. All centres are locked into a competitive refurbishment cycle to maintain their catchment. This increases costs and poorly performing centres will do badly.

Apart from the super centres, large format retail (e.g. Bunnings) have the best prospects in an asset class facing issues.

Office

The office markets are cyclical and remain out of sync with each other.

Sydney remains the pick of the markets. It presents the best opportunities for investment and, more particularly, for development.

Demand has been moderate. But returns have been strong, underwritten by supply shortages driving rental growth. A gap in development post-Barangaroo, in addition to withdrawals of stock for residential development, the Metro rail and office redevelopment,

mean that net additions to the volume of office space available to let has decreased.

The market will stay tight for another few years until sufficient stock comes on to satisfy demand. This environment provides an opportunity to upgrade and add value to properties, either through repositioning, refurbishment or redevelopment.

While not as tight on the supply side as Sydney, the strength of the Victorian economy is boosting demand for Melbourne commercial property.

Melbourne retains its comparative cost advantage over Sydney in the provision of back-office services for national operations. Accordingly, office employment and net absorption of office space will be stronger than Sydney in the medium term, underwriting a solid performance.

A long period of oversupply has finally come to an end in the Canberra market. Vacancy rates have tightened for commercial space in Civic. However, given government dominance of tenancy requirements, Canberra remains a two-tiered market with a dichotomy between occupied space and obsolete space not suitable for government or commercial tenants.

Perth, Brisbane and Adelaide all have vacancy rates over 15%, and it will take a few years to absorb the current oversupply. Individual investment opportunities will arise, but overall, the markets in all three will be difficult for some time.

Summary

Investors need to work hard to find good investment opportunities. In most cases, expected returns are around current hurdle rates. The Sydney and Melbourne office markets provide some 'undervalued' opportunities given expected future rental and income growth, particularly for value-add strategies. Their cyclicity, however, means that an exit strategy will be required.

How retirement can shift perspectives on property investment

Changed risks and tax scenarios in retirement can cast familiar investment opportunities in a new light. So how does retirement change the view on investing in property? And what are the main risks retirees should consider when updating their investment strategy?

Entering into retirement doesn't just require adjusting to new tax obligations, it also calls for a shift in mindset around investing. Individuals often become more cautious and risk averse when it comes to investing after they retire, driven by a concern that they will outlive their savings.

This concern, referred to as longevity risk, is well-founded. The average Australian male will live to 80 years old, the average female to 84 years, and both will need enough savings and investments, including super, to provide an income for up to 20 years after they retire¹. New tax scenarios and obligations mean investors must recalibrate familiar investment strategies around property, shares, bonds and annuities as they prepare for retirement.

Australians' love affair with property ownership

Property represents one of the largest components of household wealth in Australia². By the time they reach retirement age, 77% of Australians will own the home they live in³. But, reports on household wealth indicate that the majority of retirees do not have adequate diversification across their pool of assets.

When it comes to disposing of a property, whether it is a retiree's home or investment property, sequencing risk needs to be considered. Timing can make a significant difference to retirement income for investors looking to fund their retirement with the profit from a property sale.

Crystallising wealth during a downturn in the market can mean investors will have much less to fund their retirement and may have to keep working for longer to make up for the loss. Selling at the top of the market could mean boosting a super balance with a large lump sum, but this could be problematic from a tax perspective due to the \$1.6 million pension balance cap introduced in 2017.

For investment properties, if an investor holds on to their property until they retire, they may not have to pay capital gains tax. However, it may impact their Aged Pension entitlements.

Property investment in retirement

Borrowing to invest may be a favoured investment pathway for wealth accumulators — primarily due to the regular returns and capital growth — but it presents complications for retirees and investors nearing retirement. For example, if borrowing to invest within a self-managed super fund (SMSF), limited recourse borrowing arrangements can increase the amount of debt held by the fund and potentially counteract the financial stability many retirees want.

Given the uncertainty around the timing and nature of retirees' needs, liquidity can be one of the key drivers for many retirees' investment decisions. Direct property investment is relatively illiquid, because investors can't sell a bedroom if they need to raise additional funds for living expenses, travel or medical costs.

1. Australian Bureau of Statistics: Life Tables, States, Territories and Australia, 2014-2016 <http://www.abs.gov.au/ausstats/abs@.nsf/mf/3302.0.55.001>

2. Australian Bureau of Statistics: Income, wealth and expenditure over time, Australia, 2015-16. [http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/bySubject/6523.0~2015-16~Feature+Article~Income+Wealth+and+Expenditure+Over+Time+\(Feature+Article\)~100](http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/bySubject/6523.0~2015-16~Feature+Article~Income+Wealth+and+Expenditure+Over+Time+(Feature+Article)~100)

3. Australian Institute of Superannuation Trustees Expenditure patterns in retirement, August 2016.

Tax minimisation strategies also need to shift as retirees move from high income tax brackets into the lowest, but with a new set of rules to abide by.

For example, holding onto a negatively-gearred investment property may be effective while an investor is still working, but less so when they're a retiree looking to generate positive income from their investments.

Tax on property syndicate investment earnings can be deferred for up to seven years, which can be a helpful strategy when an investor plans to move from a high income tax bracket into retirement's no-tax environment (within a SMSF in pension phase) during that seven-year period. Investing in a listed property trust also provides greater liquidity than direct property, because it can be partially sold like any other listed investment.

The lack of diversification associated with investment properties can also attract higher levels of risk than many retirees are prepared to accept. A large amount of capital held in the one asset class, commonly contained to a narrow geographic area, can be problematic.

Considering new investment opportunities

Retirement casts a new light on investment choices. It's important that retirees look beyond familiar investment options in order to diversify and spread their risk across multiple sectors, geographic regions and asset classes. Without a regular source of income, retirees need to minimise their longevity risk by looking for investments that offer both returns and capital growth. The relative security and guaranteed income from term deposits and annuities can be appealing to many retirees, but the trade-off for this confidence is lower interest rates or higher premiums.

Property remains a viable asset class for retirees. Commercial property investment through listed trusts or managed funds (including unlisted property funds or property syndicates) can deliver many of the benefits of the residential sector, but through a fundamentally different investment proposition with potentially advantageous structures and greater diversification.

Before making the decision to invest in a commercial property fund, it's important to do due diligence. This can include looking at the track record of fund managers, reviewing the range of assets held by the fund or trust, understanding the exit strategy and checking the gearing levels within the fund's underlying investments. If the investment is held within a SMSF (in pension phase), due diligence for retirees also means checking that any investment decision fits within the obligations that allow them to draw an income from investments at a reduced tax rate.

All investments carry risk. Before making an investment decision, you should assess, with or without your financial or tax adviser, whether the investment fits your objectives, financial situation or needs.





Matching your lifestyle to your investment strategy

By Victoria Kuok

SMSF specialist advisor at the SMSF Association.

The lifestyle investing approach aims to lower the risk profile of an SMSF by reducing its exposure to growth assets as the investor approaches retirement.

Self-managed superannuation funds (SMSFs), as their name suggests, are managed by trustees who are generally members. The freedom to take control over one's own retirement savings and the flexibility over what is allowed to be done are the main advantages of this retirement investment vehicle.

An SMSF may invest in a wide range of assets. These can be commercial properties for the small business owners, gold and

silver bullion for those with the commodity bug, or a portfolio of securities. Because an SMSF reflects the trustees' investment philosophy, it is arguably a "lifestyle fund".

A lifestyle fund, in terms of investment management, would be expected to have an investment strategy that caters to individual circumstances - particularly the fund's investment time horizon. The lifestyle investing approach aims to lower the risk profile of the fund by reducing exposure to growth assets as the investor approaches retirement.

As SMSF trustees, you will naturally take an active interest in your fund's activities and ensure your fund meets its investment objectives. This differs to a large superannuation fund, where the investment range of a lifestyle fund is broadly determined by the member's age.

An accumulator's lifestyle investment approach usually involves tax optimisation through active income streaming from personal assets into superannuation assets. The objective is to maximise the use of both concessional and non-concessional contributions for tax concessions.

For small business owners, there are further contribution opportunities with the 15-year asset exemption and the small business retirement exemption.

With capital injected into the fund over the working life, it makes sense to actively allocate assets to maximise returns. A long time horizon allows for a high tolerance to risk and volatility.

A retiree lifestyle investment approach, on the other hand, is designed to minimise the impact of adverse market movements, knowing that the fund is less likely

to recover from losses given the shorter time horizon.

The timing of when this loss happens also affects investment outcome. This is known as sequencing risk. For example, if a member experiences a 20% loss five years before retirement and another member 15 years after retirement, the former member will run out of money several years earlier, even though they experience the same 7% annual return over the period.

