



insight

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insight

Insight Magazine

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Cromwell Property Group (ASX:CMW) (Cromwell) 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 30 June 2018, Cromwell had a market capitalisation of \$2.2 billion, a direct property investment portfolio in Australia valued at \$2.5 billion and total assets under management of \$11.5 billion across Australia, New Zealand and Europe.

Insight Magazine is published by Cromwell for our securityholders, investors, financial planners and other stakeholders. It is distributed quarterly and features our view of industry trends, news and educational matters. We also share our achievements in property markets and report on the progress of our investment funds.

This report has been prepared by Cromwell Funds Management Limited ABN 63 114 782 777, AFSL 333214 (CFM) and Cromwell Property Securities Limited ABN 11 079 147 809, AFSL 238052 (CPSL), both of which are wholly owned subsidiaries of Cromwell Corporation Limited ABN 44 001 056 980.

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Paul
Weightman
MANAGING DIRECTOR
/CEO

CEO update

Dear Investor,

This year, Cromwell celebrated its 20th anniversary. It has been a remarkable journey from a small Brisbane start-up to a real estate investor and manager operating on three continents with a global investor base.

We now have more than 380 people, in 30 offices across 15 countries and many of our people have been with us for a substantial part of the journey. In fact, I'm delighted to say that our first employee, Kirsten Stiles is still with us, albeit, and as she would point out, not in the same role!

The international elements of our business continue to grow in importance, but Cromwell maintains a strong balance sheet with secure cashflows generated by a long-dated portfolio of directly owned Australian commercial real estate assets.

These assets comprise 75% of operating profit and provide us with a solid cornerstone upon which to grow our funds management business and global platform.

As usual we have had a busy end to 2018. On 30 October, the Cromwell European REIT (CEREIT) announced a proposed acquisition of 23 assets in the Netherlands, Italy, France, Finland and Poland for a total purchase consideration of €384.4 million.

Cromwell will subscribe in full for its pro-rata entitlement under the proposed rights issue announced by CEREIT, in order to maintain its 35.31% interest.

Upon completion of the acquisition at the end of the year, CEREIT's unitholders will own 98 properties, worth €1.8 billion. This is a remarkable achievement for a business that did not exist 12 months ago.

In the 24th edition of Insight we discuss Cromwell's 2018 Sustainability Report, five paths to investment diversification and strategies to unlock property value. Stuart Cartledge shares his lessons from the GFC and 'In conversation' features Joanna Tano, our Senior Research Manager.

On behalf of everyone at Cromwell, I would like to take this opportunity to wish all Insight readers and their families a Merry Christmas and a Happy New Year.

Your sincerely,

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

Paul Weightman

In brief



Cromwell signs one of its smallest and shortest ever leasing deals

In late September, Cromwell's European team signed one of the shortest and smallest leasing deals in the company's history.

A team of scientists leased 12 sqm of space for seven days to conduct research into the impact of stress on golf fans at the 2018 Ryder Cup.

The Ryder Cup, held between 25 and 30 September, is a biennial golf event played between Europe and the United States.

This year, Rory McIlroy, Ian Poulter and Thomas Bjorn were a few of the notable names representing Europe, with the likes of Tiger Woods, Phil Mickelson and Jordan Spieth playing for the United States.

With the European golfers successfully retaining the Cup 17½ to 10½ at Le Golf National, we are confident we know which team's fans would have been feeling the stress of the event!



Cromwell again attends EXPO Real

Cromwell was again represented at this year's EXPO Real, with members of the European team attending the International Trade Fair for Property and Investment held between 8 and 10 October.

In total, 44,536 participants from 72 countries converged on Munich to discuss the key themes of risk, affordable housing, as well as the digital revolution.

On the first day of EXPO, Cromwell's European Sustainability Manager, Kaj Bakker, sat on the PropertyEU sustainability panel to discuss, 'Carbon neutrality and the future of responsible investment', sharing Cromwell's strategy and approach to sustainability.

Cromwell's Bavarian dinner took place on the second day, with 100 investors and guests attending the Ratskeller Restaurant in the centre of Munich.

Once again, EXPO Real was a success for Cromwell, and we look forward to attending Europe's largest real estate and investment trade fair in 2019.



Cromwell extends over 20,000 sqm at HQ North

Cromwell has signed a lease extension with engineering firm AECOM for a further seven years at HQ North in Brisbane's Fortitude Valley.

AECOM's current lease of 10,882 sqm will now extend to 2025 across four levels of HQ North. This closely follows the five-year, 9,600 sqm extension with ASX-listed TechnologyOne (as reported in the previous edition of Insight).

Cromwell's Head of Property, Bobby Binning, said the recent extensions indicated the strength of the HQ North offering in the Brisbane fringe market.

"The fringe market is highly competitive for large, high-quality tenants. Retaining two major tenants at the premises is a significant achievement for the Cromwell team, HQ North and Fortitude Valley," Mr Binning said.

"The deals put us in a favourable position, given over 70% of the office portion of the building is leased until 2025 and beyond – a rarity in the current environment."

"We are very pleased to have both AECOM and TechnologyOne as HQ North tenants for years to come," Mr Binning concluded.



Two new leases secured at Central Plaza

Cromwell has secured two new leases at its in-demand Victoria Avenue asset, as the Chatswood CBD continues to thrive. The leases comprised over 1,100 sqm across both new tenants, Sydney North Primary Health Network and Shiji Group.

Sydney North Primary Health Network has leased Level 5 of Tower 2 for six years to 2024, and Shiji Group has leased Level 10 of Tower 1 for five years to 2023.

Bobby Binning, Cromwell's Head of Property, said the recent deals indicated quality, well-managed office space in Chatswood was a hot commodity.

"Chatswood is humming with activity as businesses explore office space beyond the Sydney CBD. As market dynamics shift, a major drawcard to the precinct has been the amenity offering and transport options, with the Chatswood to Sydenham Metro Rail planned for 2024," Mr Binning said.

"The position and quality of our Victoria Avenue asset has resulted in continuously high occupancy rates. We are pleased to welcome our two new tenants onsite."



Morningstar Individual Investor Conference

Cromwell was pleased to once again be lead sponsor of the 2018 Morningstar Individual Investor Conference, held on 25 October at the Wesley Convention Centre in Sydney.

The conference heard from senior industry figures from funds management and corporate Australia to address the issues currently impacting investor portfolios. Topics included equity market valuations, tightening interest rates, geopolitical tensions, the state of the economy, where investment opportunities lie and recent changes to SMSF rules.

Members of Cromwell's Investor Services Team, including Lesley Bell, Pat Brock and Scott Bradley attended, manning the Cromwell booth and answering questions from the 700 conference attendees.



Australia's property market: Where to from here?

Cromwell hosted investor events in both Sydney and Brisbane in October. The theme was 'Australia's property market: Where to from here?'.

The current economic state of play was explained by BIS Oxford Economics' Chief Economist, Dr Frank Gelber, and Cromwell's Head of Retail Funds Management, Hamish Wehl, discussed why it pays to be patient.

Managing Director of Phoenix Portfolios, Stuart Cartledge, presented six firsthand lessons from the Global Financial Crisis, which have been summarised in this edition of Insight, and can be found on pages 6-9.

A panel discussion concluded both sessions, with attendees given the opportunity to ask questions regarding the topics covered throughout the presentations.

Thank you to everyone who attended in Sydney and Brisbane for making both events a success, and keep an eye out for future events next year.

Ten years on: Lessons from the Global Financial Crisis

Stuart Cartledge, Managing Director, Phoenix Portfolios
INVESTMENT MANAGER FOR THE CROMWELL PHOENIX PROPERTY SECURITIES FUND



A decade on from the collapse of Lehman Brothers and the beginning of the Global Financial Crisis (GFC), a retrospective look

at the events that unfolded in 2008 gleans an abundance of learnings. Managing Director of Phoenix Portfolios, Stuart Cartledge, outlines six key lessons from the GFC.

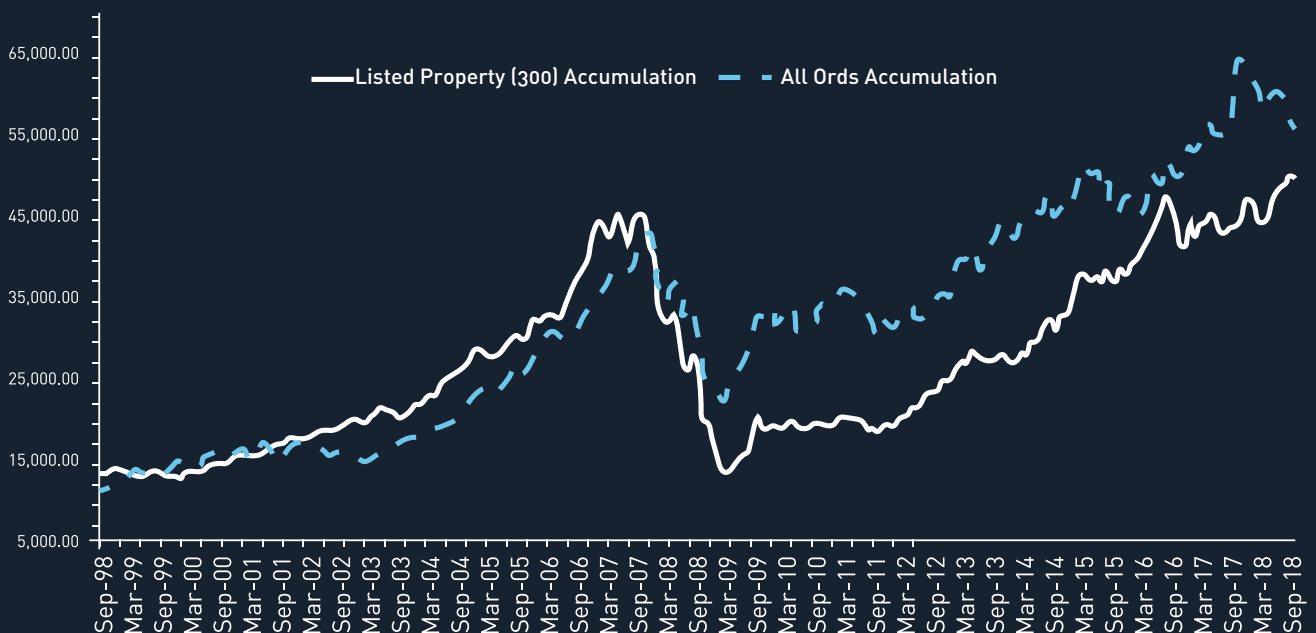
Lesson one:

Having completed a mechanical engineering degree, I chose the natural career path in finance and started with JP Morgan in August 1987. To help raise the deposit for my first flat in London, I sold all of the small parcels of shares that I had acquired throughout the Thatcher era privatisations.

