

# CROMWELL PHOENIX OPPORTUNITIES FUND



ARSN 602 776 536 | APIR Code CRM0028AU

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## Product Disclosure Statement 29 September 2017

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### Continuous Disclosure Update

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## Fund closed to investment 25 January 2018

Cromwell Funds Management Limited (CFM) is the responsible entity of the Cromwell Phoenix Opportunities Fund ARSN 602 776 536 (Fund).

**On and from Friday 26 January 2018, the Fund will no longer accept applications for investment.**

Distribution reinvestment and redemptions from the Fund are still available.

If you have any questions, please contact Cromwell's Investor Services Team on 1300 268 078 or email [invest@cromwell.com.au](mailto:invest@cromwell.com.au).

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# CROMWELL PHOENIX OPPORTUNITIES FUND



ARSN 602 776 536 | APIR Code CRM0028AU | mFund Code CFM02

## Product Disclosure Statement 29 September 2017

This Product Disclosure Statement dated 29 September 2017 ("PDS") for the Cromwell Phoenix Opportunities Fund ARSN 602 776 536 ("the Fund") provides a summary of significant information about the Fund. This document includes references to important information on the Fund's webpage at [www.cromwell.com.au/pof](http://www.cromwell.com.au/pof), each of which forms part of this PDS. You should consider this document and the Additional Information Document ("AID") on the Fund's webpage before making a decision about an investment in the Fund. The information in this PDS is general information only and does not take into account your personal financial situation or needs. You should obtain financial advice tailored to your personal circumstances.

Cromwell Funds Management Limited ABN 63 114 782 777, AFSL 333214 ("CFM", "we", "us") is the responsible entity of, and issuer of units in, the Fund and the issuer of this PDS. Phoenix Portfolios Pty Ltd ABN 80 117 850 254, AFSL 300302 ("Phoenix") is the investment manager of the Fund. None of CFM, Phoenix or their related entities, directors or officers makes any promise or representation or gives any guarantee as to the success of the Fund, distributions, the amount you will receive on any withdrawal, your income or capital return or the taxation consequences of investing.

The custodian of the Fund is Link Fund Solutions Pty Limited ABN 44 114 914 215 [Corporate Authorised Representative of Pacific Custodians Pty Limited ABN 66 009 682 866 AFSL 295142] ("LFS"). An investment in the Fund is not a deposit with, or other liability of, any LFS group company and is subject to investment risk including possible delays in repayment and loss of income or principal invested. Neither LFS nor any other LFS group company guarantees the performance of the Fund, the repayment of capital from the Fund or any particular rate of refund.

The information in this PDS is up to date at the time of preparation. However, some information can change from time to time. Information that is not materially adverse may be updated and, if so, will be available at [www.cromwell.com.au/pof](http://www.cromwell.com.au/pof). A copy of any updated information will be provided by CFM free of charge upon request. If a change is materially adverse or if it relates to the terms and conditions of this PDS, CFM will give 30 days' prior notice to investors.

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### Contacts

For the answer to any questions you have regarding the Fund, contact your financial adviser or:

#### Responsible Entity:

#### Cromwell Funds Management Limited

ABN 63 114 782 777

AFSL 333214

MAIL GPO Box 1093 Brisbane QLD 4001

FAX +61 7 3225 7788

 1300 268 078

 [invest@cromwell.com.au](mailto:invest@cromwell.com.au)

 [www.cromwell.com.au](http://www.cromwell.com.au)

# 1. About Cromwell Funds Management Limited

CFM is a wholly owned entity of ASX-listed Cromwell Property Group ("Cromwell") and is the responsible entity of the Fund.

Further information on Cromwell is available from [www.cromwell.com.au](http://www.cromwell.com.au)

CFM is responsible for managing the Fund in accordance with the Fund's constitution, for developing the Fund's investment strategy and for appointing and monitoring the performance of service providers to the Fund.

Phoenix has been appointed as the investment manager of the Fund. Established in 2006, Phoenix has built a solid track record across a variety of A-REIT mandates, property securities funds and Australian microcap securities, culminating in numerous industry awards. Phoenix is a boutique equity investment manager which is jointly owned by Cromwell and Phoenix staff. Joint ownership with Phoenix staff promotes long term staff stability and a strong alignment of interest between staff and investors.

Further information on Phoenix is available at [www.phoenixportfolios.com.au](http://www.phoenixportfolios.com.au).

## 2. How the Cromwell Phoenix Opportunities Fund works

The Fund is a managed investment scheme registered with the Australian Securities and Investments Commission ("ASIC") and subject to the Corporations Act 2001 (Cth) ("Corporations Act") as well as other legislation. When you invest in the Fund, your money is pooled together with other investors' money and used to acquire assets in accordance with the Fund's investment strategy for the benefit of all investors.

