INSIGHT
MAGAZINE

CROMWELL PROPERTY GROUP

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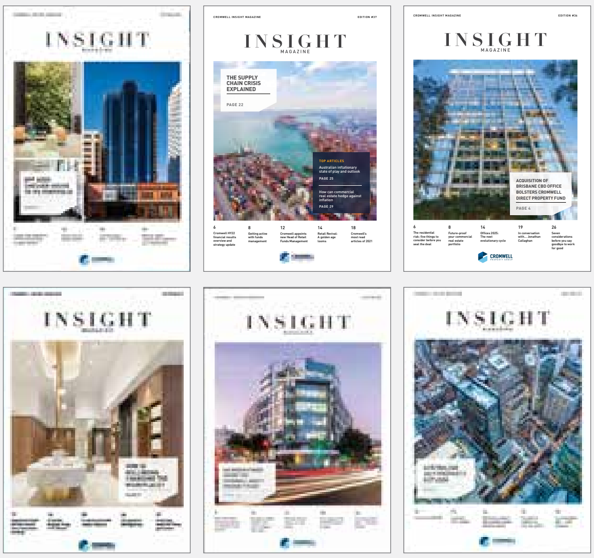

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Cromwell Property Group (ASX:CMW) (Cromwell) is a real estate investor and fund manager with operations on three continents and a global investor base. The Group is included in the S&P/ASX 200. As at 30 June 2022, Cromwell had a market capitalisation of $2.0 billion, an Australian investment portfolio valued at $3.0 billion and total assets under management of $12 billion 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,

On 25 August 2022, Cromwell reported its FY22 financial results. Statutory profit was $263.2 million (FY21 $308.2 million), equivalent to 10.05 cents per security. This number reflects a lower share of statutory profit from equity accounted investments, lower revaluation gains on investment properties, higher tax expenses over the period and higher corporate costs relating to insurance premiums, which will normalise for FY23.

Operating profit was $201.0 million, equivalent to 7.68 cents per security, representing a 5% increase from the previous financial year (FY21 $192.2 million). This was mainly driven by higher funds management profit and improved Cromwell Polish Retail Fund (CPRF) portfolio performance.

Full details of the results are available in the Securityholder Centre section of Cromwell Property Group's website: www.cromwellpropertygroup.com/securityholder-centre.

Our full-year results reflect the ongoing positive momentum and positioning during a period of change and, in less-than-optimal economic conditions, as markets globally continued to be impacted by COVID-19, the war in Ukraine, inflation and increased interest rates.

I extend my appreciation to the Cromwell staff globally, thanking them for their hard work in driving asset performance, stabilising our balance sheet and supporting various initiatives to set our business up for future success.

While market conditions did not allow us to execute on our strategy to launch a separately listed Australian REIT using key assets from our balance sheet, this remains a strategic focus for the Group through FY23.

In Insight 39, we look at how to apply ESG principles to investment strategy practically, reflect on the national office market HY results, and discuss how rising interest rates are significant but not the only factors affecting real estate yields. Stuart Cartledge provides an insight into the risks and gains associated with arbitrage opportunities in commercial property and demonstrates how to maximise after-tax returns with franking credits. Finally, our 'In Conversation' features Tessa Morrison, our Head of Property Operations in Australia.

I hope you enjoy this edition of Insight.

Yours sincerely,

Jonathan Callaghan
Chief Executive Officer
Cromwell Property Group

NEW BOARD MEMBERS FOR CFM

Cromwell Funds Management Limited (CFM) has introduced three new non-executive directors to its board. Jane Crombie, Graeme Ross and Jane Lloyd joined the board of directors between June and July of this year, bringing with them a wealth of credentials and knowledge from the real estate, funds management and ESG sectors.

Ms Crombie – an ESG specialist with a corporate background in financial services – has led research and portfolio construction for corporate and superannuation clients for almost 20 years. Through her extensive board and committee member experience, she delivers to boards rigorous questioning of investment decisions, and strategic and operational risks, via transferable skills in asset allocation, market cycles, regulatory compliance, and ESG value creation.

Mr Ross' financial and corporate background has gained him more than 25 years' experience in the commercial banking, investment banking, funds management and real estate development and investment sectors. His expertise encompasses corporate and financial advisory, M&A, and capital raising across equity and debt markets, with former roles as the Managing Director and Global Head of Real Estate for the CBA, the Head of Business Development at ING Real Estate Investment Australia, and roles in the investment banking sector with Goldman Sachs Australia and Deustche Bank.

With more than 30 years' experience in the Australian and international property markets across retail, industrial, commercial, and residential sectors, Ms Lloyd began her career at Lendlease where she held a variety of roles in development. She joined Dexus in 2001 working in development and asset management roles, including as Head of Retail for Dexus's $3.5 billion retail portfolio and Managing Director of US Investments. Between November 2014 and June 2015 Ms Lloyd led the Development and Design team for Stockland's Commercial Property Division where she was responsible for Stockland's $1.5 billion retail development pipeline.

Cromwell welcomes the new CFM board members and looks forward to working closely with them on growing our funds management business.


Jane Crombie


Graeme Ross


Jane Lloyd

NEW SPEC FITOUT UNVEILED AT 207 KENT STREET, SYDNEY

After months of considerable planning and construction, Cromwell recently unveiled a completed full floor spec fitout, together with upgraded lobby and end-of-trip (EOT) facilities at 207 Kent Street, Sydney.

Drawing on emerging workplace trends, the office fitout boasts a range of spaces to meet the evolving needs of tenants, with break-out areas for collaboration, quiet spaces, meeting rooms and sit-to-stand desks suitable for both standard and hot-desking requirements.

Both the lobby and EOT facilities undertook substantial refurbishments, with the latter expanding its amenities to meet the growing tenant need for facilities that enhance active commuter experience. The lobby space now proudly showcases an original artwork - co-created by Bunjalung artist, Brad Turner and Gadigal artist, Konstantina - as the main feature.

All the enhanced spaces at 207 Kent Street now feature fresh interior schemes, incorporating natural tones, materials, and textures to produce a contemporary office atmosphere.

CROWMWELL'S CEO JOINS WOMEN IN PROPERTY PANEL

Cromwell CEO, Jonathan Callaghan, was recently a panel guest at this year's Property Council of Australia's annual Women in Property (WiP) event, discussing the topic: To quota, or not to quota.

Using data from the recent 2022 Beyond Lip Service report while incorporating their own experiences, the group discussed the challenges women face in the property sector. Taking questions and comments from the audience, the group also examined what real action was needed to help create more gender diversity across the industry, touching on the many benefits that greater gender representation can bring to a workplace.

Cromwell is proud to be leading the discussion on this important topic for the property industry and wider community and appreciates the opportunity to be part of the Property Council of Australia's WiP 2022 event.

CROMWELL APPOINTS NEW HEAD OF INVESTMENT MANAGEMENT EUROPE

In June, Cromwell announced the appointment of Andrew Creighton as the new Head of Investment Management, Europe.

Based in London, Andrew joins the European Management Team and reports directly to Cromwell's Managing Director in Europe, Pertti Vanhanen. He is responsible for all aspects of Cromwell's investment, fund and asset execution and management activity across Europe.

Andrew has more than 21 years' experience working across a range of major real estate sectors and risk profiles throughout the UK and Europe, including 12 years as a fund manager with Henderson Global Investors Incorporated, and more recently, almost ten years with abrdn as their Head of Investment Management, Real Estate.

CROMWELL HOSTS GIRLS IN PROPERTY

Cromwell recently hosted a Girls in Property event, speaking with female high school students about career opportunities within the property industry. 50 grade 10 to 12 students from The Gap State School and MacGregor State School in Queensland, participated in hands-on activities, and were asked to help solve real-world issues, with Cromwell asking participants to tackle Sustainability and Design.

The Girls in Property program – an initiative of the Property Council of Australia – aims to raise awareness and encourage greater female participation in the property industry, helping to create a sustainable pipeline of talent. The recent event also discussed the higher education degrees and courses that feed into various professions within the industry.

Cromwell thanks our representatives Jenni Ford and Jinkal Jawariya, the Property Council of Australia and Girls in Property for the opportunity to participate in the event and welcomes the focus on encouraging young women to pursue a career in the property industry.

CROMWELL
FY22 FINANCIAL RESULTS OVERVIEW

$263.2 million

STATUTORY PROFIT

Equivalent to 10.05 cps
(FY21 $308.2 million / 11.78 cps)

$201.0 million

OPERATING PROFIT

Equivalent to 7.68 cps
(FY21 $192.2 million / 7.35 cps)

$173.7 million

ADJUSTED FUNDS FROM OPERATIONS

Equivalent to 6.63 cps
(FY21 $171.2 million / 6.54 cps)

$1.04 per unit

NET TANGIBLE ASSETS

(FY21 $1.02)

39.6%

GEARING REDUCED

(FY21 41.8%)

6.5 cps

DISTRIBUTIONS

for a payout ratio on
operating profit of 85%

$12.0 billion

TOTAL ASSETS UNDER MANAGEMENT (AUM)

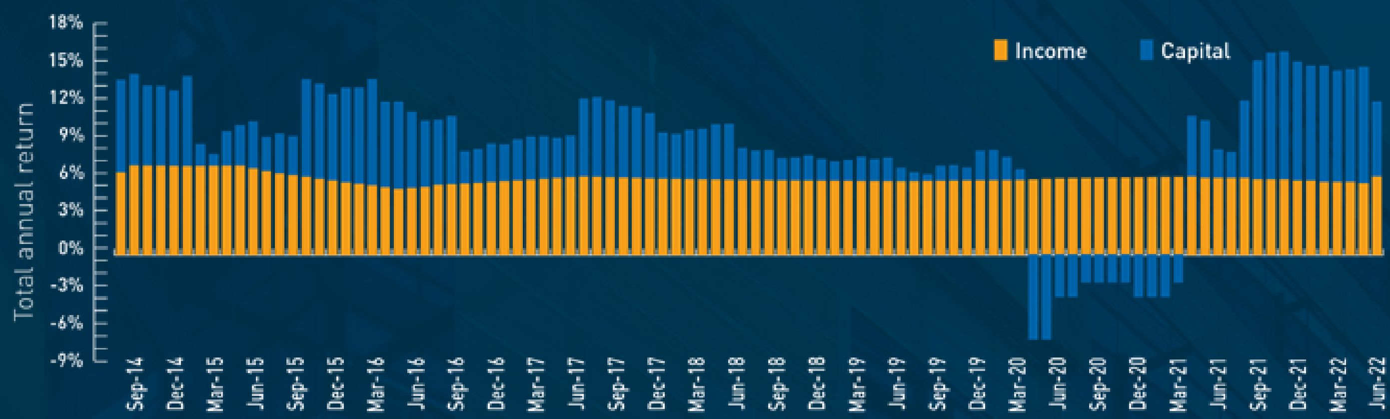
(FY21 $12.0 billion)

CROMWELL DIRECT PROPERTY FUND

ARSN 165 011 905 | APIR CODE CRM0018AU I PRODUCT FLYER I JUNE 2022

Regular, reliable income[1]

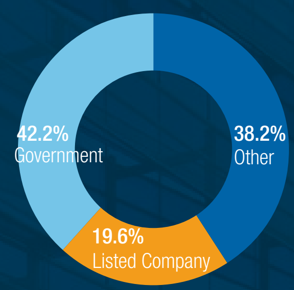
An income-producing investment with long-term capital growth potential,[1] consisting of a diverse portfolio of carefully selected commercial properties.