While retirement is a turning point for most people, given they have spent decades working and saving for retirement, retirement is only a milestone on an investment journey. This journey is prolonged when multigenerational members are within the fund.

As members retire, many expect to live on earnings and preserve their capital. To illustrate this, the minimum annual drawdown rate for a 65-year-old is 5%. If the member achieves average net returns of 7%, the member will have increased earnings by \$70,000 for a \$1 million pension account. This will cover the \$50,000 minimum pension.

To achieve the expected rate of return, it is important to maintain growth asset allocation during retirement.

Reducing growth asset allocation can significantly impact the earning capacity of accumulated wealth during retirement, and can expose the SMSF to running out of money and reduced investment value (investment risk).

To manage these investment objectives, review the investment strategy and consider the following:

- 1. How much will the pension member require in retirement?**
- 2. Will there be accumulating members to contribute cash to maintain the income stream of the pension member?**
- 3. Are there any foreseen capital drawdowns such as medical care or aged care accommodation that will require funding from the SMSF?**
- 4. How much personal savings are outside the SMSF that the pension member can access for daily living?**
- 5. Does the pension member have outstanding debts that they expect the SMSF to pay off?**
- 6. Does the SMSF generate sufficient earnings to cover pension payments?**
- 7. What are the member's individual risk profiles and that of the SMSF as a whole?**
- 8. How does the SMSF deal with inflation?**
- 9. How long until each member reaches retirement?**
- 10. Does the pension member have access to welfare such as the Age Pension?**

It is important that the investment strategy of an SMSF caters for each member's risk profile and adheres to a set of long-term targets (also known as strategic asset allocation), and is managed within an investment range that is flexible enough to allow for asset price movements.

The dynamic asset allocation approach involves rebalancing a portfolio to bring the asset allocation back to its long-term target. In practice, this involves taking profits in the best-performing assets, while increasing investments in underperforming assets.

The objective is to reduce fluctuation risks and achieve returns that exceed the expected rate of return. For this approach to be effective, trustees must regularly align their portfolio to their investment strategy.

The flexible nature of an SMSF means that rebalancing can come in the form of moving in and out of cash or non-cash assets via contributions and rollovers to inject capital, or conversely, via lump sums and income streams to extract capital. These capital movements will alter asset allocation and has a rebalancing effect.

As you can see, there are several considerations when it comes to matching your lifestyle to your investment strategy. Speak with your investment manager or financial adviser to formulate your asset allocation strategies.

This article has previously appeared on Morningstar.com.au

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The Australian high net worth investment landscape 2017

The Investment Product and Advice Needs Survey, by leading independent research house Investment Trends, is an online survey of Australian investors. In 2017, the Survey had 6,182 respondents, of which 1,483 identify as High Net Worth (HNW) investors and collectively control over \$5 billion in investable assets.

A HNW investor is defined as someone with more than \$1 million of investable assets, defined as assets which they control excluding their own home, own business, and retail superannuation funds, but including Self-Managed Super Fund (SMSF) assets.

In September 2017, Cromwell again invited its investors to participate in the Investment Trends Product and Advice Needs Survey. Highlights of the survey are presented here.

The wealthy have got wealthier

INVESTOR SENTIMENT

The total level of investable assets controlled by HNW investors in Australia reached a five-year high at \$1.72 trillion, up 12% over the last year. This increase is driven by those in the higher wealth brackets (\$2.5 million plus) who are more likely to cite accumulated business profits and share investments as the largest drivers of their wealth.

Concern levels with financial markets have dropped to the equal lowest levels in nearly 10 years. Despite this, HNW investors' outlook for the Australian equities market remains low. The average HNW investor expects capital gains of just 2.8% from equities over the next 12 months (excluding dividends).

Australian stock market expectations for the next 12 months (excluding dividends) vs All Ordinaries Index among HNW Investors



Asset allocation

Individual direct shares are the most commonly used asset type, with most (86%) HNW investors holding these in their investment portfolios. Cash accounts and different types of property investments are the other widely held assets.

Besides staple investments like direct shares and online bank accounts, a considerable proportion of HNW investors' assets are in property investments



However, in general, HNW investors have had a smaller proportion of their overall portfolio allocated to individual direct shares with property establishing a clear lead as the largest asset class.

Asset Class	2014	2015	2016	2017
Cash and cash equivalents	17%	16%	15%	17%
Individual direct shares	31%	31%	32%	28%
Property (all types)	31%	32%	32%	34%
Managed funds	7%	7%	6%	7%
Other investments	14%	14%	15%	14%

Interestingly, the 17% allocation to cash and cash equivalents represents \$290 billion or the highest absolute level of cash holdings since 2009. HNW investors have indicated that they consider approximately a third of this as 'excess cash', or monies that would normally be invested, but are currently sitting on the sideline.

Investor goals

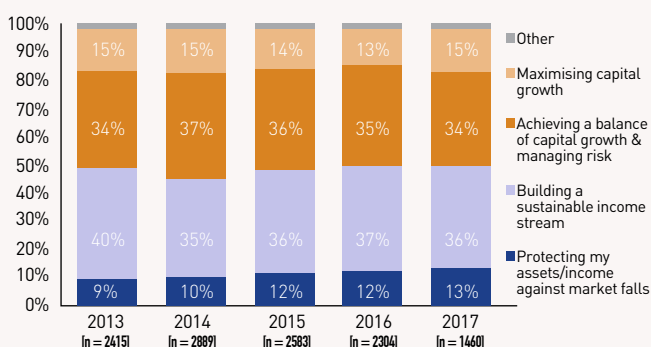
The overwhelming majority of HNW investors (79%) have one or more specific performance goals in mind when it comes to their portfolio. The most commonly cited goal is to beat inflation (25%), while a fifth want to achieve a specific annual return, targeting returns of 8% p.a., on average.

Most HNW set a performance goal for their portfolio. A quarter of HNWs say their goal is beat inflation. 20% say their goal is to achieve a specific return



To generate an income in retirement is the third most widely cited goal among HNW investors, but is the top investment performance goal among SMSF members.

The recent trend among HNWs to become increasingly defensive with their investment goals has slowed. Half of HNWs intend to prioritise growth investments in the year ahead



The recent trend among HNW investors to become more conservative with their investment objectives has slowed. Half of HNW investors say their primary investment goal for the year ahead will be either building a sustainable income stream or protecting their assets/income against market falls. This response has remained steady over the last year, following an increase between 2014 and 2016.

Milano Nervesa, Lombardy,
Italy



Haagse Poort, The Hague,
The Netherlands



Bischofsheim (An der Steinlach),
Frankfurt, Germany



Herstedvang 2-4,
Denmark



What is CEREIT?

Cromwell European Real Estate Investment Trust (CEREIT) is a diversified Pan-European REIT which listed on the Singapore Exchange Securities Trading Limited (SGX-ST) on 30 November 2017.

Cromwell Property Group owns 35% of the units of CEREIT.

CEREIT invests in a diversified portfolio of income-producing real estate assets in Europe, across office, light industrial and logistics sectors. CEREIT's portfolio currently comprises 74 assets in five European countries, covering

an aggregate lettable area of 1.1 million square metres (sqm) with over 700 leases.

"The successful IPO of CEREIT is an innovative and transformative deal," said Cromwell CEO Paul Weightman at the time.

"It's the first Euro denominated REIT on the SGX-ST and the largest REIT IPO in Asia since 2013 by market capitalisation."

"It substantially grows Cromwell's global funds management platform, with a sizeable presence in Singapore, the fastest growing wealth management centre in Asia," he said.

"CEREIT also secures approximately one third of our existing European assets under management with longer term capital, and allows us to grow our platform in Italy, the Eurozone's third largest economy, with an additional €400 million in assets under management," he added.

CEREIT's Structure

CEREIT is externally managed by Cromwell EREIT Management Pte. Ltd. ('the Manager'), a wholly-owned subsidiary of Cromwell Corporation Limited.

The Manager focuses on strategic functions such as capital management, portfolio construction, compliance, investor relations and finance.

Cromwell's European business, in its capacity as property manager of CEREIT, provides the Manager with asset, facility and capital management services through its extensive platform of experienced local asset managers in five different countries.

Future Objectives

CEREIT's objectives are to provide Unitholders with regular and stable distributions, and to achieve long-term growth in Distributions per Unit (DPU) and Net Asset Value (NAV) per Unit.