I sold those shares to my father. Two months later, in October 1987, we had Black Monday and the stock market crash.

While it was personally fortuitous to exit my economic exposure to equities, it was a decision my father continues to remind me of to this day. My subsequent highly leveraged exposure to the property market didn't play out as well as I had hoped.

As such, **lesson one is that markets are extremely difficult to time.**





Lesson two:

I founded Phoenix Portfolios in 2006, just in time to fully establish ourselves for the GFC. To say those first few years were volatile would be an understatement!

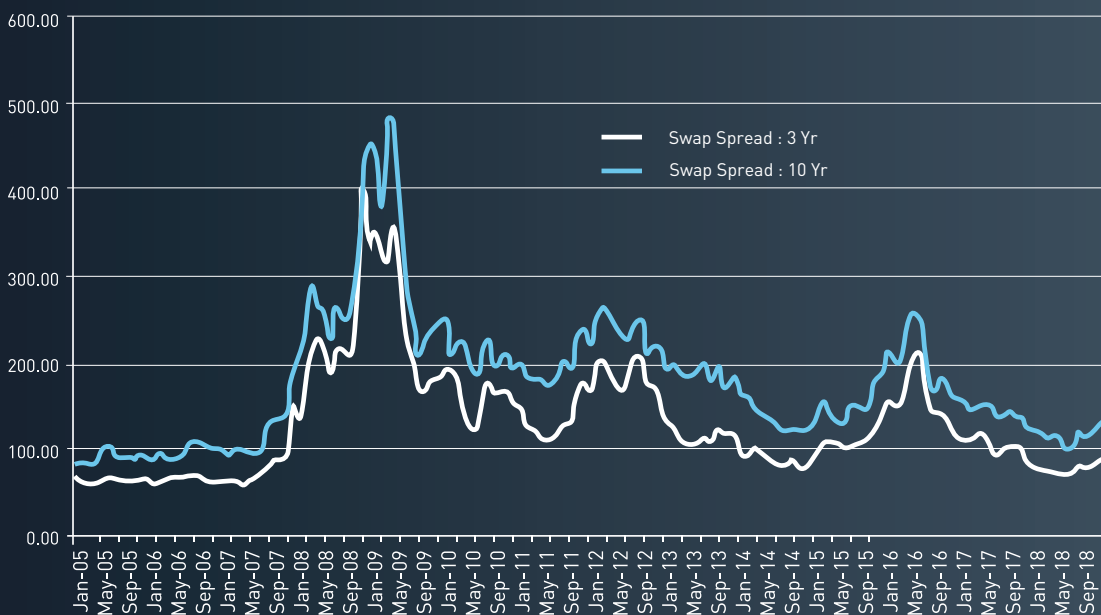
Our first institutional client funded us in December 2006 with a \$34 million mandate to invest in Australian property securities. Over the subsequent 22 months, we received a further \$2 million of inflows, and along with market appreciation, the portfolio's value reached \$42.6 million by October 2007. Life was good.

Between October 2007 and March 2009, we received a further \$1.8 million of inflows. However, by March 2009, the listed property sector had fallen 75%.

The value of the mandate dipped under \$10 million. We didn't just go down with the market, we managed to do a little bit worse.

The story does have a better next chapter. Timing the upturn is often just as difficult as timing the downturn. The client still remains a client. Net inflows into that portfolio since March 2009 to date are close to zero, but the portfolio value has moved from just under \$10 million to just over \$70 million today.

Markets are volatile, and timing is difficult, so **lesson two is don't forget lesson one.**



Source: RBA; Last data point 31 August 2018

Lesson three:

The GFC was all about debt. The graph on the following page shows the increase in spread costs for three and ten-year money for an A-Rated corporate borrower, assuming of course that you could even secure a refinance.

The GFC was really a debt crisis, and property securities suffered on many fronts:

- Too much debt going into it;
- Too much concentration in debt providers;
- Too much concentration in debt maturity; and
- Falling asset values, which made gearing get worse.

There is nothing wrong with using debt as part of a capital structure. However, it is important to understand debt and manage the risks associated with the debt.

Today, property securities provide much more disclosure with respect to the mix of different types of debt and tenure they have, so we can see how they are managing the risk. The average level of gearing (debt to assets) is also around 30%, materially lower than a decade ago.

Therefore, **lesson three is debt has covenants, debt matures, and as such, debt levels and diversification matter.**

Lesson four:

While we all like to think of ourselves as 'investors', what makes up a large part of our time is really 'risk management'. Debt is one aspect of this, but there are many other factors to consider when making investment decisions.

Investing is about really understanding the nature of the business of the stocks in which we invest, in order to understand the risks they will encounter and to estimate the sensitivities around the assumptions we make in determining a valuation.

Sometimes, we will get assumptions wrong – so we need to have some idea how bad things might get under various scenarios. Can our stocks ride out a storm, or might they be forced to liquidate at the worst possible time? Importantly, it's about risk management, not risk avoidance.

If you avoid risk, you will get the risk-free return (minus fees). However, if you successfully understand and are therefore able to manage risk, you will deliver a risk adjusted return, which over the long term should be higher.

Lesson four is, simply, understand your risk.

Lesson five:

Understanding and managing risk applies whether you are investing in stocks directly, or investing in a Managed Investment Scheme (MIS). So, from your perspective, when you buy units in any MIS, you need to understand how that fund is going to be managed, and what to expect under various scenarios.

We spend a lot of time trying to make sure our investors understand how we manage their money, because we believe that knowledge will empower them to either partner with us over the long term, or to take their money to a manager whose style is a better fit with their own.

Our investment style may not suit everyone. It is obviously better to know upfront and make an informed decision than to make knee-jerk reactions to unpleasant or surprising outcomes.

Our first wholesale client that I discussed earlier has a very clear understanding of how we invest, and what type of outcomes are likely under various scenarios. That knowledge would no doubt have contributed to their confidence to ride out the GFC, and ultimately deliver a much better long-term outcome for their clients.

Lesson five is to understand the investment process.



Lesson six:

There is nothing like a major market disruption to help identify weaknesses in investments or business models. As Warren Buffet says, "only when the tide goes out do you discover who has been swimming naked."

Are the people who are making decisions with our capital motivated appropriately? Are their interests aligned with ours? Do they have skin in the game? Will they put shareholders first?

At the bottom of the GFC, Australia's oldest REIT, GPT, under pressure from the banks, raised equity to repay debt. They conducted a one-for-one issue in October 2008, which doubled the shares on issue. This was followed by another one-for-one issue in May 2009, which doubled the shares on issue again.

The incoming CEO took a very conservative stance to keep his bankers happy, but at the expense of any shareholder who may have been unable to participate.

If there is one single lesson I would take from the GFC, it is this one: the governance structure and alignment of interest is really important, particularly over longer timeframes.

Lesson six is the most important lesson: Governance really matters!

Conclusion

The GFC taught us a number of lessons we continue to apply today. It's not easy to forecast markets. It's also important to understand risk, the investment process and, most importantly, the governance structure of the business you are investing in. These are all things you can research, and can make a big difference in the long run.

Cromwell's 2018 sustainability performance

The 2018 Sustainability Report, detailing Cromwell's sustainability framework, targets and performance has now been released.

A decade of reporting

Cromwell's Sustainability Report is in its tenth edition, with the first report being produced in 2009, well before sustainability was mainstream. One of the key statements from that year's CEO Letter was that:

'The principles of sustainability are an integral part of Cromwell's business. Our existing and potential tenants want it addressed when considering space requirements; our securityholders and investors want to know our business is ethical and economically responsible; and our employees want to work for a business with a conscience.'

There has been a lot of water under the bridge in the prevailing ten years but the sentiment, and Cromwell's commitment to it, rings as true now as it did then.

Commitment to carbon neutral operations by 2022

Cromwell is committed to minimising the environmental impact of the properties it owns and manages, its funds under management and business operations. As such, Cromwell has committed to carbon neutral operations by 2022.

Progress

Cromwell recently engaged Pangolin Associates to undertake a Greenhouse Gas (GHG) Assessment on its Australian-based operations, measuring operational emissions from office electricity, waste, paper, catering, all the way through to conducting an employee commute survey. Based on this assessment, Cromwell has offset the emissions for all Australian operations together with global air travel, a significant 2,348.2 tCO₂-e. This is the equivalent of removing 572 cars from the road per year.

Many carbon offset projects deliver a range of positive outcomes in addition to emissions reductions. By purchasing offset units, we can support social, environmental and economic outcomes.

Environmental benefits include supporting the maintenance of habitat for native animal and plant species, avoiding clearing of vegetation and re-establishing vegetation on previously cleared areas.

Social benefits include employment for local people through managing the project, reduced social welfare, as well as providing health and educational improvements.

Economic benefits arise from the income generated from the sale of offset credits. This income is delivered to the communities in which the project is located.

Next Steps

During FY19 Cromwell plans to undertake a GHG Assessment for its global business operations, offsetting the footprint through the Qantas Future Planet initiative and seeking certification under the Australian Government National Carbon Offsetting Standard (NCOS).



SUSTAINABILITY

EVERYTHING IS CONNECTED



Qantas Future Planet Partnership

Cromwell is in its second year as a Qantas Future Planet Partner and supports four carbon offset projects.

Revive the Reef Colodan

Located between Gladstone and Bundaberg in Queensland, the Colodan Native Forest Project will regenerate nearly 3,000 hectares of natural woodland, including the endangered Brigalow Forest, and will protect around 500 hectares of established native forest. Sustainable management of the property is improving soil health and water retention, helping to reduce erosion and run-off within the Burnett catchment.

Conserving Tasmania's Wilderness

Tasmania is home to one of the world's last great tracts of temperate rainforest. This carbon offset project protects over 7,000 hectares of native forest that would otherwise continue to undergo selective logging or clearing for pasture.

Cleaner Cambodia

The New Lao Stove Project in Cambodia has introduced a more efficient cook stove that reduces pollution by 22%. It has also led to the development of a commercialised supply chain which has created employment for more than 300 people.

Winds of Change

Located in various sites across Tamil Nadu, India, these wind farms avoid greenhouse gas emissions by introducing clean power to the Tamil Nadu Electricity Board, which would otherwise be generated by a fossil fuel-fired power plant.

For more information on these projects, please visit:
www.qantasfutureplanet.com.au/#projects



Revive the Reef Colodan



Conserving Tasmania's Wilderness



Cleaner Cambodia



Winds of Change

Cromwell Ipswich City Heart Trust unitholders vote to extend Trust

On 26 September 2018, a meeting of unitholders in the Cromwell Ipswich City Heart Trust (the Trust) was held to decide on the future of the Trust. Unitholders were asked to vote to either extend the Trust's term for a further four and a half years, or to sell the asset and wind up the Trust at its original maturity date, 28 December 2018.