Income/Capital Growth Split[2] as at 30 June 2022

	1 Year	3 Years	5 Years	Inception (August 13)
Income	6.6%	6.2%	6.0%	6.1%
Growth	5.8%	1.7%	1.8%	3.4%
Total Returns	12.4%	7.9%	7.8%	9.5%

Tenant Type by Income[3]



10 quality commercial property assets[4] with a 4.9 year weighted average lease expiry (WALE)[5]

Further details on page 34

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 30 June 2022.
4 As at 30 June 2022.
5 Calculated on a "look-through" gross passing income basis.

AUSTRALIAN OFFICE MARKET STATE-OF-PLAY

Three years on from the start of the COVID-19 pandemic, office owners, landlords and investors are still navigating how best to respond to the structural changes being experienced by the entire sector. Workers are increasingly engaged in remote and/or hybrid working arrangements, resulting in a drawn-out return to the office seen across the country.

Despite the ongoing obstacles occurring nation-wide, recent reports into the country's office market show Australian metropolitan CBDs are slowly recovering. H1 2022 figures reveal the total occupied stock in Australian CBDs is 1% higher than levels recorded pre-pandemic – a major achievement considering the significance of the sector downturn following COVID-19 lockdowns.[1] CBRE's recent Future of the Office Survey shows that over the past year, the adoption of hybrid working has increased, and so too has the need for adaptable and collaborative spaces as key priorities in new office designs. As such, the focus on finding and retaining the best possible employees and encouraging them back into the office has seen an upturn in owners responding to changing tenant requirements, including providing fitouts which are multi-purpose and conducive to collaborative work.[2]

National office outlook – the key takeaways

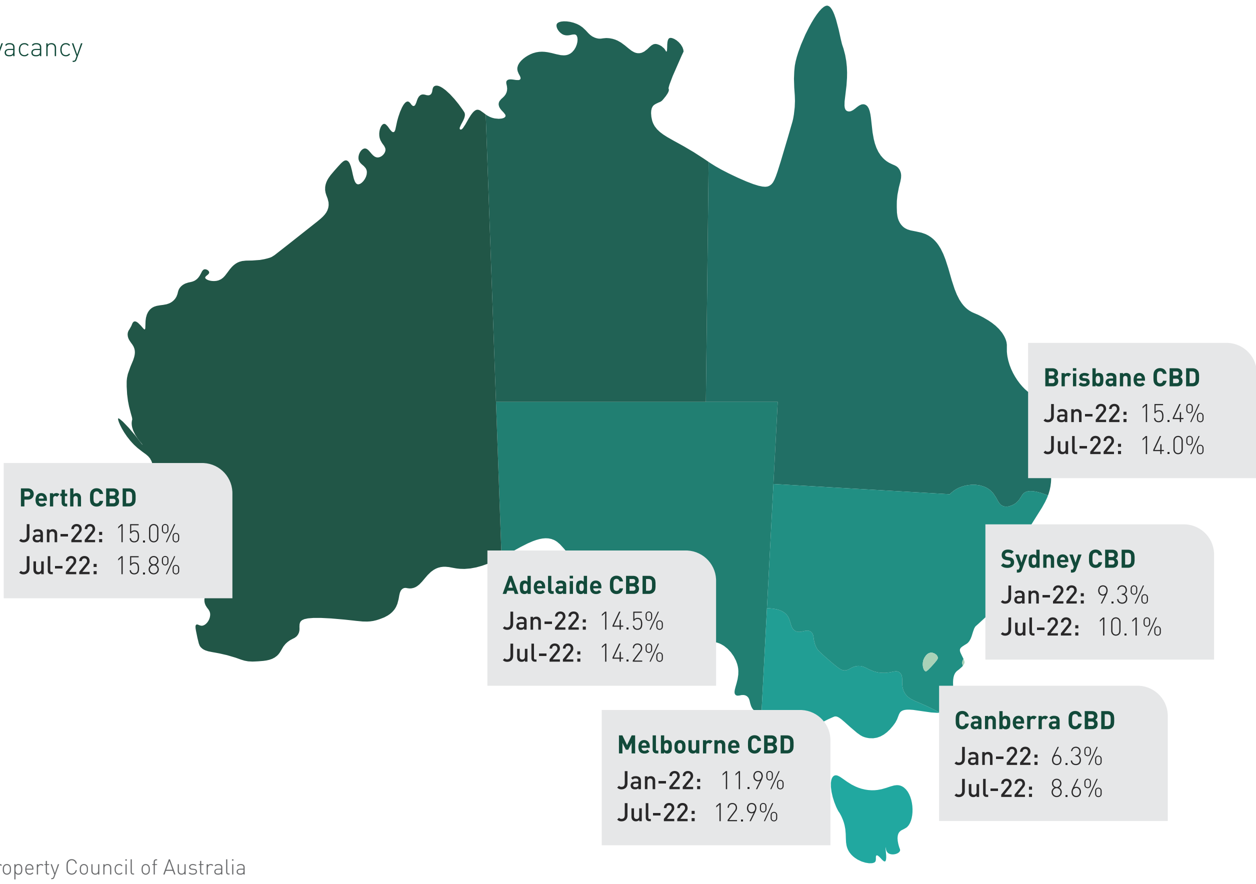
The Australian office market experienced troughs and peaks in the first half of the year, with occupancy rates falling, rising and then eventually stalling. Factors at play influencing these yo-yoing figures were the ongoing COVID-19 pandemic coupled with a severe cold and flu season. A spike in demand for office space then followed, led by enquiries in Brisbane, increasing the national rate by 11% to more than 1.622 million sqm.[3] Collier's Office Demand Index for HY 2022 shows this increase was mainly driven by post-lockdown interest in the 3,000 sqm-plus market with the first six months of the year seeing an increase of 61,000 square metres enquired for, compared to the same period in 2021.

The BIS Oxford Economics latest Australian Property Outlook Report suggests the major CBD office markets are close to peak vacancy levels, or at best, in early stages of recovery.[4] Of the major city CBD office markets only Canberra Civic bucked the national trend, recording a vacancy rate of approximately 6.5%, while all other cities recorded on or above 10%. And while in the major CBD office markets, net absorption has turned positive, the aforementioned uptick in supply, a protracted return to the office post-COVID-19 lockdowns, and increasing numbers of employees preferencing hybrid work arrangements means the sector's recovery looks set to be prolonged.

1 CBRE Research, *Australian Office Figures Q2 2022*, 2022
2 Property Council of Australia, *July 2022 Office Market Snapshot*, 2022
3 Australian Property Journal, *Office leasing defies rollercoaster market*, July 2022
4 BIS Oxford Economics, *Australian Property Outlook Report*, July 2022

Australian major city office market overview

% CBD vacancy



Source: Property Council of Australia

Adelaide

The Adelaide office market continued to rise after its initial recovery in H2 2021, with demand for office space remaining positive in the six months leading to July 2022. With no new supply in the market, the CBD vacancy rate declined to an estimated 13.8%. There was stronger demand for prime grade assets with net absorption of 33,400 sqm, while secondary grade net absorption was -18,300 sqm, highlighting the "nationwide trend of the flight-to-quality with tenants favouring the Prime and A-Grade stock."[5] The forecast points to healthy net absorption over the next few years as the economy recovers and more businesses make leasing decisions.

Canberra

Of all major CBD office markets, only Canberra Civic managed a single-digit vacancy rate and remains in a position of relative strength, boasting the lowest vacancy rate of all the major Australian office markets, sitting at 6.5% in June 2022 before lifting to 8.6% in July. In the coming six months, there is expected to be a rise in office completions, though much of this supply is committed to public sector tenants. The announcement of the new Cabinet is expected to benefit the Canberra office market with positive net absorption projected for the next three years.

Brisbane

The Brisbane office market hit an estimated vacancy rate peak of circa 15% for the CBD in June 2022, but looks set to begin recovery as the rate dropped to 14% in July, and the market pulled ahead of other major CBDs by recording its highest demand in office space since 2017.[6] The trend of solid net take-up is expected to continue into 2023 as workers return to the office and "as the economy and the office workforce expands at a healthy pace."[7] However, the recovery in vacancy rates will be slowed by the continued pipeline of supply expected in this FY, through to FY25, with BIS Oxford Economics predicting vacancy rates won't fall below 10% in Brisbane till 2028.

Melbourne

Vacancy rates in the Melbourne office market are estimated to have peaked, reaching 12.9% for the CBD in July 2022, due to weak (though positive) net absorption and robust supply additions. In the medium term, the CBD's supply cycle is set to be moderate, as are net absorptions with occupiers taking time to assess and clarify their office space requirements. CBD vacancy rates for 2023 are estimated to remain elevated before eventually decreasing to approximately 6.4% in 2029.

5 JLL, *Australian Tenant Perspectives*, 2022
6 Property Council of Australia (PCA), *Office Market Report June 2022*, 2022
7 BIS Oxford Economics

Perth

Perth's office market recovery has seen mixed results, with robust completions in FY22 broadly matching positive net absorption, keeping the CBD vacancy rate at 15.8% as of July 2022. Office completions means the Perth office market remains heavily oversupplied and will continue this way until at least mid-2023.[8] However, as the WA resources industry remained resilient throughout the COVID-19 pandemic, providing support to economic conditions, occupiers are gearing up to service strengthening resources investment and the strongly growing WA economy.

Sydney

In the six months to July 2022, the Sydney CBD office market vacancy rate rose from 9.3% to 10.1%, as supply outstripped modest demand. Net absorption across the market is expected to be positive but moderate near term, gathering more pace in the coming year as workers return to the office and more businesses commit to leases. However, it's estimated that the ongoing supply cycle will keep vacancy rates above 9% for the next 12 months, with CBD vacancy rates expected to slowly decrease to approximately 5% by around 2028.

Attracting workers back to the office: fitouts and upgrades built-for-purpose

The role of the office has changed dramatically over the last three years, and while the pandemic accelerated the shift from office reliance to a more flexible and/or hybrid working approach, industry consensus is that the change was inevitable.[9] But the power that face-to-face interaction and collaboration still offers is one of the main drivers for employers to move their entire workforce back to the office, which is why it's still considered critical for businesses to retain a corporate address of some kind, and more importantly, spaces that encourage innovation.[10] If offices provide spaces dedicated to the growing and changing needs of tenants, the floor space should be absorbed quickly. As such, office fitout upgrades are now an overarching theme within the Australian office market, with businesses committed to understanding the requirements of running an efficient and attractive workspace - now and into the future – and landlords seeking to keep occupancy levels stable.[11]

Outlook for the remainder of 2022 and beyond

The COVID-19 pandemic and subsequent lockdowns have delayed a return to the office for many workers, and the shift to hybrid work will continue to dampen net absorption. However, the Australian CBD office sector is now slowly recovering from the impacts of the last three years with the focus now on enticing workers back to the office space and more importantly, understanding what facilities and features will keep them there in the longer term. Recent reports released by the PCA show that the current level of occupancy in office spaces is mainly due to workers' preferences for greater flexibility including working from home, but the workplace is still at the core of a business – and it will attract people to firms and back to the office if the space is considered or custom-built for the tenant and its people. ■

8 BIS Oxford Economics
9 McKinsey Global Institute, *The future of work after COVID-19*, 2021
10 JLL, *Tenant Perspectives H1 2022*, August 2022
11 JLL, *Tenant Perspectives H1 2022*, August 2022

CROMWELL CASE STUDY

Level 14, 207 Kent Street Sydney, NSW

Active asset management at Level 14, 207 Kent Street: how working through lockdowns shifted thinking for better leasing outcomes.