De Ruijterkade, Amsterdam,
The Netherlands



Milano Piazza Affari,
Lombardy, Italy



Koningskade, The Hague,
The Netherlands



Parc Des Docks, Paris, France



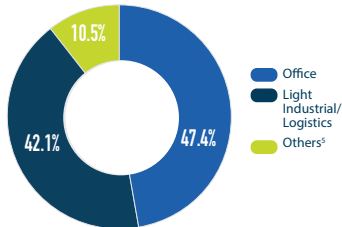
Bischofsheim (An der Kreuzlache),
Frankfurt, Germany



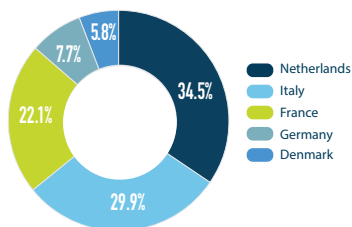
Naverland 7-11, Copenhagen,
Denmark



Breakdown by Asset Classes¹

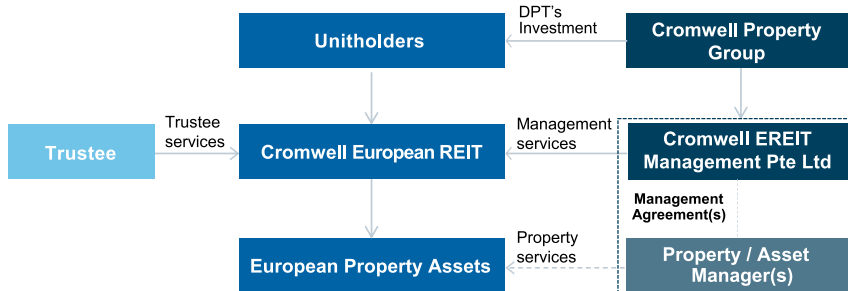


Breakdown by Geographies¹



No single asset class or geography accounts for more than 47.4% and 34.5% of the total Appraised Value⁵, respectively.

The relationship between the key parties is shown below.



IPO Portfolio Key Facts

- Total Portfolio Value¹
~€1,386 million
- Lettable Area
~1.1 million square metres
- Assets
74 properties across two major asset classes
- Leases
700+²
- Countries
5 European countries
- Tenure
Predominantly freehold, Perpetual Leasehold³ or Continuing Leasehold⁴

¹ Based on Appraised Value as at 30 April 2017.

² As at 30 April 2017.

³ A "Perpetual Leasehold" is for an indefinite period of time and the ground rent has been paid off perpetually [which type of leasehold is most similar to a freehold situation].

⁴ A "Continuing Leasehold" is agreed in principle for an indefinite period of time but has a fixed ground rent paid to the land owner which must be re-agreed at the end of a certain period, which may result in a termination if the leaseholder and the land owner do not agree on the new ground rent.

⁵ Others include three government-let campuses, one retail asset and one hotel in Italy.

Call for nominations

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

Foundation history

Since its inception in 2014, the Foundation has donated almost \$500,000 to causes that align with its mission to benefit organisations that conduct research into, or provide support to, causes relevant to the mature aged community.

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

Foundation Committee Chair, Jodie Clark, said the Foundation is proud to provide philanthropic support to lesser known charities and causes.

"The Foundation's mission aligns closely with the profile of our investors," she said.

"Last year we were delighted to support Active Rehabilitation Physiotherapy, the Australian Liver Foundation, Pink Angels and the Black Dog Institute to a total of \$144,000."

Previous beneficiaries have included the Trigeminal Neuralgia Association Australia, Alzheimer's Australia Dementia Research Foundation, Neuroscience Research Australia, and Parkinson's NSW.

Nominations now open

You can now nominate a cause or charitable organisation for consideration. To submit a charity for consideration, complete the nomination form and follow the nomination process outlined over the page by 1 May 2018.

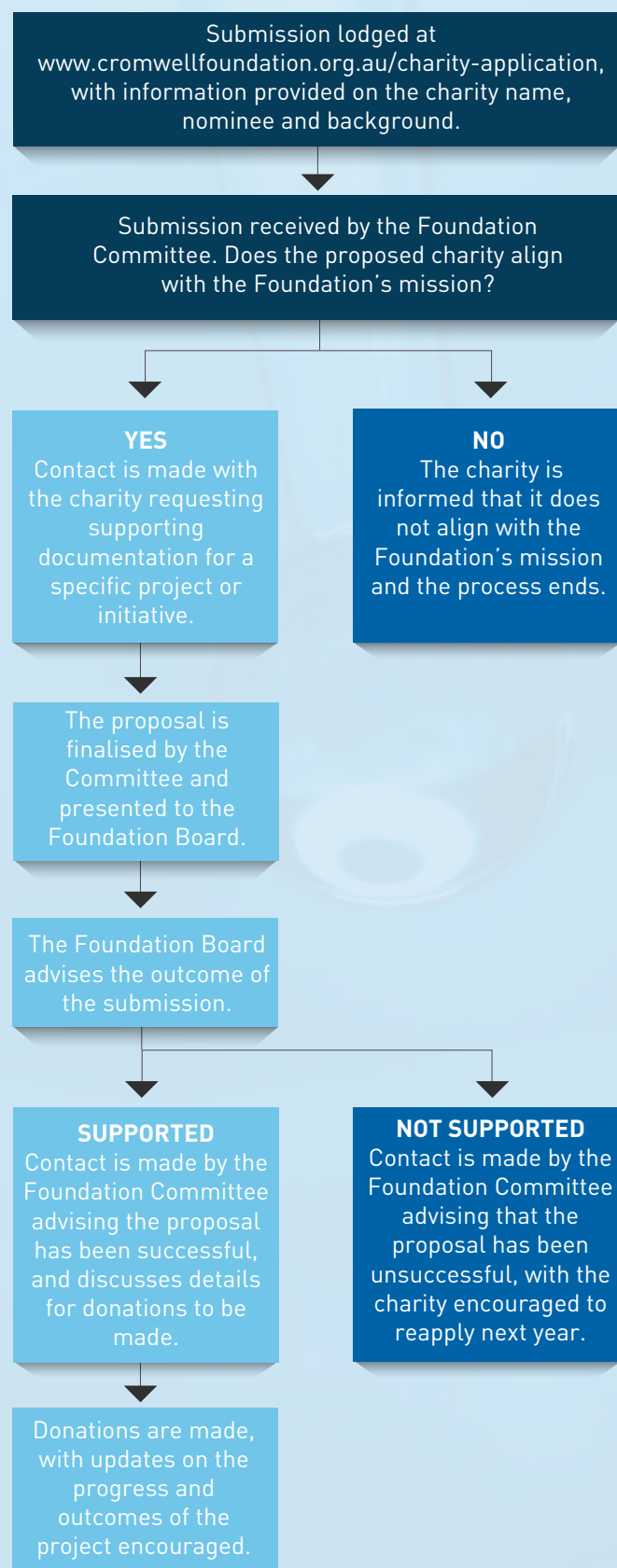
Please note the following key considerations:

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

Beneficiaries - Cromwell Foundation Donation Breakdown

Year	Organisation	Donation Sum	
2017	Black Dog Institute	\$19,250	
	Pink Angels	\$19,250	
	Griffith University (Active Rehabilitation Physiotherapy)	\$55,500	
	Australian Liver Foundation	\$50,000	\$144,000
2016	Trigeminal Neuralgia Association Australia	\$30,000	
	Alzheimer's Australia Dementia Research Foundation	\$50,000	
	Australian Liver Foundation	\$50,000	\$130,000
2015	MS Research Australia	\$50,000	
	Neuroscience Research Australia	\$20,000	
	Australian Liver Foundation	\$50,000	\$120,000
2014	Trigeminal Neuralgia Association Australia	\$50,000	
	Parkinson's NSW	\$50,000	\$100,000
			\$494,000

Nomination Process



Cromwell Foundation supports the fight against Parkinson's

Parkinson's disease is still not clearly understood. In Australia, it is the second most common neurodegenerative condition behind dementia. There are currently more than 100,000 individuals living with the disease, and another 32 people are diagnosed every day. Over the past six years, the prevalence of the disease has risen by 17%.

The Foundation has made two notable donations in the fight to curb Parkinson's disease.

In 2014, \$50,000 was donated to Parkinson's NSW, and used to fund an initiative designed to help sufferers keep their symptoms under control. This included the development of an online exercise program that can be used by housebound or geographically isolated patients.

Parkinson's NSW CEO, Miriam Dixon, stated that "The program is designed to be used safely, without the need for supervision, by all patients of Parkinson's, whatever their level of physical disability."

The Foundation's donation also funded the upgrade of the Parkinson's NSW website, which now includes a directory of services, ranging from hospitals that provide Deep Brain Stimulation surgery, to activities that are available to the Parkinson's community.