In a similar outcome to the successful vote to extend the Cromwell Riverpark Trust in 2016, unitholders were supportive of the proposed extension, voting overwhelmingly in favour. Unitholders also voted in favour of the provision of a Matching Facility, to allow those unitholders who wished to exit to sell some or all of their units to unitholders wanting to purchase more.

High participation rate and overwhelming support to extend

Cromwell's Investor Services Team worked tirelessly over the five-week voting period to ensure unitholders were aware of the vote, the potential outcomes, and also knew there was an option to sell their units via the Matching Facility.

With over 800 unitholders (and 52.5 million units) in the Trust, the vote saw a participation rate of 83.82%. Of this, 98.42% voted in favour of the Further Term Resolution (Resolution 1), with 99.22% voting in favour of the Constitutional Amendment Resolution (Resolution 2).

As a result, the successful 'For' vote on Resolution 1 extends the Trust Term by four and a half years, until 28 June 2023, and the successful 'For' vote on Resolution 2 set in motion the Matching Facility.

Unitholders hoping for more units

Like the Cromwell Riverpark Trust before it, the second of Cromwell's 'back to basics' trusts is lauded for its predictable monthly income, single-asset investment, conservative leasing fundamentals and excellent capital growth. In the current low-interest rate environment, support to retain the Trust was not surprising, and many unitholders commented on the reliable monthly income as one of the irreplaceable features they didn't want to give up.

Further, the interest from unitholders in the Matching Facility was overwhelmingly popular, with applications to purchase additional units in the Trust far exceeding those units offered for sale, resulting in all buyers having their purchase scaled back to 20.51% of units applied for.

As an existing unitholder in the Trust, the Cromwell Direct Property Fund applied to purchase further units and was also scaled back at the same rate.



Matching Facility finalised

On 1 November 2018, the Matching Facility was finalised, with the transfer of units complete and sellers receiving their proceeds for units sold. Unitholders who sold their units at the Matching Price of \$1.4041 achieved an annualised return of 14.0% since inception.

Current Trust features

The Trust's asset, the Ipswich City Heart Building, is currently valued at \$123 million and the unit price now stands at approximately \$1.43. As a further boost to unitholders, the Trust's annual distribution rate is scheduled to increase to 11 cents per unit (cpu) per annum from 1 January 2019, up 1.5 cpu on the current rate of 9.5 cpu.

The Trust is now due to mature on 28 June 2023.

Cromwell Funds Management would like to thank all Cromwell Ipswich City Heart Trust unitholders for their support throughout the voting process.

Access to the Trust is only available through the Cromwell Direct Property Fund, which, following the vote, holds approximately 13% of units on issue in the Cromwell Ipswich City Heart Trust.



In conversation with... Joanna Tano

Senior Strategy and Research Manager, London



As Cromwell's Senior Strategy and Research Manager based in London, Joanna Tano tracks and analyses real estate

markets, researches themes such as urbanisation, technology and e-commerce and how they impact markets. We sat down with Joanna to find out about her career, role and the focus for the year ahead.

Tell us about your role.

I'm responsible for the Research function at Cromwell – a varied role that includes providing real estate market and economic commentary, as well as opinion in support of funds and mandates that Cromwell manages. I support investment decisions, investigating the risks and returns of new markets and sectors. Research also includes an element of strategy through product development initiatives.

What do you do on a day-to-day basis?

Each day is different, but that's the beauty of working in a global business! Some days it is 100% numbers and Excel analysis, while others can be researching a new market or understanding a particular issue, for example Brexit.

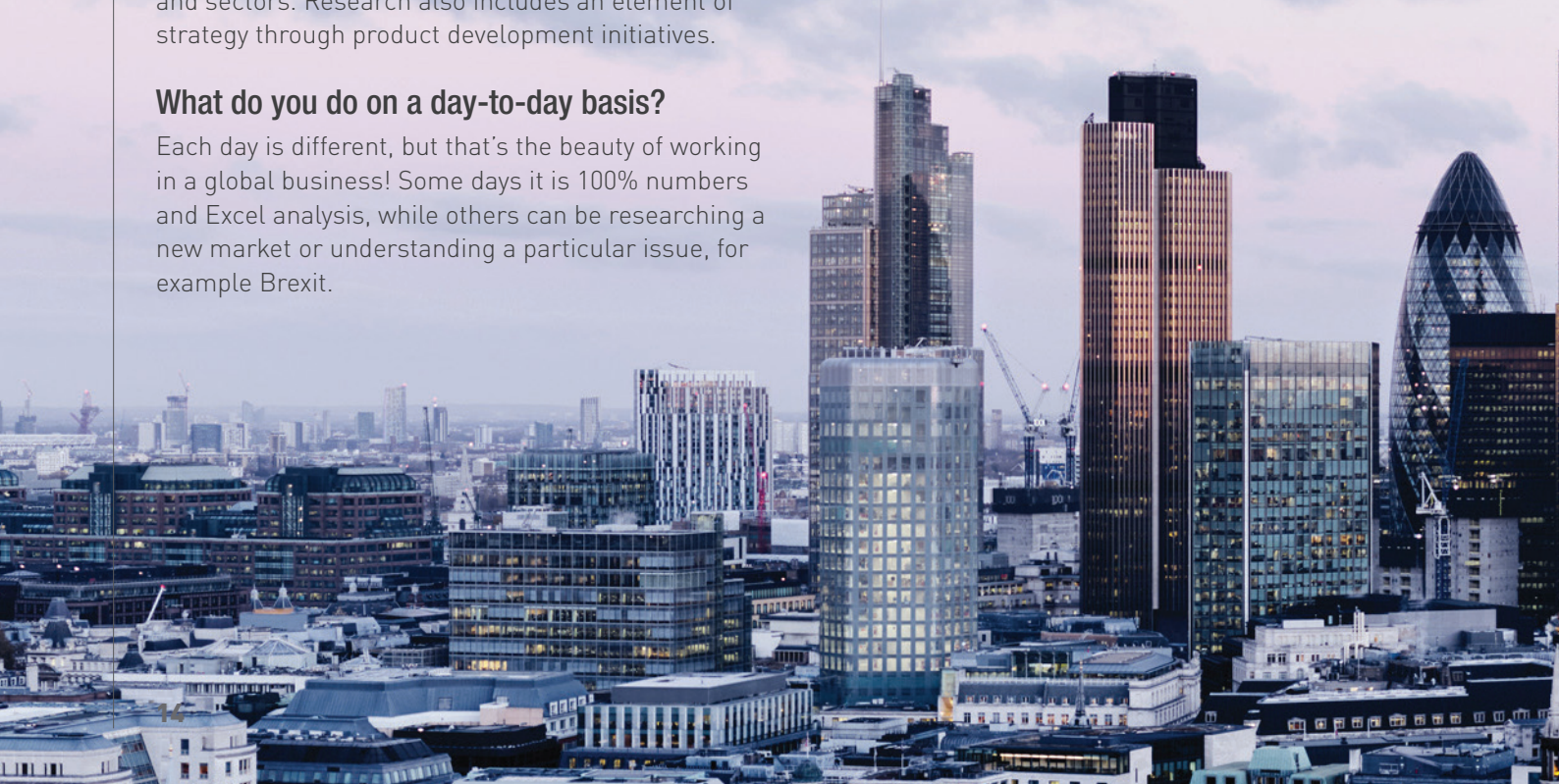
I also answer specific questions such as 'What do you think of Finland?', to 'What are Italian government bonds going to do and what does that mean for real estate?' Some questions are easier to answer than others.

How do you stay on top of what's happening across Europe?

I speak to as many people as I can, as often as I can, ranging from internal colleagues, industry experts, as well as those who are outside real estate. All opinions and perspectives are useful in trying to understand not only current trends in the world and their impact on real estate, but what comes next. It is like a jigsaw puzzle where all the pieces are important and they all keep moving! I am also a member of a few real estate industry groups and attend seminars and conferences regularly.

What trends do you think will have the greatest impact on real estate in the next ten years?

Technology, and with increasing speed, will change the way we work, live and play. It influences our experiences and behaviours from the moment we get up to the moment we go to sleep. It is already happening and there will be no sector of real estate that will remain untouched.



What markets do you currently like and why?

This is an interesting question - it really is about your perception of risk and return and where you place yourself on the risk curve. Cities are increasingly the focus though, above and beyond countries and regions in a way that they never were before - this will only continue to intensify over the next few years.

We find ourselves in a period of uncertainty and investors are often looking to minimise risk and seek an element of stability. Europe's more established cities such as Paris, Munich, Amsterdam and Madrid are likely to continue to fare well. I would add London too, which is showing some resilience so far in the lead up to Brexit.

The value-hunters will need to look to the peripheral submarkets of the traditional gateway cities, as well as secondary cities, but with a focus on the more liquid, transparent and mature markets, such as Germany.

Technological changes and advances, tightening labour markets and the intensifying desire for a work-life balance means new opportunities are also opening up in ways we wouldn't have thought possible a few years ago.

What are your research priorities over the next 12 months?

There are probably five key areas of focus:

1. Developing our research capability and infrastructure;
2. Increasing communication of our research and investment beliefs to investors;
3. Helping develop our product strategies;
4. Supporting our investor roadshows; and
5. Contributing to investor and regulatory reporting.

What's your career background? How did you get into research? Why?

I have a joint Honours degree in Psychology & Sociology from City University of London. The love of finding stories in data has always fascinated me, and how factors in our external environment continuously change, impacting and influencing decisions that we make and advice that we give.

I enjoy the challenge of analysing and interrogating information, be that the realm of numbers, or more global themes, and developing theories from that. Every day is a learning day.

I started my career working for a chocolate manufacturer in Marylebone. From there, I moved to a social landlord covering the borough of Kensington and Chelsea, where I was responsible for service standards improvements throughout the borough. My next move kept me in real estate, but commercial this time. I joined Cushman and Wakefield in 2000 and was responsible for the Research team across Europe before joining Cromwell in March 2018.

What would you say to someone starting out in this field?

Each day is different, and you need to embrace a constantly changing environment. A thirst for knowledge, a broad mind and an ability to think laterally helps. Also never stop asking questions!

How do you spend your time outside of work?

Growing up, I lived in seven different countries spanning three continents, which embedded a love of travel at a young age. I also enjoy wine (and that's not just the drinking, but helping at harvest time too). I am currently studying for the 'Level 3 Award in Wines' qualification at the Wine & Spirit Education Trust. If I can combine travel and wine, then that's the perfect balance for me.