Thinking creatively during a government enforced COVID-19 lockdown allowed Cromwell's Asset Management team to tailor a space to suit shifting tenant requirements for the post-pandemic return to office.

Cromwell recognised that office demand was rapidly changing during COVID-19 lockdowns and that the work-from-home experience would irrevocably change what tenants wanted from their workspace, and how they would use the office space.

Cromwell identified the benefit of the 207 Kent Street location, but the difficult floor plate shape meant that we needed innovative and fresh thinking to reinvent the space on level 14 to suit what office workers now expect.

The team successfully turned level 14 into a highly functional, modern fitout which resulted in achieving a heads of agreement only 4 weeks from practical completion of the fitout.

It was decided that prospective tenants needed to view the space with an upgraded look, including modern entertaining and break-out areas, open collaborative space, quiet-working pods, modern technology inclusions, and meeting rooms, all within an improved layout.

By providing designers with a 'reverse brief' and budget, all the above inclusions were met, leaving a key focus on design to accommodate low levels of natural light and views into neighbouring buildings.

PRACTICAL APPLICATION OF ESG AND INVESTMENT STRATEGY

Tom Duncan
Head of Research and Investment Strategy
Cromwell Property Group

Environmental, Social and Governance (ESG) is a high priority for real estate investors. Affording significant weight to ESG within investment decisions is prudent regardless of whether an investor has altruistic or financial motivations given that ESG-based strategies deliver superior long-term capital protection, creation and growth.

Ensuring assets are energy efficient and adaptable without extensive refurbishment, for example, improves environmental outcomes as well as occupier appeal through lower energy costs/branding benefits and enhances landlord optionality. This will be reflected in higher rents and lower yields. Safeguarding social inclusivity increases commercial asset value and aids its social contribution. Communicating and collaborating with councils, landlords and local communities both promotes better governance and ensures assets are more ingrained in its micro-location and is accretive to long-term value.

Environmental	Social	Governance

ESG and financial performance are thus inseparable. Therefore, ESG considerations should permeate every facet of investment strategy from macro-sector allocations through asset selection and management to occupier profile. What this means in practice varies by investor but there are three general tenets that can be applied.

Inclusivity

The first tenet is that ESG strategies should be inclusive at all levels. The UN Principles for Responsible Investment (UNPRI) were created to guide institutional investors in developing a more sustainable global financial system. Interpreting this guidance, it is unequivocal that it is not the role of real estate investors to deprive any business or sector with access to the modern, well-specified floorspace they require to operate efficiently.

This means that all investable options should still be on the table for ESG-focused investors, including negatively perceived occupiers such as fossil fuel companies or power-hungry data centre operators. Indeed excluding such occupiers may worsen ESG outcomes if they are forced to occupy poorer quality buildings, inferior locations or their higher cost base limits the amount they can spend on creating greener or more socially responsible company operations or processes.

> "The second tenet is that to make a meaningful impact, investors must enact positive change.

That being said, investors can still influence behaviour. They can disproportionally favour occupiers with higher ESG credentials such as certified B Corporations (B Corps) which meet high standards of social and environmental performance, transparency, and accountability. They can make space available to groups that are unable to pay market rents, but which still require space, such as community/voluntary organisations, social enterprises or charities.

Value-added favouritism

The second tenet is that to make a meaningful impact, investors must enact positive change. That means focusing on valued-added strategies and not leaving it to the next owner to make improvements. ESG strategies should not just be about targeting the assets which already perform well. Quite the opposite in fact – true impact investing should seek out the weakest performers and improve them.

ESG outcomes are maximised when the least operationally efficient and most wasteful assets are enhanced. Such assets have the greatest potential to reduce existing externalities and generate higher-value outcomes. Reconstituting a weak or failing asset into a high functioning, ESG-enabled asset delivers genuine positive change. Valued-added strategies which commit to actioning improvement works and revitalising the poorest assets will have the greatest impact.

Development hierarchy

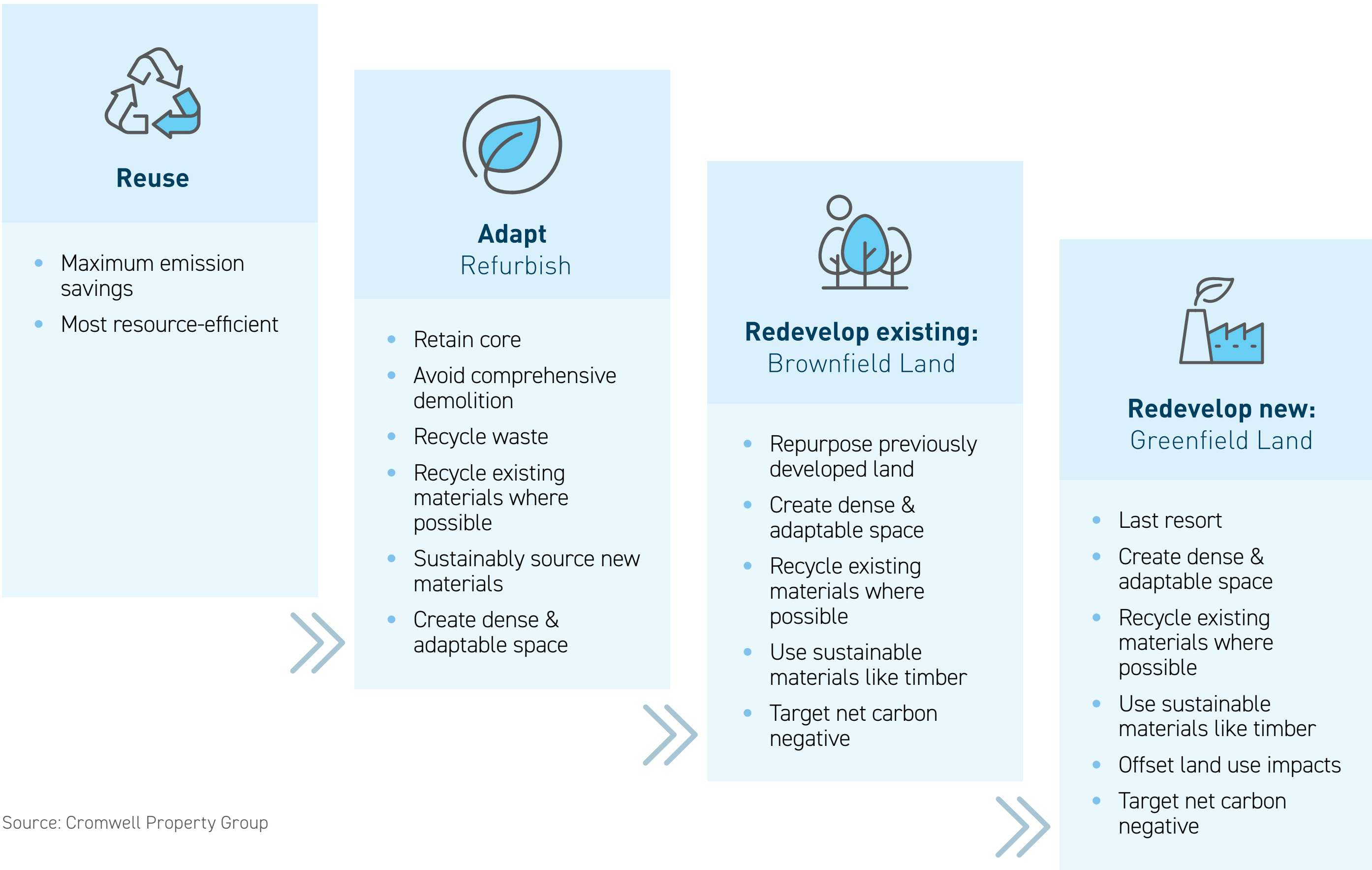
The third tenet is to apply a development hierarchy. Embodied carbon means that reusing existing buildings is always the most environmentally sound approach towards accommodating occupier demand. From a targeting perspective, this means that investors should acquire and create assets which are flexible and adaptable, allowing their use to evolve over time without heavy refurbishment or redevelopment.

While reuse is best, refurbishment and new construction with alternative/recycled materials will still be needed to fulfil changing occupier demand and facilitate growth. Indeed it is estimated that two billion square metres of new building stock will be needed globally every year to 2025 to meet demand.[1] That is almost double the current amount of retail, office, and industrial space in Europe according to data provider Real Capital Analytics (RCA).

ESG-focused investors should not preclude new development. Far from it, to make a meaningful impact they should support new development where it is needed using net zero or carbon negative construction processes on brownfield land. Doing so will lower aggregate construction-related emissions and land use requirements.

1 Timber Buildings: Truly Sustainable Real Estate, Q2 2022, Cromwell Property Group

Figure 1: Elevating the environment: Adaptive reuse hierarchy



Source: Cromwell Property Group

Strategies which utilise modern construction techniques combined with sustainably locally sourced materials like timber can remove more carbon from the atmosphere than they create i.e. they are net carbon positive. Construction costs are lower and rental premiums equivalent of up to 9% are achievable for timber buildings, according to our research. Timber is not the only solution. Innovative research is underway into other materials like 'green' and graphene-enhanced concrete. However timber represents the most readily available, proven sustainable material which can be used today. It represents the best current option.

To conserve land, priority should be given to brown over greenfield sites. As the green agenda takes hold it will become harder to secure planning consent for greenfield sites. Adopting a brownfield-first strategy therefore also mitigates future planning and development risk alongside promoting the efficient use of land. Where greenfield development is unavoidable, offsets can be sought elsewhere within the portfolio to mitigate environmental impacts by, for example, greening roofs, planting trees or enlarging public spaces to support biodiversity. Density should be encouraged to maximise the amount of accommodatable occupier demand. To broaden social opportunity, local businesses should be incorporated into the development tendering process.

In summary, investors should target assets with an ESG-angle for sound financial performance and positive environmental, social and governance outcomes. A practice strategy to do this can be built on three tenets: inclusivity; value-added favouritism; and the adoption of a development hierarchy. Investors pursuing this approaching should harness the greatest meaningful positive ESG impacts and the most attractive risk-adjusted returns.

ARBITRAGE OPPORTUNITIES IN COMMERCIAL PROPERTY

Stuart Cartledge
Managing Director
Phoenix Portfolios

Meet Gerald.

Gerald doesn't sleep well because he's always alert to market opportunities. He's willing to transact in the middle of the night, seeking out small gains, sometimes with little risk. While he doesn't sleep well, he sure has the money to eat well.

We didn't catch this guy's name.

He appears to be less flexible and prefers to follow a 'steady-as-she-goes' approach to investing. He sleeps really well, but because he doesn't benefit from some of the opportunities that Gerald identifies, he has less money and doesn't eat as well.

WHICH TYPE OF INVESTOR ARE YOU?

Investing in commercial property or infrastructure assets is a long-term game, and there's no single strategy that always wins. However, at times, market distortions create opportunities for those with a little flexibility in their investing tool kit.

Following the sell-off in listed property securities since the beginning of 2022 (largely in response to rising interest rates), listed property provides investors with an exposure to commercial property at a substantial discount to very similar exposures in less liquid alternatives.

As Gerald identified, if you're allocating capital to property, this current opportunity must surely be worth considering.

Like most market dislocations, these opportunities arise because different investors are driving different markets, and it takes time for arbitrages to close.

