

CROMWELL DIRECT PROPERTY FUND



Target Market Determination

Target Market Summary

This product is designed for investors who:

- Are seeking Capital Growth and Income Distribution
- Are intending to use the fund as a Satellite or Minor allocation
- Are seeking a Portfolio diversification that is Low to Medium
- Have a minimum investment timeframe of more than 5 years
- Have a Medium risk/return profile, and
- Require limited access to capital

Introduction

This Target Market Determination (**TMD**) is required under section 994B of the Corporations Act 2001 (Cth) (**the Act**). This TMD describes the class of consumers that comprises the target market for the financial product and matters relevant to the product's distribution and review (specifically, distribution conditions, review triggers and periods, and reporting requirements). Distributors must take reasonable steps that will, or are reasonably likely to, result in distribution of the product being consistent with the most recent TMD (unless the distribution is excluded conduct).

This document is **not** a product disclosure statement (**PDS**) and is **not** a complete summary of the product features or terms of the product. This document does not take into account any person's individual objectives, financial situation or needs. Persons interested in acquiring this product should carefully read the PDS for the product before making a decision whether to buy this product.

Important terms used in this TMD are defined in the TMD Definitions which supplement this document. Capitalised terms have the meaning given to them in the product's PDS, unless otherwise defined. The PDS can be obtained by request via [Cromwell Direct Property Fund - Cromwell Funds Management](#), contacting the Cromwell Investor Services Team, phone: 1300 268 078, or via email: invest@cromwell.com.au.

Fund and Issuer identifiers

| | |
|------------------------------------|--|
| Issuer | Cromwell Funds Management Limited |
| Issuer ABN | 63 114 782 777 |
| Issuer AFSL | 333214 |
| TMD Contact Details | Head of Risk and Compliance: riskandcompliance@cromwell.com.au |
| Fund name | Cromwell Direct Property Fund |
| ARSN | 165 011 905 |
| APIR Code | CRM0018AU |
| ISIN Code | AU60CRM00184 |
| TMD issue date | 10 April 2024 |
| TMD Version | Three |
| Distribution status of fund | Available |

Description of Target Market

This part is required under section 994B(5)(b) of the Act.

TMD indicator key

The Consumer Attributes for which the product is likely to be appropriate have been assessed using a red/amber/green rating methodology with appropriate colour coding:

In target market

See Issuer instructions*

Not in target market

* Please see the 'Product description including key attributes' in the table below for Issuer instructions.

Instructions

In the tables below, Column 1, Consumer Attributes, indicates a description of the likely objectives, financial situation and needs of the class of consumers that are considering this product. Column 2, TMD indicator, indicates whether a consumer meeting the attribute in column 1 is likely to be in the target market for this product.

Appropriateness

The Issuer has assessed the product and formed the view that the product, including its key attributes, is likely to be consistent with the likely objectives, financial situation and needs of consumers in the target market, as the features of this product in Column 3 of the table below are likely to be suitable for consumers with the attributes identified with a green TMD Indicator in Column 2.

Investment products and diversification

A consumer (or class of consumer) may intend to hold a product as part of a diversified portfolio for example, with an intended product use of minor allocation. In such circumstances, the product should be assessed against the consumer's attributes for the relevant portion of the portfolio, rather than the consumer's portfolio as a whole. For example, a consumer may seek to construct a balanced or moderate diversified portfolio with minor allocation to growth assets. In this case, a product with a *High* risk/return profile may be consistent with the consumer's objectives for that *minor allocation* notwithstanding that the risk/return profile of the consumer as a whole is *Medium*. In making this assessment, distributors should consider all features of a product (including its key attributes).

| Consumer attributes | TMD Indicator | Product description including key attributes |
|---|---------------|--|
| Consumer's investment objective | | |
| Capital Growth | ● | Investors seeking a regular income stream with possible capital growth. |
| Capital Preservation | ● | The Fund aims to provide investors with a monthly tax advantaged income stream combined with the potential for capital growth through investing in a diversified portfolio of quality property assets. While an investment in the Fund could experience capital loss and is higher risk and more volatile than cash or fixed income securities, the Fund is expected to exhibit lower volatility than listed equities or listed REITs in a market downturn. |
| Income Distribution | ● | |
| Consumer's intended product use (% of Investable Assets) | | |
| Solution/Standalone (100%) | ● | Investors seeking to invest in Australian property, over multiple leasing time-frames as part of a broader portfolio. |
| Major allocation (up to 75%) | ● | The Fund's portfolio diversification is Low to Medium (see Diversification in the definitions section below). |
| Core component (up to 50%) | ● | |
| Minor allocation (up to 25%) | ● | Investors should use the Fund as a Satellite allocation to reduce investment risk through diversification and to invest an appropriate portion of their available investment capital into the Fund. |
| Satellite allocation (up to 10%) | ● | |
| Consumer's investment timeframe | | |
| Minimum investment timeframe | ● | The minimum suggested timeframe for holding an investment in the Fund is more than 5 years. |