Australia
Cromwell Foundation
Fundraising Dinner



Australia
Cromwell Foundation
Fundraising Dinner



The Netherlands
Homeride Charity Bike Ride



The Netherlands
Homeride Charity Bike Ride



JLL
9th Charity Real Estate

Poland
Charity Real Estate Beach
Volleyball Tournament



France
O.S.E Charity clean up



Germany
Teaming up with BOLLE



Germany
Teaming up with BOLLE

Global community activity



SUSTAINABILITY
EVERYTHING IS CONNECTED

In FY18, Cromwell set a baseline target for its Community Pillar of \$350,000 in the form of direct or indirect benefit-in-kind value via funds raised or donated, corporate sponsorships, events, donations or volunteering hours. The actual value contributed was a little over \$370,455, 6% ahead of the target. Some of the community activity that contributed is listed below.

Global

A number of global initiatives contributed significantly to community activity throughout FY18. Through Cromwell's Christmas giving programme, \$30,000 was donated to 12 different charities across Australia, Denmark, France, Germany, Netherlands, Poland, Sweden and the United Kingdom.

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

Additionally, Cromwell staff donated more than 500 hours of their time to volunteer to local charities and initiatives throughout the year.

Germany

For the fourth consecutive year, our German team organised an annual event with BOLLE Kids. This year the team invited 30 children to Beach Berlin to play volleyball, complete the MountMitte high ropes course, and participate in other fun activities.

Each day, BOLLE Kids look after up to 150 children and adolescents through coordinated offerings to combat child and educational poverty, and ensure children don't end up on the street. With around 25 permanent employees, BOLLE Kids' work is financed by almost 100% donations. The team raised €2,700 in total, with all participants benefitting from such a rewarding experience with this worthwhile initiative.

France

In November 2017, the French team partnered with Organe de Sauvetage Ecologique (O.S.E.), a charity focused on environmental protection through clean-up operations on riverbanks, waterways and forests. Throughout the morning, the team cleaned up 1,000 kilograms of waste and raised €1,800.

Poland

The Polish team again participated in JLL's Charity Real Estate Beach Volleyball Tournament. The event supported Fundacja Spełnionych Marzeń (The Foundation of Fulfilled Dreams), which provides support for children with cancer. On the day, more than 1,500 people attended to watch 48 teams compete, with a total of €86,913 raised.

Netherlands

After the success of the 2017 event, the Netherlands team again participated in HomeRide, the charity bike ride in support of Ronald McDonald Huis VUmc. In total, ten members of the Benelux team competed in the 500-kilometre relay ride, raising €22,240 in the lead up to their journey.

Australia

In August 2017, the Cromwell Property Group Foundation held its inaugural fundraising dinner which generated \$57,000 in donations. The event was held six metres below ground in Brisbane's Spring Hill Reservoir, where attendees were treated to a performance by the Underground Opera Company.

Cromwell to take up rights and grow AUM



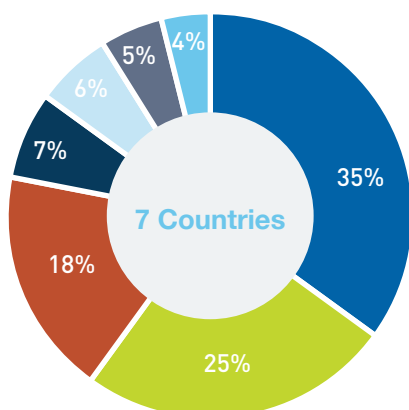
Cromwell has undertaken to subscribe in full for its pro-rata entitlement under the proposed rights issue announced by Cromwell European REIT (CEREIT) to the Singapore Exchange Securities Trading Limited (SGX-ST) on 30 October 2018.

Acquisition

CEREIT announced a rights issue to partially fund the acquisition of 23 assets in five European countries for a total of €384.4 million.

The proposed acquisition consists of 16 office assets in the Netherlands, Finland and Poland for a total purchase consideration of €312.5 million (Proposed Acquisition), along with the acquisition of seven office, logistics and retail assets in Italy and France for a total of €71.9 million.

Portfolio post-proposed properties
Valuation Breakdown by Country ⁽¹⁾⁽²⁾



■ Netherlands
■ Italy
■ France
■ Finland
■ Germany
■ Denmark
■ Poland

Post-acquisition portfolio statistics

€1.8 BILLION
VALUATION ⁽¹⁾

4.9
YEARS WALE ⁽²⁾

98
PROPERTIES

1.4 MILLION
SQM OF LFA

88.7%
OCCUPANCY ^(3,4)

7
COUNTRIES



Financing

The new assets will be partially financed through the rights issue, under which CERET is seeking to raise up to €224.1 million, with the remainder of the purchase consideration financed by debt.

The Proposed Acquisition and rights issue were approved at an Extraordinary General Meeting of CERET unitholders, held on 15 November 2018.

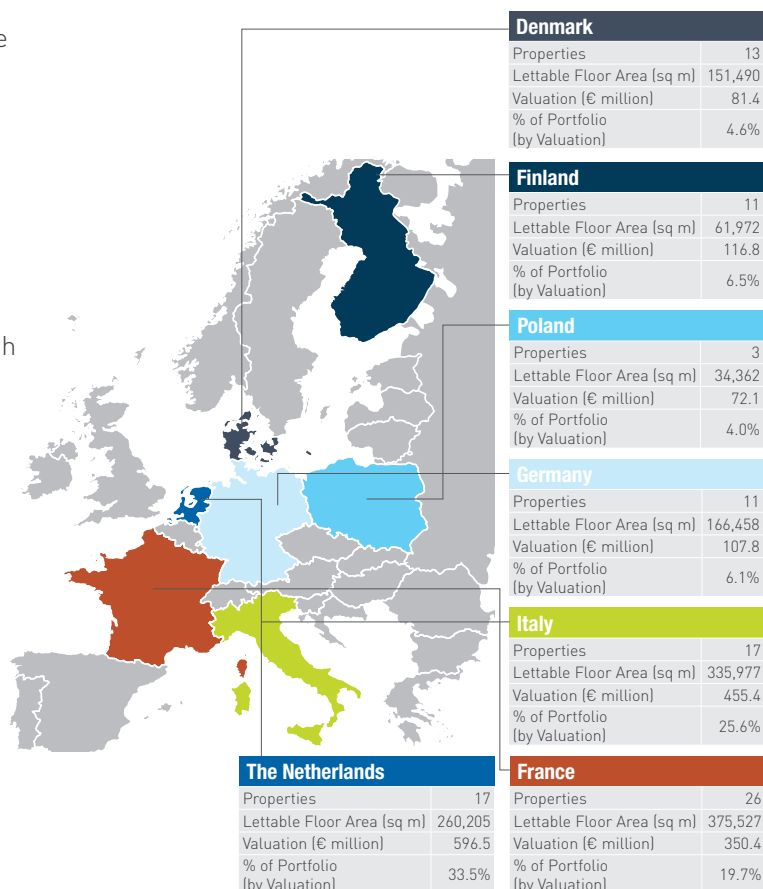
Through its wholly owned subsidiaries, Cromwell currently holds interests equivalent to 35.31% in CERET, and has undertaken to subscribe in full for its pro-rata entitlement, funding the take-up through cash reserves and other existing sources.

Increased resilience from enlarged size and diversification

Cromwell CEO Paul Weightman commented, "Cromwell is fully supportive of CERET, and the Manager, and is delighted to take up this entitlement. The additional investment is fully consistent with our stated 'Invest to Manage' strategy of growing our funds management business."

"The transaction increases CERET's total portfolio value from approximately €1.4 billion to €1.8 billion, enhancing the size, scale and diversification of the portfolio," he noted.

A portfolio of 98 properties across 7 countries



Notes:

- (1) Valuation as at 31 March 2018 for Existing Portfolio except Ivrea; 1 April 2018 for Ivrea; 27 September 2018 for New Properties; 30 September 2018 for Italian Properties; and 19 October 2018 for French Properties
- (2) WALE as at 30 June 2018 for Existing Portfolio; 31 August 2018 for New Properties, French Properties, and Italian Properties
- (3) Occupancy rate as at 30 June 2018 for Existing Portfolio; 31 August 2018 for New Properties excluding Willemsplein 2; and 1 September 2018 for Willemsplein 2
- (4) Assumes Milano Piazza Affari is 100% leased in view of the rental guarantee

Five paths to investment diversification

Doug Morris
CEO, SHARESIGHT

Diversification is one of the most critical considerations when building an investment portfolio. Ensuring that you are adequately diversified helps you ride out the ups and downs of financial markets by spreading your money across different investments.

This lowers the volatility of your overall portfolio and manages your risk, meaning you are less exposed to a single event. If one asset type, sector, industry or company you've invested in isn't performing well, you won't lose all your money.

While the importance of diversification is common knowledge, the 2017 ASX investor study tells us that only '46% of Australian investors claim to hold a diversified portfolio, holding on average 2.7 asset classes each (shares, property and/or cash typically).' This raises the obvious question as to how diversified the remaining 54% of investors actually are.

Correlation

Underlying diversification is the statistical concept of correlation. Correlation is a measure of how two variables, investments in this case, move in relation to one another and when. When they move in the same direction at the same time, they are considered to be highly correlated (coefficient of +1). When one moves up as another goes down, they are considered to be negatively correlated (coefficient of -1). A value of 0 indicates that there is no association between the two variables.

Five diversification considerations

Here are five common considerations in order to achieve adequate investment diversification.

1. Diversification across asset classes

There is a high degree of correlation within asset classes. This correlation can increase returns when times are good, but it also increases the risk that your investment portfolio could suffer a dramatic fall in value in the bad times.

It's critical, therefore, to consider your asset allocation strategy, as this has a significant impact on both returns and volatility. It is also important to remember that correlation can change over time due to moving asset class cycles or macro-economic factors. As with all investment strategies, you will get the best results when you are continually monitoring asset allocations and looking out for changes in correlations.

2. Diversification within an asset class

You might want a particular exposure to equities or property, but betting on a single company or investment manager increases the risk of losing a significant amount of the value of your portfolio if that single investment were to drop in value.

Alternatively, diversifying across a range of investments or managers within that asset class can minimise the risk of a loss due to manager or company specific factors. This can be achieved via index tracking Exchange Traded Funds (ETFs), for example, or holding multiple companies or using a variety of investment managers.

3. Diversification across industries

The ASX200 is dominated by finance and mining companies. It is likely that within your diversified portfolio you will have investments within these industries. If either of them is to be hit by headwinds, even a reasonably diversified equity portfolio will feel the pain.