Further, in 2017, the Foundation donated \$55,000 to Active Rehabilitation Physiotherapy to support one of the first human research projects in the use of Photobiomodulation Therapy (PBMt) to enhance the results of standard physiotherapy for patients with Parkinson's.

Research conducted by a team of Australian Physiologists at the University of Sydney suggests that protective, regenerative and potentially reversal effects of PBMt on nerve cells exist in a range of neurological conditions, including Parkinson's.

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

Poland to continue to prosper

Almost three decades removed from communist rule, Poland has emerged as the growth engine of the Central European economy. From its inclusion in the EU, to its strong future growth forecast, there are numerous reasons that highlight Poland as a potential investment destination.

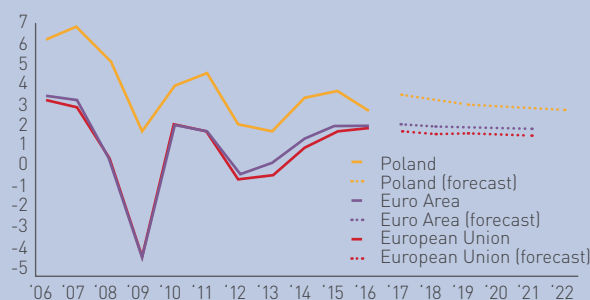
History

Poland's long, often dark history has been wrought with hardship. The formal beginning of World War II was marked through the invasion of Poland on 1 September, 1939. By the end of the war, Poland had lost over 6 million people, more than 20% of its pre-war population.

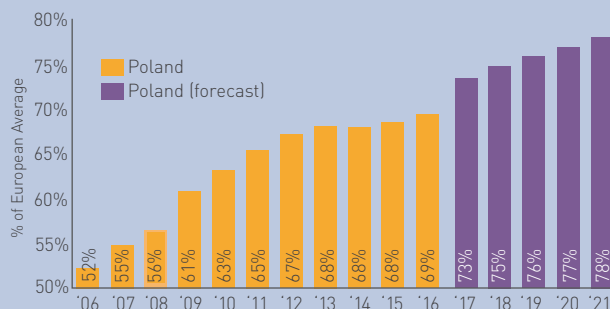
44 years of communism followed, prior to its collapse in 1989 after Poland's first partially free and democratic elections since the end of the war. The early 1990s saw significant reforms that allowed the country to transition from its socialist-style planned economy into a market economy.

The two-and-a-half decades since has seen Gross Domestic Product (GDP) rise from USD\$1,731 per capita in 1990 to USD\$12,399 per capita in 2016. This

Poland GDP growth outperforming Europe



Poland's GDP per capita growth has been the fastest in Europe over the last 10 years



was the fastest growth amongst all OECD nations. GDP per capita is still only just over a third (34.8%) of the European Union (EU) average, leaving strong upside for future growth to occur.

Poland and the European Union

Poland joined the EU in 2004, along with nine other nations. Between 2007 and 2013, Poland received approximately €67 billion, making it the largest beneficiary of the European Cohesion Policy through this period. For the period of 2014 to 2020, this allocation has been increased to €86 billion.

However, Poland's time in the EU hasn't all been smooth sailing. Late last year, the European Commission triggered an unprecedented sanctions procedure against Poland, contending that the Polish government had effectively seized control of the judicial system.

While there are serious concerns about the threat to the independence of the judiciary, market commentators have considered it unlikely that this divide will escalate, with Hungary in particular vowing to vote down any further European Commission action.

Mastering their own destiny

Through the two years of Poland's dispute with the EU, there have been no adverse effects to the economy. A surge in Polish domestic investment last quarter was a sign that the economy was unaffected, even as tensions heightened.

While it is unclear whether Poland will remain the largest net recipient of funds in the EU bloc's post-2020 budget, the Polish government is increasingly focusing on facilitating growth and development on its own terms.

One such example is the decision to not renew a contract that sources nearly two-thirds of Poland's gas from Russia, thereby ending a reliance that has spanned 74 years. From 2022 onwards, Poland's gas will be sourced from liquefied natural gas (37% - up on 2017's 11%), its own production (20%), and a newly formed reliance on Norway (43%).

The past positioning the future

The ongoing resilience of the Polish economy has positioned it well for continued expansion. Throughout the 2008 Global Financial Crisis (GFC), Poland was the only EU member that did not fall into a recession. In 2009, while the GDP of the EU declined by 4.5%, Poland's grew by 1.6%.

At the onset of the GFC, Poland's public debt was below 50% of GDP, low in comparison to other European countries. This, in part, was the result of a clause written into the country's 1997 constitution limiting government borrowing to 60% of GDP.

Coupled with a large and growing domestic economy, increasing domestic consumption, a business-friendly political class, very low private debt and a flexible currency, sound economic management saw Poland avoid recession.



A strong economic horizon

A decade on from the GFC, the Polish economy is forecast to remain one of the fastest growing European economies throughout 2018. Growth is set to remain strong at 3.8%, down slightly on 4.4% in 2017. The key growth driver for the economy now is private consumption.

In Q4 2017, growth surged to its strongest level in six years, powered by a mix of consumer demand and an investment rebound. This is expected to continue in 2018 with investment growth set to reach 4.5%.

The labour market continues to tighten, with the unemployment rate sitting at 6.7% as of November 2017. This is largely the result of profound changes in the labour market. Poland's population is ageing, meaning fewer workers in the labour force. Additionally, technological and structural change in the economy is changing the demand for workers. Both of these 'push and pull' factors have resulted in a decreasing unemployment rate.

A comprehensive series of education reforms Poland has pursued since the early 1990's has also given rise to a highly-skilled and largely educated workforce. These reforms have been so successful that they are, in part, responsible for the rising employment and wage pressures that mean real income is growing faster than inflation.

Polish economy at a glance

- The past 25 years has seen the Polish economy double in size, with GDP per capita growing from 32% to 60% of the Western European GDP per capita.
- GDP growth was 4.4% in 2017 and is forecast to be 3.8% in 2018, prior to moderating to 3% until 2021.
- Strong private consumption has been a key driver of growth, having reached nearly 5% in 2017.
- Total investment volume in Poland in the commercial property sector reached over €4.7 billion in 2017, with the retail market representing a 40% share.
- Sixth largest EU economy and only country in the region to avoid a recession during the GFC.
- Between 2001 and 2014, average retail expenditure was growing at 6.1%, compared to 0.8% in Germany and 3.3% in the UK.
- Unemployment was 6.7% in late 2017, reaching decade lows due to strong job growth.
- Highly educated workforce, which will benefit from the global trend to higher skilled work and therefore have a higher disposable income.

Poland as an investment destination

Market demand, market cost, exchange rate, sovereign credit and trade credit risk ratings for Poland are all significantly lower than the respective emerging market averages. Additionally, Poland's score of 62.0 on the Corruption Perception Index is far better than the emerging economies average of 38.0.

In 2017, Poland's zloty surged 5.4% against the Euro, the second-best performance amongst emerging market peers.

Foreign investors see Poland as an attractive investment destination due to its economic stability, educated workforce, potential consumer base, as well as its strategic geographic position being surrounded by Germany, Slovakia and the Czech Republic.

As Poland continues on the growth path that was kick-started just over two decades ago, GDP and living standards have further to rise. Even as growth tightens slightly through 2018, the likelihood is that it will continue to be well above the EU average for the immediate future.



Soward Way, Greenway

In September 2017, the Department of Social Services (DSS) moved into their newly constructed headquarters at Soward Way, Greenway in the ACT.

The state-of-the-art building comprises six levels of integrated space, which includes a soaring 800 square metres glass atrium through the centre of the building, providing an abundance of natural light to each floor. The open space includes a series of circulation stairs and cantilevered balconies to promote floor-to-floor connectivity and provide additional breakout areas.

The building is targeting a 5-Star Green Star rating, and a 4.5 Star NABERS rating.

The \$170m redevelopment is on a 20-year lease to the Department and is a core asset for Cromwell.



The rising importance of sustainability to the commercial real estate industry

Institutional investors are no longer just crunching the numbers and looking at the financial performance of an organisation. Rather, they are increasingly also factoring in environmental, social and governance (ESG) disclosures as a critical way to measure risk and the drivers of a company's financial performance.

The drivers

The rise in importance of ESG disclosures is due to a number of reasons. First, the world's built environment, of which real estate is a notable component, is the largest contributor to greenhouse gas emissions, consuming a third of our water and generating 40% of our waste. Secondly, the cost of electricity, water, waste and other outgoings continues to increase, putting an impost on both landlords and tenants. Thirdly, activism and societal pressures are putting the onus on organisations to be environmentally responsible.



Finally, it is anticipated that by 2060, the industry will double its total global surface area, with the addition of over 230 billion square metres (sqm). This will have a large impact on the volume and costs associated with both consumables and greenhouse gas emissions.