When an application is accepted, CFM issues the applicant with units in the Fund. Those units represent your share in the value of the net assets held by the Fund. The number of units issued to you will depend upon the amount you invest and the unit price calculated for the month in which CFM accepts your application. If you invest through an Investor Directed Portfolio Service ("IDPS"), such as a wrap or investment platform, the IDPS operator will hold units in the Fund on your behalf. However, all units in the Fund are issued on the same terms and conditions, so that, for example, all units have the same price on any day and carry equal rights to distributions.

### 2.1 Applications

How you invest in the Fund will depend upon whether you are a direct investor or an indirect investor (i.e., those investing through an IDPS or using mFund (which is provided by the ASX)). For further information on making an investment, see "How to apply" in Section 8. Initial investments must be at least \$20,000. Additional investments of at least \$10,000 can also be made. CFM can vary or waive minimum amounts at any time. Maximum initial investments are limited to \$500,000.

### 2.2 Withdrawals

**If you are a direct investor:** You should complete a Withdrawal Request Form (available from the Cromwell website) and return it to the Fund's registrar, Boardroom Pty Ltd ("Boardroom" or "the Registrar").

**If you are an indirect investor:** You can only withdraw through the IDPS operator in accordance with the IDPS's terms and conditions.

**If you are an investor using mFund:** You should lodge a redemption request with your ASX broker. Your ASX broker directs your redemption request through CHESS to the Registrar. The Registrar confirms with CHESS that the redemption request has been granted and notifies both the approximate date that the redemption will be paid and the unit price date that will be applied. Following the Fund withdrawal price determination at the end of the applicable month, CHESS sends confirmation of the unit price and redemption payment date to your ASX broker. Your ASX broker advises you of your successful redemption and passes your redemption monies from the Registrar through the CHESS daily batch settlement process. The redeemed units are cancelled and your Holder Identification Number ("HIN") is updated. Refer to Section 2.4.3 for more information on withdrawal cut-off times.

For all investors, the minimum withdrawal amount is \$10,000 or a lesser amount at CFM's discretion. If a withdrawal would result in an investor having less than \$20,000 then CFM may regard the withdrawal request as relating to the investor's entire holding.

You should read the important information about withdrawing from the Fund before making a decision. Go to the AID on the Fund's webpage at [www.cromwell.com.au/pof](http://www.cromwell.com.au/pof). The material relating to withdrawals may change between the time you read this PDS and the day when you acquire the product.

### 2.3 Unit pricing

Unit prices are calculated monthly on the last day of each calendar month by:

- determining the Net Trust Value of the Fund, adjusted for any income distributed;
- for the issue price, dividing the Net Trust Value of the Fund by the number of units on issue and adjusting for the buy spread; and
- for the withdrawal price, dividing the Net Trust Value of the Fund by the number of units on issue and adjusting for the sell spread.

The Net Trust Value of the Fund is calculated by deducting the value of the liabilities in the Fund from the value of the Fund's assets.

The value of your investment, which is represented by the value of the units in the Fund you hold or your IDPS operator holds on your behalf, will vary on a monthly basis as the market value of the Fund's assets and liabilities rises and falls.

Those rises and falls are reflected in the Fund's unit prices. To the extent that the Fund's constitution gives CFM discretion with regard to unit pricing, CFM has a Unit Pricing Discretions Policy. You can request, free of charge, a copy of that policy and the record of any discretion exercised outside the policy by calling Cromwell's Investor Services Team on 1300 268 078.

The value of the Fund's assets and liabilities is calculated using a method determined by CFM in accordance with the Fund's constitution. Generally, listed investments are valued at their last listed market value.

The buy and sell spreads reflect CFM's estimate of brokerage and other costs expected to be incurred in buying and selling the securities and other assets of the Fund as a result of investments and withdrawals made by investors. As the buy and sell spreads are estimates they are subject to change.

The number of units issued to you when you apply for units in the Fund, and the value of units redeemed when you withdraw

money you have invested in the Fund, will depend upon the unit price calculated for the relevant month. The issue price and withdrawal price in any month will differ because the issue price will be adjusted for the buy spread and the withdrawal price will be adjusted for the sell spread.

The buy and sell spreads are retained in the Fund and are not paid to CFM. Refer to Section 6.1.4 for further information.

## 2.4 Processing applications and withdrawals

### 2.4.1 Cut-off times for applications

Applications will be processed on a monthly basis. No interest will be paid on pending applications.

#### For direct investors

The application cut-off time will be 4.00pm AEST (or AEDT when observed) on the last Sydney business day prior to the 26th day of any month.

For application forms and investment funds received before the cut-off time, investors receive the issue price based on the valuation of assets calculated on the last day of the month, adjusted for any income distributed.

