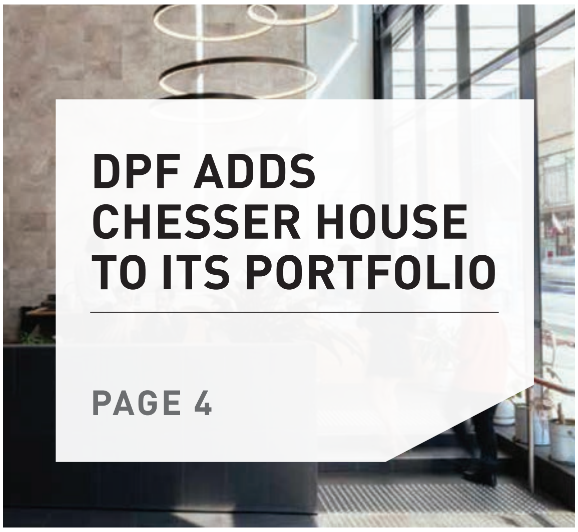
INSIGHT
MAGAZINE



DPF ADDS CHESSER HOUSE TO ITS PORTFOLIO

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CROMWELL
PROPERTY GROUP

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Cromwell Property Group (ASX:CMW) (Cromwell) is a real estate investor and fund manager with operations on three continents and a global investor base. The Group is included in the S&P/ASX 200. As at 31 December 2021, Cromwell had a market capitalisation of $2.3 billion, a direct property investment portfolio valued at $3.1 billion and total assets under management of $12.1 million across Australia, New Zealand and Europe.

Insight Magazine is published by Cromwell for our retail 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.

CEO UPDATE

Jonathan Callaghan
Chief Executive Officer

Cromwell
Property Group

Dear Investor,

We are coming to the end of the 2022 financial year. As fears about COVID-19 retreat from the headlines, concerns about the impacts of rising inflation, fuelled by soaring energy costs, and the associated pressure to increase interest rates, have quickly taken their place.

Cromwell's resilient Australian investment portfolio is well-positioned to withstand these impacts. In addition to our strong weighting to Government, Government Authorities and large multi-national tenants, nearly 70% of our property portfolio's energy costs are recoverable, largely shielding Cromwell and our investors from these rising expenses.

Furthermore, we have been proactively managing our portfolio to protect our balance-sheet, selling down non-core assets with the intent of using the capital to reduce pro-forma gearing to 39.8%. These initiatives brace us for the turbulence ahead and align us with our strategic objective of creating a more capital-efficient model that will assist in enabling the growth of our global funds and asset management business.

In edition #38 of Insight, we discuss how the current disruption to global supply chains is causing a significant shift in approach and how this will affect the real estate industry. We also share some encouraging sustainability results from Cromwell's Direct Property Fund due to our ongoing commitment to operationally efficient office buildings. Then, extending on the highly topical subject of rising interest rates, we take a closer look at what these rises mean for your investments. And in our in-conversation series, Tom Duncan, Cromwell's Head of Research and Investment Strategy, discusses the continued evolution of office spaces, how the conflict in Ukraine is impacting market activity, and how research benefits our investment strategy.

I hope you enjoy this edition of Insight.

Yours sincerely,

Jonathan Callaghan
Chief Executive Officer
Cromwell Property Group

INTRODUCING CROMWELL'S NEW HEAD OF PROPERTY OPERATIONS

In April, Tessa Morrison joined Cromwell, taking up the newly created position of Head of Property Operations.

Tessa is responsible for overseeing the delivery of high-quality, value enhancing property services to Cromwell's funds whilst maintaining the profitability of Cromwell Property Services.

Tessa has exceptional credentials in the property sector with over 15 years' experience managing and enhancing performance across commercial, industrial and retail assets in both Australia and New Zealand. Previously, she spent 14 years with AMP Capital working her way from Retail Manager to Business Projects Manager before moving to JLL where she took on the role of General Manager of the Queensland ISPT Commercial Portfolio.

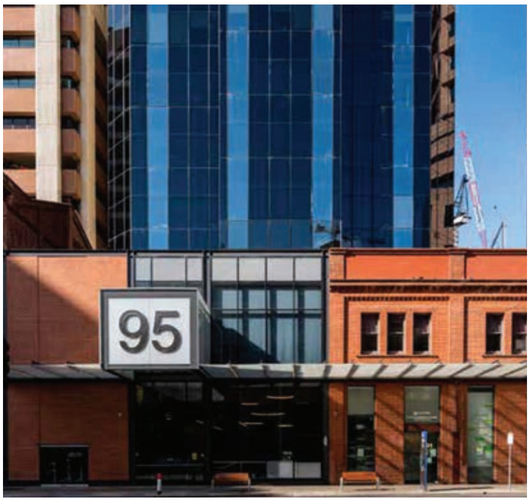
DPF ADDS CHESSER HOUSE TO ITS PORTFOLIO

On 1 April, the Cromwell Direct Property Fund (DPF) added to its direct property portfolio with the acquisition of Chesser House, located at 95 Grenfell Street, Adelaide at a purchase price of $81.35 million.

Cromwell's Head of Retail Funds Management, Peta Tilse, commented, "Chesser House is a fantastic addition to DPF, anchored by the South Australian Attorney's General Department and blue-chip tenants Serco and CyberCX".

The 11-storey A-grade office tower has undergone significant works which includes the implementation of new end-of-trip facilities, a ground floor lobby upgrade, refurbished lift lobbies and modernised lift cars. A new 93KW solar panel system has also been installed, which generates 17% of the total base building power. This is reflected in the building's impressive 5-Star NABERS Energy rating.

The building has a total net lettable area of 11,121 sqm and a 6.1-year WALE.



ENERGEX HOUSE SALE UPDATE

Energex House, the asset owned by Cromwell Riverpark Trust, entered into a due diligence period with a preferred buyer in March 2022. Recent movements in debt markets have unfortunately resulted in the preferred buyer being unable to commit to the asset purchase at this stage.

Cromwell Funds Management is committed to always act in the best interests of Unitholders and will continue to pursue the sale of the asset and the formal wind up of the Trust, however, as previously advised, this may take several months.

CROMWELL PROGRESSES STRATEGY TO SELL NON-CORE ASSETS

On 24 May Cromwell exchanged on the sale of 200 Mary Street, Brisbane for $108.5 million to private markets finance and investment house, Wingate. The sale represents a premium to book value of 8.1% after settlement adjustments.

The sale, which is expected to settle before 30 June 2022, progresses Cromwell's announced strategy to sell non-core assets, as it transitions to a capital light funds management business in the future, and progressively launches new funds.

Cromwell has made recent progress on the sale of other non-core assets. This includes the recently completed sale of the Village Cinema Centre in Geelong for $19.775 million and the exchange of contracts on the TGA Complex in Symonston, expected to settle at the end of June 2022. Combined, these non-core asset sales will release over $140 million of capital which will be used to reduce gearing prior to reinvestment in more strategically aligned initiatives.

Cromwell will remain headquartered at 200 Mary Street, Brisbane with its current lease in place until March 2024.

CROMWELL EUROPEAN REIT Q1 2022 FINANCIAL HIGHLIGHTS

Cromwell EREIT Management Pte. Ltd., the manager of Cromwell European Real Estate Investment Trust announced CEREIT's operational update for the first quarter ended 31 March 2022.

Key highlights were:

- Overall portfolio occupancy stable at 94.8%, with 4.2% positive rent reversion (+5.8% light industrial / logistics and +1.6% office rent reversion).
- Record light industrial / logistics portfolio occupancy of 96.2%, driven by robust European market fundamentals, validating the strategic pivot to logistics and mitigating softening office demand.
- 5.4% year-on-year increase in Q1 2022 NPI from new acquisitions and higher CPI; 4.4% decrease on a like-for-like basis due to a 2.1% reduction in office occupancy to 89.8% over the quarter.
- 38.6% aggregate leverage, low all-in interest cost of ~1.72% and debt 100% hedged/fixed.
- Well-advanced plans to recycle capital through divesting non-core office and sub-€10-million light industrial/ logistics assets.

SUSTAINABLE REAL ESTATE

AND OPERATIONAL EFFICIENCY

The impacts of climate change on the real estate industry are complex. The Urban Land Institute and Heitman explain that the direct physical risks to properties, such as an increase in the frequency and intensity of extreme weather events coupled with both rising sea levels and global temperatures, highlight "the vulnerability of individual assets and locations – and potentially entire metropolitan areas."[1] These, combined with more indirect transitional risks, such as the economic, social, and regulatory changes needed to decarbonise assets, are driving urgency amongst real-estate leaders to be at the forefront of climate action[2].

But strategic planning to protect assets against the impacts of climate change is just one part of the solution. With the real estate sector accounting for approximately 39% of global annual carbon emissions, operationally poor performing buildings not only hinder efforts to minimise climate change but may also significantly lose value[3]. This is why asset owners, managers, occupiers and investors must work to minimise the impact of buildings on the environment.

Operational or energy efficiency is reducing the emissions associated with the everyday running of a building.

Measuring the use of electricity, natural gas, water and the generation of waste of commercial buildings and taking action to reduce that consumption is an area of continued focus for Cromwell. Building, tuning, maintenance, installation of solar, and replacement of inefficient plant and equipment are all opportunities to reduce consumption and emissions.

Occupiers are also playing a role in the sustainability of their leased spaces with many committing to their own ambitious net zero objectives requiring spaces that help to achieve those goals. As highlighted in research recently published by JLL, the emphasis is on the collaboration between landlords, investors, developers and occupiers to assist cities and governments around the world to reach their emissions targets.

Investors too are engaged with the move for buildings to achieve net zero emissions, with 74% of institutional investors now more likely to divest based on poor ESG performance[4]. Research by Deloitte shows that investors are engaged with ESG principles, seeking investments that deliver value, not just financially but more broadly for

> "Occupiers now expect a focus on ESG because many have committed to net zero objectives.

the people and environments impacted by the assets they're tied to[5].