An abundance of organisations are now targeting ways to make the global real estate industry more sustainable. Targeted initiatives range from broad corporate sustainability reporting, to reporting that focuses on real estate sustainability, and also to individual aspects such as construction, fitout and interior design, wellness, as well as energy, water and waste.

GRESB

The Global Real Estate Sustainability Benchmark Survey (GRESB – see breakout over page) is one of the most widely used tools.

The 2017 GRESB Survey covered 850 real estate reporting entities from 62 countries, and gauged the ESG performance of all participating organisations. The global average score was 63 out of 100, up three points on 2016. In the 12 months between surveys, participants had reduced their corresponding water consumption by 0.5%, energy consumption by 1.1%, and carbon emissions by 2.2%.

Australian commercial real estate organisations are at the forefront of GRESB, with a 2017 average score of 73, 10 points higher than the global average.

GRESB has observed that real estate companies and funds that have been early adopters in reporting their sustainable practices make more continuous performance improvements, and also outperform those that have started later, or not at all. This leads to the main reason why there's an ongoing focus on sustainability: it ultimately returns more to investors.

Changing mindsets

The long-standing, traditional mindset has been that an organisation can have profits or be sustainable, but not both. In fact, as of August 2017, 53% of investors still believe sustainable investing requires a financial trade-off.

As the prevalence of sustainable practices has risen, and investment in related technology matures, organisations have begun to note brand and employee

benefits, as well as energy, waste and cost reductions, all of which can be linked back to increases in profits.

This was reinforced by a joint 2015 report conducted into ESG studies by Arabesque and Oxford University. The report highlighted three substantial findings for organisations that actively engage in sustainable practices. They were:



90%

of 'cost of capital' studies show that sound **ESG standards lower the cost of capital;**



88%

of the studies show that solid **ESG practices result in better operational performance;** and



80%

of the studies show that **stock price performance is positively influenced by good sustainability practices.**

An increasing number of investors are drawn to the transparency that sustainable practices facilitate, allowing them to see where their money is going and what it is being used for.

Ernst & Young's Global Institutional Investor Survey found that in 2015, 59.1% of respondents viewed nonfinancial disclosures as essential or important, up from 34.8% in 2014. In 2016, 68% of respondents made an investment decision based on a company's nonfinancial performance, a 16% increase on 2015.

Sustainability is here to stay

Australia's first property fund to be awarded a 6-Star Green Star performance rating across all of its assets was launched in December 2017. Fully carbon neutral portfolios are likely to follow as a result of the renewed National Carbon Offset Standards.

As evidence mounts to the benefits of sustainable practices on financial performance, coupled with the fact that investors are increasingly demanding it, real estate organisations in Australia will continue to be at the forefront of sustainability.

Sustainability reporting agencies across the world

GRESB: The Global Real Estate Sustainability Benchmark (GRESB) assesses the sustainability performance of real estate and infrastructure portfolios and assets worldwide. The assessments are guided by what investors and the industry believe to be material issues in the sustainability performance of real asset investments and are aligned with international reporting frameworks such as the Global Reporting Initiative (GRI).

Green Building Council Australia (Green Star): Green Star assesses the sustainable design, construction and operation of buildings, fitouts and communities. Launched by the Green Building Council of Australia in 2003, Green Star is Australia's only national and voluntary rating system for buildings. Green Star helps to improve environmental efficiencies in buildings, while boosting productivity, creating jobs and improving the health and wellbeing of communities.

NABERS: The National Australian Built Environment Rating System (NABERS) measures the environmental performance of Australian buildings, tenancies and homes. NABERS measures the energy efficiency, water usage, waste management and indoor environment quality of a building or tenancy and its impact on the environment. Ratings are given on a 1-star to 6-star scale. A 6-star rating demonstrates market-leading performance, while a 1-star rating means the building or tenancy has considerable scope for improvement.

BREEAM: The Building Research Establishment Environmental Assessment Method (BREEAM) is a leading sustainability assessment method for masterplanning projects, infrastructure and buildings. It recognises and reflects the value in higher performing assets across the built environment lifecycle, from new construction to in-use and refurbishment. There are currently 564,167 certificates across 2,269,790 registered buildings in 77 countries.

BREEAM

Used in
76
countries

NABERS

Australian rating system
measuring environmental
performance

GRESB

Used in
62
countries

GREEN BUILDINGS COUNCIL AUSTRALIA

Australian rating system
measuring sustainable
design, construction and
operation of buildings

Cromwell's Half Yearly Results at a glance

28 FEBRUARY 2018



CROMWELL
PROPERTY GROUP

\$155.5million²
HY18 STATUTORY PROFIT

\$76.8million
HY18 OPERATING PROFIT

\$11.2billion¹
ASSETS UNDER MANAGEMENT

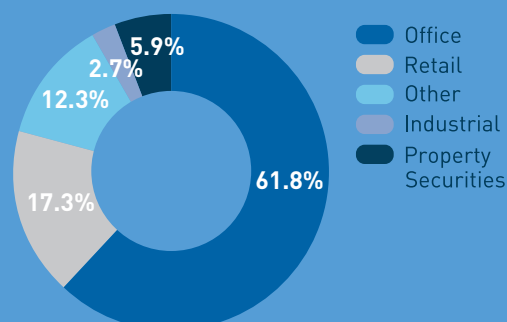
4.32cps
HY18 OPERATING PROFIT

4.2cps
HY18 DISTRIBUTIONS

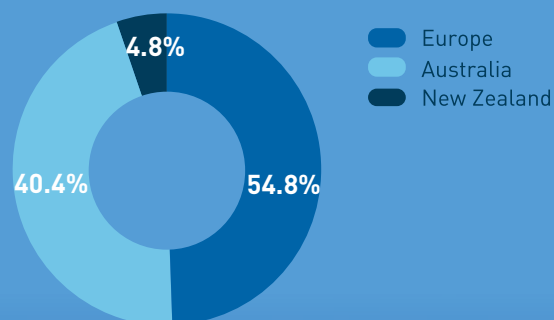
1. Assumes completion of property currently under construction.
Includes 100% of Oyster Property Group.

2. Before write down of intangibles.

ASSETS UNDER MANAGEMENT BY SECTOR



ASSETS UNDER MANAGEMENT BY GEOGRAPHY



Stock Talk | Never mind a double-barrelled name – here comes a triple: “Westfield-Unibail-Rodamco”



Stuart Cartledge

MANAGING DIRECTOR,
PHOENIX PORTFOLIOS
INVESTMENT MANAGER OF THE
“CROMWELL PHOENIX” FUND SERIES

Under the terms of the agreement, Westfield securityholders will receive a combination of cash and shares in Unibail-Rodamco, which, at the time of the announcement, valued each Westfield security at US\$7.55 (or A\$10.01) and represented a 17.8% premium to Westfield’s closing price immediately prior to the announcement. The implied value of this transaction will be impacted by several factors including the Unibail-Rodamco share price, dividends, the valuation of OneMarket (discussed later) and foreign exchange movements.

Lowy support

Any major transaction involving Westfield needs the support of the Lowy family. Alongside chairman Sir Frank Lowy AC sits joint managing directors Peter and Stephen Lowy and interests associated with the Lowy family still control 9.5% of the voting stock. This transaction is a “Friendly and Recommended Deal”. The Lowy family is fully supportive and

On 12th December 2017, the European listed Real Estate Investment Trust, Unibail-Rodamco and Westfield Corporation announced that they had entered into an agreement to blend together their two respective vehicles to create, in their words, “the world’s premier developer and operator of flagship shopping destinations.”

intends to maintain a substantial position in the combined entity.

While two Westfield representatives plan to join the Unibail-Rodamco Supervisory Board, including Peter Lowy, this transaction sees the Lowy family members transition fully into non-executive positions.

USA + Europe + UK

As shown by the pink regions in the adjacent maps, three quarters of Westfield’s current portfolio is in the United States. With the exception of a development site in Milan,

the balance of the portfolio is held across three assets in London.

In contrast, Unibail-Rodamco holds assets across Continental Europe, in countries shaded red.

While Unibail-Rodamco holds a small proportion of non-shopping centre assets in France, the combined portfolio holds 104 shopping centres that together represent 87% of asset value. These assets are held across the US, UK and 11 countries across continental Europe.