Application forms and investment funds received after the cut-off time are taken to be received on the next Sydney business day and will therefore be processed the following month.

#### For investors using mFund

The application cut-off time will be 11.15am AEST (or AEDT when observed) on the last Sydney business day prior to the 26th day of any month.

For application forms and investment funds received before the cut-off time, investors receive the issue price based on the valuation of assets calculated on the last day of the month, adjusted for any income distributed.

Application forms and investment funds received and accepted after the cut-off time are taken to be received on the next Sydney business day and will therefore be processed the following month.

In all cases, CFM can change the relevant time at its discretion upon reasonable notice.

### 2.4.2 How to withdraw

Investors should complete the Withdrawal Request Form available from the Cromwell website and return it to Boardroom.

For withdrawal forms received before the cut-off time, investors receive the withdrawal price calculated on the last day of the month, adjusted for any income distributed.

Proceeds will usually be paid within 10 business days of the processing date.

The minimum withdrawal amount is \$10,000 or a lesser amount at CFM's discretion. If a withdrawal would result in an investor having less than \$20,000 then CFM may regard the withdrawal request as relating to the investor's entire holding.

### 2.4.3 Cut-off times for withdrawals

Withdrawals will be processed on a monthly basis.

#### For direct investors

The withdrawal cut-off time will be 4.00pm AEST (or AEDT when observed) on the last Sydney business day prior to the 26th day of any month.

Withdrawal forms received after the cut-off time are taken to be received on the next Sydney business day and will therefore be processed the following month.

#### For investors using mFund

The withdrawal cut-off time will be 11.15am AEST (or AEDT when observed) on the last Sydney business day prior to the 26th day of any month.

Withdrawal forms received after the cut-off time are taken to be received on the next Sydney business day and will therefore be processed the following month.

### 2.4.4 Suspension of withdrawals

CFM may suspend withdrawals for up to 180 days in certain circumstances as specified in the Fund's constitution. These circumstances may include when CFM considers it impracticable to calculate unit prices, for example when CFM estimates a significant amount of the Fund's assets must be sold to meet withdrawals, because of closure of or trading restrictions on securities exchanges, an emergency or other state of affairs, or when CFM considers it is not in the best interests of investors to realise the required assets.

Any withdrawal request received during a period of suspension will be taken to have been received immediately after the end of the suspension period.

## 2.5 Distributions

The Fund is expected to earn income, such as distributions, dividends, interest, foreign income and other Australian income from its investments. The Fund may also make capital gains or losses from these investments. The Fund expects to distribute taxable income (except for capital gains) quarterly and net realised capital gains at least once a year.

Distributions are calculated in cents per unit and paid generally within 20 days after the end of the quarter based on the number of units held at the end of relevant distribution period (before the issue or redemption of units for the month).

Distributions can either be paid directly to your nominated Australian bank account or reinvested in further units in the Fund by completing the relevant section on the Application Form. For investors using mFund, you notify your ASX broker of your reinvestment election when you place your 'buy order'. If no election is made, distributions will be reinvested as additional units in the Fund. After you have invested, you can change your election by advising CFM in writing. The price of units issued on reinvestment of distributions is the issue price at the end of the distribution period adjusted for any income distributed. CFM will not add a buy spread to the issue price used for direct reinvestment of distributions.

At any time, CFM may notify investors that subsequent distributions will be paid in cash and not reinvested.

CFM does not guarantee any particular level of distributions and there may be periods in which distributions will not be paid.

## 2.6 Listed investment trust

If CFM considers it to be in the best interest of investors in the Fund, CFM may list the Fund on the ASX at a future date. Fund investors would then have the 'market' determine security price rather than units being purchased and sold in accordance with the unit pricing policy. If this were to occur, CFM intends to offer all current investors the opportunity to redeem units at the then current unit price, prior to listing. Upon listing, applications and withdrawals to the Fund would cease with all purchases and sales of units occurring by trading on the ASX.

## 2.7 Investing through an IDPS

CFM authorises the use of this PDS by IDPS operators that include the Fund on their investment menu.

If you invest in the Fund through an IDPS, the IDPS operator will hold units in the Fund on your behalf. This means that the IDPS operator is the unitholder and has a unitholder's rights. The IDPS operator can exercise, or decline to exercise, its rights as a unitholder in accordance with the arrangements governing the IDPS. Investors in the Fund via an IDPS should note that some information in this PDS may be relevant only for direct investors.