To minimise risk, ensure that your investment portfolio includes an adequate spread across industries. Be careful to critically assess and select investments in a range of industries that aren't all closely correlated.

4. Diversification across geographies

According to the ASX 2017 investor study, 75% of Australian share investors hold Australian shares exclusively. However, Australian shares make up less than 2% of global equities overall. Should the Australian markets or the Australian economy tumble, not only will it hurt your portfolio, but, depending on the severity of the downfall, it may also impact your employment.

Overcoming 'home bias' is essential for building a balanced portfolio. Thankfully, there is an increasing array of global focused ETFs available on the ASX to help investors diversify geographically. Don't risk your portfolio by favouring home based investments.

5. Diversification through time

The point in time in which you purchase any investment determines the price you pay. A single purchase at a point in time means a high risk of buying at a 'high' price.

Dollar cost averaging is the act of regularly purchasing a set dollar amount of an investment. This tactic allows you to diversify through market and price fluctuations, buying more units of an investment when prices are lower, and fewer when they are higher.

Conclusion

Diversification is important. Managing and tracking diversification is challenging and time-consuming, especially if you're entering it all manually in a spreadsheet. Thankfully, as technology has improved, so too have the solutions available to track and manage your portfolio. Options like Sharesight mean investors can better manage their portfolio and track their investment diversification with a simple online tool.



Doug Morris is the CEO of Sharesight, an investment portfolio tracker that provides reliable tax and performance reporting to self-directed investors and financial professionals.



Important Disclaimer. We do not provide tax or investment advice. The buying of shares can be complex and varies per individual. You should seek tax and investment advice specific to your situation before acting on any of the information in this article.

Four strategies to unlock property value



Patrick Weightman

TRANSACTIONS MANAGER, CROMWELL PROPERTY GROUP

Cromwell has a track record of finding property gems in unexpected places. We look at some examples of how under-valued assets have become stars and delivered outstanding returns over time.

Some investments can deliver outsize returns if you know what to look for and how to turn them into top performers. Here are some of the features that attract the experts.

1. Upgrade potential

Finding run-down and poorly managed property can often be straightforward. However, making cost-effective changes and eventually selling at a profit is one of the most challenging, albeit effective property strategies for astute managers. These opportunistic purchases are often found where other investors aren't looking, or where risk and market knowledge are mismatched.

For instance, an investor may not be attracted to a building with tenant vacancy issues as a result of older-style accommodation. In order to attract new tenants, the building owner could look to invest in an upgrade strategy of including collaborative spaces, a retail reconfiguration or introducing other modern amenities for tenant comfort.

It's finding the right asset, in the right location, with a deep tenant pool that makes this strategy viable.



Northpoint Redevelopment

The redevelopment of Northpoint Tower, situated in the heart of North Sydney, demonstrates Cromwell and its partners realising the value-add opportunities of an older office and retail building.

The lower level of the revitalised retail precinct focuses on convenience, and includes Woolworths and BWS, as well as Westpac and a suite of specialty retailers such as Joe & The Juice, Terry White Chemmart, OPSM and Avis. The upper level is dedicated to dining and leisure, and is inclusive of a rooftop bar, which is set to open in early-2019, sitting atop a four-storey glass structure named the 'Shard'.

An eight-storey, 187-room Vibe Hotel was also constructed, complete with conference facilities, as well as a rooftop pool and gym.

The \$130 million integrated redevelopment was designed to meet the retail, dining and leisure needs of the ever-growing professional population in North Sydney, and to transform the area into a seven-day destination.

This value-add strategy was also made possible due to there being additional development capacity onsite, which Cromwell identified as part of its original purchase strategy.



2. Value-add opportunities

A property's value can be enhanced by adding facilities or making structural improvements. Compared with cosmetic alterations, structural changes, such as a new end-of-trip facility or a complete facade replacement, will require more capital and can be disruptive to existing tenants, but may attract new businesses to the premises.

3. Improving tenant relationships

Value can be built through managing tenant relationships, as well as negotiating favourable lease terms that meet the desired outcomes of both the tenant and landlord.

For example, an unhappy tenant in an existing building can be seen as a barrier to invest in that property. However, this risk can often be mitigated by understanding what the tenant wants. It is hoped this will lead to longer lease terms being struck, as well as higher occupancy rates across the building, thereby leading to a greater market value of the property.

Each year, Cromwell distributes a survey to tenants in order to consistently improve relationships with occupants. The survey includes questions surrounding specific areas related to each building – everything from air conditioning to the building management team.

Survey results are collated and distributed to each building management team to ensure feedback is taken on board, addressed and, if relevant, included in the corporate responsibility building plan for the year ahead.

4. Repositioning

Changing the use of a property, by attracting new tenants or rezoning, can boost its rent and value. For example, securing a retail or restaurant tenant for what was once a warehouse space can be an imaginative re-use of an asset.



Tuggeranong Office Park Redevelopment

When the Department of Social Services moved into their newly-constructed headquarters at Soward Way, Canberra in late-2017, it left their existing headquarters, Tuggeranong Office Park, vacant.

Tuggeranong Office Park is a campus-style office complex comprising five freestanding buildings on an eight-hectare parcel of land. Cromwell identified that, given the size of the land and its proximity to the Tuggeranong Town Centre, the site had potential for repositioning into a retirement living opportunity.

As such, through a partnership with LDK Healthcare Pty Ltd (and as described in our previous edition of Insight), the site is being redeveloped into Australia's most advanced seniors' residential community. The project, currently expected to open mid-2019 with over 380 purpose-built apartments, will eventually provide private, secure living in a vibrant village atmosphere to over 450 seniors.

Ask the experts

It takes a team of experts and years of experience to uncover great commercial property deal opportunities and build a compelling picture for investors. Every investor wants a well-performing portfolio, but knowing what to look for is just the start of the investment journey.

What happens at death of an SMSF member?

Monica Rule

AUTHOR OF SELF MANAGED SUPER FUND

Do you ever wonder what happens to your super after you die? This is particularly important if you have an SMSF. No one wants to burden others with planning a funeral and figuring out what to do with their SMSF, so let's look at what happens when an SMSF member dies.

Compulsory payment upon death of a member

First, death is a compulsory payment situation. It means the deceased's super cannot remain in their SMSF. It must be paid either to their dependants or their legal personal representative 'as soon as practicable'. The Tax Office will normally allow up to six months for payment. If it takes more than six months, then the SMSF trustee may need to explain the reason for the delay. The Tax Office may accept reasons such as the death benefit nomination being challenged by beneficiaries, or the uncertainty of eligible beneficiaries. But if the trustee just took their time to pay out the death benefit without good reason, then the Tax Office may take compliance action against the SMSF.

Depending on the SMSF's trust deed, the deceased's super may be paid either as a pension, a lump sum death benefit or both. However, a pension is only available to the deceased's dependants such as a spouse, a child under the age of 18, a child up to age 24 who was financially dependent on the deceased, and a child of any age with a disability. Other dependants such as an adult child and the legal personal representative can only receive a lump sum death benefit.

If the deceased was receiving a reversionary retirement pension, then the pension can revert to

their nominated beneficiary. If the pension is non-reversionary, then it will cease upon death, and can be paid to the surviving spouse either as a new pension, a lump sum or both. Paying the deceased's pension to their spouse does satisfy the compulsory payment situation as it is no longer in the deceased's super account.

The spouse of the deceased

Under current law, a transition to retirement income stream cannot revert to the deceased's spouse unless the spouse has met a condition of release, such as having reached the age of 65 or reached their preservation age and retired. This does not mean, however, that a new pension cannot commence from the SMSF and be paid to the spouse. In addition, money in the deceased's accumulation account can be paid as a new pension to the surviving spouse. The surviving spouse needs to ensure that if they have their own retirement pension it does not exceed the current transfer balance cap of \$1.6 million when the new pension is added to it.

As the deceased's transfer balance cap is not transferable to their spouse, the spouse can either reduce their pension by putting money back into their accumulation account, or pay out some of their pension as a lump sum benefit prior to receiving the reversionary pension or the new pension. The spouse cannot put the deceased's super into their accumulation account.

If the deceased's pension is reversionary, the amount counted towards the spouse's transfer balance cap is the amount in the deceased's retirement pension account on the date of death. It is counted towards the spouse's transfer balance cap twelve months from the date of death. If the pension is non-reversionary then the amount paid to the spouse will count on the date it is paid.

A lump sum death benefit can be paid using assets. However, a pension cannot be paid using assets. If a pension is either partially or fully commuted, then the commutation amount can be paid as a lump sum death benefit using assets. The pension recipient needs to ensure that the minimum pension payment requirements are met prior to the commutation.