Legislation is changing rapidly on a global scale, restricting the lease of energy inefficient buildings. But JLL go one step further and suggest that while net zero commitments are being set globally at varying levels of government, "the science is telling us that we need to push harder and with real urgency."[6]

This push has significant ramifications for the real estate industry, requiring asset owners and managers to increase focus on the operational efficiency of their properties by adapting assets to improve efficiency[7]. This will ensure assets don't become too expensive or worse, obsolete.

Tom Duncan, Cromwell's Head of Research and Investment Strategy explains that while investing in increasing the energy efficiency of existing buildings might cost more money today, the industry consensus is that it will preserve the value of assets in the medium to long term.

"It makes financial sense to be sustainable, because you'll gain investors, it'll be easier to find occupiers, and you're at less risk of legislative change," he says.

Cromwell's 2021 NABERS SPI results

The National Australian Built Environment Rating System (NABERS) is a national energy rating scheme considered to be the most comprehensive in its reporting of the energy efficiency of office assets in Australia[8].

With the Australian commercial building sector accounting for around 25% of overall electricity use and 10% of total carbon emissions nationally, improving a building's energy efficiency not only reduces carbon emissions, but it also lowers energy bills, reduces operating costs and could attract higher rental returns and increase property value[9].

NABERS rates office buildings', hotels' and shopping centres' operational performance against environmental benchmarks by measuring the operational impacts on the environment in the areas of energy, water, waste and indoor environment quality. Performance in each category is benchmarked on a rating scale of one to six stars, with six indicating market-leading performance and one meaning very poor performance[10].

Under the current system all commercial offices over 1000 square metres wanting to advertise for leasing or selling purposes must disclose their NABERS energy rating.

The Government Resource Efficiency Policy sets targets for government sector agencies to achieve minimum NABERS ratings, including for energy and water in office buildings. Importantly, to attract Government tenants, base buildings require a minimum NABERS rating of 5 stars for metropolitan buildings or 4.5 for regional sites.

The NABERS Sustainable Portfolios Index (SPI) is a more comprehensive overview of whole of portfolio performance as opposed to singular asset-based ratings. It provides publicly available analysis of 53 leading property portfolios across Australia, and this year the Cromwell Direct Property Fund (DPF) has been added to NABERS SPI for the first time. ■

DPF'S NABERS SPI RATING 2022

5th

out of 53 leading property portfolios across Australia

5.2 NABERS 5.2-star office energy rating

5.4 NABERS 4.4-star office water rating

1 Urban Land Institute and Heitman, *Climate Risk and Investment Decision Making*, 2019
2 McKinsey and Company, *Climate Risk and the Opportunity for Real Estate*, 2022
3 McKinsey and Company, 2022
4 Ernst and Young, *2021 Institutional Investor Survey*, 2021
5 Deloitte, *The Impact of Social Good on Real Estate*, 2021
6 JLL, *Decarbonizing Cities and Real Estate*, 2022
7 ULI and Heitman, *Climate Risk Report*, 2019
8 Money Management, *Being a good NABER*, 2022 https://www.moneymanagement.com.au/features/expert-analysis/being-good-naber
9 https://www.energy.gov.au/government-priorities/buildings/commercial-buildings, 2022
10 https://www.nabers.gov.au/, 2022

RESEARCH BRIEFING NOTE
Q2 2022

SUPPLY CHAIN ADAPTABILITY

WILL BOOST AUSTRALIAN OCCUPIER DEMAND

Tom Duncan
Head of Research and
Investment Strategy
Cromwell Property Group

A retreat from global supply chains is underway as businesses seek to maintain greater local inventory and production capacity. As global logistics networks are strained, businesses cannot yet fully enact their re-organisational plans despite a strong desire to do so. This implies momentum has yet to build and will only accelerate.

More local inventory and production means more physical space required. With logistics and industrial/light industrial floorspace supply already at record lows across Australia, intensifying occupier demand will create even stronger rental impetus.

More inventory

+

Limited floorspace

+

Local production

=

Stronger rental growth

> “One of the most immediate and lasting impacts of the COVID-19 pandemic has been supply chain disruption

Just-In-Time (JIT)	• Cost determines inventory and production location. • Goods and components are shipped on demand to minimise storage costs. • Production is located where it is cheapest.
Just-In-Case (JIC)	• Risk mitigation determines inventory and production. • High volumes of goods and components are stored locally to ensure supply. • Production is located where it is most reliable.

From global to local: how supply chains are changing

One of the most immediate and lasting impacts of the COVID-19 pandemic has been supply chain disruption. Erratic swings in demand – toilet rolls and computer monitors one minute, bicycles the next – were exacerbated by logistics interruptions ranging from congested ports and the Suez Canal blockage, labour shortages across the transportation industry and bans on certain exports deemed to be of national importance.

The extent of the disruption reflects the international nature of supply chains which first emerged in the 1980s enabled by new technology and globalisation.

A 'Just-In-Time' (JIT) supply chain philosophy in which decisions on where to source, manufacture and store stock are made purely on a financial basis has become standard practice. Goods and components are shipped on demand just before they are needed to minimise storage costs and optimise working capital. Production facilities are located in emerging economies with lower labour and operational costs.

The downside of JIT networks is that they rely on stability and do not cope well with sudden, unexpected change. Rapid demand fluctuations, shipping backlogs or border issues erode their functionality and undermine the ability of businesses to fulfil orders. Reliably mitigating disruption means prioritising resilience over cost, with higher volumes of inventory being stored and production being undertaken locally where it can be better guaranteed. This is the 'Just-In-Case' (JIC) approach, the benefits of which have been viscerally demonstrated by the pandemic and, as a result, a mass pivot towards it is underway.

A global survey of senior supply-chain executives by McKinsey, a management consultancy, in Q2 2020 found that 93% planned to make physical changes to their supply chains to ingrain flexibility, agility and resilience in response to the pandemic[1]. Multiple initiatives were planned including diversification of raw material sourcing, increasing critical inventory and nearshoring production and suppliers.

A survey of global CEOs by KPMG, a professional services firm, in Q3 2021 established that 'supply chain risk' was jointly ranked as the top threat to business growth alongside cyber security and climate change risk[2]. It was ranked second in 2020 reflecting the growing awareness of, and concern with, supply chain risk. There was a marked 10 percentage point increase in CEOs rating this as the biggest threat. Supply chain adaptation is clearly at the forefront of corporate agendas.

1 McKinsey, 23 November 2021, How COVID-19 is reshaping supply chains

2 KPMG, 1 September 2021, 2021 CEO Outlook

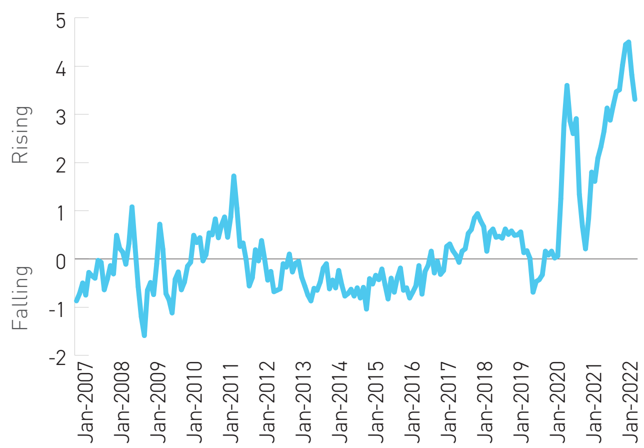
Rising risk and uncertainty: why change is occuring

Multiple factors are combining to foster rapid supply chain adaptation. The pandemic brought urgency to the need for change, ensuring that all businesses understand how fragile supply chains are and the need to ingrain resilience. Global supply chain pressure rose immediately and remains near a record high (Figure 1). This reduces business output, erodes profitability and adds to inflation.

As with other structural changes though, the pandemic merely accelerated a pre-existing trend rather than creating it. Supply chains were becoming more localised and manufacturing activity was already nearshoring, but the pace was much slower. The ability for supply chains to adapt is being fuelled by a variety of drivers (Figure 2).

Ultimately the negative externalities of complex, lengthy supply chains and consolidated production have risen as uncertainty prevails and risk escalates. In parallel, the feasibility of nearshoring production and localised supply chains back to Australia has increased. The cost/resilience balance is swinging in favour of the latter.

Figure 1: Supply Chain Pressure Index – Global



Source: Liberty Street Economics, March 2022 Update

Figure 2: Drivers of supply chain adaptation

COVID-19
The risk of long, consolidated supply chains and their inflexibility during periods of dramatic change was vividly demonstrated by COVID-19. Resilience is being sought to mitigate against future pandemics and other unforeseen disruptions like natural disasters.

Technological development
Modern production processes are increasingly utilising automation/robotics. This reduces the need for unskilled labour and increases the need for skilled technology-based workers. This erodes the cost advantage of cheaper labour in developing countries and increases the appeal of developed countries.

Sustainability
The move to net zero, the desire to lower greenhouse gas emissions and ethical concerns regarding labour conditions favour localised supply chains and production.

Climate Change
Greater frequency, severity and unpredictability of extreme weather events threatens the reliability of long supply chains.