### 3. Benefits of investing in the Cromwell Phoenix Opportunities Fund

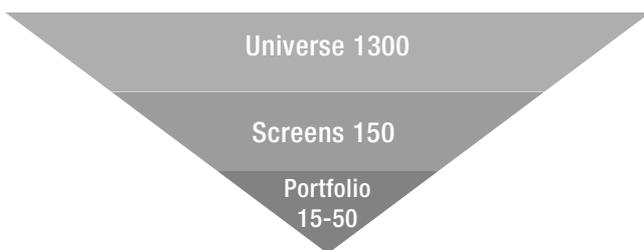
#### 3.1 Significant features

CFM and Phoenix believe that over the medium to long term, superior investment performance may be achieved by investing in securities that are trading at a discount to their underlying intrinsic value.

Security pricing is most prone to error in areas where a limited number of analysts are scrutinising company valuations. Microcap securities typically have little analyst coverage as institutions are unable to deploy meaningful amounts of capital and therefore cannot justify investing time and resources into research. We seek to concentrate our research efforts in the smallest and most neglected securities where pricing discrepancies are often the largest.

CFM has initially capped the Fund size at \$40 million of Net Trust Value<sup>1</sup>. This cap is designed to allow the Fund to maintain its strategic advantage over many of its competitors as it facilitates investment in a wider universe of securities.

Phoenix's value orientated fundamental analysis focuses on "bottom up" research to fully understand the key factors that have driven historic performance and to enable informed forecasts to be made of future earnings and cash generation. Phoenix adopts a long-term time horizon when entering into positions.



Quantitative screens are used to eliminate a substantial portion of securities, many of which are likely to be start-up type companies with little or no track record. Approximately 150 securities pass through the quantitative screens out of an initial universe of 1,300.

Attractive securities may screen with several of the following attributes:

- Low Price / Earnings
- Low Enterprise Value / Earnings Before Interest and Tax
- Low Price / Book
- Low Price / Cash Flow
- High Return on Tangible Assets
- High levels of Management/Director Ownership

Given that security pricing is most prone to error in situations where there is minimal professional analyst coverage,

1) CFM reserves the right to vary amounts.

we expect the majority of securities that pass through the quantitative screening process will have a market capitalisation below \$100 million.

#### 3.2 Significant benefits

Investing in the Fund offers investors a range of benefits:

- access to a professionally managed portfolio run by experienced investment professionals with a strong track record;
- the diversification benefits of investing in a portfolio that holds at least 15 stocks;
- exposure to an area of the market that has little or no broker research coverage;
- extensive proprietary research including site visits, meetings with company management and valuation modelling;
- a disciplined and proven investment process with constant portfolio monitoring;
- monthly unit pricing and quarterly distributions; and
- quarterly investment reports to keep you updated on the progress of your investment.

You should read the important information about the significant features of the Fund before making a decision. Go to the AID on the Fund's webpage at [www.cromwell.com.au/pof](http://www.cromwell.com.au/pof). The material relating to the significant features of the Fund may change between the time you read this PDS and the day when you acquire the product.

### 4. Risks of managed investment schemes

All investments carry risk. Different investment strategies can carry different levels of risk depending upon the assets acquired pursuant to the strategy of each fund. Assets with the highest long term returns may also carry the highest level of short term risk.

The level of risk you are prepared to accept when investing in the Fund will depend upon various factors including your age, investment timeframe, overall investment portfolio and risk tolerance. Therefore, you should consider the Fund's risks in light of your particular personal circumstances and your attitude towards potential risks.

The key risks of investing in the Fund are typical of the risks associated with managed investment schemes that have an investment strategy that involves investing in shares of Australian listed companies. However, it is important that you know that the value of your investment will go up and down over time, fund returns will vary over time, future returns may differ from past returns and returns are not guaranteed. This means that there is always the chance that you could lose money on your investment.

A summary of the significant risks for the Fund are:

- **Individual investment risk** – individual securities the Fund holds can and do fall in value for many reasons such as changes in a company's capacity to meet or refinance its borrowings, changes in the market for or valuations of the company's investments and the ability of the company's management;
- **Market risk** – the Fund's performance will depend on the performance and market value of the assets it holds;

- **Diversification risk** – there is a risk that the portfolio may not be diversified enough to withstand certain market movements;
- **Legal and regulatory risk** – the laws, regulations and government policies that affect the Fund and its investments may change over time and those changes could have an impact on your investment in the Fund;
- **Manager risk** – an investment in the Fund means that you are delegating some of your control over investment decisions to CFM and Phoenix. How the Fund performs depends partly on the performance of CFM as responsible entity and Phoenix as investment manager;
- **Withdrawal risk** – the ability to withdraw your investment out of the Fund may be suspended in certain circumstances;
- **Derivative risk** – the value of derivatives can fail to move in line with the value of the underlying asset, potentially causing them to be illiquid. There is also counterparty risk (that is, where the counterparty to the derivative contract cannot meet its obligations); and
- **Liquidity risk** – if a security is not actively traded it may not be readily bought or sold without some adverse impact on the price paid or obtained.