The following are some examples of investments that the Cromwell Phoenix Property Securities Fund has benefitted from in the past and some lessons to learn.

Sydney Airport – lower risk as an unlisted asset?

We recently wrote about the long journey that Phoenix's clients enjoyed as shareholders of listed infrastructure stock, Sydney Airport, which delivered an annualised return from IPO to takeover of approximately 18% p.a.

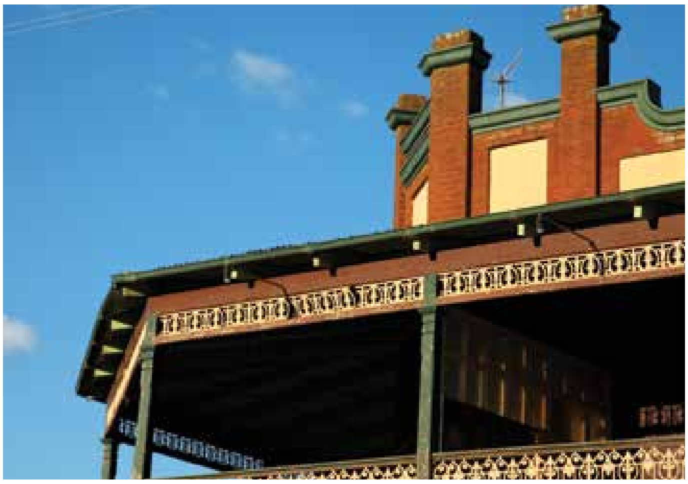
This outcome was of course enhanced by a 'take private' transaction that sees the asset now held by a consortium of investors including some of the biggest industry funds. So how can unlisted investors pay more for an asset that has been listed for 20 years and had its value compound so strongly for so long?

One of the key attributes that Sydney Airport now possesses that it didn't before, is that it's no longer a volatile asset.

Incredible, isn't it?!

The return profile, generated from aeronautical activities, retail and car parking will be the same. The entity will be subject to the same capital market conditions, particularly rising interest costs as its debt matures, and the impact of exogenous shocks such as pandemics and wars. However, instead of being revalued daily by global markets, the value of the entity will now be assessed by a team of 'experts', on a far less frequent basis, most likely quarterly. Thankfully, these experts don't have to invest their own money at their own valuations.

An asset that is only revalued occasionally looks like its risk, or volatility, is low when compared to exactly the same asset that's being valued daily by the share market. As a result of 'apparent' low risk, unlisted funds can (perhaps legitimately) pay more for these assets.



GPT Group – similar assets, different pricing

The same holds in listed property securities. While we're happy to acknowledge listed markets are sometimes just volatile for the sake of being volatile (and that does keep some of us awake at night) they must also be respected for attempting to factor in new information as efficiently as possible.

In August 2021, Australian 10-year Government Bonds were trading on a yield to maturity of around 1%. Today, they are well over 3%. The value of almost any asset is impacted by this.

The listed property market has reacted, and investors can now buy a stock, such as GPT Group (ASX:GPT), for a material discount to its underlying asset backing. At the same time, GPT manages two unlisted wholesale funds, which in some cases hold assets in common with GPT's own balance sheet. These wholesale unlisted funds are valued at book. They too have an apparent risk that is lower than GPT, but do they really?

Redcape Hotel Group – beer does help you sleep

Redcape Hotel Group was a listed owner and operator of pubs in NSW and QLD. However, after less than two years as a listed entity, the responsible entity determined that the listed market wasn't properly valuing the stock, so a complicated proposal to delist was announced.

Phoenix took advantage of the transaction, to buy into the listed stock, and to ultimately sell the unlisted stock, locking in a listed versus unlisted arbitrage along the way. Our Redcape position rallied almost 40% in the first six months of 2022. Over the same period, the listed property sector fell by 23%.

We fully accept that markets, stocks and portfolio construction are complex matters. However, at times, there are low risk opportunities to take advantage of market dislocations. Listed volatility might keep us awake at night, but those investors who don't bury their head in the sand and make decisions based on a clear understanding of exactly what they're investing in, are likely to prosper. ■

Read more about the Cromwell Phoenix Property Securities Fund (Fund) on page 35 including where to locate the product disclosure statement (PDS) and target market determination (TMD). Investors should consider the PDS in deciding whether to acquire, or to continue to hold units in the Fund.

IN CONVERSATION WITH... TESSA MORRISON

At the age of eight, Tessa Morrison was determined to either work as an architect or become a professional golfer. And while she admits her golfing skills aren't anywhere near world-title level, her long-held passion for buildings and people has driven her to excel in property operations. Tessa joined Cromwell Property Group as Head of Property Operations in April this year, and, as she explains in this instalment of In Conversation, the role is certainly varied – just the way she likes it.

“Our people are the most important part of our job

Tell us about your role.

I lead a team of just over 40 people, as Head of Property Operations for Cromwell Property Group. The team is made up of property managers, asset managers, leasing, facility managers, sustainability, and projects and, under that umbrella, there's three key areas that I look at. Firstly, in terms of the property performance, it's ensuring that the team drives the assets to get maximum returns for investors; the second part is operational performance or looking at how we run the business, our systems and processes; and the last component is around profitability, so making sure that our function is profitable in its own right.

How did your career in the property industry begin?

For as long as I can remember I've been interested in properties and buildings. I initially enrolled in engineering at university because it involved the built form – I did one week of that and decided it wasn't for me. I ended up studying Law and Commerce and was then given an opportunity to attend a different university on a hockey scholarship, where they had a degree in Valuation and Property Management. The degree covered everything I was interested in.

My first job in the industry was working for a private company in Wellington, New Zealand as an assistant property manager/body corporate manager. My experiences there shaped how I apply myself to my role today. One of the owners of the business took me under her wing like a mentor. She had a legal background, was a stickler for detail and taught me the importance of having diligence when you're sending correspondence, which has always stuck with me.

What are the benefits of an integrated property services model such as Cromwells?

I'm a firm believer that, while we look after physical assets, our people are the most important part of our job – and when you work in an integrated model, it allows you to attract, develop and retain people more easily. You can develop a culture that's conducive to driving positive outcomes, which also aligns with what the funds' outcomes are too.

I also think our model helps the strategy of the funds, and in turn helps get maximum value for those funds, because it's a 'one team, one dream' scenario. There's a lot of value driven by the way we manage properties – in an outsourced model, people often get overloaded, whereas when it's insourced, you have greater management of that; we've got a lot more control when we encounter uncertain times (like we've experienced recently). In terms of leasing, we can model scenarios quickly and see how they might impact the funds, plus we've got the right people in the room when making those decisions, so there's enormous advantages to that.

What steps or actions would you deem necessary in the pursuit to retain tenants, now and into the future?

With hybrid work being embraced by a lot of office workers and businesses, tenants are reviewing how they use their space and fitout. Like others in the industry, Cromwell have begun integrating features like third spaces and bookable meeting rooms into our offices to allow for more flexibility. Tenants are also focused on ESG targets: they want to be in a building that aligns with their policies, so we need to make sure our strategies cater for that. And the other key thing is building strong relationships with tenants, such as having curated tenant activities, encouraging open communication with their decision makers, and understanding what their teams need to make things easier for them.

I also think getting the basics right goes a long way, such as making sure the cleaning is done to a high standard, access cards are working, air-conditioning functions well and invoicing is correct. If you do the basics right, it gives tenants reassurance and provides them with comfort.

How do you get the most value out of a building?

It's different for every building so it's important to understand the strength of a building and capitalise on those strengths. It's also knowing what a building's weaknesses are and having strategies to improve those weaknesses. In terms of the physical operations of a building and considering what you can control, it's things like maintaining plant and equipment – having life cycle reports and understanding what the upcoming costs are and managing those accordingly to drive efficiency. The other side of the physical operations is strong tenant relationships. Retaining

a tenant is generally more cost effective than getting new tenants, so it's vital to keep tenant relationships at the forefront of our focus.

With the operational efficiency of buildings becoming increasingly important to tenants, investors and the broader community, what measures do you take to help ensure an asset features sustainability?

There's historically been a focus on reducing water, electricity, gas and waste in buildings to comply with industry and company ESG standards. Work that's been done to support this includes upgrading different components of air-conditioning and associated controls to make sure it's efficient, solar panel installation, efficient lighting, and using water restriction devices and we have one building that now measures how much water you're using during a shower in the end-of-trip facilities to encourage reduction of water usage. Recently, waste management has been under the microscope – a building might have the regular recycling streams, but organic waste is becoming more important, as is e-waste, so we're making sure we can offer those waste streams in our buildings. We're also looking at how fitouts are managed and going beyond that, looking at the whole supply chain of where materials are sourced and how they travel to site. We often review other elements that may be coming into the building including the ingredients in our cleaning products.

The other key thing is the move toward becoming carbon neutral, or beyond that getting to zero carbon and what we need to do in our buildings and our business to get to that level.

Sustainable buildings also need to support social aspects - we're currently reviewing bathroom options with the view of having an all-gender option in our buildings. In conjunction with our Diversity & Inclusion Committee, we're also looking at how we can acknowledge the traditional owners of the land in our buildings.

> “I think technology is an evolving landscape in the property operations sector

How did/has the COVID-19 pandemic changed the way you operate a building?

To begin with, there was the physical management of the building to consider, such as ensuring hand sanitiser was readily available and installing signage showing the correct spacing and number of people in lifts or rooms. The other step the pandemic forced us to consider was looking at whether buildings should remain open due to offices being empty of people, and the security measures needed during that time.

But the bigger changes are coming through now, with tenants looking at how they use their fitouts or spaces and what will encourage workers back into the office. Changes to carparks was an interesting one that came up – there's not a huge number of people driving into the office every single day, and when people weren't coming into the office at all, the carparks took a massive hit, so that's a changing landscape. Indoor air quality has also become a major consideration for tenants – going forward I think the NABERS indoor air quality rating will become a more significant consideration for people looking to lease office space.

What are some changes or shifting trends that you currently see playing out in the property operations sector?

Other than the ones I've previously mentioned, such as the focus on carbon footprint and changes to fitouts, I think technology is an evolving landscape in the property operations sector. There's a lot happening in technology that our team need to be across so we can understand how we can capitalise on those advances. For example, there's technology that looks at how tenants use the space and almost heat-maps the areas of a building that people use the most. COVID-19 has also driven a lot of change, such as the importance of touchless systems – those systems aren't necessarily new, but they've become more desirable to tenants purely from a sanitation perspective.

What do you enjoy most about your role?

I enjoy dealing with all the different stakeholders and different people I get to interact with, and I also enjoy the diversity of my role. For me, I'm the typical 'jack-of-all-trades, master of none' – I like to do lots of bits and pieces of everything, but I'm not the expert in those areas. I like to build teams of experts around me and let them flourish in their roles. I also enjoy seeing people in my team evolve, learn and change and seeing them take on challenges and thrive in their roles makes me extremely happy.

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

I have three daughters (a two, eight, and ten-year-old) so there's not a huge amount of downtime, especially as the older two do a lot of activities so we're usually quite busy. And while it might not sound relaxing, I really enjoy doing sport and running in my downtime. Exercise is my outlet and my happy place. I do also like to travel, and I think my kids have got the travel bug too – we save so we can travel to see the world and I love that. ■

AFTER-TAX RETURNS AND THE VALUE OF FRANKING CREDITS

Stuart Cartledge
Managing Director
Phoenix Portfolios

The Cromwell Phoenix Property Securities Fund (Fund) is managed to maximise after-tax returns. This is the real measure that matters to investors. However, the funds management industry is configured to present investment returns on a pre-tax basis and this can lead to the under-pricing of franking credits. Over the last five tax years to June 2021, the Fund has delivered franking credits that have 'topped up' investors income by an average of 0.48% per annum.