| Consumer attributes | TMD Indicator | Product description including key attributes |
|--|---------------|---|
| Consumer's Risk (ability to bear loss) and Return profile | | |
| Low | ● | <p>Investors who are comfortable tolerating Medium risk (see Definitions below).</p> <p>The objective of the Fund is to provide investors with a monthly tax advantaged income stream from a portfolio of Australian commercial properties. Over the medium to long term, the Fund aims to generate capital growth. However, there are risks involved in the Fund, which may include the following:</p> <ul style="list-style-type: none"> • The value of the Fund's properties and investments in underlying trusts may decline, which may result in a fall in the value of an investment in the Fund. • The Fund will only borrow against Direct Property and aims to limit Look-Through Gearing to no more than 50% (Interest bearing liabilities: Gross Assets). • The Fund may not make regular distributions, or at all, as the income available for distribution is dependent on a variety of risks associated with an investment in property (such as risks that the tenants may default on the terms of their leases). <p>It is expected the Fund may experience an estimated 2 to less than 3 negative returns over a 20 year period (Standard Risk Measure Risk Band 4).</p> <p>Please refer to Section 4 of the Fund's PDS for more information on the risks of an investment in the Fund.</p> |
| Medium | ● | |
| High | ● | |
| Very High | ● | |
| Extremely High | ● | |
| Consumer's need to access capital | | |
| Weekly | ● | <p>Investors who are comfortable with the Fund's assets having low liquidity.</p> <p>At the end of every five years, the Fund intends to offer a full withdrawal opportunity (Periodic Withdrawal Opportunity), where investors can elect to withdraw all of their investment.</p> <p>An investor can transfer units in the Fund to another person by providing the Issuer with a completed standard transfer form signed by both the transferor and the transferee.</p> <p>The Issuer reserves the right to decline transfer requests in its absolute discretion.</p> |
| Monthly | ● | |
| Quarterly | ● | |
| Annually | ● | |
| 5 years or more | ● | |

Distribution conditions/restrictions

This part is required under section 994B(5)(c) of the Act.

| Distribution channel | Distribution condition and rationale |
|-------------------------------------|---|
| Distribution Directly by the Issuer | <ul style="list-style-type: none"> Direct investors who are wholesale or sophisticated investors can invest in the Fund. Retail investors are asked to complete an online or paper application form, including filtering questions relating to the TMD. |
| Distribution by Adviser | <ul style="list-style-type: none"> Investor to confirm in the online or paper application form that they have received personal advice. Financial advisers to provide details in the online or paper application form of their AFS licence, including their adviser number from the ASIC Moneysmart Number website, and confirm they have reviewed and considered the TMD in providing personal advice to the Investor. |
| Distribution by Platform/Wrap | <ul style="list-style-type: none"> Additional steps are not required for clients receiving personal advice beyond consideration of the issuer's TMD by the adviser. Clients who have not received personal advice may not be able to access the Fund unless the platform provider has a process where the client is asked to complete basic filtering questions relating to the TMD. |

Review triggers

This part is required under section 994B(5)(d) of the Act.

Where the Issuer considers that there has been a material change to the investment strategy, Fund description (including its key attributes), risk profile or liquidity profile of the Fund or taxation consequences for investors in the Fund.

A significant number, or an unexpectedly high number, of complaints about the Fund or its distribution.

Unsatisfied redemption requests over a rolling 6 month period, where offered.

A significant dealing in this Fund in relation to retail clients that is inconsistent with this TMD.

Material changes to the fees or other costs of the Fund that may affect the return of the Fund.

Any inquiry, surveillance, direction, notice, investigation or enforceable instrument by or from ASIC about or relating to the Fund's features, target market or distribution strategy.

Mandatory review periods

This part is required under section 994B(5)(e) and (f) of the Act.

| Review period | Maximum period for review |
|-------------------|--|
| Initial review | Initial review has already occurred. |
| Subsequent review | At least once every year since the date of the last review of the TMD (for whatever reason). |

Distributor reporting requirements

This part is required under section 994B(5)(g) and (h) of the Act.

| Reporting requirement | Reporting period | Which distributors this requirement applies to |
|---|---|--|
| Complaints (as defined in section 994A(1) of the Act) relating to the product design, product availability and distribution. The distributor should provide all the content of the complaint, having regard to privacy. | As soon as practicable but not later than 10 business days following end of calendar quarter. | All distributors |
| Significant dealing outside of target market, under s994F(6) of the Act. See Definitions for further detail. | As soon as practicable but no later than 10 business days after distributor becomes aware of the significant dealing. | All distributors |

If practicable, distributors should adopt the FSC data standards for reports to the Issuer. Distributors must report to the Issuer using the method specified on this website: www.cromwell.com.au/ddo

This link also provides contact details relating to this TMD for the Cromwell Funds Management Limited.