You should read the important information about the risks of managed investment schemes before making a decision. Go to the AID on the Fund's webpage at [www.cromwell.com.au/pof](http://www.cromwell.com.au/pof). The material relating to the risks of managed investment schemes may change between the time you read this PDS and the day when you acquire the product.

## 5. How we invest your money

**When making a decision about whether or not to invest in the Fund, you should consider the likely investment return, the risk associated with the investment and your investment timeframe.** For further information on portfolio construction and investment philosophy, please visit [www.cromwell.com.au/pof](http://www.cromwell.com.au/pof).

### 5.1 Description of fund

The Fund holds a concentrated portfolio of ASX listed small capitalisation securities ("microcaps") that are selected using a value orientated "best ideas" investment philosophy. Investments are likely to be in small companies with the majority selected from outside the top 300 listed securities by market capitalisation. Microcaps are considered to be the most inefficiently priced sector of the Australian securities market and offer the greatest potential to add value through an active management approach. The Fund focuses on securities that have established businesses with a track record of profitable operations and/or tangible assets that can be fundamentally valued.

The type of investors for whom the Fund is intended to be suitable include investors looking to invest in a concentrated portfolio of ASX listed microcaps.

### 5.2 Investment return objective

The objective of the Fund, over rolling five year periods is to:

- deliver a total return in excess of inflation (as measured by the Consumer Price Index) plus 7.5%; and
- outperform the S&P/ASX Small Ordinaries Accumulation Index ("Benchmark") after fees and costs.

### Minimum suggested timeframe for holding your investment

At least five years.

### Asset classes and asset allocation ranges

The Fund will generally invest in keeping with the following targeted asset allocations as a percentage of its total portfolio:

INVESTMENT CLASS (% OF PORTFOLIO)	TARGET RANGE
ASX Listed Securities <sup>1</sup>	75-100%
Unlisted Securities <sup>2</sup>	0-10%
Cash <sup>3</sup>	0-25%
Maximum position in any single security	20%

<sup>1</sup> Includes securities expected to be listed within six months.

<sup>2</sup> The Fund may continue to hold previously listed securities that have de-listed.

<sup>3</sup> Higher levels of cash may be held for short periods of time pending investment of significant application amounts.

The relative value of each class of investment can change rapidly and significantly due to factors such as market movements or changes in the circumstances or nature of an individual Fund investment. Where such changes or other events cause the Fund to move outside its target asset allocation ranges, CFM and Phoenix will seek to rectify the position as soon as reasonably practicable.

The Fund may invest in derivatives to reduce risk or gain exposure to particular securities when deemed appropriate. Derivatives will not be used to gear the Fund.

### 5.3 Risk level

CFM believes that the Fund's risk level is high. The risk of your investment falling in value over the short term is high when compared to investments in managed investment schemes that invest in asset classes such as cash or fixed interest securities. However, the Fund offers potentially more favourable returns over the medium to long term than cash or fixed interest securities. This is why the minimum suggested timeframe for an investment in the Fund is at least five years.

### 5.4 Fund performance

Up to date information on the Fund's performance is available from:

- [www.cromwell.com.au/pof](http://www.cromwell.com.au/pof);
- Cromwell's Investor Services Team on 1300 268 078; or
- Your financial adviser or for indirect investors, your IDPS operator.

### 5.5 Labour standards, and environmental, social and ethical considerations

Neither CFM nor Phoenix takes into account labour standards or environmental, social or ethical considerations when making investment decisions relating to the Fund.

### 5.6 Changes to the Fund

The Fund's constitution allows a broad range of investments and gives CFM broad investment powers. CFM can change the Fund's investment manager and/or vary its investment objectives, Benchmark, asset allocation ranges and other factors which impact the Fund's investment performance. Investors will be given written notice of any material changes.

## 6. Fees and costs

### Consumer Advisory Warning

#### Did you know?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30-year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower management costs where applicable. Ask the Fund or your financial adviser.

#### To find out more

To find out more or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website ([www.moneysmart.gov.au](http://www.moneysmart.gov.au)) has a managed funds fee calculator to help you check out different fee options.

Information in the table below can be used to compare costs between simple managed investment schemes. These fees and costs can be paid directly from your account or deducted from investment returns.

All fees set out in this section are inclusive of the net effect of Goods and Services Tax ("GST") (i.e. includes GST net of input tax credits and any available reduced input tax credits). The Fund may not be entitled to claim a reduced input tax credit in all instances.