This article takes a closer look at the somewhat dry subject of franking credits and how they can help to maximise your after-tax returns.

In the lead up to the **2019 Federal Election**, Cromwell provided a brief overview and history of franking credits.

READ IT HERE

https://www.cromwellpropertygroup.com/research-and-insight/investing/the-future-of-franking-credit-refunds

Table 1: Franking and the benefits to investors

Investor category			Super: Retirement	Super: Accumulation	Company	High Net Worth
Net profit before tax	a		$100	$100	$100	$100
Company tax rate	b		30%	30%	30%	30%
Company tax	c	=a*b	$30	$30	$30	$30
Net profit after tax	d	=a-c	$70	$70	$70	$70
Franking Credit	e	=c	$30	$30	$30	$30
Payout ratio	f		100%	100%	100%	100%
Cash dividend	g	=e*f	$70	**$70**	$70	$70
Taxable income to investor	h	=g+e	$100	$100	$100	$100
Investor's tax rate	i		0%	15%	30%	47%
Investor's after tax proceeds	j	=h*(1-i)	$100	**$85**	$70	$53

The theory

Some of the stocks held in the portfolio are traditional corporates, subject to Australian tax, and are therefore likely to generate franking credits under the Australian dividend imputation scheme. These are valuable to investors and should influence how the portfolio is managed.

The table set out above shows the impact, with each column representing a different investor category. For example, the second column, labelled 'Accumulation' shows how a super fund investor in accumulation phase gets $85 of after-tax value from a $70 fully franked dividend. The performance figures for the Fund only capture the $70 of cash dividend. The uplift goes unreported but is clearly valuable.

In practice: Goodman Group versus Charter Hall Group

Goodman Group (ASX:GMG) (Goodman) and Charter Hall Group (ASX:CHC) (Charter Hall) are both Australian listed property securities that derive earnings from a combination of rental income, development and funds management activities. Goodman is focused on industrial property and diversified geographically with operations in the US, Europe and Asia in addition to Australia and New Zealand. Charter Hall is diversified across multiple property sub-sectors, but the business is focused geographically on Australia.

There are of course many other differences between these two securities, but Charter Hall's domestic focus results in its corporate earnings being subject to Australian tax, and as a result, Charter Hall pays out franking credits. Goodman's global business, on the other hand, will likely pay at least some tax in foreign jurisdictions, and these tax payments won't come with franking credits. All else equal, an Australian investor should prefer the domestic business, because their after-tax returns will be higher.

Sometimes it gets even better

The Cromwell Phoenix Property Securities Fund holds a position in property development company Sunland Group (ASX:SDG) (Sunland). Sunland has been a profitable business for many years and has retained some of its profits to grow the business. As a result, it has built up a significant franking credit balance.

Following a strategic review, Sunland has elected to wind up its business and return all capital to shareholders. Phoenix has held a position in Sunland for many years – we like the business and management team and believe the company has been an excellent steward of shareholders' capital.

A wind-up of the business may seem like a drastic step, but the share market has never really valued Sunland appropriately, with the stock price trading at a material discount to the book value of the company's assets for most of its listed life, thereby ascribing negative value to the goodwill of the business. Furthermore, a sizeable franking credit balance has also been ignored by investors. For a tax-aware investor like Phoenix, we find this appealing.

At the risk of over-simplifying the transaction, as Sunland goes through the process of completing projects and selling inventory, it will pay out all cash proceeds as a combination of fully franked dividends and a return of capital. Table 2 shows some key metrics immediately prior to the announcement of the Sunland Group Strategic Plan, and the share price reaction to the announcement on 20 October 2020.

Table 2: Key metrics

SDG, per share	19 October 2020	20 October 2020
Book value	$2.56	$2.56
Franking credits	$0.59	$0.59
Book + Franking	$3.15	$3.15
Share price	$1.33	$1.95
Discount	58%	38%

Despite the strong share price reaction to the announcement, Phoenix lifted its exposure to the stock given the increased certainty of the recognition of value.

Over the subsequent 18 months, Sunland have made significant progress towards the strategic goal and has recognised further profits from the sale or completion of several development projects, such that the eventual outcome is likely to be even better than the original estimates.

For Australian taxpayers on low tax rates, such as super funds or foundations, the value of such a transaction is 'super-charged'. Pun intended.

Portfolio construction needs to consider a myriad of factors. Most of them require estimates of the future. At least with tax, the framework for analysis is reasonably steady, and a tax-aware strategy can deliver with certainty in a somewhat uncertain world. ■

Read more about the Cromwell Phoenix Property Securities Fund (Fund) on page 35 including where to locate the product disclosure statement (PDS) and target market determination (TMD). Investors should consider the PDS in deciding whether to acquire, or to continue to hold units in the Fund.

THE IMPACT OF RISING INTEREST RATES ON REAL ESTATE YIELDS

Alex Dunn
Senior Research and
Investment Strategy Analyst
Cromwell Property Group

Interest rates tell you how high the cost of borrowing is, or how high the rewards are for saving. So, if you are a borrower, the interest rate is the amount you are charged for borrowing money, shown as a percentage of the total amount of the loan. In 2022, interest rates have risen across Australia, Europe and the US.

The relationship between interest rates and real estate yields is important for investors to understand, given the potential impact of the former on the latter.

While we believe that recent interest rate increase will place upwards pressure on real estate yields, our research implies that other real estate fundamentals are also important, and theses will limit the extent of yield softening.

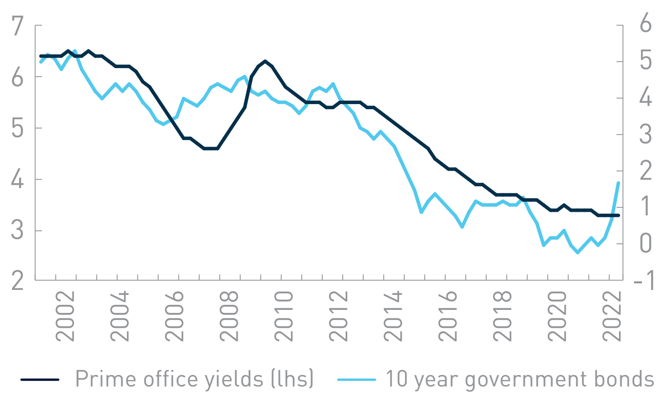
Statistically, our analysis shows there is a very close relationship between 10-year government bonds and real estate yields.

Government Bonds: Closely correlated with real estate yields

Government bonds are viewed as proxy for the 'risk-free rate', which is the theoretical rate of return for an investment that has no risk of financial loss. An increase in interest rates encourages saving and deters borrowing and in so doing raises the required rate of return for real estate investment.

In figure 1, we compare Eurozone government bonds to prime Eurozone office yields. A score of 1 means two variables are perfectly correlated, meaning they move in unison. A correlation of 0 means there is no relationship between them. The correlation between Eurozone government bonds and prime office yields over this period is 0.89. This implies a strong relationship and the long downward trend in real estate yields since 2001 is heavily linked to the fall in interest rates.

Figure 1: Prime office yields vs 10-year government bonds (Eurozone %)



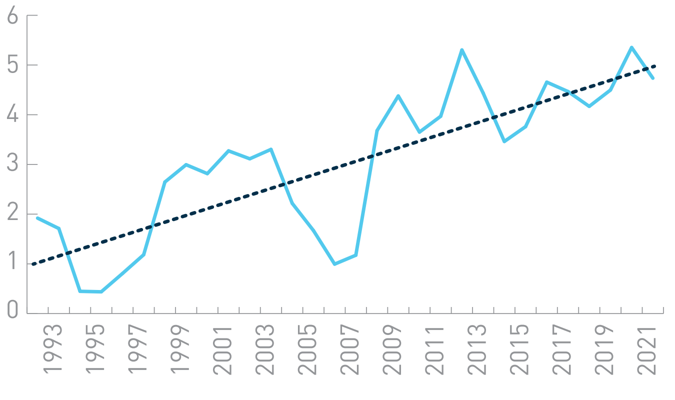
Source: CBRE, Oxford Economics, Q3 2022

> “The volatility in the real estate-bond yield spread suggests the complex influence of several factors playing a role in affecting real estate yields.

Although there is a strong correlation between the two variables, the magnitude of moves in real estate yields and bond yields has differed significantly over the past two decades. Figure 2 shows that real estate yields fell by an average of 280bp across major European markets from peak to trough, while bond yields reduced by 495bp over the same period. This suggests that real estate yield movements, although in line with bond yields, are far less volatile and are subject to other forces.

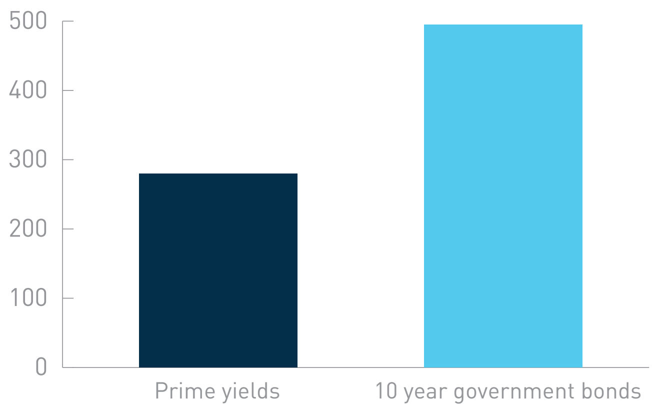
Figure 3 shows the spread between prime UK office yields and 10-year government bonds, and we have used data from the UK office market due its stable history. The spread at the end of 2021 was around 476bps, compared to the long-term average of 306bps. While there is no mathematical rule to indicate the spread which can trigger repricing, we believe the bond yield must first rise to reduce the spread to levels comparable with the long-term average before exerting direct upwards pressure on real estate yields.

Figure 2: Change in prime office yields and 10-year government bonds (2000 – 2022 bps)



Source: CBRE, Oxford Economics, Q3 2022

Figure 3: The spread between UK prime office yields and 10-year government bonds (pps)



Source: CBRE, Oxford Economics, Q3 2022

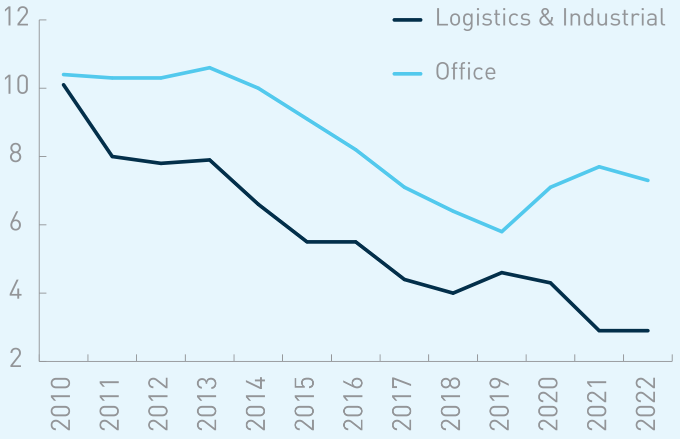
Figure 2 also shows that since 1992, there are two periods where the spread between UK prime office yields and 10-year government bonds significantly reduced: between 1993-7, and 2005-8. In both periods the UK was experiencing inflation above the Bank of England (BoE) target of 2%. This suggests that investors are willing to accept a lower spread between real estate yields and government bonds in periods of high inflation due to the perception that real estate is an inflationary hedge.