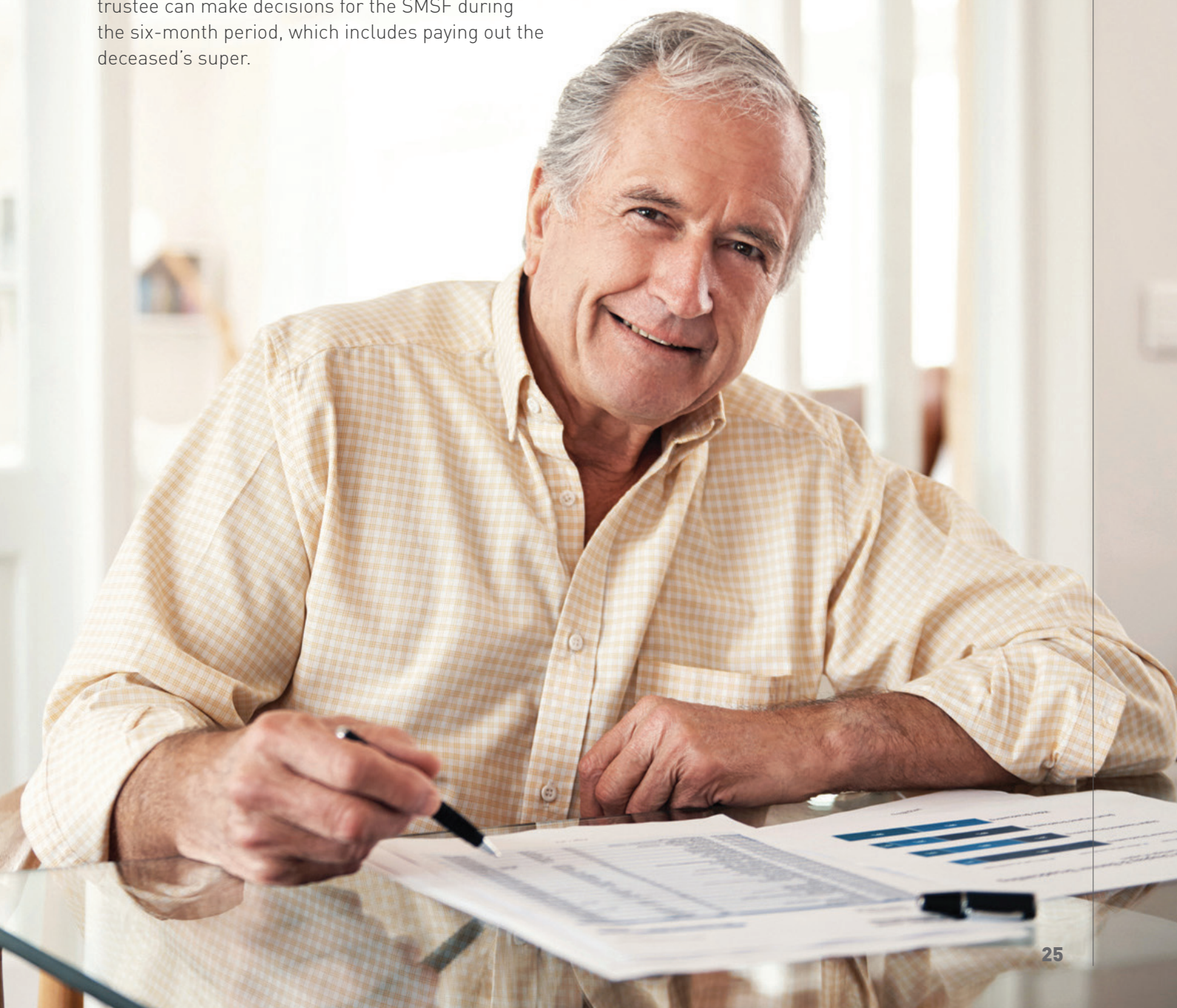
SMSF structure

The structure of the SMSF is important. If an SMSF has an individual trustee structure and it becomes a single member SMSF, it has six months to restructure. If the surviving spouse wants the SMSF to remain under an individual trustee structure, a second trustee will need to be appointed prior to the expiration of the six-month period. The remaining trustee can make decisions for the SMSF during the six-month period, which includes paying out the deceased's super.

It is important for SMSF members to take an interest in superannuation law. By understanding the law, members can ensure their super is passed onto their loved ones with a minimum of fuss.

Monica Rule is the author of the Self Managed Super Handbook – Superannuation Law for SMSFs in plain English. See www.monicarule.com.au for more details. This article is general information and does not consider the circumstances of any individual.

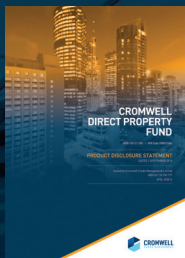
This article originally appeared in Cuffelinks, a free online financial newsletter that can be accessed via the following link: www.cuffelinks.com.au



CROMWELL'S INVESTMENT FUNDS



Cromwell Australian Property Fund



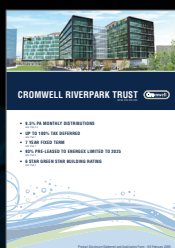
Cromwell Direct Property Fund



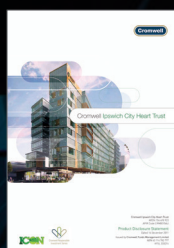
Cromwell Phoenix Property Securities Fund



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 30 September 2018

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- 35 Cromwell Riverpark Trust ARSN 135 002 336
- 36 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's Investor Services Team on 1300 268 078. Not all of the Funds are open for investment. Applications for units in open Funds can only be made on application forms accompanying the disclosure document for the Fund.

These reports have been prepared without taking into account your objectives, financial situation or needs. Before making an investment decision, you should consider the report and the disclosure document for the particular Fund and assess, with or without your financial or tax adviser, whether the Fund fits your objectives, financial situation or needs. Past performance is not a reliable indicator of future performance. Forward-looking statements (provided here as a general guide only) and the performance of a Fund are subject to the risks and assumptions set out in its disclosure document. CFM and its related bodies corporate, and their associates, do not receive any remuneration or benefits for the general advice given in these reports. If you acquire units in a Fund, CFM and certain related parties may receive fees from the Fund and these fees are disclosed in the disclosure document for that Fund. Performance data for Cromwell-managed Funds are calculated based on unit prices for each Fund, which may differ from underlying net asset values. Performance data for periods longer than one year have been annualised. Distribution rates and yields are based on the 30 September 2018 unit price and are subject to change. The proportion of distributions that are tax deferred will depend on a number of factors (for example, building amortisation and depreciation of plant and equipment) and may vary from year to year. Deferred tax may be payable, in whole or in part, on the sale, transfer or redemption of units in the Fund.

MARKET UPDATE

Direct property update



Hamish Wehl

HEAD OF RETAIL FUNDS MANAGEMENT

Throughout the months of September and October 2018, the Cromwell Retail Funds Management team had the pleasure of speaking directly with hundreds of our investors and advisers. Firstly, via the Cromwell Ipswich City Heart Trust voting campaign, and secondly via Cromwell's Sydney and Brisbane investor conference, 'Australia's property market: Where to from here?'

The Cromwell Ipswich City Heart Trust meeting of unitholders was held on Wednesday 26 September at 1pm. Throughout the five-week voting campaign, the team spoke to the vast majority of the 828 investors in the Fund and it was very pleasing to achieve a final voting participation rate of 83.82%.

Unitholders voted overwhelmingly in favour to approve both resolutions, and as a result, the Trust's term was extended by four and a half years, until 28 June 2023. For the full wrap up, turn to page 12.

Feedback received throughout the voting campaign and at the two functions emphasised the appetite investors still hold for risk adjusted yields. The Cromwell Ipswich City Heart Trust will pay a monthly distribution of 11% on the original issue price of \$1.00 from 1 January 2019. On the current unit price this equates to a yield of 7.7% p.a.

Demand continues to be strong for the Cromwell Direct Property Fund (DPF). Even though the yield on that Fund is lower at approximately 5.6% (as at 30 September 2018), the Fund currently has no direct gearing, diversified exposure to eight assets, a weighted average

lease expiry (WALE) of 8.7 years, and offers monthly liquidity. The risk adjusted return the Fund is offering is very attractive to many SMSFs and other investors when compared to other investment options.

Too often, investors get caught focusing on headline yields and returns without looking at the underlying risks. Cromwell remains cautious on launching further closed-end funds similar to Ipswich, Riverpark or Property Trust 12 due to the terminal risk associated with being a forced seller at a future point in time when we think current property valuations are stretched.

Despite this, DPF, whilst also being managed in a cautious way (via nil direct gearing at present), continues to search for properties that offer attractive risk adjusted returns. DPF is an open-end fund that doesn't have a fixed termination date, and therefore can avoid being a forced seller at a point in time when the market is penalising valuations.

Some value opportunities have started to emerge in markets that are more regional but still meet investment criteria. Cromwell will continue to be patient with our investors' capital and await the right opportunity to present itself.

Listed property update



Stuart Cartledge

MANAGING DIRECTOR
PHOENIX PORTFOLIOS

Despite some volatility following quarter end, the S&P/ASX 200 A-REIT Accumulation Index and the S&P/ASX 300 A-REIT Accumulation Index performed solidly over the September quarter, adding 1.9% and 2.0% respectively. This represented marginal outperformance over the broader S&P/ASX 300 Accumulation Index, which added 1.5%.

Merger and acquisition activity overshadowed a solid reporting season. This was led by a bidding war for Investa Office Fund (IOF), with an initial bid by property heavyweight Blackstone of \$5.15 per unit, now dwarfed by Canada's Oxford Properties' \$5.60 per unit bid. Elsewhere, after Propertylink Group (PLG) initiated a takeover proposal for Centuria Industrial REIT (CIP) at a monster premium to NTA, one of PLG's substantial shareholders, e-Shang Redwood (ESR) (backed by Warburg Pincus), put in an offer to acquire PLG.

Over the quarter it was the retail landlords that lagged, as negative sentiment and muted rent growth persists in the sector. Scentre Group (SCG) dropped 7.2%, whilst Shopping Centres Australasia (SCP) and Unibail-Rodamco-Westfield (URW) lost 2.0% and

2.8% respectively. One of the few retail outperformers during the quarter was Vicinity Centres (VCX), which gained 1.2%.

Office landlords had a particularly strong quarter, no doubt buoyed by the robust transactional evidence provided by the IOF proposals. Mirvac Group (MGR) led the gains, lifting 11.1%, whilst Dexus (DXS) was up 8.8% and Growthpoint Properties Australia (GOZ) moved 7.8% higher. Towards the end of the quarter, both DXS and MGR picked up Melbourne CBD development sites, spending a combined \$350 million.

The property fund managers also performed strongly, as rising asset values supported very strong earnings growth, with solid development and performance fees continuing. Both Goodman Group (GMG) and Charter Hall Group (CHC) outperformed the index, up 7.7% and 9.8% respectively.

Elsewhere, buybacks continued to be a theme as Stockland (SGP) initiated a buyback of up to \$350 million of its securities. Aveo Group (AOG) also announced a buyback as questions over the potential Royal Commission into aged care continue to hang over the sector.

Market Outlook

Despite the property sector losing some tailwinds that have been supportive in recent times, including falling bond yields and a fast-moving residential property market, the sector has demonstrated strong earnings certainty, an element that is attractive to many investors. Given the backdrop, it is impressive that property has performed in line with the broader equity market over the past year.

We are cognisant of the structural changes occurring in the retail sector and the need for ongoing adjustments to the product provided by retail landlords. Also, according to the Australian Bureau of Statistics, the annualised growth in total retail sales has levelled off at around 2.5%, less than half of the levels observed for the last two decades. Retail represents over 50% of property assets in the benchmark and this changing landscape is being carefully monitored.