TYPE OF FEE OR COST	AMOUNT
<b>Fees when your money moves in or out of the Fund<sup>1</sup></b>	
Establishment fee	Nil
Contribution fee	Nil
Withdrawal fee	Nil
Exit fee	Nil
<b>Management costs<sup>2</sup></b>	
The fees and costs for managing your investment	5.63%

1 You may also incur transaction costs when your money moves in or out of the Fund (see the AID for more detail).

2 Below is a breakdown of management costs. See Table 1 for an example of the calculation of annual fees and costs.

TYPE OF FEE OR COST	AMOUNT
<b>Breakdown Of Management Costs</b>	
Base management fee	Nil
Performance fee	5.42% <sup>1</sup>
Annual administration cost	0.15% <sup>2</sup>
Indirect costs	0.06% <sup>3</sup>
<b>Total management costs</b>	<b>5.63%</b>

1 Based on the Fund's average net assets for 12 months ending 30 June 2017 where performance of the Fund was 32.0%. This is not a forecast. Our reasonable estimate at the date of this PDS of the performance fee we expect to charge on a typical basis is 2.0% p.a. It is based on estimated performance of 10% p.a., using the annualised 30-year performance of the All Ordinaries Accumulation Index. The All Ordinaries Accumulation Index is considered a reasonable proxy, given its 30-year history takes into account years of low (and negative) performance.

- Annual administration costs estimated to be up to 0.15% of the Fund's average net assets for the 12 months to 30 June 2017.
- Indirect costs of investing through interposed vehicles was 0.06% p.a. of the Fund's average net assets for the twelve months to 30 June 2017. This amount will depend on the Fund's portfolio composition, however is unlikely to exceed 0.2% p.a. of the Fund's average net assets on an ongoing basis.

#### Table 1 Example of annual fees and costs for the Fund

This table gives an example of how the fees and costs of the Fund can affect your investment over a one year period. You should use this table to compare this Fund with other managed investment products.

EXAMPLE:	BALANCE OF \$50,000 WITH A CONTRIBUTION OF \$5,000 DURING YEAR
<b>Contribution Fees</b>	Nil For every additional \$5,000 you put in, you will be charged \$0
<b>PLUS Management Costs</b>	5.63% <b>And</b> , for every \$50,000 you have in the Fund, you will be charged \$2,815 each year
<b>EQUALS Cost of Fund</b>	If you have an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during the year, you would be charged fees of: \$2,815-\$3,096.50 <b>What it costs you will depend on the fees you negotiate.</b>

The above is an example only, and is based on the actual performance fee for the twelve months ending 30 June 2017 where performance of the Fund was 32.0%. This is not a forecast. Our reasonable estimate at the date of this PDS of the performance fee we expect to charge on a typical basis is 2.0% p.a.. It is based on estimated performance of 10% p.a., using the annualised 30-year performance of the All Ordinaries Accumulation Index. The amount you will be charged will depend upon the actual performance of the Fund, which could be higher or lower.

Past performance is not a reliable indicator of future performance. It is not possible to forecast the performance of the Fund and some years there may be negative performance.

### 6.1 Additional explanation of fees and costs

#### 6.1.1 Ongoing management fees and performance fees

CFM does not charge a base management fee.

CFM will charge a performance fee of 20% of the Fund's cumulative gross return in excess of the high water mark. The performance fee is calculated and payable monthly in arrears.

The high water mark as at 1 November 2014 is zero.

The cumulative gross return is calculated:

- on a time weighted basis from 1 November 2014;
- prior to accruing any performance fee or declaring any distribution for the relevant month; and
- inclusive of the value of franking credits.

These fees and costs are paid indirectly by you in proportion to your investment in the Fund.

#### 6.1.2 Ongoing administration costs

The Fund will incur administration costs such as accounting, tax and legal advice, bank charges, printing and stationery costs, postage and a registry fee. The Fund's constitution allows properly incurred expenses to be recovered from the Fund.

When expenses are paid by the Fund, which will generally be when incurred, they are deducted from the Fund's assets and reflected in the unit price. CFM has agreed to cap these costs

at 0.15% p.a. of the Fund's Net Trust Value (calculated by dividing the sum of the opening monthly Net Trust Value and closing monthly Net Trust Value by two) until 30 June 2018 and will bear any normal administration cost in excess of this amount (i.e., \$15 out of every \$10,000 of the Fund's Net Trust Value).

#### 6.1.3 Abnormal expenses

CFM is entitled to be reimbursed from the Fund for abnormal expenses, such as the cost of unitholder meetings, legal costs of any proceedings involving the Fund and terminating the Fund. Whilst it is not possible to estimate such expenses with certainty, CFM anticipates that the events that give rise to such expenses will rarely occur.