Continental Europe and London



United States

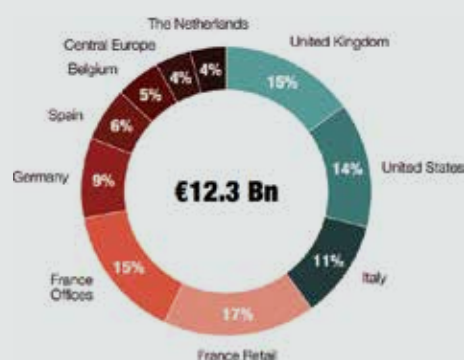


Source: Westfield, Unibail-Rodamco

Development pipeline

One of the key reasons to own Westfield has been the exposure to a substantial development pipeline focussed on flagship malls. The ability to deploy capital that generates a return on cost over 7% and have the developed asset re-valued on a yield below 5% is clearly a very valuable attribute. However, this value creation takes time and markets are often too impatient to fully value an extended development pipeline. Westfield's €4.9bn development pipeline represents circa 27% of the Gross Market Value of existing assets. Unibail-Rodamco's €7.4bn development pipeline, while bigger in absolute terms, comprises only 17% of its much bigger portfolio. However, this still represents one of the largest development pipelines of any large listed retail landlord globally. The combined entity has an enormous €12.3bn pipeline, but the impact of the transaction is to effectively dilute the development exposure for existing Westfield securityholders.

Combined development pipeline by region.



Source: Westfield, Unibail-Rodamco

Synergies

Synergies are always difficult to accurately forecast and even more difficult to measure after-the-fact. In this case, cost synergies are suggested to be around €60m per annum, with additional revenue synergies of €40m per annum. Together this represents around 4% of the net rental income of the combined portfolio. The planned roll out of Westfield's iconic brand across Unibail-Rodamco's flagship assets, thereby creating a world leading platform for global retailers, will generate some of the revenue synergies. Cost synergies are more generic, but there are some obvious benefits to come from the elimination of some out-sized salary packages at the top of the Westfield tree.

OneMarket

Initially called Westfield Labs, then Westfield Retail Solutions, OneMarket is a technology company born from within Westfield and charged with the responsibility of developing technology to connect retailers and brands both physically and digitally. This deal proposes to spin-off 90% of OneMarket to existing Westfield securityholders with the remaining 10% to be retained in the new Unibail-Rodamco structure. The company will be listed on the ASX, with \$US200 million of cash on the balance sheet and will be chaired by Steven Lowy. In the scheme of things, while interesting, the value of OneMarket is immaterial to the broader transaction.

Will the deal get up?

Based on our preliminary analysis, the transaction makes sense. While we are substantially more familiar with Westfield, having followed the stock for decades, Unibail-Rodamco appears to have a similar long-term focus on flagship type assets and a willingness to capitalise on a large development program.

Retail assets across the world are under pressure as new technologies make online alternatives very viable and there is a big requirement to re-invent and focus on innovative solutions to maintain relevance. We expect the combined group will be well positioned to deliver on this – with a focus on flagship assets differentiated by quality and innovation.

A competing proposal is possible, albeit somewhat unlikely. The most suitable candidate to put up a competing bid is US-based Simon Property Group. While Simon has some European assets, it is largely US focussed, and would potentially generate substantial synergies with Westfield's US portfolio. Holding Simon back is a relatively low share price, making the deal metrics difficult.

We note Westfield already has scale and has a very viable future as a stand-alone entity – this is not a must-do deal at any price. As such, we will need to work through the deal metrics over the coming months before adding our tick of approval.

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)**

QUARTERLY REPORTS

Investment Reports to 31 December 2017

CONTENTS

Open for investment

- 35 Cromwell Direct Property Fund ARSN 165 011 905
- 36 Cromwell Australian Property Fund ARSN 153 092 516
- 37 Cromwell Phoenix Core Listed Property Fund ARSN 604 286 071
- 38 Cromwell Phoenix Property Securities Fund ARSN 129 580 267

Closed to investment

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

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

Cromwell Funds Management Limited ABN 63 114 782 777 AFSL 333214 ("CFM") has prepared these reports and is the responsible entity of, and the issuer of units in, the funds and trusts referred to in these reports ("the Funds"). In making an investment decision in relation to a Fund, it is important that you read the disclosure document for that Fund. The report for each Fund refers to the disclosure document (product disclosure statement and any supplementary product disclosure statement) issued for that Fund. The disclosure document for each Fund is issued by CFM and is available from www.cromwell.com.au or by calling Cromwell Investor Services on 1300 276 693. Not all of the Funds are open for investment. Applications for units in open Funds can only be made on application forms accompanying the disclosure document for the Fund.

These reports have been prepared without taking into account your objectives, financial situation or needs. Before making an investment decision, you should consider the report and the disclosure document for the particular Fund and assess, with or without your financial or tax adviser, whether the Fund fits your objectives, financial situation or needs. Past performance is not a reliable indicator of future performance. Forward-looking statements (provided here as a general guide only) and the performance of a Fund are subject to the risks and assumptions set out in its disclosure document. CFM and its related bodies corporate, and their associates, do not receive any remuneration or benefits for the general advice given in these reports. If you acquire units in a Fund, CFM and certain related parties may receive fees from the Fund and these fees are disclosed in the disclosure document for that Fund. Performance data for Cromwell-managed Funds are calculated based on unit prices for each Fund, which may differ from underlying net asset values. Performance data for periods longer than one year have been annualised. Distribution rates and yields are based on the 31 December 2017 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

Equity market volatility rose significantly in February 2018 as a result of increasing bond yields driven higher by elevated American wage growth, which in turn is a key indicator for inflation. Another driver of higher bond yields is the gradual unwinding of quantitative easing which has supported economies since the onset of the global financial crisis (GFC).

Capital gains (and rising capital values) observed across property and other asset classes since the GFC can largely be attributed to

the reducing discount rate over the same period (as bonds decreased). As long-term bond rates increase, all else being equal, the reverse can be expected.

The US 10-year bond yield has increased from circa 1.6% in July 2016 to just under 3% in February 2018. Although it may be some time before Australia's short-term interest rates rise, the longer dated US bonds have been driving up the longer dated Australian bond rates also. Australian equities that are bond sensitive, such as

Scenario 1: \$100 million asset, 8.5% discount rate over 10 years

Purchase Price	\$100,000,000		
Rental Income	6.50%		
Annual Increases	3.50%		
Capitalisation rate on Purchase	6.50%		
Capitalisation rate on Sale	7%		
Discount Rate	8.50%		
Year	0	1	2
Purchase Price	(\$100,000,000)		
Rental income		\$6,500,000	\$6,727,500
Terminal Value			
Cashflow		\$6,500,001	\$6,727,502
Discounted Cashflow		\$5,990,784	\$5,714,712
Present Value of Future Cashflows	\$104,868,010		

Scenario 2: \$100 million asset, 10% discount rate over 10 years

Purchase Price	\$100,000,000		
Rental Income	6.50%		
Annual Increases	3.50%		
Capitalisation rate on Purchase	6.50%		
Capitalisation rate on Sale	7%		
Discount Rate	10.00%		
Year	0	1	2
Purchase Price	(\$100,000,000)		
Rental income		\$6,500,000	\$6,727,500
Terminal Value			
Cashflow		\$6,500,001	\$6,727,502
Discounted Cashflow		\$5,909,092	\$5,559,919
Present Value of Future Cashflows	\$94,407,677		

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 performed very strongly over the quarter, up 7.9% and 7.8% respectively, marginally out-performing the broader equity market, with the S&P ASX 300 Accumulation Index also gaining a very solid 7.7%.

The key news over the quarter, and possibly the year, was the latest re-incarnation of the Westfield empire [see our Stock Talk article on the proposal on page 28]. A proposed transaction with European REIT, Unibail-Rodamco propelled Westfield up 21.1% thereby dragging the entire property sector along with it. The other two large capitalisation retail stocks did well, but underperformed the benchmark, with Scentre Group posting a 6.6% return and Vicinity Centres (VCX) closing up 5.3%. VCX announced an interesting asset swap, picking up a 50% interest in three Sydney CBD properties in exchange for a 49% interest in Chatswood Chase. New CEO, Grant Kelley commenced with the company on 1st January 2018.

Office stocks were mixed over the quarter, with pure plays Dexus and Investa Office Fund up 5.1% and 3.4% respectively. GDI Property Group, with an office portfolio heavily skewed towards Perth, delivered a

14.1% return over the quarter. The stock has made some significant changes to its portfolio selling into the very strong Sydney office market and re-deploying the proceeds into Perth, which is beginning to show signs of a recovery.

The Perth recovery theme stood out a little among the smaller capitalised residential developers, with Perth focused Finbar Group Limited up 26.8%, and Peet Limited up 15.6%. Peet's business is now diversified across Australia, particularly Victoria and Queensland, while Finbar's development activity is in Perth apartments. Mirvac's performance was a little subdued, up 4.8%, but the stock has delivered a 15.3% return over the year, with excellent results across its office and retail investment portfolios along with ongoing strength in its residential and commercial development business.