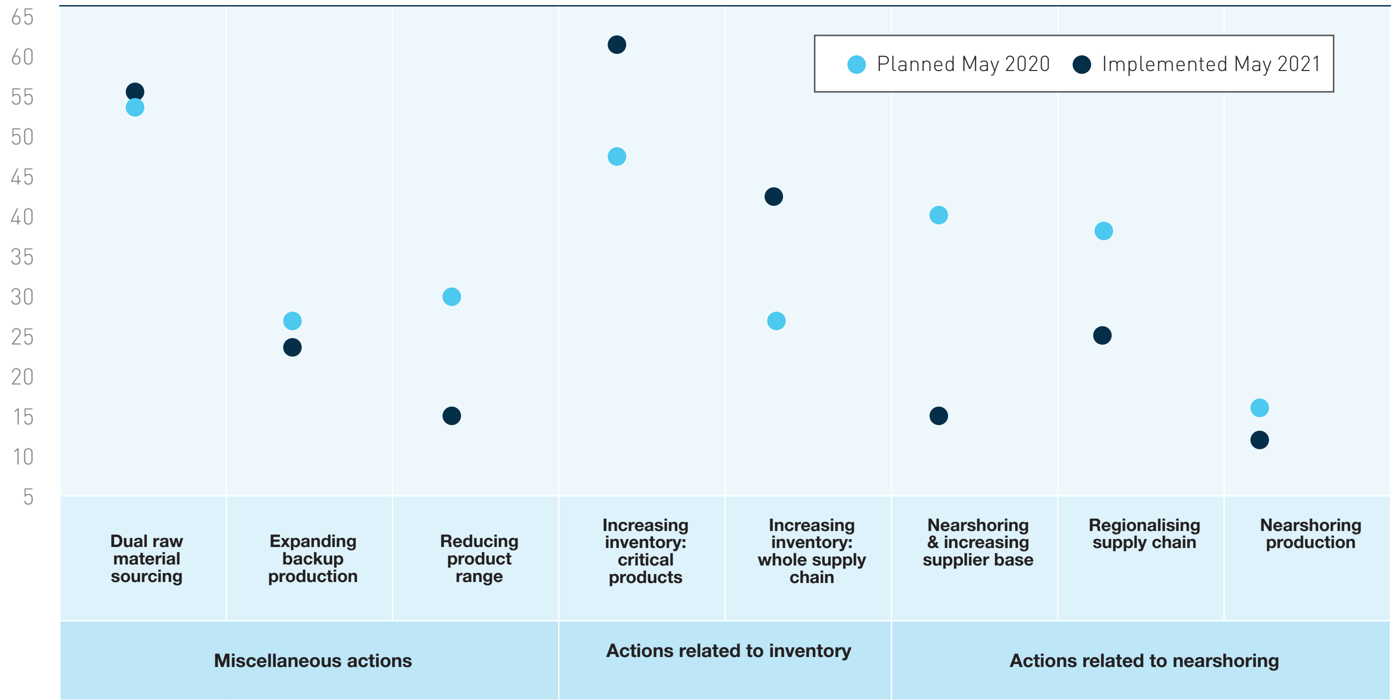
Geopolitical uncertainty
Rising geopolitical risk related to conflicts including the Ukraine invasion and trade wars increases volatility, uncertainty and supply chain risk.

Retreat from globalisation
Rising nationalism/populism, a focus on self-sufficiency/self-reliance and national security concerns over key production capabilities such as semiconductors and pharmaceuticals are spurring more localism.

Inflation
If businesses expect costs to rise due to higher inflation, it increases the financial advantage of acquiring and producing goods today for later use.

Source: Cromwell Property Group Q2 2022

Figure 3: Supply chain adaptation – planned and implemented actions % of global supply chain leaders



Source: McKinsey survey of global supply-chain leaders (May 4-June 16, 2021, n = 71)

Nascent stage: adaption is only just starting

The trend towards JIC is only starting to gather momentum. Because supply chains remain heavily disrupted and are likely to remain so for some time, it is difficult for companies to satisfy existing demand, build inventory and relocate production concurrently.

It takes time to recalibrate supply chains which have developed over decades. It takes even longer to relocate production facilities and increase output sufficiently to replace offshored factories. However, it is far quicker to store greater inventory than relocate factories.

The McKinsey survey was undertaken in Q2 2020 and Q2 2021. Analysis of the results clearly shows that whilst many companies planned to reshore activity in Q2 2020, few had done so a year later. By contrast, far more companies had increased their inventory by Q2 2021 than the number of those that had anticipated doing so in Q2 2020 (Figure 3).

Despite businesses increasing inventory, stock levels remain depleted. ABS data on business inventories indicates these fell significantly after March 2020 as the pandemic hit (Figure 4). Whilst proportionally inventory levels have improved in 2021, this reflects base effects given the severity of the reduction experience in 2020. Australian inventory remains extremely depleted by historical standards.

A Q4 2021 global survey of 125 senior level executives in the life sciences, machinery/automotive and consumer durable goods sectors by BCI Global, a supply chain consultancy, found that 85% rated "shortage of components/commodities/raw materials" as the biggest supply chain challenge today[3].

Manufacturing suppliers' delivery times are at a multi-year low which prevents companies from building sufficient inventory (Figure 5). It will be some time before these times shorten given the extent of the backlog which will prevent significant inventory increases in the immediate future.

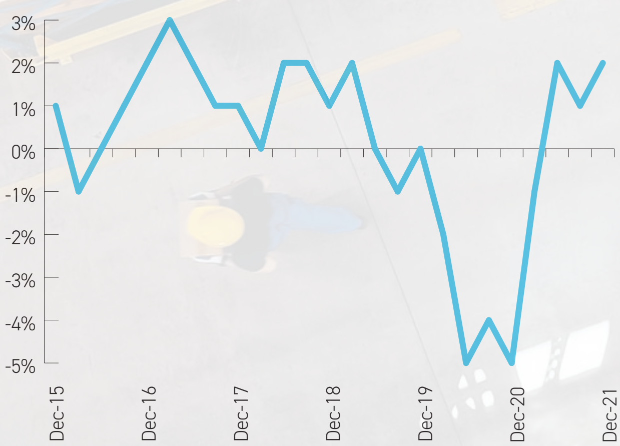
Meaningful scale-up of reshored production capacity is unlikely to be achievable until the medium term. Significant planning is involved, given the dramatic reorientation of process and supply chains that this involves as well as the high capital investment. That is why there has been little evidence of nearshoring production to date despite business indicating that they plan to do so.

Nearly 90% of McKinsey respondents stated that that they expect to pursue some degree of regionalisation during the next three years. This is corroborated by the BCI Global Survey which established that 60% of respondents plan to reshore activity within the next three years.

The implication of this analysis on the extent of supply chain adaptation and manufacturing nearshoring is that this recalibration is at a very early stage. It is only just starting to gather speed and it is a trend with longevity.

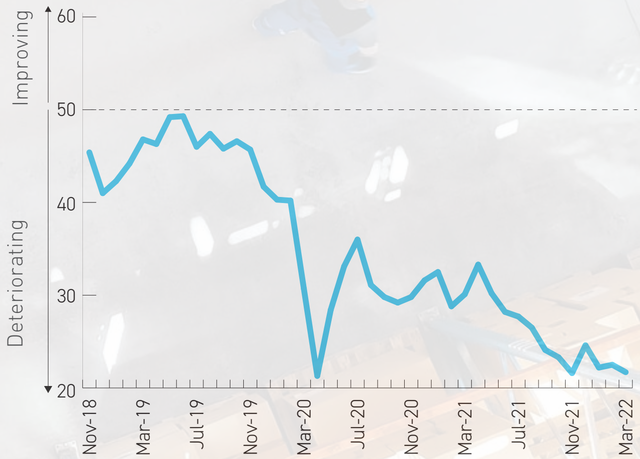
3 BCI Global, 16 February 2022, Global Reshoring & Footprint Strategy

Figure 4: Inventory Change (y-o-y)



Source: ABS, December 2021

Figure 5: Suppliers' delivery times - Australia



Source: IHS Markit, 31 March 2022, Australian Manufacturing PMI

Significant floorspace demand: occupier demand will escalate

Greater inventory and reshored production requires physical floorspace, and this greatly favours commercial real estate operators. Occupier demand for logistics, warehousing and industrial/light industrial stock will rise, compounding the existing supply/demand imbalance in favour of landlords.

In terms of specification, storage space requires little other than volume. This may mean that demand is focused on more affordable secondary logistics and warehousing space with height. Transport connectivity is likely to be a locational driver. Space near major transport nodes such as seaports, airports and multi-modal terminals may be most desirable.

Demand emanating from reshored production facilities is expected to be focused largely on industrial/light industrial space. Whilst modern production has lower labour requirements than in the past, access to skilled labour is still needed. This suggests demand will be focused near cities or other clusters offering ready access to specialist technical or manufacturing labour.

Production facilities typically rely on support from suppliers and logistics subcontractors. As such, the emergence of new reshored production facilities will stimulate broader occupier demand in their surrounding localities. They are demand catalysts.

A rising tide lifts all boats: stronger rental growth is the most likely outcome

Analysis from a range of data sources and forward-looking business survey indicators suggest that Australia is on the cusp of experiencing a sustained build-up of inventory storage and a transition towards reshored production. This will lead to substantial and prolonged demand for additional logistics, warehousing and industrial/light industrial space.