#### 6.1.4 Buy/sell spread

The buy/sell spread is an additional cost to you and is generally incurred whenever you invest in, or withdraw from, the Fund. The buy/sell spread is retained by the Fund (it is not a fee paid to CFM) and reflects an estimated amount of transaction costs. The buy/sell spread includes CFM's estimate of brokerage and other costs that the Fund would be expected to incur in buying and selling the assets of the Fund as a result of applications and withdrawals made by investors. There is no buy/sell spread on distributions that are reinvested.

The current buy/sell spread is +0.50% /-0.50% of the amount that you invest or withdraw, represented as the difference between the issue price and withdrawal price. For example, if you invested \$50,000 in the Fund, then the cost of your buy spread would be \$250, and if you withdrew \$50,000 from the Fund, then the cost of your sell spread would be \$250.

We may vary the buy/sell spread from time to time and prior notice may not be given. Updated information on the buy/sell spread will be posted on our website at [www.cromwell.com.au/pof](http://www.cromwell.com.au/pof).

## 6.2 Other fees and costs

These may include additional fees and costs that apply to investors accessing the Fund through an IDPS or similar service.

**Additional fees may be paid to a financial adviser if the financial adviser is consulted. You should refer to the Statement of Advice in which details of the fees are set out.**

We may make payments to IDPS operators out of the fees we receive. Government fees, duties and bank charges may also apply to investments and withdrawals.

Investors using mFund may pay additional fees to brokers in the form of brokerage costs. Brokerage costs are paid by the investor and are not paid from the Fund. Investors should refer to the broker's Financial Services Guide for details of the brokerage costs.

## 6.3 Related party transactions

CFM has entered into an investment management agreement with Phoenix on behalf of the Fund. CFM pays Phoenix out of any performance fee it receives from the Fund.

## 6.4 Changes to fees and costs

CFM may change the fees and expenses referred to in this PDS without the consent of investors. CFM will provide at least 30 days notice to investors of any proposed increase in fees or expense recoveries or the introduction of new fees.

You should read the important information about fees and costs before making a decision. Go to the AID on the Fund's webpage at [www.cromwell.com.au/pof](http://www.cromwell.com.au/pof). The material relating to fees and costs may change between the time you read this PDS and the day when you acquire the product.

## 7. How managed investment schemes are taxed

**Investing in a registered managed investment scheme such as the Fund is likely to have tax consequences.**

Registered managed investment schemes do not pay tax on behalf of investors, instead investors are assessed for tax on any income and capital gains generated by the registered managed investment scheme.

The Fund has resolved to make an irrevocable choice to be an Attribution Managed Investment Trust ("AMIT") for taxation purposes. As an AMIT, the Fund will continue to be a flow through entity and investors will be attributed the taxable income of the Fund regardless of whether the Fund makes a distribution of income or capital. The taxable income and tax offsets will be attributed to investors on a fair and reasonable basis. The attribution will be based on the investors' rights to the income and capital in the Fund as provided for in the constitution. The responsible entity will provide investors with an AMIT member annual statement outlining the tax components.

The Australian taxation system is complex and investors have different circumstances. **Therefore, you are strongly advised to seek professional tax advice before investing in the Fund.**

You should read the important information on how managed investment schemes are taxed before making a decision. Go to the AID on the Fund's webpage at [www.cromwell.com.au/pof](http://www.cromwell.com.au/pof). The material relating to how managed investment schemes are taxed may change between the time you read this PDS and the day when you acquire the product.

## 8. How to apply

Please note that this offer is only open to persons receiving this PDS within Australia.

CFM will provide a hard copy of the PDS and the Additional Information free of charge upon request. Please contact us by:

Phone: **1300 268 078**

Website: **[www.cromwell.com.au/pof](http://www.cromwell.com.au/pof)**

Email: **[invest@cromwell.com.au](mailto:invest@cromwell.com.au)**

While we are assessing your application, any interest earned on application monies is retained by the Fund.

### For direct investors

Direct investors should apply online at <http://apply.cromwell.com.au> or complete the relevant Application Form contained in the Application Pack and return them to the Fund's Registrar.

The Investor Application Form/s allow CFM to comply with the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) ("AML/CTF"). This means that, when you apply to be an investor in the Fund, CFM will need to obtain personal information and documentation from you in relation to your identity. We may also need additional information during your investment.

CFM can only accept and process application forms that are properly completed.

### For indirect investors

If you are investing through an IDPS, the IDPS operator will apply for units on your behalf.