The Spread: What other factors impact capital values?

The volatility in the real estate-bond yield spread suggests the complex influence of several factors playing a role in affecting real estate yields. These include capital markets, macroeconomic variables, and real estate fundamentals.

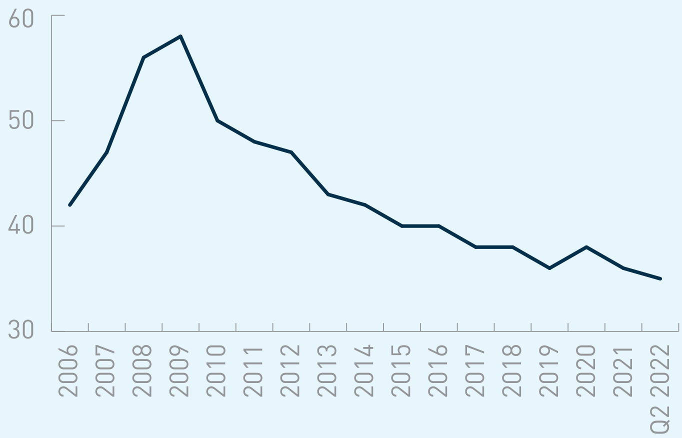
The spread is related to the expectations around rental and capital value growth, which in turn are related to the supply/demand dynamics of a particular market. If demand for real estate from investors and/or occupiers is high relative to supply, then there will be a downward yield pressure. Where supply is high, for example due to a wave of development completions or occupier bankruptcies, this would exert upward yield pressure.

Figure 4: European office and logistics & industrial vacancy rates (%)



Source: CBRE Q3 2022

Figure 5: Loan to value ratio (%)



Source: Capital Economics, Q3 2022

Despite the disruption brought on by the pandemic, many markets in both the office and logistics sector are undersupplied with available space. Figure 4 shows how the vacancy rates across European office and logistics and industrial properties are significantly below the levels witnessed in the aftermath of the GFC.

A combination of rising construction costs and economic uncertainty has also impacted the development pipeline for both the office and logistics sector. The lack of new stock being brought to the market will exacerbate the current supply/demand dynamics and cause faster prime rental growth.

Debt financing availability has also risen over the last decade due to greater availability of non-bank lenders. This will help maintain yields more than has been done in the past when interest rates rise.

Companies are also in a much healthier position today than they were during the GFC. Figure 5 shows the average loan to value ratio across Europe which has declined from a high of 58% in 2009 to 35% at the end of Q2 2022. As such companies should be better able to protect the downside during a weaker economic environment and, crucially for real estate investors, continue to pay their rent.

The weight of capital targeting real estate across Europe has doubled over the last ten years due to both greater desire for real estate exposure amongst historic investors and new entrants to the market such as sovereign wealth funds.

The significant weight of capital was reflected in the investment volume during the first half of 2022 which totalled €143bn according to RCA. This was the largest transaction volume recorded in H1, and also makes Q2 2022 the second highest rolling 12-month period on record, reflecting investors strong desire to put their money into real estate.

Conclusion: Interest rates are important but not the only factor

The combination of positive rental growth expectations brought on by encouraging supply/demand dynamics, the versatility in the debt markets, and sheer amount of money allocated towards real estate suggests that the spread between 10-year government bonds and real estate yields will be lower in the future. This would therefore reduce the rate of yield softening brought on by rising interest rates.

Although we have used data on the European real estate market to explore this topic, the same trends permeate all western markets, and the implications are likely to be the same.

STOCK IN FOCUS:

RETAIL VALUE INC

Jordan Lipson
Portfolio Manager
Cromwell Phoenix Global Opportunities Fund

The Cromwell Phoenix Global Opportunities Fund (GOF / Fund) searches for investments with unique qualities that are hard to discover, yet simple to value. Spinoffs provide a fertile hunting ground for these types of situations and Phoenix Portfolios uncovered one in Retail Value Inc (RVI).

A spinoff occurs when a larger business takes a subsidiary, or part(s) of its existing business, separates it into a new, independent company and in most cases distributes shares in the newly separated entity to existing shareholders, whether they like it or not.

Thankfully for us, many existing shareholders do not like it, as the spun company is commonly a lot smaller and/or 'non-core' to the broader business. At times this can create strong selling pressure and a wonderful opportunity to purchase the spun off security at a large discount. RVI is an example of an investment that Phoenix naturally gravitates to.

In July 2018, RVI spun out from long-time US-listed shopping centre owner, Developers Diversified Realty (DDR) (more seasoned investors may have some painful memories and financial scars from the formerly Australian-listed Macquarie DDR Trust).

At inception RVI was to own 50 shopping centres, comprised of 38 in the continental United States and 12 in Puerto Rico. RVI was to be externally managed by DDR and had an explicit mandate of selling those assets over 36 months and distributing the proceeds to shareholders.

The assets placed into RVI were described as 'stable but lower growth' in the registration document associated with the spinoff. Furthermore, the Puerto Rican assets were said to 'present uncertain future cash flows because of macroeconomic factors'.

Translating this from 'business speak' to plain English, DDR was handpicking its 50 worst assets and selling them because it no longer wanted them.

Readers may be wondering who in their right mind would want handpicked 'bad' shopping centre assets. This would be an astute observation and it seems DDR shareholders didn't want that exposure either. Six months after initially trading at more than $36 per share, RVI's share price was approximately $25.50 per share (dropping ~30%).

Despite the poor share price performance, RVI was achieving solid asset sale prices, significantly ahead of what was implied by the share price and appeared to be executing on their stated strategy admirably. While this looked like an attractive opportunity, this occurred approximately 12 months before the initiation of the GOF. In that 12-month period, RVI continued to deliver on its stated goal of selling assets in a methodical manner, achieving robust sales prices.

Investors started to believe that despite the flaws, the company may present a compelling investment opportunity. As such, the stock price rallied to approximately $39 per share. By the inception date of the Fund, it no longer presented a compelling investment opportunity and as such it was not held. Despite this, it was not forgotten.

Phoenix continued to track RVI's progress as it continued to sell properties. The period beginning March 2020 presented a tumultuous time, with uncertainty around the ability to collect rent and sell assets as COVID-19 and associated restrictions spread around the world. A restoration of relative normality and more conducive financial markets allowed asset sales to restart in 2021. To July 2021, the vast majority of the assets sold were located in the Continental US. The initial 38 mainland assets were whittled down to only eight, whilst nine of the initial 12 Puerto Rican assets remained.

The Fund aims to invest in areas within the team's circle of competence. Mainland US retail assets very clearly fit into this, however with the majority of assets in Puerto Rico and limited knowledge of that market, the variance of possible outcomes was too wide to accurately assess.

Who would even bid on a large-scale portfolio of Puerto Rican shopping centres?

The answer was Kildare Partners, a real estate private equity fund run by Ellis Short (some may remember Short as the former owner of English football team Sunderland AFC, also a key character in Netflix documentary *Sunderland 'Til I Die*). The $550 million headline price was a very solid outcome, however, there was set to be more than a month between the announcement and cash payment. With such a substantial transaction in a developing jurisdiction, the risk of not closing on the deal seemed high.

In August, it was announced the full cash proceeds had been received. The stock price was unmoved on the announcement and RVI was being valued at a discount to Phoenix's assessment of the value of what was left. Eight US shopping centres and a big 'pile' of cash. As such, we finally initiated a position in RVI.

Investors didn't have to wait long for further activity. In October 2021, the company announced the sale of five further assets. Phoenix first paid $24.30 per share to acquire a stake in RVI. Two months later, RVI announced a $22.04 special dividend to shareholders, meaning more than 90% of our initial investment was to be returned, along with a holding in the remaining three assets and a smaller but still meaningful 'pile' of cash. After the dividend was paid, what was left of RVI traded at a value that was once again attractive to Phoenix and, as such, more RVI shares were purchased at a price of $6.00. Again, it was a short wait for further positive outcomes, with two of the remaining three assets sold and a further $3.27 dividend announced in December 2021.

In March 2022, RVI announced the sale of the final asset and a plan to delist the company from the New York Stock Exchange. With this sale, the only meaningful asset of RVI was (you guessed it) a pile of cash. This amounted to approximately $3.90 of cash (and receivables) per share.

Table 1: RVI share purchases

Purchase Date	Total Return	IRR	Weight
August 2021	19.8%	69.3%	1.8%
November 2021	17.7%	50.1%	2.1%
April 2022	26.3%	189.9%	4.7%

The last day of trading for RVI stock was to be 6 April 2022. Some investors cannot own delisted securities and are therefore required to sell before delisting occurs. Ready for this, the Fund amassed some cash to get ready for a potential attractive opportunity. The market was co-operative, offering RVI stock for $3.00 per share. With such an incredible risk / reward trade off, Phoenix made RVI a larger position in the Fund.

Six days later a $2.13 dividend was announced, returning more the 70% of the money invested prior to delisting. In June, a further $1.16 dividend was announced. This means that only three months after paying $3.00, RVI will have returned $3.29 to shareholders, with future additional distributions of the remaining $0.61 per share of cash (less wind-up costs) highly likely.

The Fund made three separate purchases of RVI shares. The likely financial outcome of each purchase is outlined in the table 1. From the table above it can be seen that the most attractive opportunity (and largest position taken by Phoenix), occurred when RVI had only cash left on its balance sheet. Due to timing and US GAAP accounting quirks, investors had to be following the RVI situation to discover this opportunity.

When describing the strategy of the Fund, we often discuss the metaphor of buying a dollar of assets for 50 cents, with the goal of getting one dollar (or more) back at an uncertain future date. In this case, a dollar of cash was literally purchased for less than 75 cents, with the very high expectation of receiving a dollar back within six months. RVI has resulted in a strong outcome for investors, and we continue to hunt for more opportunities like it. ■

Read more about the Cromwell Phoenix Global Opportunities Fund (Fund) on page 36 including where to locate the product disclosure statement (PDS) and target market determination (TMD). Investors should consider the PDS in deciding whether to acquire, or to continue to hold units in the Fund.

DIRECT PROPERTY UPDATE

Peta Tilse
Head of Retail Funds Management
Cromwell Property Group

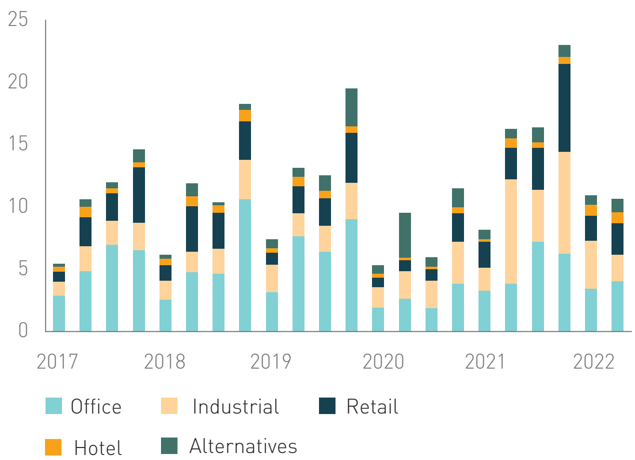
Interest rates are expected to continue to rise, with the RBA likely to normalise cash rates to 2-3%. The RBA expects inflation to peak around 7.75% by year's end, with longer term measures of inflation already retreating. In the balance of a tight labour market (with strong incomes) and higher cost of living pressures from energy, groceries, mortgages etc, real household incomes remain relatively uncertain.