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. The sector now offers investors a current-year distribution yield of around 5.2%. In comparison to bond yields trading around 2.7%, the yield premium of the sector now sits at 1.9% p.a., above its long-term average. 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 30 September 2018

CROMWELL DIRECT PROPERTY FUND

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

Key Statistics

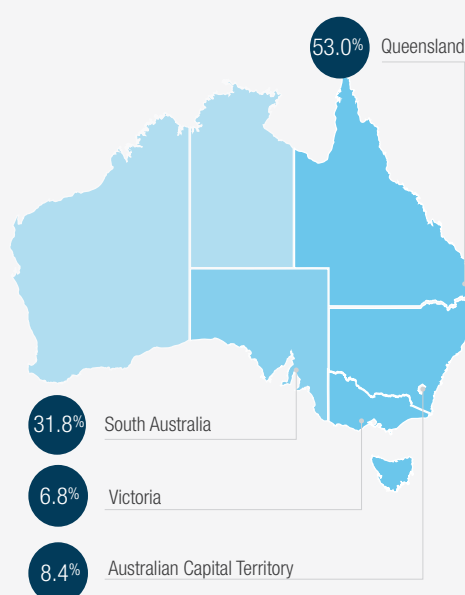
as at 30 September 2018

Status	OPEN ¹
Unit Price	\$1.2476 ²
Distribution Yield	5.61% p.a. ³
WALE	8.7 years ⁴

Performance

	1 Year	3 Years	5 Years	Inception (Aug-13)
Fund Performance After fees & costs	7.6%	9.0%	10.8%	10.8%
Benchmark PCA/IPD Unlisted Retail Property Fund Core Index	14.4%	22.3%	20.6%	20.5%
Excess Returns After fees & costs	(6.8%)	(13.3%)	(9.8%)	(9.7%)

Geographic diversification by asset value



Fund Update

- An external valuation of the Bunnings asset (Angle Vale, South Australia) as at 30 September 2018 has provided good news for Fund unitholders: a 3.1% increase in the value of the asset to \$31.3 million, up from \$30.35 million as at 30 September 2017
- As a unitholder in the Cromwell Property Trust 12 (C12), the Fund's unit price also benefitted from an external valuation of C12's 19 George Street, Dandenong asset
- The value of the Allara Street asset, Canberra, remains constant at \$17.5 million, with the next external valuation due in December 2018
- The value of the Parafield Retail Complex, Parafield, SA remains constant at \$27.25 million, with the next external valuation due in March 2019
- As a current unitholder in the Cromwell Ipswich City Heart Trust (ICH), the Fund participated in the Matching Facility provided as part of the Rollover Proposal which was approved on 26 September 2018. On finalisation of the Matching Facility, the Fund acquired additional units in ICH, taking the Fund's current holding to approximately 13% of ICH's units
- The Fund's look through gearing at 30 September 2018 was 13.0%. Direct gearing was nil with the Fund's loan facility paid out in full in February 2018
- The Fund's performance to 30 September 2018 was 10.8% 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 27.

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 \$1.2476 (30 September 2018).
4. Figures as at 30 September 2018. Calculated on a "look-through" gross passing income basis. See www.cromwell.com.au/dpf for further information.

OPEN FOR INVESTMENT

www.cromwell.com.au/apf

Investment Report to 30 September 2018

CROMWELL AUSTRALIAN PROPERTY FUND

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

Key Statistics

as at 30 September 2018

Status	OPEN ¹
Unit Price	\$1.2704 ²
Distribution Yield	4.72% p.a. ³

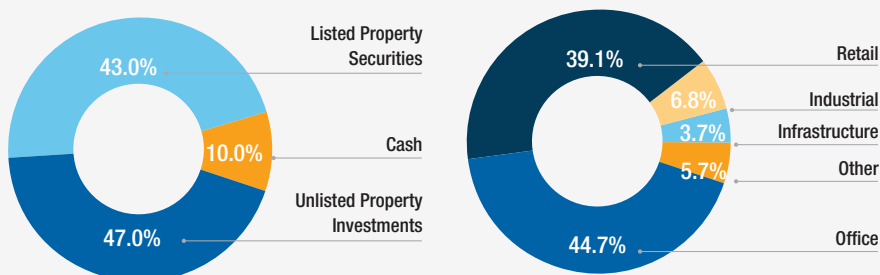
Performance

	1 Year	2 Years	3 Years	Inception (Oct-13)
Fund Performance After fees & costs	8.3%	7.3%	9.0%	10.7%
Benchmark⁴	12.7%	10.4%	14.2%	14.6%
Excess Returns After fees & costs	(4.4%)	(3.1%)	(5.2%)	(3.9%)

Fund Update

- The Fund's performance to 30 September 2018 was 10.7% per annum annualised since inception
- Performance for the quarter ending 30 September 2018 was 1.3%

Sector Weightings⁵



In addition to the footnotes below, please read the important disclaimer at the beginning of the Quarterly Reports section on page 27.

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 \$1.2704 (30 September 2018).

4. The benchmark is set out in the PDS.

5. Figures as at 30 September 2018. Positions held by the Fund are subject to change.

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

OPEN FOR INVESTMENT

www.cromwell.com.au/psf

Investment Report to 30 September 2018

CROMWELL PHOENIX PROPERTY SECURITIES FUND

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

Key Statistics

as at 30 September 2018

Status	OPEN ¹
Unit Price	\$1.2761 ²
Distribution Yield	5.10% p.a.

Performance

	1 Year	3 years	5 years	7 years	Inception (Apr-08)
Fund Performance After fees & costs	11.4%	11.2%	14.1%	18.2%	9.3%
Benchmark S&P/ASX 300 A-REIT Accumulation Index	13.2%	10.3%	12.6%	15.3%	4.3%
Excess Returns After fees & costs	(1.8%)	0.9%	1.5%	2.9%	5.0%

Top 10 stock holdings³

ATLAS ARTERIA
CHARTER HALL GROUP LIMITED
DEXUS
GENERAL PROPERTY TRUST
MIRVAC GROUP
SCENTRE GROUP
STOCKLAND LTD
SYDNEY AIRPORT
UNIBAIL-RODAMCO-WESTFIELD
VICINITY CENTRES

Alphabetical order

Fund Update

- Positive contributions came from overweight positions in Folkestone Limited, Desane Group Holdings and Charter Hall Group
- An overweight position in the underperforming Sydney Airport and Transurban detracted value, as did an underweight position in the outperforming Dexus Property Group and Goodman Group
- The Fund delivered a net return of 1.7% over the quarter, underperforming the benchmark by 0.3%
- The Fund's performance to 30 September 2018 was 9.3% 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 27.

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 30 September 2018. Unit prices are calculated daily. See the PDS dated 29 September 2017 for further information and www.cromwell.com.au/psf for latest pricing.

3. As at 30 September 2018. Positions held by the Fund are subject to change.

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

CLOSED TO INVESTMENT

www.cromwell.com.au/c12

Investment Report to 30 September 2018

CROMWELL PROPERTY TRUST 12

This Trust replicates many features of Cromwell's other unlisted property trusts, including the seven-year investment period, innovative construction funding structure and long lease term. However, this Trust is underpinned by two assets valued at \$144.2 million¹.

Key Statistics

as at 30 September 2018

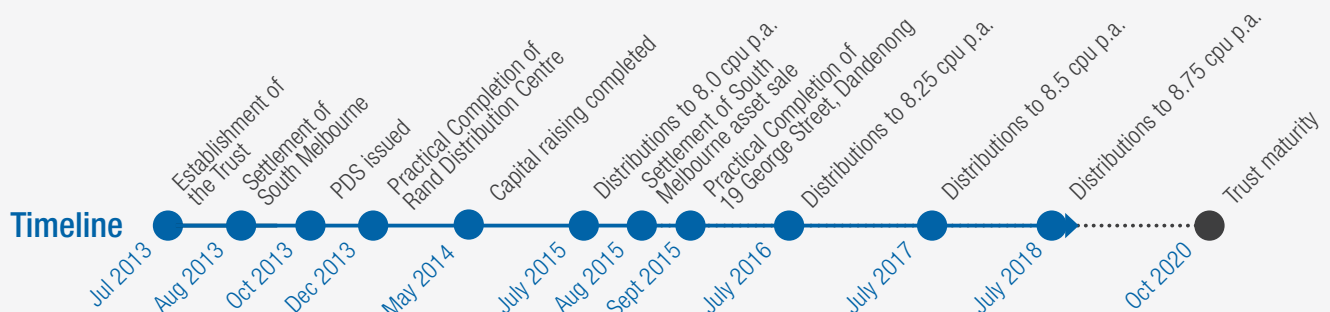
Status	CLOSED
NAV Price	\$1.32
Distribution Yield	6.64% p.a.
WALE	13.1 years ²

Performance

	1 Year	2 Years	3 Years	Inception (Oct-13)
Trust Performance After fees & costs	9.9%	10.6%	11.7%	14.5%
Benchmark PCA/IPD Unlisted Retail Property Fund Core Index	14.4%	19.2%	23.3%	20.4%
Excess Returns After fees & costs	(4.5%)	(8.6%)	(11.6%)	(5.9%)

Trust Update

- Performance for the quarter ending 30 September 2018 was 2.1%
- An external valuation of the 19 George Street, Dandenong as at 30 September 2018 has provided good news for Trust unitholders: a 1.3% increase in the value of the asset to \$95.2 million, up from \$94 million as at 30 September 2017
- The value of the Rand Distribution Centre, located in Direk, SA remains constant at \$49 million, with the next external valuation due in March 2019
- The Trust's unit price is currently at \$1.32



In addition to the footnotes below, please read the important disclaimer at the beginning of the Quarterly Reports section on page 27.

1. Based on valuations for 19 George Street, Dandenong (\$95.2 million) as at 30 September 2018 and Rand Distribution Centre (\$49 million) as at 31 March 2018.

2. Calculated by gross income.

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

CLOSED TO INVESTMENT

www.cromwell.com.au/ich

Investment Report to 30 September 2018

CROMWELL IPSWICH CITY HEART TRUST

The unlisted Trust's asset is the \$123 million¹ Ipswich City Heart Building in Ipswich, Queensland. The Trust was the first Cromwell trust to be certified as a Responsible Investment by the Responsible Investment Association of Australasia.