Similarly, while Goodman Group has delivered a very solid 21.9% return over twelve months, its 3.9% return over the quarter allowed other stocks to play catch-up. Goodman has been a big beneficiary of industrial assets being re-positioned and sold to residential developers and has also enjoyed the tailwind of industrial demand given the strength in online retail.

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 under-performing 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.

The sector now offers investors a current-year distribution yield of around 5%. In comparison to bond yields trading around 2.7% the yield premium of the sector now sits 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 December 2017

CROMWELL DIRECT PROPERTY FUND

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

Key Statistics

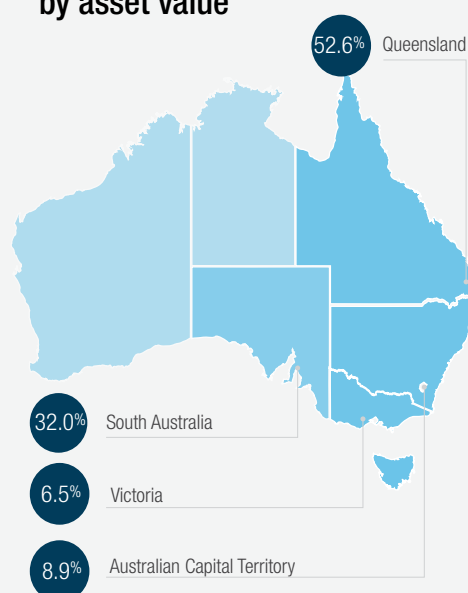
as at 31 December 2017

Status	OPEN ¹
Unit Price	\$1.2293 ²
Distribution Yield	5.69% p.a. ³
WALE	9.5 years ⁴

Performance

	1 Year	2 Years	3 Years	Inception (Aug-13)
Fund Performance After fees & costs	9.5%	9.1%	10.4%	11.3%
Benchmark PCA/IPD Unlisted Retail Property Fund Core Index	22.0%	21.4%	26.7%	22.4%
Excess Returns After fees & costs	(12.5%)	(12.3%)	(16.3%)	(11.1%)

Geographic diversification by asset value



Fund Update

- An external valuation of 64 Allara Street, Canberra as at 31 December 2017 resulted in a 3.6% increase in the value of the asset to \$17.5 million, up from \$16.9 million as at 31 December 2016, underpinned by a reduction in the capitalisation rate
- An internal valuation of the Parafield Retail Complex, Main North Road, Parafield SA has provided a minor increase in value of the property from \$26.25 million to \$26.5 million, due to annual fixed rental increases. The next external valuation of the property is expected in March 2018
- 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 Fund's look through gearing at 31 December 2017 was 19.5%. Direct gearing was 6.3%
- The Fund's performance as at 31 December 2017 was 11.3% per annum annualised since inception

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

1. Withdrawals are limited, cannot be guaranteed and are subject to the assumptions and risks set out in the PDS dated 29 September 2017.
 2. Unit prices are calculated daily. See the PDS for further information and www.cromwell.com.au/dpf for latest pricing.
 3. Paying 7 cents per unit p.a. Yield based on current unit price of approximately \$1.2293 (31 December 2017).
 4. Figures as at 31 December 2017. Calculated on a "look-through" gross passing income basis.
- See www.cromwell.com.au/dpf for further information.

OPEN FOR INVESTMENT

www.cromwell.com.au/apf

Investment Report to 31 December 2017

CROMWELL AUSTRALIAN PROPERTY FUND

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

Key Statistics

as at 31 December 2017

Status	OPEN ¹
Unit Price	\$1.2752 ²
Distribution Yield	4.71% p.a. ³

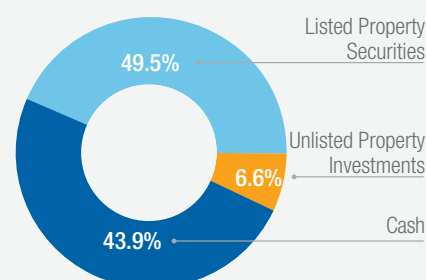
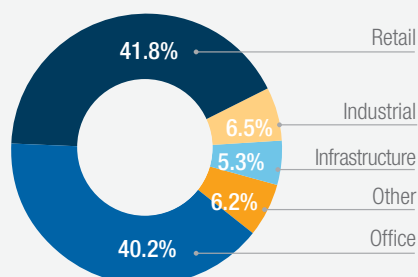
Performance

	1 Year	2 Years	3 Years	Inception (Oct-13)
Fund Performance After fees & costs	9.9%	9.8%	10.8%	11.9%
Benchmark⁴	12.2%	13.5%	16.4%	15.8%
Excess Returns After fees & costs	(2.3%)	(3.7%)	(5.6%)	(3.9%)

Fund Update

- The Fund reached three years since inception over the December quarter, with since-inception performance of 11.9% per annum annualised as at 31 December 2017
- Performance for the quarter ending 31 December 2017 was 4.8%

Sector Weightings⁵



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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 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 \$1.2752 (31 December 2017).

4. The benchmark is set out in the PDS.

5. Figures as at 31 December 2017. 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 December 2017

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 December 2017

as at 31 December 2017		6 months	1 year	2 years	Inception (Mar-15)	
Status	OPEN ¹	Fund Performance After fees & costs	9.6%	6.5%	9.4%	8.6%
Unit Price	\$1.1009 ²	Benchmark S&P/ASX 200 A-REIT Accumulation Index	9.8%	5.7%	9.4%	8.3%
Distribution Yield	4.40% p.a.	Excess Returns After fees & costs	(0.2%)	0.8%	0.0%	0.3%

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 overweight positions in Charter Hall Group, Westfield Group and Macquarie Atlas Roads, as did an underweight position in the underperforming stocks Goodman Group and Dexu Property Group
- An overweight position in the underperforming stock Lendlease Group detracted value, as did exposure to cash
- The Fund delivered a net return of 8.2% over the quarter, outperforming the benchmark by 0.3%

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

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

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

2. Unit price as at 31 December 2017. 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 December 2017. 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 December 2017

CROMWELL PHOENIX PROPERTY SECURITIES FUND

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

Key Statistics

as at 31 December 2017

Status	OPEN
Unit Price	\$1.3289 ¹
Distribution Yield	4.40% p.a.

	1 Year	5 years	7 years	Inception (Apr-08)
Fund Performance After fees & costs	11.8%	16.2%	18.4%	9.8%
Benchmark S&P/ASX 300 A-REIT Accumulation Index	6.4%	13.4%	13.7%	4.1%
Excess Returns After fees & costs	5.4%	2.8%	4.7%	5.7%

Top 10 stock holdings²

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 Charter Hall Group, Macquarie Atlas Roads, APN Property Group and Westfield Group
- Also providing a positive contribution to relative returns was an underweight position in the underperforming stocks Goodman Group and Dexus Property Group
- Overweight positions in Lendlease Group and Sydney Airport detracted value
- The Fund delivered a net return of 8.6% over the quarter, outperforming the benchmark by 0.8%
- The Fund reopened to new investment on 29 September 2017. The Fund will be open for a limited capital raise of \$30 million, based on the investment manager's capacity at time of issue of the new PDS

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

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

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

2. As at 31 December 2017. Positions held by the Fund are subject to change.

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

CLOSED TO INVESTMENT

www.cromwell.com.au/c12

Investment Report to 31 December 2017

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 \$140million¹.

Key Statistics

as at 31 December 2017

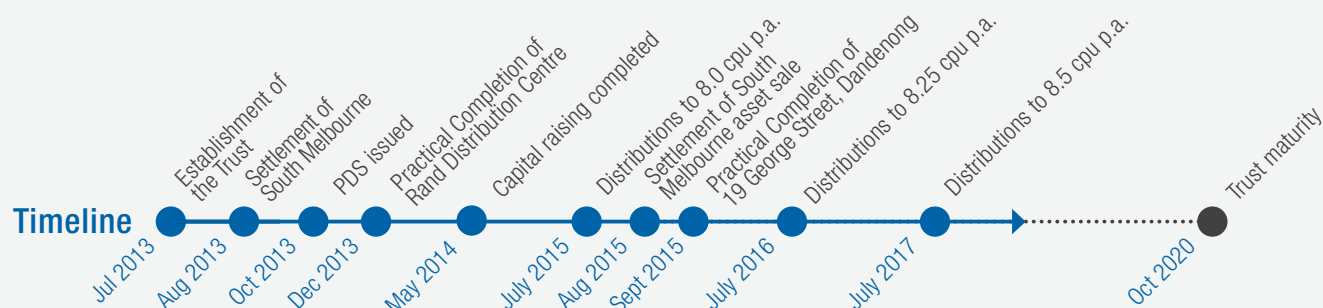
Status	CLOSED
NAV Price	\$1.28
Distribution Yield	6.64% p.a.
WALE	13.8 years ²

Performance

	1 Year	2 Years	3 Years	Inception (Oct-13)
Trust Performance After fees & costs	8.3%	11.5%	18.1%	15.1%
Benchmark PCA/IPD Unlisted Retail Property Fund Core Index	22.0%	20.8%	25.5%	22.4%
Excess Returns After fees & costs	(13.7%)	(9.3%)	(7.4%)	(7.3%)

Trust Update

- The value of the Rand Distribution Centre, located in Direk, South Australia, and the asset at 19 George Street Dandenong remain constant at \$46 million and \$94 million respectively
- The Trust's unit price remains at \$1.28 with the next external valuation of the Rand Distribution Centre expected in March 2018, 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 31.