In commercial property, transaction activity has reduced over the last two quarters alongside the strong movements in interest rates. It is because real estate tends to retain its income growth potential and there is a large weight of capital targeting the sector, that we see any stabilisation in longer term interest rates improving transaction activity.

Occupier fundamentals remain sound. There is an acute under-supply of good quality space suitable for modern occupiers. GDP and employment are the two best leading indicators for demand. GDP growth expectations, although lower, remain positive and employment markets are full which should maintain occupier demand even in a weaker economic environment. This bodes well for rental growth prospects for well specified, well located property.

Investment volume by sector

USD 5 million+ deals, AUD billion



Sources: Knight Frank Research, RCA

How did Cromwell Funds Management fare this quarter?

I thought it worth demonstrating how unlisted direct property works in a diversified investment portfolio.

The following table summarises the annualised performance of the main investment asset classes on a 1, 3 and 5 year basis, when compared with the Crowell Direct Property Fund. As you can see, the benefit of unlisted direct property in a portfolio not only provides regular, reliable, tax advantaged income, but also lower correlations to listed investments.

The Cromwell Direct Property Fund (DPF) had no significant property transactions this quarter, with the ten commercial property assets providing the Fund a 4.9-year WALE (as at 30 June 2022). The Fund's performance for the prior 12 months saw total returns of 12.4%, with monthly income (and a special distribution paid) of 6.6%, and growth from the portfolio of 5.8%. DPF extended and upsized a debt facility with a major bank, and finalised some further hedging. The Fund had two assets externally valued, adding $2 million to the value of the fund.

Read more about the Cromwell Direct Property Fund on page 34.

Returns to 30 June 2022

Year	Cash (Bloomberg AusBond Bank Bill)	Australian Diversified Fixed Interest (Bloomberg AusBond Composite Bond)	Australian listed property (S&P/ASX 300 A-REIT Accumulation)	Cromwell DPF
1	0.1%	(10.5%)	(11.2%)	12.4%
3	0.3%	(2.6%)	(1.9%)	7.9%
5	0.9%	0.9%	5.0%	7.8%

LISTED MARKET UPDATE

Stuart Cartledge
Managing Director
Phoenix Portfolios

The S&P/ASX 300 A-REIT Accumulation Index fell sharply, giving up 17.5% in the quarter ending 30 June 2022. The property index underperformed the broader equity market, which also gave up significant ground in the period. The S&P/ASX 300 Accumulation Index lost 12.2% in the quarter.

Interest rates were once again the driving force behind the poor market outcomes. At the start of the quarter, the yield on the Australian Government 10 Year Bond was 2.8% and by the end of the period the yield was 3.7%. This doesn't tell the full extent of volatility through the period, with the 10 Year yield almost hitting 4.2% at one point.

The most direct and instantaneous impact of this move for real estate investment trusts (REITs) is an increase in interest costs. The vast majority of REITs have some form of (very manageable) debt, and almost all have a portion of that debt exposed to floating interest rates. The increase in rates is therefore a direct headwind to earnings. Even fixed rate debt needs to be periodically refinanced and refinancing rates will naturally be higher. Furthermore, the value of property is also negatively impacted as rates rise, as investors discount the future cashflows at a higher rate.

Many investors compare property capitalisation rates to government bond yields, with the difference between the two rates known as the 'spread'. Given that government bonds have a lower risk profile than property, this spread is highly likely to be positive over time. In an interesting twist, at current book valuations some properties now have a negative spread to government bonds. Listed property investors clearly don't believe this is sustainable as shown by share price movements.

Property fund managers were the major underperformers for the quarter. Fund managers are particularly sensitive to property valuations, as base fee income is tied to assets under management and performance fee income is commonly tied to total returns. Adding to potential issues, should confidence in the sector wane, future inflows into funds may stall. Centuria Capital Group (CNI) led the declines falling by 35.2%, Charter Hall Group (CHC) gave up 33.1% and Goodman Group (GMG) lost 21.4%.

Residential property developers were also broadly underperformers for the period. As mainstream media points out ad nauseam, interest rates have a direct impact on housing affordability. Major banks are directly passing on increasing interest rates to consumers, with 5-year fixed rate home loans at Commonwealth Bank (CBA) now facing interest rates of 6.69%. Perth-based developer Peet Limited (PPC) lost 19.7% for the quarter and Mirvac Group (MGR) dropped by 18.6%.

Direct office market transactions continue to support strong valuations, however, future transactions will be of great interest, given recent news. Dexus (DXS) marginally outperformed, still giving up 16.6%. Elsewhere, GPT Group (GPT) was off 18.5% and Centuria Office REIT (COF) fell by 20.8%.

Retail landlords significantly outperformed in a relative sense, with solid consumer spending data, supportive of outcomes in the short term. For the quarter, Vicinity Centres (VCX), SCA Property Group (SCP) and Scentre Group (SCG) lost 1.6%, 3.1% and 15.1% respectively.

Market Outlook

August's reporting season was mixed for property stocks. Investment property valuations mostly moved marginally higher, albeit this lags spot markets. Net property income growth was solid across all sub-sectors and outlooks for face rents were broadly positive. Increased interest rates do however present a headwind for the near-term earnings of most in the sector.

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, with rents accelerating at record rates in key markets.

The jury is still out on exactly how tenants will use office space moving forward. Demand for good quality, well located space still exists, however the capital intensity of leasing that space is persistently high. Transactional activity of office assets has slowed, however continues to provide evidence of value.

We remain cognisant of the structural changes occurring in the retail sector with the growing penetration of online sales and the greater importance of experiential offering inside malls. Recent events were said to have accelerated this trend, however the resilience of physical retail in Australia has surprised on the upside. It is also interesting to note the juxtaposition of very high retail sales figures despite very low levels of consumer confidence, no doubt impacted by rising costs of living.

The recent increase in bond yields (now off their prior highs) does present a headwind for all financial assets, and particularly yield based sectors such as property. However, with key large capitalisation REITs now trading at a significant discount to the value of their underlying assets, with no value ascribed to embedded active businesses, we believe the sector offers value, particularly in comparison to unlisted property.

Phoenix has for some time discussed the risk of inflation, given the enormous fiscal stimulus and extreme monetary policy setting that we now live with. In very recent times, commentators and bond markets have begun to react to the presence of such a risk. In this environment, long leases with fixed rent bumps, which were previously in high demand, may become relatively less attractive. Historically, real assets such as property and infrastructure have performed well during inflationary periods.

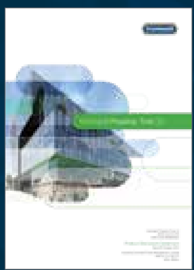
Cromwell Direct Property Fund (OPEN)

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 30 June 2022

OPEN FOR INVESTMENT

CLOSED TO INVESTMENT

OPEN FOR INVESTMENT

www.cromwell.com.au/dpf

CROMWELL DIRECT PROPERTY FUND

The Fund 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 30 June 2022

KEY STATISTICS
as at 30 June 2022

Status	OPEN[1]
Unit Price	$1.3218[2]
Distribution Yield	5.1% p.a.[3]
WALE	4.9 years[4]

PERFORMANCE

	1 Year	3 Years	5 Years	Inception (Aug-13)
Fund Performance After fees & costs	12.4%	7.9%	7.8%	9.5%
Benchmark PCA/IPD Unlisted Retail Property Fund Core Index	15.4%	15.1%	15.0%	18.1%
Excess Returns After fees & costs	(3.0%)	(7.2%)	(7.2%)	(8.6%)

Past performance is not a reliable indicator of future performance.

FUND UPDATE

- The Fund paid a final distribution of 1.8712671 cents per unit (CPU) for the period ending 30 June 2022, comprising a monthly distribution of 0.6041667 CPU and a special distribution of 1.26710040 CPU, as payment for capital gains made on asset sales throughout FY22
- Following on from the special distribution payment, as part of the annual budgeting process and portfolio review, the decision has been made that from 1 July 2022, distribution payments will be reduced by 0.5 cpu per annum, from the current 7.25 cpu to 6.75 cpu per annum
- External valuations for assets as at 30 June 2022 held within the Fund were as follows:
  - 433 Boundary Street, Spring Hill increased by 2.5% to $41.5 million, up from $40.5 million as at 31 December 2021
  - 163 O'Riordan Street, Mascot, increased by 0.9% to $118 million, up from the valuation of $117 million as at 30 June 2021
- The Fund's look through gearing at 30 June 2022 was 41.2%, with direct gearing at 39.4%
- The Fund's performance to 30 June 2022 was 9.5% per annum annualised since inception with 12-month performance of 12.4%

In addition to the footnotes below, please read the important disclaimer at the beginning of the Quarterly Reports section on page 33.

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. Based on current distributions of 6.75 cents per unit p.a. and a current unit price of $1.3140 as at 31 July 2022.
4. Figures as at 30 June 2022. Calculated on a 'look-through' gross passing income basis.

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

OPEN FOR INVESTMENT

www.cromwell.com.au/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 30 June 2022

KEY STATISTICS
as at 30 June 2022

Status	OPEN[1]
Unit Price	$1.1041[2]
Distribution Yield	N/A

PERFORMANCE

	1 Year	3 years	5 years	10 years	Inception (Apr-08)
Fund Performance After fees & costs	(8.9%)	(0.5%)	4.4%	10.8%	7.4%
Benchmark S&P/ASX 300 A-REIT Accumulation Index	(11.2%)	(1.9%)	5.0%	9.5%	3.9%
Excess Returns After fees & costs	2.3%	1.4%	(0.6%)	1.3%	3.5%

Past performance is not a reliable indicator of future performance.

TOP TEN STOCK HOLDINGS[3]

CHARTER HALL GROUP LIMITED
GDI PROPERTY GROUP
GENERAL PROPERTY TRUST
GROWTHPOINT PROPERTIES AUSTRALIA
LENDLEASE GROUP
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 7.4% compared to a 3.9% return from the S&P/ASX 300 A-REIT Accumulation Index
- The Fund delivered a net return of -16.7% over the June 2022 quarter, compared to a -17.5% return from the S&P/ASX 300 A-REIT Accumulation Index
- The property sector moved sharply lower over the quarter, falling 17.5%, underperforming the broader equity market with the S&P/ASX 300 Accumulation Index losing 12.2%
- Positive contributions to the Fund's relative performance over the quarter came from overweight positions in Sunland Group, Transurban and Vicinity Centres along with an 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 SCA Property Group and BWP Trust 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 33.
Phoenix Portfolios Pty Ltd ABN 80 117 850 254 AFSL 300302 (Phoenix) is the investment manager of the Fund. None of CFM, Phoenix nor their related entities, directors or officers makes any promise or representation, or gives any guarantee as to the success of the Fund, distributions, amount you will receive on withdrawal, income or capital return or the taxation consequences of investing.