Key Statistics

as at 30 September 2018

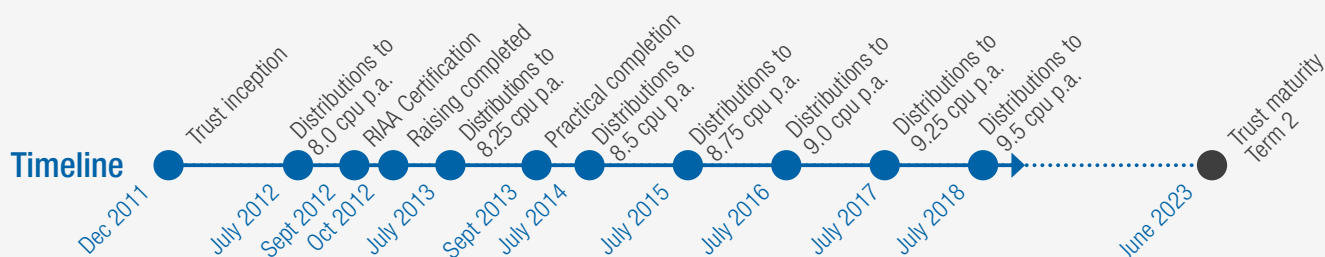
Status	CLOSED
NAV Price	\$1.43
Distribution Yield	6.65% p.a.
WALE	9.3 years ²

Performance

	1 year	3 years	5 years	Inception (Dec-11)
Trust Performance After fees & costs	20.3%	20.3%	16.0%	14.0%
Benchmark PCA/IPD Unlisted Retail Property Fund Core Index	14.4%	23.4%	20.4%	17.7%
Excess Returns After fees & costs	5.9%	(3.1%)	(4.4%)	(3.7%)

Trust Update

- Performance for the quarter ending 30 September 2018 was 2.0%
- Trust unitholders voted to approve both resolutions required to implement the Rollover Proposal, as detailed in the Notice of Meeting and Explanatory Memorandum dated 22 August 2018. On 1 November, the Matching Facility was finalised, with the transfer of units to purchasing unitholders completed and selling unitholders receiving the proceeds from sale of their units
- Specific details of units purchased and sold were forwarded in an updated unitholder statement following settlement of the unit transfer, which occurred on 1 November 2018 along with the payment of sale proceeds
- For further information on the results of the vote please refer to page 12-13
- Cromwell Funds Management Limited would like to thank all Cromwell Ipswich City Heart Trust unitholders for their support throughout the voting process
- The Trust's unit price is currently \$1.43
- The Trust's performance resulted in its inclusion in the top ten performing Core Retail funds within the Australian Pooled Fund Index for the September quarter



In addition to the footnotes below, please read the important disclaimer at the beginning of the Quarterly Reports section on page 27.

1. Based on valuation as at 30 June 2018.

2. Calculated by gross income.

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

CLOSED TO INVESTMENT

www.cromwell.com.au/crt

Investment Report to 30 September 2018

CROMWELL RIVERPARK TRUST

This was the first of Cromwell's next generation 'back to basics' single property trusts and served as a bellwether for the type of investments being sought in an uncertain economic environment. The Trust's building, Energex House, is currently valued at \$273 million¹.

Key Statistics

as at 30 September 2018

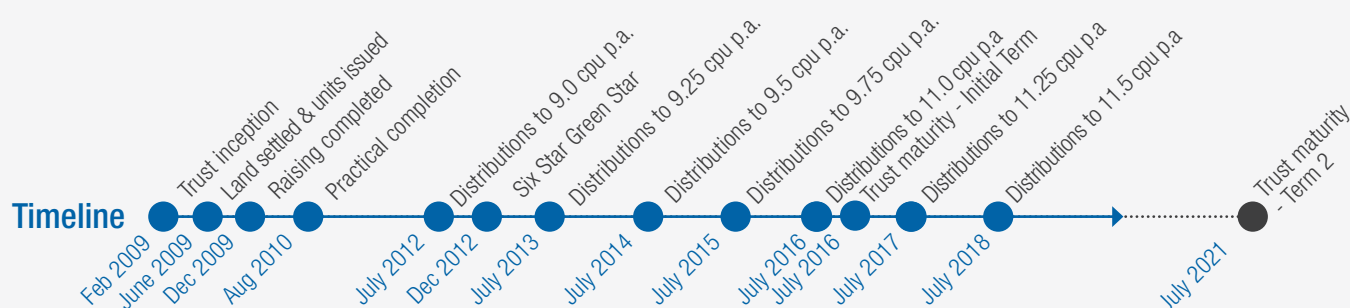
Status	CLOSED
NAV Price	\$1.96
Distribution Yield	5.87% p.a.
WALE	6.6 years ²

Performance

	1 year	3 years	5 years	7 years	Inception (Jul-09)
Trust Performance After fees & costs	12.1%	21.6%	21.6%	18.5%	16.2%
Benchmark PCA/IPD Unlisted Retail Property Fund Core Index	14.4%	23.4%	20.4%	17.5%	14.9%
Excess Returns After fees & costs	(2.3%)	(1.8%)	1.2%	1.0%	1.3%

Trust Update

- The remaining retail vacancy of 300 sqm has been leased to existing tenants, Ferrari, taking the building to 100% occupancy. The lease is set to begin on 1 October 2018
- Performance for the quarter ending 30 September 2018 was 1.7%
- The Trust's unit price is currently \$1.96, with the next external valuation of the asset expected in June 2019



In addition to the footnotes below, please read the important disclaimer at the beginning of the Quarterly Reports section on page 27.

1. Based on valuation as at 30 June 2018.

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 30 September 2018

CROMWELL PHOENIX OPPORTUNITIES FUND

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

Key Statistics

as at 30 September 2018

Status	CLOSED ¹
Unit Price	\$2.1200 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	19.4%	23.5%	19.2%	21.1%
Fund Performance After fees & costs, excluding the value of franking credits	17.6%	22.0%	17.8%	19.5%
S&P/ASX Small Ords Accumulation Index	20.3%	17.0%	8.7%	6.9%

Fund Update

- The Fund's performance to 30 September 2018 was 21.1% annualised since inception (net of fees, inclusive of franking credits)
- Positive contributions to the Fund's performance over the quarter came from, among others, holdings in Korvest and Folkestone Group
- Detracting from Fund performance over the quarter were holdings in NZME, Sunland Group and Boom Logistics
- The Fund delivered a net return of 8.0% over the quarter (net of fees, inclusive of franking credits)
- The Fund outperformed the return of the Small Ordinaries Index over the quarter which returned 1.1%

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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 30 September 2018. Unit prices are calculated monthly. See the PDS for further information and www.cromwell.com.au/pof for latest pricing.

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

CROMWELL PROPERTY GROUP

QUARTERLY SNAPSHOT



Cromwell Property Group (ASX:CMW) is a Real Estate Investor and Manager with operations on three continents and a global investor base. The Group is included in the S&P/ASX 200. As at 30 June 2018, Cromwell had a market capitalisation of \$2.2 billion, a direct property investment portfolio in Australia valued at \$2.5 billion and total assets under management of \$11.5 billion across Australia, New Zealand and Europe.

Key Statistics as at 20 November 2018

Security Price	\$1.01 ¹
Distribution Guidance	7.25 cpu ²
Distribution Yield	7.17% p.a. ^{1,2}

Performance as at 30 September 2018

	1 Year	3 Years	10 Years
CMW Performance			
After fees & costs	20.8%	12.4%	12.7%
Benchmark			
S&P/ASX 300 A-REIT Accumulation Index	13.2%	10.3%	6.5%
Excess Returns			
After fees & costs	7.5%	2.1%	6.2%

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

25 September 2018	Cromwell Property Group AGM 2018 Details
25 September 2018	Appendix 4G
25 September 2018	Annual Report 2018
24 September 2018	Dividend/Distribution - CMW
17 September 2018	Cleansing Notice
17 September 2018	Change of Director's Interest Notice - PL Weightman
17 September 2018	Appendix 3B
24 August 2018	Appendix 3B
23 August 2018	FY18 Results Presentation
23 August 2018	FY18 Results Announcement
23 August 2018	Appendix 4E and 2018 Full Year Accounts
22 August 2018	June 2018 quarter distribution - taxation components
3 August 2018	Update - Dividend/Distribution - CMW

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

1. Based on security price as at close of trading 20 November 2018. Securities are traded on the ASX and the price is subject to market movements and will change daily. Current pricing is available at www.asx.com.au.
2. Capital growth, distributions and tax consequences cannot be guaranteed and are subject to assumptions and risk. Annualised distributions and yield based on most recent distribution and security prices.

Cromwell Property Securities Limited ABN 11 079 147 809 AFSL 238052 (CPSL) has prepared this report and is the responsible entity of the Cromwell Diversified Property Trust ARSN 102 982 598 (DPT). This report is issued by CPSL as responsible entity of DPT and on behalf of Cromwell Corporation Limited ABN 44 001 050 980. This report has been prepared without taking into account your objectives, financial situation or needs. In making an investment decision, you should consider all available information and assess, with or without your financial or tax adviser, whether the product fits your objectives, financial situation or needs. Past performance is not a reliable indicator of future performance. Forward-looking statements in this report are provided as a general guide only. These statements are not guarantees of future performance. Actual results could differ materially from those expressed. CPS does receive fees as responsible entity of DPT.

CONTACT US WITH ANY QUESTIONS

For the answer to any questions regarding Cromwell and our funds, please contact your financial adviser, broker or Cromwell's Investor Services Team directly.

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KEY EVENTS CALENDAR

Friday, 23 February 2018	Q2 FY18 Distribution Payment Date
Wednesday, 28 February 2018	1H18 Results Announcement
Wednesday, 28 March 2018	Q3 FY18 Distribution Ex Date
Thursday, 29 March 2018	Q3 FY18 Distribution Record Date
Friday, 25 May 2018	Q3 FY18 Distribution Payment Date
Thursday, 28 June 2018	Q4 FY18 Distribution Ex Date
Friday, 29 June 2018	Q4 FY18 Distribution Record Date
Thursday, 23 August 2018	FY18 Results Announcement
Friday, 24 August 2018	Q4 FY18 Distribution Payment Date
Thursday, 27 September 2018	Q1 FY19 Distribution Ex Date
Friday, 28 September 2018	Q1 FY19 Distribution Record Date
Wednesday, 21 November 2018	2018 Annual General Meeting
Friday, 23 November 2018	Q1 FY19 Distribution Payment Date
The following dates are indicative	
Friday, 28 December 2018	Q2 FY19 Distribution Ex Date
Monday, 31 December 2018	Q2 FY19 Distribution Record Date

GLOSSARY

\$	All dollar values are in Australian dollars	GFC	Global Financial Crisis
A-REIT	Australian real estate investment trust	IRR	Internal rate of return
AUM	Assets under management	NOI	Net operating income
Cap rate	Capitalisation Rate	NLA	Net lettable area
CCL	Cromwell Corporation Limited	NTA	Net tangible assets per security
CPSL	Cromwell Property Securities Limited	p.a.	Per annum
CPS	Cents per security	RBA	Reserve Bank of Australia
CPU	Cents per unit	RE	Responsible Entity
DPS	Distribution per security	REIT	Real Estate Investment Trust
DPT	Cromwell Diversified Property Trust	Securityholder	A person who holds a Security
Distribution yield	Return on investment, based on current unit price	Security	Stapled security consisting of one share in CCL and one unit in DPT
EPS	Operating Earnings per Security	Small Cap	Stock with a relatively small capitalisation
EBITDA	Earnings before interest, taxes, depreciation, and amortisation	SMSF	Self managed superannuation fund
FY	Financial year (1 July to 30 June)	VWAP	Volume weighted average price
Gearing	Total borrowings less cash/total assets less cash	WACR	Weighted average capitalisation rate
GDP	Gross domestic product - total dollar value of all goods and services produced over a specific time period	WALE	Weighted average lease expiry by gross income



insight >