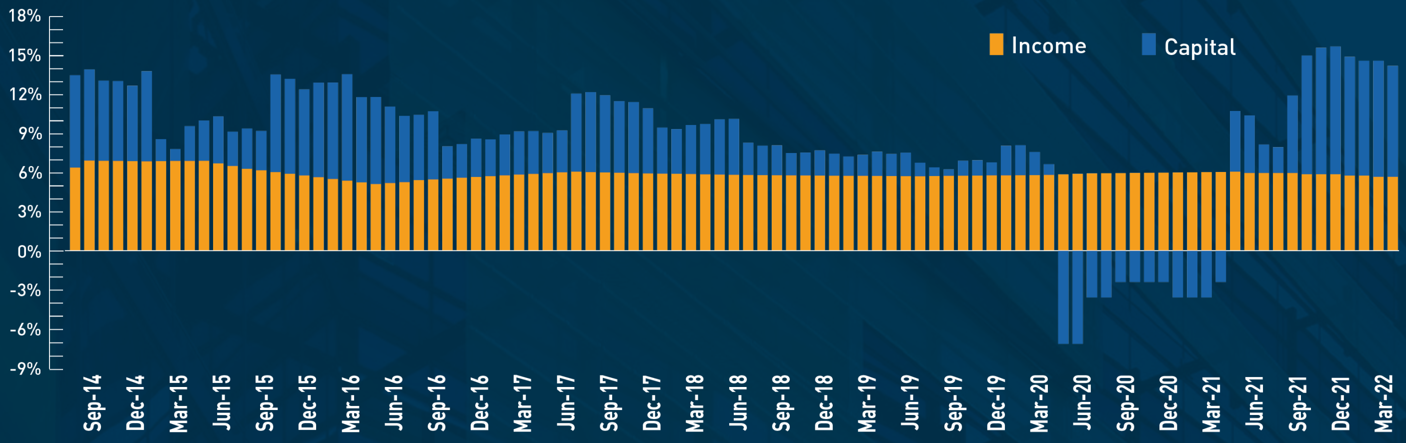
A rising tide lifts all boats, even if demand is concentrated on storage and focused on secondary stock and production demand on light industrial/industrial, it will still limit choice and reduce optionality for occupiers across all types of logistics and light industrial space. This is likely to intensify competition for space, exacerbate the existing supply shortfall and lead to stronger, more protracted rental growth.

CROMWELL DIRECT PROPERTY FUND

ARSN 165 011 905 I APIR CODE CRM0018AU I PRODUCT FLYER I MARCH 2022 (Unless otherwise indicated)

Regular, reliable income[1]

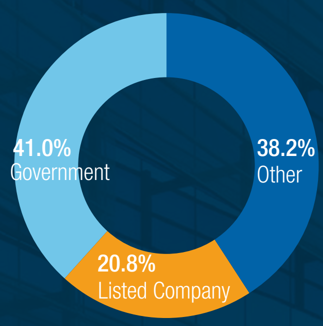
An income-producing investment with long-term capital growth potential,[1] consisting of a diverse portfolio of carefully selected commercial properties.



Income/Capital Growth Split[2] as at 31 March 2022

	1 Year	3 Years	5 Years	Inception (August 13)
Income	5.7%	5.9%	5.8%	6.0%
Growth	8.6%	2.3%	2.6%	3.7%
Total Returns	14.3%	8.2%	8.4%	9.7%

Tenant Type by Income[3]



10 quality commercial property assets[4] with a 5.1 year weighted average lease expiry (WALE)[5]

Further details on page 30

CROMWELL FUNDS MANAGEMENT

1 Capital growth and income distributions are not guaranteed and are subject to the assumptions and risks contained in the PDS. Past performance is not a reliable indicator of future performance.

2 After fees and costs. Performance data for periods longer than one year have been annualised. Past performance is not a reliable indicator of future performance.

3 Positions in the Fund are subject to change. Calculated using the Fund's financial management accounts as at 31 March 2022 adjusted for the purchase and inclusion of 95 Grenfell Street, Adelaide on 1 April 2022.

4 As at 31 March 2022 adjusted for the inclusion of 95 Grenfell Street, Adelaide as at 1 April 2022.

5 Calculated on a "look-through" gross passing income basis. As at 31 March 2022 adjusted for the purchase and inclusion of 95 Grenfell Street, Adelaide on 1 April 2022.

STOCK IN FOCUS: SYDNEY AIRPORT

Stuart Cartledge
Managing Director
Phoenix Portfolios

The successful completion of the takeover of Sydney Airport in March 2022 marks the conclusion of 20 years as a listed entity. Since the inception of the Cromwell Phoenix Property Securities Fund (the Fund) in April 2008, Sydney Airport (ASX:SYD) has been a core holding and a big positive contributor to the Fund's returns.

Phoenix estimates the internal rate of return of an investment in Sydney Airport from the IPO to sale was approximately 17.9%. By comparison, the S&P/ASX 300 REIT Accumulation Index returned 6.5% over the same period. The Cromwell Phoenix Property Securities Fund's Sydney Airport holding since the Fund's inception has delivered an annualised return in excess of the property benchmark by approximately 10%.

The infographic on the following page provides a timeline of Sydney Airport's ascent, turbulence and smooth landing.

From the early days, the potential upside of airports made for a compelling investment case for the Cromwell Phoenix Property Securities Fund.

2002

Initial public offering (IPO)

Macquarie Airports (ASX:MAP) listed on the Australian Securities Exchange and raised $1 billion.

$500 million was raised upfront in April 2002 at $1 per unit with a second call of $1 per unit, payable in September 2002 to raise an additional $500 million.

April 2002

Sydney Airport privatisation

Southern Cross Airports Corporation Consortium won the bid ($5.6 billion) to privatise Sydney Airport and Macquarie Airports gained an indirect 44% stake.

The price paid was considered colossal and the market price of Macquarie Airports reacted negatively.

June 2002

$5.6 billion 2002

Second call

Investor concern caused the unit price to drop to 16.5 cents the day before the second call.

Approximately 58 million of the original 500 million units failed to make the second payment, and Macquarie Equity Capital Markets was forced to take up the stock and sell it into the market.

September 2002

External impacts

SARS (the first one) and the Iraq War combined to drive Macquarie Airports lower.

At its low, the $2 fully paid IPO stock touched 80 cents.

2002-2011

Sydney Airport position grows

Macquarie Airports bought a portfolio of airport stakes including Rome Airports (34.2%), Brussels Airport (62.1%) and Copenhagen Airports (53.7%) but gradually disposed of those, concentrating solely on Sydney Airport.

By the end of December 2011 it controlled 85%.

2002-2011

A mark of confidence

Macquarie Bank announced a waiver of performance fees.

Future performance fees waived until such time as investors had accumulated returns above the Benchmark.

July 2003

Safe landing

Sydney Aviation Alliance settled on a transaction to purchase Sydney Airport for $8.75 per share.

This transaction reflected a price for the airport at just over $32 billion, nearly six times the 'colossal' price paid in 2002.

July 2022

$32 billion
2022

Sale proposal

Sydney Airport received a proposal from a consortium of infrastructure investors called Sydney Aviation Alliance to acquire, 100% of the stapled securities in Sydney Airport.

July 2021

Macquarie Airports internalised

Macquarie Airports internalised to become Sydney Airport, the business was simplified, a tax dispute settled with the ATO, and ownership of Sydney Airport had moved to 100%.

From a share market perspective, simple is good.

2013

Internalisation proposal

After the Global Financial Crisis demonstrated some of the conflicts of externally managed vehicles, the board set out a proposal to pay Macquarie Group $345 million to internalise Macquarie Airports.

2009

Despite early turbulence, the vision was always clear

From the early days, the potential upside of airports made for a compelling investment case for the Cromwell Phoenix Property Securities Fund. Airport ownership provides a myriad of opportunities to invest in commercial activities, particularly via the unregulated retail, car parking and property opportunities, which combined can often represent a greater proportion of airport revenues than aeronautical activities.

With respect to aeronautical activities, the privatisation of Sydney Airport was accompanied by the removal of price controls on aeronautical charges enabling more flexible arrangements between airlines and the airport allowing for the provision of services to meet the demands of airlines.

Another appealing feature of Sydney Airport has always been the monopolistic nature of the asset. In a geography as vast as Australia's, unlike in Europe, there really is only one way to efficiently travel between major capital cities. This is somewhat supported by the Sydney-Melbourne route being the third most busy airline route in the world.

Furthermore, the only moderate level of future competition was in the form of Western Sydney Airport, where Sydney Airport always had the right of last offer to participate.

With light-handed regulation and a focused management team, good things happened.

IN CONVERSATION WITH... TOM DUNCAN

Tom Duncan
Head of Research and Investment Strategy
Cromwell Property Group

Tom Duncan, Cromwell's Head of Research and Investment Strategy, has been working in the real estate industry for nearly two decades. His passion for providing advice that leads to tangible change is what drove him to pursue research. He recently visited Cromwell's Australian offices where we sat down to discuss the current issues impacting the market, developments in office space post-COVID, and some of the projected trends driving Cromwell's investment decisions.

> "Research and investment strategy can spot potential vulnerabilities in our existing portfolios

Tell us about your role.

I'm head of research and investment strategy at Cromwell. My role is to produce research which resonates with the market and that explores topical issues. A lot of my time is spent developing our investment strategy, which sits across all the work we do at Cromwell and guides how we invest in our existing funds, as well as how we position new products and funds to benefit from changes in real estate demand as they play out.

How does Research inform Cromwell's Investment Strategy?

Research is fundamental to the investment strategy. My team sets the top-down direction which determines how Cromwell should invest in terms of real estate sectors, locations and assets. This is based on analysis of how occupier demand is evolving, as well as our house view on economies and real estate markets.

We overlay that with bottom-up property market expertise derived from our local teams in Europe and Australia. It's the combination of top-down strategic insight with bottom-up local expertise about assets and market dynamics that creates a powerful investment thesis.

In addition to that, research and investment strategy can spot potential vulnerabilities in our existing portfolios. It allows us to see elements that may be unfavourably exposed to markets or trends which could mean a potential future loss in value. Pre-emptively identifying such risk allows us to adapt our portfolios in advance in order to maintain and enhance value.

What impact has rising inflation and the war on Ukraine had on the market/real estate?

Our house view on inflation is that it will be high in the short term, but inflationary impacts will ease in the medium term.

We think supply chains will adapt, which will alleviate some of the immediate pressure driving inflation. We are currently in the epicentre of the high inflationary environment but we see these forces weakening going forward.

Labour is also driving inflation higher, but we think the labour availability will increase now that COVID is in the rear-view mirror particularly in Europe, and people are able to travel more freely. Less restrictive travel should allow labour markets to be more liquid which will enable better balance between supply and demand.