1. Based on valuations for 19 George Street, Dandenong (\$94 million) as at 31 December 2017 and Rand Distribution Centre (\$46 million) as at 31 March 2017.

2. Calculated by gross income.

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

CLOSED TO INVESTMENT

www.cromwell.com.au/ich

Investment Report to 31 December 2017

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 December 2017

Status	CLOSED
NAV Price	\$1.34
Distribution Yield	6.90% p.a.
WALE	10.1 years ²

Performance

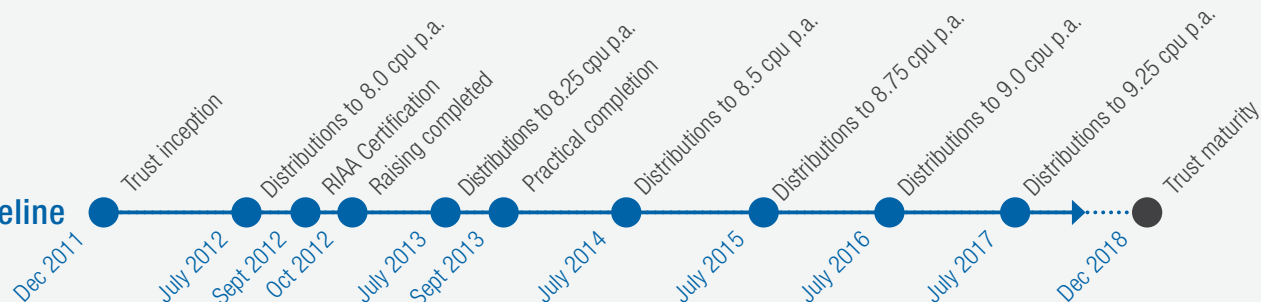
	1 year	3 years	5 years	Inception (Dec-11)
Trust Performance After fees & costs	13.7%	19.0%	14.7%	13.7%
Benchmark PCA/IPD Unlisted Retail Property Fund Core Index	22.0%	25.5%	20.5%	18.7%
Excess Returns After fees & costs	(8.3%)	(6.5%)	(5.8%)	(5.0%)

Trust Update

- An external valuation of the Ipswich asset as at 31 December 2017 has provided a 3.5% increase in the value of the asset to \$118 million, up from \$114 million as at 31 December 2016. The increase in value was underpinned by a 3.75% increase in rental income
- 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 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. Further information will be made available to Unitholders closer to maturity

Timeline



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

1. Based on valuation as at 31 December 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 December 2017

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 December 2017

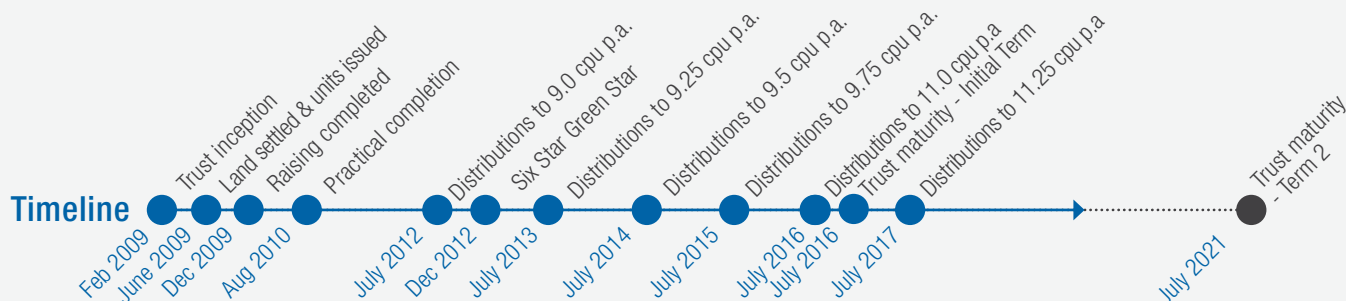
Status	CLOSED
NAV Price	\$1.86
Distribution Yield	6.05% p.a.
WALE	7.3 years ²

Performance

	1 year	3 years	5 years	Inception (Jul-09)
Trust Performance After fees & costs	18.8%	21.1%	21.0%	16.4%
Benchmark PCA/IPD Unlisted Retail Property Fund Core Index	22.0%	25.5%	20.5%	15.3%
Excess Returns After fees & costs	(3.2%)	(4.4%)	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
- Current retail tenant, Sushi Train, have exercised an option to extend their lease, re-signing for a new seven-year term commencing 2 January 2018



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

1. Based on valuation as at 30 June 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 December 2017

CROMWELL PHOENIX OPPORTUNITIES FUND

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

Key Statistics

as at 31 December 2017

Status	CLOSED ¹
Unit Price	\$2.1398 ²
Distribution Yield	N/A

Performance

	1 year	3 years	5 years	Inception (Dec-11)
Fund Performance After fees & costs, inclusive of the value of franking credits	25.1%	20.9%	20.4%	22.3%
Fund Performance After fees & costs, excluding the value of franking credits	23.7%	19.7%	19.1%	20.8%
S&P/ASX Small Ords Accumulation Index	20.0%	14.4%	7.4%	6.8%

Fund Update

- Performance history, now in excess of five years, shows 22.3% 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 Boom Logistics and Engenco
- Detracting from Fund performance over the quarter were holdings in retail sector stocks Specialty Fashion Group, PAS Group and Ariadne
- The Cromwell Phoenix Opportunities Fund lagged the return of the Small Ordinaries Index over the quarter which rallied 13.7%. The returns of the Small Ordinaries were buoyed by the extremely strong performance of the Small Resource sector which gained 25.4% over the quarter
- The Fund delivered a net return of 9.6% over the quarter (net of fees, inclusive of franking credits)
- Due to exceptional performance and continued investor support, the Fund closed to investment on 26 January 2018. Distribution reinvestment and redemptions from the fund are still available

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

2. Unit price as at 31 December 2017. 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 December 2017

Security Price	\$1.01 ¹
Annual Distribution	8.34 cpu ²
Distribution Yield	8.26% p.a. ²
Market Capitalisation	\$2.0 billion

Performance as at 31 December 2017

	1 Year	5 Years	10 Years	15 Years ³
CMW Performance				
After fees & costs	11.7%	12.3%	9.2%	29.7%
Benchmark				
S&P/ASX 300 A-REIT Accumulation Index	6.4%	13.4%	1.8%	5.9%
Excess Returns				
	5.3%	(1.1%)	7.4%	23.8%

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

21 December 2017	December 2017 quarter distribution - CMWNB
21 December 2017	Dividend/Distribution - CMW
15 December 2017	Cleansing Notice
15 December 2017	Appendix 3B
11 December 2017	Cromwell announces \$170 million strategic placement
1 December 2017	Singapore REIT IPO drives transformation
29 November 2017	Final Director's Interest Notice
29 November 2017	Retirement of Director - Richard Foster
29 November 2017	Results of Meeting
29 November 2017	AGM Presentation
29 November 2017	Chairman and CEO AGM Addresses
23 November 2017	Cromwell registers CEREIT prospectus in Singapore
17 November 2017	Appendix 3B
15 November 2017	Distribution for the Qtr Ended 30 Sept 2017 (Tax Components)
2 November 2017	Cromwell improves hedging profile
27 October 2017	Update - Dividend/Distribution - CMW
24 October 2017	Notice of Annual General Meeting/Proxy Form
17 October 2017	Change of Director's Interest Notice
4 October 2017	IOF: Investa Property Group acquires securities in IOF
4 October 2017	Cromwell sells IOF stake

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

- Based on security price as at close of trading 29 December 2017. 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.
- 15 year CMW return includes period prior to stapling in December 2006.

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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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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