### For investors using mFund

To apply using mFund, you must have an account with an ASX

broker or with an adviser who accesses ASX via an ASX broker. To apply to invest, you pay your application monies, and place a 'buy order' for units in the Fund with your ASX broker. Your broker will direct the application request to the Registrar through CHESS. Applications for units received and accepted by the Registrar will be forwarded by CHESS to your broker for your payment to be passed through the CHESS daily batch settlement process. CFM will price and allot new units to your CHESS HIN, following the Fund's unit price determination at the end of the applicable month. CHESS will notify your broker of the unit price and units allotted when calculated. ASX will issue a CHESS Holding Statement upon issue of your units in the Fund. Refer to Section 2.4.1 for more information on application cut-off times.

## 8.1 Cooling off

If you are a direct retail investor, or a retail investor using mFund, the Corporations Act gives you a 14 day cooling off period in regard to any investment you make in the Fund as a retail client. If, during the cooling off period, you decide that the investment does not meet your investment needs, then you should advise CFM or the Registrar in writing or by email.

The 14 day period commences at the end of the fifth business day after units in the Fund are issued to you or when you receive your confirmation statement – whichever is earlier.

If you request a refund, the amount to be refunded will be increased or reduced to take into account any market movements since the units were issued to you. Refunds will be processed using the issue price for the month the refund is made. Further, any tax, fees or duty incurred as well as the buy/sell spread may be deducted. As a result, the amount refunded to you may be less than your original investment.

Indirect investors should consult their IDPS operator about any cooling off rights that they have.

## 8.2 Complaints handling

The Fund's constitution sets out a procedure for CFM to receive, consider, investigate and respond to complaints by investors who are dissatisfied with the management or administration of the Fund.

If investors wish to make a complaint they should write to the Dispute Resolution Officer:

By post to: **Cromwell Funds Management Limited**  
**GPO Box 1093**  
**Brisbane, QLD 4001**

By email on: **complaints@cromwell.com.au**

CFM will acknowledge any complaint in writing immediately. CFM will within 45 days investigate, properly consider and decide which action (if any) to take or offer regarding the complaint and communicate its decision to the investor.

If the investor is dissatisfied with the decision made by CFM, the investor may refer the complaint to the external complaints resolution scheme of which CFM is a member at the address set out below:

**Financial Ombudsman Service**  
**GPO Box 3**  
**Melbourne, VIC 3001**

Alternatively, further information is available by contacting FOS on:

Phone: **1800 367 287**  
Website: **www.fos.org.au**  
Email: **info@fos.org.au**

## Other information

### Information about the Fund

Net asset value per unit and the unit price history for the Fund are available at [www.cromwell.com.au/pof](http://www.cromwell.com.au/pof). Units represent the investor's share in the value of the net assets held by the Fund.

### Customer service and investor communications

Details of CFM's approach to customer service and investor communications are detailed at [www.cromwell.com.au/pof](http://www.cromwell.com.au/pof).

Cromwell utilises the registry services of Boardroom. As such, investors (and, if applicable, their financial advisers) can register to manage their investment/s online via a secure web portal. Information regarding this service is provided with the investor welcome pack at the time of the initial investment.

### Investors and CFM

The Fund's constitution, this PDS and the Corporations Act and other laws such as the general law relating to trusts govern the relationship between investors and CFM.

### Compliance plan

The compliance plan outlines the principles and procedures which CFM intends to follow to ensure that it complies with the provisions of the Corporations Act and the Fund's constitution.

### Privacy

CFM respects the privacy of its investors and is committed to protecting their personal information. The way we manage personal information is governed by the Privacy Act 1988 (Cth) ("Privacy Act") and the Australian Privacy Principles established under the Privacy Act. Cromwell's Privacy Policy is available at [www.cromwell.com.au](http://www.cromwell.com.au).

Cromwell may also disclose some of your personal information to external service providers, for example, LFS, who provide administration services to the Fund. LFS handles your personal information in accordance with its privacy policy, a copy of which can be found at [www.linkfundsolutions.com.au](http://www.linkfundsolutions.com.au).

### Enhanced disclosure securities

Units in the Fund are "ED Securities" under the Corporations Act, and consequently the Fund is a "disclosing entity".

As a disclosing entity, the Fund is subject to regular reporting and disclosure obligations. Copies of documents lodged with ASIC in relation to the Fund may be obtained from, or inspected at, an ASIC office. Investors will be entitled to obtain a copy of the following documents:

- the annual financial report of the Fund most recently lodged with ASIC;
- any half year financial report lodged with ASIC by the Fund after the lodgement of the most recent annual financial report and before the date of the PDS; and
- any continuous disclosure notices given by the Fund after the lodgement of the most recent annual report and before the date of the PDS.

### Consent

Phoenix has consented to being named in this PDS as investment manager and to any statements attributable to it in this PDS in the form and context in which such statements are included, and Phoenix has not withdrawn this consent before the date of this PDS.

Boardroom and LFS have each given written consent to be named in this PDS in the form and context in which each is named and neither has withdrawn its consent prior to the date of the PDS.