In terms of Ukraine, it's a topic which is at the front and centre of investors' minds, particularly in Australia I've noticed. Putting aside the tragic human cost of the conflict and looking at it from a pure real estate angle, in Europe, the conflict hasn't had a dramatic impact on market activity to date. Investment volumes were maintained in Q1 as the conflict broke out and we've seen some large transactions in Warsaw; Google bought their office building there in March this year, which is a sign of confidence in the market.

Whilst we consider the direct impacts of the conflict on real estate are likely to be minor, the indirect impacts on GDP, which is a leading indicator of real estate demand, are more concerning. If higher energy prices endure that could result in lower economic output. In that sense it may weaken the growth story for Europe. But fundamentally Europe is still a growing economy. GDP growth is still forecast alongside population and employment growth even with the Ukraine conflict, so there will be an ongoing need for new real estate. That's in addition to the structural changes in how real estate is used which supports additional demand, such as the shift to online retail or the need for new residential stock to serve an ageing population.

From a demographic sense, Europe has seen a considerable influx of refugees from Ukraine. They tend to be well educated, younger than the average European and have been granted full live, work and study rights by the EU. Thus, Ukrainian refugees provide a boost to economic and supply demand. We believe many may choose to settle more permanently in the EU if the conflict continues. That would increase consumer spending, support more demand for the offices in which they'll work, and the houses in which they'll live. For a real estate investor that means greater demand for space.

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

Sustainability and ESG. There are two major considerations in terms of these environmental aspects.

Firstly, there's a physical risk to consider; as weather patterns change and become more erratic, the risk of stranded assets rises. For example, you might occupy a building with glass frontages but then you learn that as temperatures rise in that city, it could become unbearably hot in that building if cooling systems cannot be improved. So, what was once perceived as prime real estate could lose value.

The other consideration associated with the environment is the desire from occupiers to lease buildings that are energy efficient and sustainable. That's the concept behind our European wooden buildings fund - we think there's a rental premium for buildings that are made of wood because they suck carbon out of the atmosphere when they're constructed and then retain it.

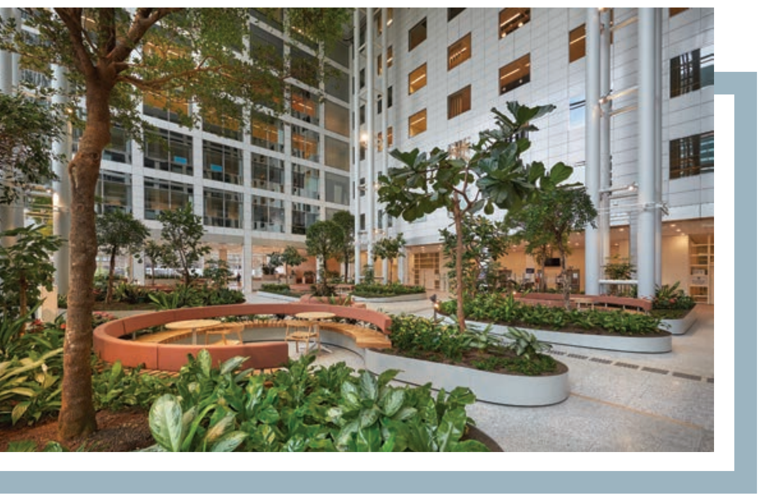
You wrote an article about the evolution of the office in edition 36 of Insight. Can you give us a short update on the office market?

I think Europe is ahead of the curve compared to Australia in returning to the office. That's because, as I mentioned before, COVID is in the rear-view mirror in Europe. We've seen workers return to the office en masse, albeit under the hybrid approach as the new normal.

Now that activity is picking up in Europe, we're seeing office investment volumes increase. Occupiers are committing to new, prime space that's capable of facilitating hybrid working staff. We're seeing occupiers pay rental premiums to occupy that space.

In the hybrid world, average office buildings are no longer going to cut it. In the past that might have been okay, but nowadays a successful future-proofed office needs the trifecta of a strong asset, a strong macro location and a strong micro location. Offices need all three elements to secure performance.

I think there's still a lot of change to play out and that creates an opportunity for informed investors like Cromwell. We really understand future occupier demand in terms of physical characteristics of space. That means we can manage our existing offices in order to maximise alignment with occupier demand and drive more revenue. We can also take advantage of mispricing opportunities which might emerge in the next 12 months to buy offices with long-term potential that are being unfairly discounted in the short-term.



Read the Insight 36 article at www.cromwellpropertygroup.com.au/insight

What are the benefits of seeking exposure to the European real estate market for Australian investors?

The European real estate market is significant in terms of size: it accounts for about 35% of the global investable real estate universe, which is ten times larger than Australia. The diversity that comes with that is quite phenomenal.

One of the benefits of investing in Europe is that it's a sophisticated market so a lot of the trends happening there can be applied to the work we at Cromwell do in Australia. For example, there's often novel concepts which develop in Europe that could then be exported to Australia. Having presence in both markets enhances our investment decisions through knowledge transfer and gives us a pre-emption of the way things could develop.

There's also more dynamism in Europe – it's home to over 630 million people – and constitutes different countries with different trends and real estate needs. Investors gain exposure to a range of different characteristics that you don't get in Australia, so in terms of a diversifier, it's a compelling proposition. That's why we're seeing more Australian investors increasingly look at that market.

What do you find most rewarding about working in research and investment strategy?

I think where research is most interesting and can add value to a business such as Cromwell is when it is applied through investment strategy. That type of research is proactive and forward focused – looking at how things are going to change in the next five to ten years and then working that back to actions we can take today to protect, create and grow performance. The investment strategy can inform new product launches, provide strategic advice on how we should manage our existing portfolios, and be used to engage with our investors to educate them on our investment rationale.

A major benefit of an investment strategy is that we can tell investors what we're going to do and then go through and demonstrate that we're executing and delivering on what we said we would. Our research isn't just a theoretical paper that we publish which goes no further. We use it as a basis to invest with conviction.

> "Where research is most interesting and can add value to a business such as Cromwell is when it is applied through investment strategy.

What do you do to relax? / How do you spend your time outside work?

I have my wife and young child at home so they both keep me busy. Florence, my daughter, helps me keep focused on the here and now, and not thinking about work when I'm enjoying time with her.

As an ex-Bondi resident, exercise is very important for me. I got into the habit of getting up extremely early and going down to the beach, and that's something which is an important part of my day – getting up and doing some exercise. It helps me to chill out mentally, and it's as much a mental effort as it is a physical effort for me. ■

WHAT DO HIGHER INTEREST RATES MEAN FOR YOUR INVESTMENTS?

The Reserve Bank of Australia's decision to increase the cash rate by 25 basis points in early May and a further 50 basis points at its June meeting has prompted many economists and financial market analysts to pencil in several official interest rate rises between now and the end of the year.

Both moves came in well above market expectations and signalled the RBA was serious about trying to bring burgeoning inflation under control.

Inflation has surged in the past year, with the latest Consumer Price Index (CPI) standing at 5.1% annually and 2.1% for the first quarter of 2022, according to the Australian Bureau of Statistics.

Many newer investors have never experienced an era of rising interest rates, and it has become unfamiliar territory for even the most seasoned of market players, so it is prudent to explore how various asset classes are affected in this environment.

STOCKS

Interest rate rises are designed to slow the flow of cash in the economy and for financial markets, this is often a time when investors will sell off stocks and book profits. This can drive share prices down, however, rate rises do not tend to affect all market sectors equally.

Financial stocks will usually benefit because higher interest rates mean greater margins on the money that is being borrowed. By contrast, technology shares and stocks in sectors where start-ups are common, usually suffer as investors seek out more stable companies.

Investors holding global shares can experience a deterioration in their returns, because of the appreciating Australian dollar (AUD). During periods of higher interest rates, the Australian dollar generally strengthens against other currencies because overseas investors are attracted to a higher yield, driving up demand for AUD.

Historically, stocks have generally managed positive returns during tightening cycles, however, these returns were much more modest than those in the periods preceding the cycle.

CASH

One of the most obvious beneficiaries of higher interest rates is cash, with deposits attracting stronger returns. However, while a rate rise matching or even exceeding the Reserve Bank's official movement is all but guaranteed for customers with bank loans, financial institutions will not always apply that same principle to deposit accounts. It can therefore be a slow process to accumulate noteworthy returns on savings.

This tightening cycle also comes at a time when interest rates have languished at historically low levels for a prolonged period. Cash savings have been rewarded with anaemic interest for much of the past decade and even a relatively aggressive tightening cycle means those conditions will not be rectified quickly.

Investors seeking simplicity and security may start casting around for competitive term deposit rates, however, it is likely to be a long while before higher interest rates have any meaningful impact on savings.

BONDS

Interest rate fluctuations impact bonds more than any other factor. When interest rates rise, more valuable bonds will likely be issued and investors may seek those higher yield products.

For example, an existing ten-year $1,000 bond which pays a 3% coupon will still pay 3%, even if market interest rates rise to 4% in one year. However, for an investor holding this bond, they may wish to sell to fund the purchase of a more attractive 4% bond. The 3% bond's price, however, may drop to $925, because new bonds issued with a 4% coupon make the original 3% bond less attractive, unless it can be bought at a discount.

This is an example of interest rate risk, whereby interest rates rising result in an investor holding a bond yielding below market rates. The longer the time to maturity, the greater the interest rate risk an investor takes on, as it is harder to predict market fluctuations over a longer timeframe.

RESIDENTIAL REAL ESTATE

Although demand for housing can initially decline as mortgage interest rates rise and debt becomes more expensive, this asset class has proven to withstand the impact of tightening cycles in the long term.

Generally, when inflationary pressures start to mount, property prices appreciate, keeping pace with the overall rate of inflation. At the same time, rising labour, building materials and equipment costs can lead to a slowdown in property development, putting a strain on the supply pipeline and further stimulating existing property values. Globally, the construction industry is already dealing with higher prices because of COVID-19-related supply chain disruptions, and there are daily headlines about projects in peril and developers on the verge of collapse.