1. Withdrawals cannot be guaranteed and are subject to the assumptions and risks set out in the Product Disclosure Statement dated 16 December 2021 (PDS).
2. Unit price as at 30 June 2022. Unit prices are calculated daily. See the PDS for further information and www.cromwell.com.au/psf for latest pricing.
3. As at 30 June 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 30 June 2022

KEY STATISTICS
as at 30 June 2022

Status	OPEN[1]
Unit Price	$1.0658[2]
Distributions	Annually

PERFORMANCE

	3 Months	6 Months	1 Year	2 Years	Inception (Dec-19)
Fund Performance After fees & costs	(3.2%)	(11.6%)	(9.4%)	14.2%	7.2%
Benchmark MSCI All Countries World Index AUD	(7.9%)	(15.6%)	(8.0%)	8.4%	5.0%
Benchmark MSCI World Microcap AUD	(10.5%)	(22.9%)	(24.8%)	8.8%	3.4%

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 7.2% (net of fees)
- The Fund delivered a net return of -3.2% (net of fees) over the June 2022 quarter
- Global share markets finished the June quarter significantly lower, with the MSCI All Countries World Index (AUD) losing 7.9%. Smaller stocks underperformed across the period, with the MSCI World Microcap Index (AUD) returning -10.5%
- Positive contributors to performance over the quarter came from positions in Greenlight Reinsurance (NYSE:GLRE), Tetragon Financial Group (ENXTAM:TFG) Compagnie de l'Odet (ENXTPA:ODET) and Retail Value Inc (NYSE:RVI)
- This was offset by the Fund's currency exposure, which was the largest drag on returns, relative to global indices, but added to performance from an absolute perspective

In addition to the footnotes below, please read the important disclaimer at the beginning of the Quarterly Reports section on page 33.

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

www.cromwell.com.au/pof

CROMWELL PHOENIX OPPORTUNITIES FUND

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

Investment Report to 30 June 2022

KEY STATISTICS
as at 30 June 2022

Status	CLOSED
Unit Price	$2.3265[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	5.1%	19.7%	16.5%	18.8%
Fund Performance After fees & costs, **excluding** the value of franking credits	3.3%	17.5%	14.5%	17.1%
Benchmark S&P/ASX Small Ordinaries Index	(19.5%)	0.4%	5.1%	4.6%

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 18.8% (net of fees, inclusive of franking credits)
- The Fund delivered a net return of -12.4% (net of fees, inclusive of franking credits) over the June 2022 quarter
- Smaller companies declined heavily over the quarter with the S&P/ASX Small Ordinaries Index and the S&P ASX Emerging Companies Index returning -20.4% and -28.1% respectively
- Positive contributions to the Fund's performance over the quarter came from, among others, positions in Ariadne, Sunland Group, Korvest and Prospect Resources
- Detracting from Fund performance over the quarter were holdings in, among others, Alkane Resources and BCI Minerals

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1. Unit price as at 30 June 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 30 June 2022

KEY STATISTICS
as at 30 June 2022

Status	CLOSED
Unit Price	$2.26
Distribution	12.25 cpu
WALE	7.8 years[1]

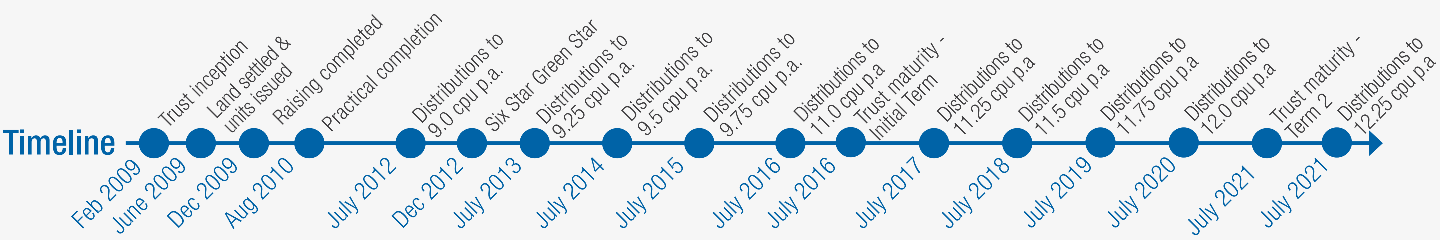
PERFORMANCE

	1 Year	3 Years	5 Years	7 Years	Inception (July-09)
Trust Performance After fees & costs	14.0%	9.6%	10.2%	14.7%	14.3%
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 unit price is currently $2.26
- The Trust's performance to 30 June 2022 was 14.3% per annum annualised since inception
- As disclosed in the March issue of Insight, CFM entered into a due diligence period with a preferred buyer for the Trust's asset in March 2022. Recent movements in debt markets unfortunately resulted in the preferred buyer being unable to commit to the asset purchase at this stage. The asset remains listed for sale and CFM continues to manage the sale campaign according to current market cycles. As manager, our priority is to provide all Unitholders with the best possible outcome, including both timing of sale and resulting returns. We will continue to provide sale and Trust wind-up updates to Unitholders as and when they occur
- An external valuation of Energex House, Newstead, Brisbane as at 30 June 2022 has resulted in the value of the asset decreasing from $316 million as at 30 September 2021 to $304 million



In addition to the footnotes below, please read the important disclaimer at the beginning of the Quarterly Reports section on page 33.

1. As at 30 June 2022. Calculated by gross income
2. 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 $124 million[1].

Investment Report to 30 June 2022

KEY STATISTICS
as at 30 June 2022

Status	CLOSED
Unit Price	$1.19
Distribution Yield	5.43% p.a.
WALE	8.0 years[2]

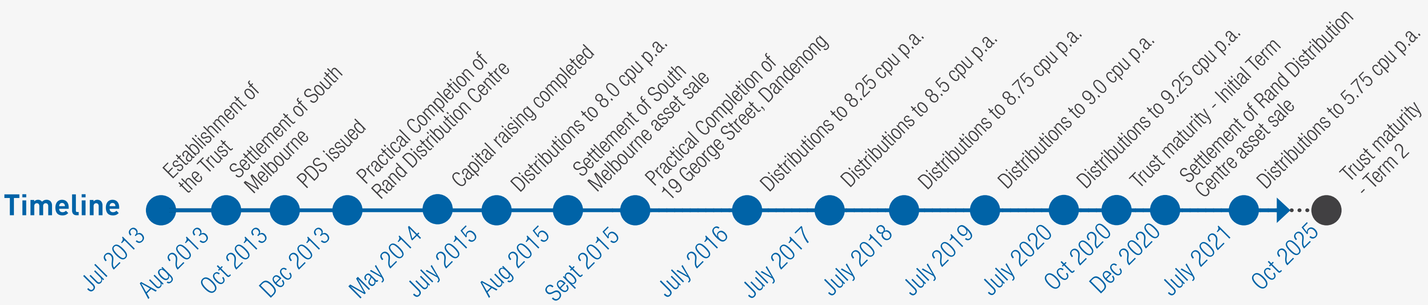
PERFORMANCE

	1 Year	3 Years	5 Years	7 Years	Inception (Oct-13)
Trust Performance After fees & costs	35.4%	21.3%	16.5%	18.1%	16.3%
Benchmark PCA/IPD Unlisted Retail Property Fund Core Index	15.4%	15.1%	15.0%	18.2%	18.1%
Excess Returns After fees & costs	20.0%	6.1%	1.6%	(0.1%)	(1.7%)

Past performance is not a reliable indicator of future performance.

FUND UPDATE

- The Trust's unit price is currently $1.19
- The Trust's performance to 30 June 2022 was 16.3% per annum annualised since inception
- The Trust qualified for a spot in the Top Ten performing funds for the June 2022 quarter within the PCA/MSCI Australia Unlisted Retail Quarterly Property Fund Index over 12 months (35.4%) and three years (21.3%)



In addition to the footnotes below, please read the important disclaimer at the beginning of the Quarterly Reports section on page 33.

1. Based on valuations for 19 George Street, Dandenong as at 31 October 2021.
2. As at 30 June 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 30 June 2022, Cromwell had a market capitalisation of $2.0 billion, an Australian investment portfolio valued at $3.0 billion and total assets under management of $12.0 billion across Australia, New Zealand and Europe.

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

24/06/2022	Suspension of Distribution Reinvestment Plan
24/06/2022	Dividend/Distribution - CMW
23/06/2022	Notification of cessation of securities - CMW
23/06/2022	Settlement of Convertible Bonds Tender Offer
17/06/2022	Change of Director's Interest Notice - GH Weiss
16/06/2022	Change of Director's Interest Notice - L Scenna
16/06/2022	Results of Convertible Bonds Tender Offer
14/06/2022	Change of Director's Interest Notice - JI Gersh
14/06/2022	Change of Director's Interest Notice - TL Cox
13/06/2022	Notification of cessation of securities - CMW
10/062022	Change of Director's Interest Notice - EP Ooi
7/06/2022	Transactions Update and Convertible Bonds Tender Offer
25/05/2022	Notification of cessation of securities - CMW
24/05/2022	Cromwell Progresses Strategy to Sell Non-core Assets
22/04/2022	Notification regarding unquoted securities - CMW

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

Key Events Calendar

The following dates are indicative

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 quarter distribution ex date
Friday, 30 December 2022 (tentative)	December 2022 quarter 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

CONTACT US WITH ANY QUESTIONS

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

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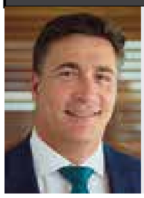

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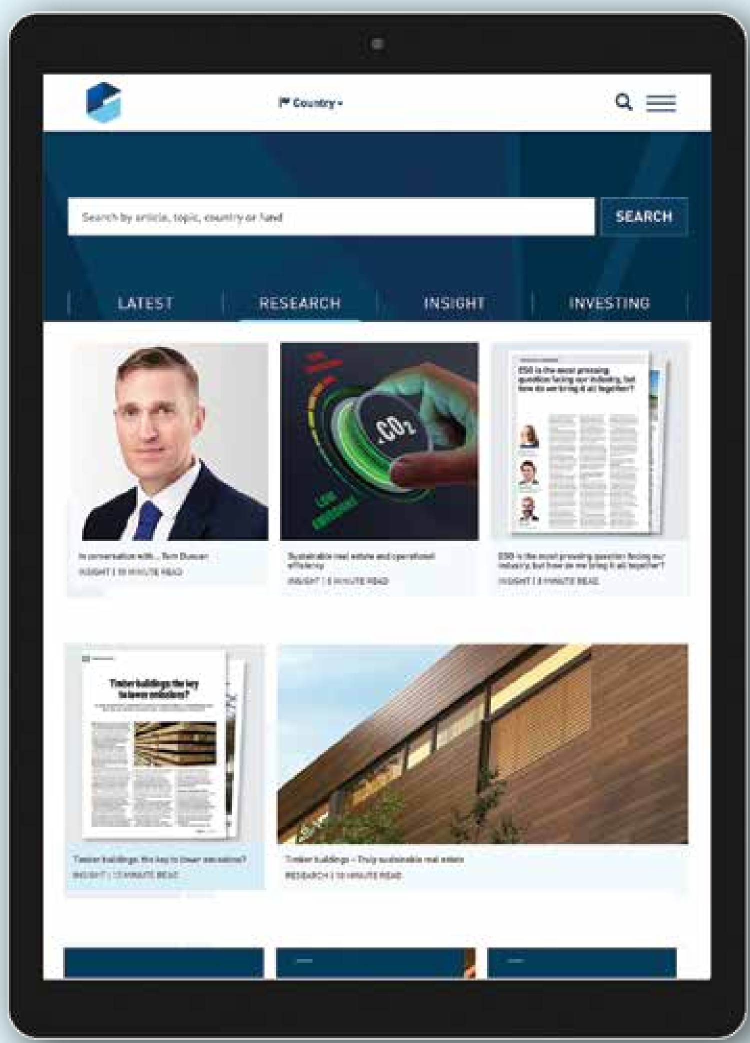

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