Rental prices are usually one of the first of many living costs to go up during periods of growing inflation. A lack of housing supply can create fierce competition among tenants, driving up rental prices and generating higher revenues for landlords. The Australian Bureau of Statistics' Consumer Price Index for the March quarter of this year revealed strong rises across all capital cities (apart from Sydney and Melbourne, which also recorded growth, albeit slower than elsewhere), reflecting historically low vacancy rates in most major metropolitan centres.

COMMERCIAL REAL ESTATE

Interest rate rises have varying implications across commercial real estate sectors.

Office

Demand for quality office stock has increased, as employees return to offices in droves from home-based work, post-pandemic. The strain on construction of new stock is driving a boom in the redevelopment or retrofitting of existing properties. Employers know they need to create a desirable, welcoming space for their teams and are investing in value-add strategies.

A further boon for commercial property investment is the fact that leases in this sector can include fixed annual rental increases. This effectively boosts investors' income and offsets the impact of higher inflation, and interest rates. These annual rent increases are often set above the long-term inflationary outlook, or even sometimes specifically tied to increases in inflation.

Right now, heightened demand and a lack of stock coming to market means that commercial property landlords are in a strong position to command higher rent for buildings in sought after areas.

Overall, incremental rate rises are not expected to significantly dampen heightened investor interest in commercial property, and any moderation in growth would be coming off strong levels of demand.

1 https://2022investmentreview.colliers.com.au/
2 https://thepropertytribune.com.au/opinion/interest-rates-commercial-real-estate/, 2022
3 Australian Financial Review, Commercial property prices are likely to suffer stiff decline, 2022

Retail

One property sector where rising interest rates usually present a challenge is retail, which is currently still recovering from the fallout from the pandemic lockdowns and supply chain issues. Higher interest rates also generally weigh on discretionary spending, which can further hinder demand for retail space.

However, the hangover in this sector from the pandemic means retail asset pricing is currently competitive, particularly in regional areas.

Furthermore Colliers reported 2021 as a record year for national retail investment activity, with a total of $12.7 billion transacted, suggesting fundamental resilience in this sector[1].

It is also the case that pent-up demand has been outstripping supply in certain retail sectors, especially clothing and hospitality. That is leading to higher prices for goods and more robust balance sheets, meaning occupiers are well-placed to manage more expensive mortgages and rents.

Industrial

Traditionally, industrial real estate can come under similar pressure to retail properties when rates rise, as companies run down inventories and vacate warehouse space.

In the current environment, the industrial property market is booming thanks to widespread 'Just In Case' inventory strategies. Many companies were caught off guard by the resurgent consumer demand and supply chain disruptions that dominated over the past year. Businesses are wary of falling short or selling out of goods, so large stockpiles are being maintained to satisfy demand.

As investor competition for logistics and industrial assets has intensified in Australia, prices have risen significantly across the eastern states. And the shortage of industrial properties in the market could see prices continue to rise, with landlords potentially seeing increases to rental income[2].

However, an increasing demand for warehouse automation puts older-style buildings at risk, causing some uncertainty in the sector[3].

CONCLUSION

Historically, rising interest rates have driven a flight from liquidity among investors, with sectors like commercial real estate performing well, because it comprises real assets. In the current environment, this area is a beacon for sustained growth.

Stocks tend to tread water, often stabilising after initial selloffs, while bonds under-perform. As this tightening cycle begins, there are questions over how quickly and aggressively interest rates will climb in the battle to fight inflation.

All analysis and views of future market conditions are solely those of CFM.

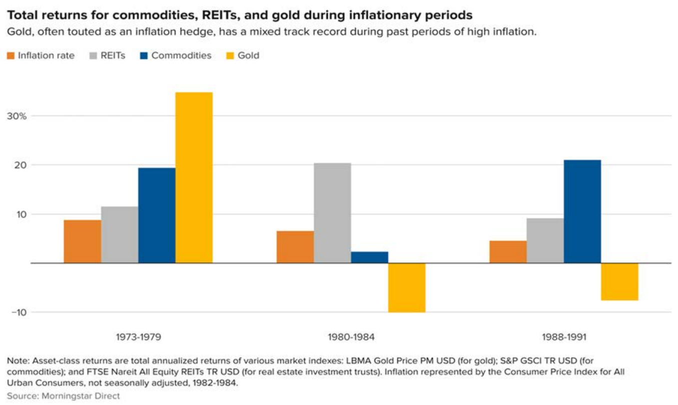
DIRECT PROPERTY UPDATE

Peta Tilse
Head of Retail Funds Management
Cromwell Property Group

During the March quarter and beyond financial markets watched inflation creep upwards and all focus turned to how the Reserve Bank of Australia (RBA) would respond. In an attempt to stem the rise of inflation, the RBA increased Australia's cash rate in quick succession, with the overnight cash rate at time of printing now at 0.85%.

While share markets have reacted to increasing inflation (in combination with interest rate rises, the war in Ukraine, and continued COVID impacts) with volatility and uncertainty, assets like direct commercial property can potentially provide some stability in portfolios from an income perspective. Commercial leases typically have mechanisms to increase either at the inflation rate or some other margin annually, or at review. This means income from these investments can provide better protection against inflation.

To provide evidence of this, the following chart shows the historic performance of key asset classes in different inflationary environments. While past performance is not necessarily a reliable indicator of future performance, and the chart plots REITs as an approximation of property, what can be observed is how property consistently performs, especially when fixed income and equity investments struggle.



Cromwell's Direct Property Fund demonstrates this consistency, providing since its inception in 2013 income averaging 6% p.a. and total returns of 9.7% . The fund now boasts ten properties throughout Australia, and around 62% of its tenants as Government or Blue Chip listed companies.

Outlook

The Australian Reserve Bank is likely to continue to lift interest rates and moderate inflationary pressures. Most banks anticipate this interest rate cycle will rise from 0.10% to somewhere between 1.75% to 3%. Other cost of living pressures such as energy, fuel and food costs may help moderate economic activity and reduce the need for higher interest rates.

BIS Oxford Economics cite there is no real stand-out investment opportunity across industrial, office, or retail sectors at the moment. Further, they expect gains in long term bond rates to hold over the short to medium term, which means the current phase of yield firming hasn't much further to go. Rent rises will be key to driving medium term returns across the sectors.

How did Cromwell Funds Management fare this quarter?

The Cromwell Direct Property Fund continues to build its foundations on ten quality commercial property assets with a healthy 5.1-year WALE (as at 31 March 2022). Performance for the prior 12 months saw total returns of 14.3%, with monthly income of 5.7% p.a and growth from the portfolio of 8.6%. The purchase of Chesser House in Adelaide added diversity in terms of location as well as contributing to an increase in Government and Blue-Chip tenants.

Read more about the Cromwell Direct Property Fund on page 30.

LISTED MARKET UPDATE

Stuart Cartledge
Managing Director
Phoenix Portfolios

The S&P/ASX 300 A-REIT Accumulation Index gave back much of its prior quarter's gains, falling 6.7% in the quarter ending 31 March 2022. The property index significantly underperformed the broader equity market, with the S&P/ASX 300 Accumulation Index up 2.1% in the quarter.

We have long warned that property is an interest rate sensitive sector and that has been particularly true in recent times. With a reopened, yet more unstable world, inflation pressures appear to be building. In response, interest rates have moved meaningfully higher.

At the start of the quarter the Australian ten-year Government Bond yield was 1.7%, however, by the end of the quarter it moved to 2.8%. Whilst direct transaction and valuation markets have not reflected this sharp change, equity markets are somewhat more forward looking. Australian Government Bonds are considered to be a proxy for a risk-free asset. As such, many investors consider the return of risk assets relative to this yield figure. Many property investors consider the spread between capitalisation rates and this 'risk-free' yield. Should capitalisation rates expand to match the move in government bond yields, valuations for properties will move backwards. All, however, is not lost, with many arguing that investors had not fully priced in prior bond yield compression, leading to historically wide spreads between capitalisation rates and bond yields. How much 'cushion' was in those spreads will likely become apparent in the medium term.

Property fund managers are particularly sensitive to interest rates and were unsurprisingly amongst the worst performers during the quarter. The strong demand for access to investment property and ever compressing capitalisation rates has been supportive for fund managers in recent years. This dynamic has led to increased base fees, as assets under management grew rapidly. Furthermore, fund managers benefited from increased performance fees and an ability to earn large sums of money on property development activity. Reflecting the more uncertain future, Charter Hall Group (CHC) fell 19.8%, whilst Goodman Group (GMG) gave up 13.6%. Smaller fund managers also underperformed, with Centuria Capital Group (CNI) losing 17.7% and Elanor Investors Group (ENN) off 8.4%.

Truly reversing recent trends, shopping centre owners were outperformers for the month. Sales within shopping centres are obviously very much linked to inflation, so recent events have been far less impactful and, in some cases, may be beneficial for shopping centre owners. Vicinity Centres (VCX) led the way, rising by 13.1%, whilst offshore firm, Unibail-Rodamco-Westfield (URW) moved 8.9% higher. Scentre Group (SCG) lost 1.2% in the quarter, however still outperformed the broader property index.

Office property owners mostly moved lower in an absolute sense but were outperformers over the period. Office rental metrics appear to have somewhat stabilised after a reasonably negative period and transactions that have taken place have been supportive of book valuations. Dexus (DXS) closed the quarter 1.5% lower, GDI Property Group (GDI) was off 1.3% and Centuria Office REIT (COF) lost 4.2%.

Elsewhere, Charter Hall Group (CHC) and entities associated with 360 Capital Group (TGP) are closing in on finalising the acquisition of dual-listed office and industrial property owner Irongate Group (IAP). The $1.90 offer price represents a premium of 21% to the prior closing price.

Market Outlook

February's reporting season was broadly positive for property stocks. Investment property valuations moved higher, although the rate of change has most certainly slowed. Earnings were also solid across all sub-sectors and outlook statements remained robust.

The industrial sub-sector continues to be the most sought after, given the tailwinds of e-commerce growth, the potential onshoring of key manufacturing categories and the decision by many corporates to build some redundancy into supply chains to cope with current disruptions. All of these factors will support ongoing demand for industrial space.

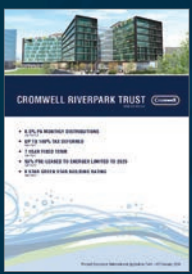
The jury is still out on exactly how tenants will use office space moving forward, albeit demand for good quality, well located space remains robust, and transactional activity of office assets continues to provide ample evidence of value.

Cromwell Direct Property Fund (OPEN)

Cromwell Phoenix Property Securities Fund (OPEN)

Cromwell Phoenix Global Opportunities Fund (OPEN)

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



Cromwell Riverpark Trust

Cromwell Property Trust 12

Cromwell Phoenix Opportunities Fund (CLOSED)

QUARTERLY FUND REPORTS

Investment Reports to 31 March 2022

OPEN FOR INVESTMENT

CLOSED TO INVESTMENT

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) and if applicable the target market determination (TMD) issued for that Fund. The disclosure document and TMD 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 31 March 2022 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.

OPEN FOR INVESTMENT

www.cromwell.com.au/dpf

CROMWELL DIRECT PROPERTY FUND

The Fund's 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.

Investment Report to 31 March 2022

KEY STATISTICS
as at 31 March 2022

Status	OPEN[1]
Unit Price	$1.3441[2]
Distribution Yield	5.4% p.a.[3]
WALE	5.1 years[4]

PERFORMANCE

	1 Year	3 Years	5 Years	Inception (Aug-13)
Fund Performance After fees & costs	14.3%	8.2%	8.4%	9.7%
Benchmark PCA/MSCI Unlisted Retail Property Fund Core Index	20.8%	15.5%	15.8%	18.2%
Excess Returns After fees & costs	(6.5%)	(7.3%)	(7.4%)	(8.5%)

Past performance is not a reliable indicator of future performance.

FUND UPDATE

- The Fund acquired Chesser House, located at 95 Grenfell Street, Adelaide in the reporting period with settlement occurring on 1 April. The property is accretive to the Fund's earnings and takes the Fund's direct property portfolio to eight assets valued at $667 million
- Distributions continue to be paid at 7.25 cents per unit per annum
- The Fund's look through gearing at 1 April 2022 (including the Grenfell Street asset) was 41.6%, with direct gearing at 39.9%
- The Fund's performance to 31 March 2022 was 9.7% per annum annualised since inception with 12-month performance of 14.3%

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

1. Withdrawals are limited, cannot be guaranteed and are subject to the assumptions and risks set out in the Product Disclosure Statement dated 17 November 2020 (PDS).
2. Unit prices are calculated daily. See the PDS for further information and www.cromwell.com.au/dpf for latest pricing.
3. Paying 7.25 cents per unit p.a. Yield based on unit price of $1.3441 as at 31 March 2022.
4. Figures as at 31 March 2022. Calculated on a 'look-through' gross passing income basis.

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

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www.cromwell.com.au/psf

CROMWELL PHOENIX PROPERTY SECURITIES FUND

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

Investment Report to 31 March 2022

KEY STATISTICS
as at 31 March 2022

Status	OPEN[1]
Unit Price	$1.3770[2]
Distributions	Quarterly

PERFORMANCE

	1 Year	3 years	5 years	10 years	Inception (Apr-08)
Fund Performance After fees & costs	22.0%	6.6%	8.0%	13.7%	9.0%
Benchmark S&P/ASX 300 A-REIT Accumulation Index	19.2%	6.0%	8.4%	12.6%	5.4%
Excess Returns After fees & costs	2.8%	0.6%	(0.4%)	1.1%	3.6%

Past performance is not a reliable indicator of future performance.

TOP TEN STOCK HOLDINGS[3]

CENTURIA CAPITAL LIMITED
CHARTER HALL GROUP LIMITED
GENERAL PROPERTY TRUST
GROWTHPOINT PROPERTIES AUSTRALIA
HOTEL PROPERTY INVESTMENTS
MIRVAC GROUP
PEET LIMITED
STOCKLAND LTD
SUNLAND GROUP LIMITED
VICINITY CENTRES

FUND UPDATE

- Since inception in April 2008, the Fund has delivered an annualised return, net of fees, of 9.0% compared to a 5.4% return from the S&P/ASX 300 A-REIT Accumulation Index
- The Fund delivered a net return of -4.6% over the March 2022 quarter
- The property sector moved sharply lower over the quarter, falling 6.7%, significantly underperforming the broader equity market with the S&P/ASX 300 A-REIT Accumulation Index rising by 2.1%
- Positive contributions to the Fund's relative performance over the quarter came from overweight positions in Peet Limited, Sunland Group and Vicinity Centres along with a significant underweight position in the underperforming Goodman Group
- Detracting from the Fund's relative performance over the quarter was an underweight position in both the outperforming Scentre Group and Stockland combined with overweight positions in Charter Hall Group and Centuria Capital Group, each of which performed poorly

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

Phoenix Portfolios Pty Ltd ABN 80 117 850 254 AFSL 300 302 (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 Product Disclosure Statement dated 16 December 2021 (PDS).
2. Unit price as at 31 March 2022. Unit prices are calculated daily. See the PDS for further information and www.cromwell.com.au/psf for latest pricing.
3. As at 31 March 2022. Positions in the Fund are subject to change.

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

OPEN FOR INVESTMENT

www.cromwell.com.au/gof

CROMWELL PHOENIX GLOBAL OPPORTUNITIES FUND

The Fund invests in a portfolio of internationally listed, predominantly small capitalisation securities, which at the time of their acquisition, are considered to be trading at discounts to their observable net asset values (NAVs).

Investment Report to 31 March 2022

KEY STATISTICS

as at 31 March 2022

Status	OPEN[1]
Unit Price	$1.1316[2]
Distributions	Annually

PERFORMANCE

	3 Months	6 Months	1 Year	2 Years	Inception (Dec-19)
Fund Performance After fees & costs	(8.5%)	(7.5%)	0.9%	19.3%	9.7%
Benchmark MSCI All Countries World Index AUD	(8.4%)	(2.9%)	8.8%	16.3%	9.7%

Past performance is not a reliable indicator of future performance.

FUND UPDATE

- Since inception in December 2019, the Fund has delivered an annualised return of 9.7% (net of fees)
- The Fund delivered a net return of -8.5% (net of fees) over the March 2022 quarter
- Positive contributors to performance over the quarter came from positions in Preferred Apartment Communities (NYSE:APTS), Osaka Steel (TSE:5449), Tetragon Financial Group (ENXTAM:TFG) and Stamford Land (SGX:H07)
- This was mostly offset by the Fund's currency exposure, which was the largest drag on returns, both in an absolute sense and relative to global indices

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

1. Withdrawals cannot be guaranteed and are subject to the assumptions and risks set out in the Product Disclosure Statement dated 26 October 2021 (PDS).
2. Unit prices are calculated monthly. See the PDS for further information and www.cromwell.com.au/gof for latest pricing.

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

CLOSED TO INVESTMENT

CROMWELL PHOENIX OPPORTUNITIES FUND

www.cromwell.com.au/pof

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.

Investment Report to 31 March 2022

KEY STATISTICS
as at 31 March 2022

Status	CLOSED
Unit Price	$2.8007[1]
Distributions	Quarterly

PERFORMANCE

	1 Year	3 years	5 years	Inception (Dec-11)
Fund Performance After fees & costs, **inclusive** of the value of franking credits	33.7%	25.3%	19.1%	20.9%
Fund Performance After fees & costs, **excluding** the value of franking credits	30.4%	23.0%	17.0%	19.1%
Benchmark S&P/ASX Small Ordinaries Accumulation Index	9.7%	9.6%	9.9%	7.0%

Past performance is not a reliable indicator of future performance.

FUND UPDATE

- Since inception in December 2011, the Fund has delivered an annualised return of 20.9% (net of fees, inclusive of franking credits)
- The Fund delivered a net return of 3.7% (net of fees, inclusive of franking credits) over the March 2022 quarter
- Positive contributions to the Fund's performance over the quarter came from, among others, positions in MMA Offshore and Alkane Resources
- Detracting from Fund performance over the quarter were holdings in, among others, Redbubble and Australian Strategic Materials

In addition to the footnotes below, please read the important disclaimer at the beginning of the Quarterly Reports section on page 29.
Phoenix Portfolios Pty Ltd ABN 80 117 850 254 AFSL 300 302 (Phoenix) is the investment manager of the Fund. None of CFM, Phoenix nor their related entities, directors or officers makes any promise or representation, or gives any guarantee as to the success of the Fund, distributions, amount you will receive on withdrawal, income or capital return or the taxation consequences of investing.

1. Unit price as at 31 March 2022. Unit prices are calculated monthly. See the PDS dated 29 September 2017 for further information and www.cromwell.com.au/pof for latest pricing.

CLOSED TO INVESTMENT

CROMWELL RIVERPARK TRUST

www.cromwell.com.au/crt

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.

Investment Report to 31 March 2022

KEY STATISTICS
as at 31 March 2022

Status	CLOSED
Unit Price	N/A (pending sale price)
Distribution	12.25 cpu
WALE	8.1 years[1]

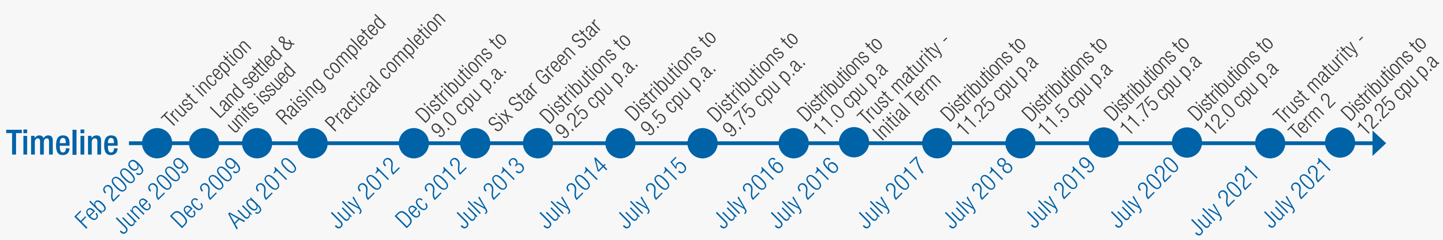
PERFORMANCE

	1 Year	3 Years	5 Years	7 Years	Inception (July-09)
Trust Performance After fees & costs	26.9%	14.6%	14.9%	16.9%	15.4%
Benchmark[2] PCA/IPD Unlisted Retail Property Fund Core Index	n/a	n/a	n/a	n/a	n/a
Excess Returns After fees & costs	n/a	n/a	n/a	n/a	n/a

Past performance is not a reliable indicator of future performance.

TRUST UPDATE

- The Trust's performance to 31 March 2022 was 15.4% per annum annualised since inception
- The asset owned by the Cromwell Riverpark Trust, Energex House, located at 33 Breakfast Creek Road, Newstead, Queensland, entered into a due diligence period with a preferred buyer in March 2022
- Unfortunately, recent movements in debt markets have resulted in the preferred buyer being unable to commit to the asset purchase at this stage
- The sale and windup process continues and may take several months, and distributions will continue to be made at the current rate until further notice
- Further correspondence regarding the Trust wind-up process will be distributed to Unitholders in due course



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

1. As at 31 March 2022. Calculated by gross income.
2. Benchmark performance: Changes to MSCI's methodology for Benchmark performance reporting has resulted in an index start date that falls post the inception date of the Trust, consequently Benchmark comparison data is no longer available.

See the Product Disclosure Statement dated 25 February 2009 (PDS) and the Supplementary Product Disclosure Statement dated 30 June 2009 (SPDS).

CLOSED TO INVESTMENT

CROMWELL PROPERTY TRUST 12

www.cromwell.com.au/c12

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. Now in its second term, the Trust is underpinned by a single asset located at 19 George Street, Dandenong and valued at $107 million[1].

Investment Report to 31 March 2022

KEY STATISTICS

as at 31 March 2022

Status	CLOSED
Unit Price	$1.18
Distribution Yield	4.87% p.a.
WALE	8.3 years[2]

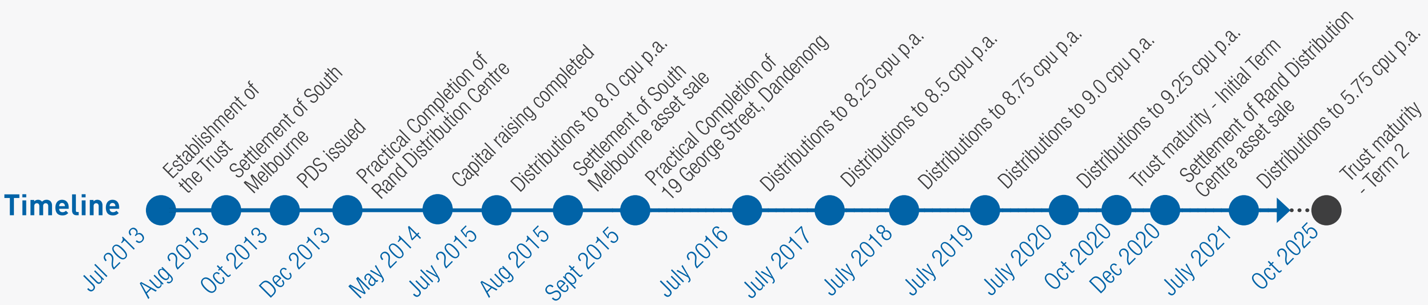
PERFORMANCE

	1 Year	3 Years	5 Years	7 Years	Inception (Oct-13)
Trust Performance After fees & costs	34.1%	21.0%	16.5%	18.5%	16.5%
Benchmark PCA/IPD Unlisted Retail Property Fund Core Index	20.8%	15.5%	15.8%	18.8%	18.1%
Excess Returns After fees & costs	13.3%	5.5%	0.7%	(0.4%)	(1.6%)

Past performance is not a reliable indicator of future performance.

FUND UPDATE

- The Trust's unit price is currently $1.18
- The Trust's performance to 31 March 2022 was 16.5% per annum annualised since inception
- The Trust qualified for a spot in the Top Ten performing funds for the September 2021 quarter within the PCA/MSCI Australia Unlisted Retail Quarterly Property Fund Index over 12 months (34.1%) and three years (21.0%)



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

1. Based on valuations for 19 George Street, Dandenong as at 31 October 2021.
2. As at 31 March 2022. Calculated by gross income.

See the Product Disclosure Statement dated 29 October 2013 (PDS).

CROMWELL PROPERTY GROUP QUARTERLY SNAPSHOT

Cromwell Property Group (ASX:CMW) is a real estate investor and fund manager with operations on three continents and a global investor base. The Group is included in the S&P/ASX 200. As at 31 December 2021, Cromwell had a market capitalisation of $2.3 billion, a direct property investment portfolio valued at $3.1 billion and total assets under management of $12.1 billion across Australia, New Zealand and Europe.

ASX announcements update - see www.asx.com.au (ASX:CMW)

21/01/2022	Notification of cessation of securities - CMW
24/01/2022	Ceasing to be a substantial holder
24/01/2022	Ceasing to be a substantial holder
24/01/2022	Ceasing to be a substantial holder
25/01/2022	Ceasing to be a substantial holder
14/02/2022	Details of HY22 Results Briefing and Strategy Update
21/02/2022	Notification of cessation of securities - CMW
24/02/2022	Appendix 4D and Half Year Financial Report
24/02/2022	HY22 Results Announcement
24/02/2022	HY22 Results Presentation
17/03/2022	Notification of cessation of securities - CMW
25/03/2022	Dividend/Distribution - CMW
25/03/2022	Suspension of Distribution Reinvestment Plan
31/03/2022	Response to Media Speculation

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

Key Events Calendar

Some of the following dates are indicative

Wednesday, 29 June 2022	June 2022 quarter distribution ex date
Thursday, 30 June 2022	June 2022 quarter distribution record date
Friday, 19 August 2022	June 2022 quarter distribution payment date
Thursday, 25 August 2022 (tentative)	FY22 results announcement
Thursday, 29 September 2022 (tentative)	September 2022 quarter distribution ex date
Friday, 30 September 2022 (tentative)	September 2022 quarter distribution record date
Wednesday, 16 November 2022 (tentative)	2022 Annual General Meeting
Friday, 18 November 2022 (tentative)	September 2022 quarter distribution payment date
Thursday, 29 December 2022 (tentative)	December 2022 distribution ex date
Friday, 30 December 2022 (tentative)	December 2022 distribution record date

GLOSSARY

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

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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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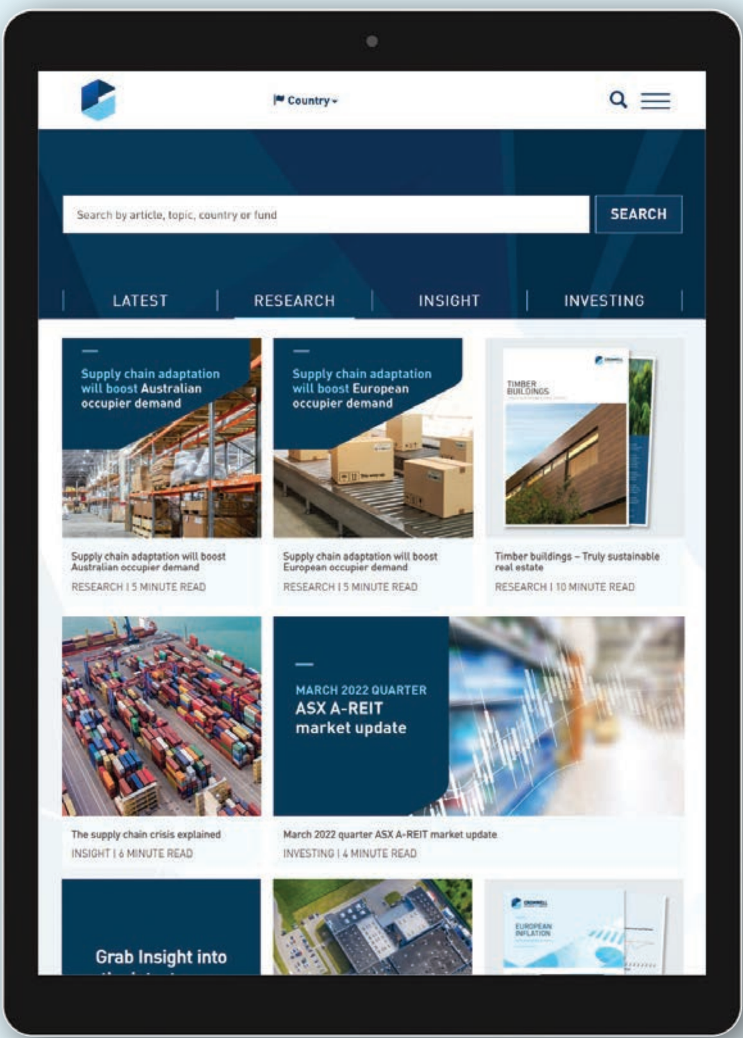

cromwellpropertygroup.com/research-and-insight

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