Definitions

| Term | Definition |
|--|---|
| Consumer's investment objective | |
| Capital Growth | The consumer seeks to invest in a product designed or expected to generate capital return over the investment timeframe. The consumer prefers exposure to growth assets (such as shares or property) or otherwise seeks an investment return above the current inflation rate. |
| Capital Preservation | The consumer seeks to invest in a product designed or expected to have low volatility and minimise capital loss. The consumer prefers exposure to defensive assets that are generally lower in risk and less volatile than growth investments (this may include cash or fixed income securities). |
| Income Distribution | The consumer seeks to invest in a product designed or expected to distribute regular and/or tax-effective income. The consumer prefers exposure to income-generating assets (this may include high dividend-yielding equities, fixed income securities and money market instruments). |
| Consumer's intended product use (% of Investable Assets) | |
| Solution/Standalone (up to 100%) | The consumer may hold the investment up to 100% of their total <i>investable assets</i> . The consumer is likely to seek a product with <i>very high</i> portfolio diversification. |
| Major allocation (up to 75%) | The consumer may hold the investment as up to 75% of their total <i>investable assets</i> . The consumer likely to seek a product with at least <i>high</i> portfolio diversification. |
| Core Component (up to 50%) | The consumer may hold the investment as up to 50% of their total <i>investable assets</i> . The consumer likely to seek a product with <i>medium</i> portfolio diversification. |
| Minor allocation (up to 25%) | The consumer may hold the investment as up to 25% of the total <i>investable assets</i> . The consumer is likely to seek a product with <i>very low</i> portfolio diversification. |
| Satellite allocation (up to 10%) | The consumer may hold the investment as up to 10% of their total <i>investable assets</i> . The consumer likely to seek a product with <i>very low</i> portfolio diversification. Products classified as <i>extremely high</i> risk are likely to meet this category only. |
| Investable Assets | Those assets that the investor has available for investment, excluding the residential home. |
| Portfolio diversification (for completing the key product attribute section of consumer's intended product use) | |
| Very low | The product provides exposure to a single asset (for example, a commercial property) or a niche asset class (for example, minor commodities, crypto-assets or collectibles). |
| Low | The product provides exposure to a small number of holdings (for example, fewer than 25 securities) or a narrow asset class, sector or geographic market (for example, a single major commodity (eg gold) or equities from a single emerging market economy). |
| Medium | The product provides exposure to a moderate number of holdings (for example, up to 50 securities) in at least one broad asset class, sector or geographic market (for example, Australian fixed income securities or global natural resources). |
| High | The product provides exposure to a large number of holdings (for example, over 50 securities) in multiple broad asset classes, sectors or geographic markets (for example, global equities). |
| Very high | The product provides exposure to a large number of holdings across a broad range of asset classes, sectors and geographic markets with limited correlation to each other. |
| Consumer's intended investment timeframe | |
| Minimum | The minimum suggested timeframe for holding the product. Typically, this is the rolling period over which the investment objective of the product is likely to be achieved. |
| Consumer's Risk (ability to bear loss) and Return profile | |
| <p>This TMD uses the Standard Risk Measure (SRM) to calculate the likely number of negative annual returns for this product over a 20 year period, using the guidance and methodology outlined in the <u>Standard Risk Measure Guidance Paper For Trustees</u> (note the bands in the SRM guidance differ from the bands used in this TMD). However, SRM is not a complete assessment of risk and potential loss. For example, it does not detail important issues such as the potential size of a negative return (including under conditions of market stress) or that a positive return could still be less than a consumer requires to meet their investment objectives/needs. The SRM methodology may be supplemented by other risk factors. For example, some products may use leverage, derivatives or short selling; may have liquidity or withdrawal limitations; may have underlying investments with valuation risks or risks of capital loss; or otherwise may have a complex structure or increased investment risks, which should be documented together with the SRM to substantiate the product risk rating.</p> <p>A consumer's desired product return profile would generally take into account the impact of fees, costs and taxes.</p> | |

| Term | Definition |
|--|--|
| Low | <p>For the relevant part of the consumer's portfolio, the consumer:</p> <ul style="list-style-type: none"> • has a conservative or low risk appetite, • seeks to minimise volatility and potential losses (e.g. has the ability to bear up to 1 negative return over a 20 year period (SRM 1 to 2)), and • is comfortable with a low target return profile. <p>The consumer typically prefers stable, defensive assets (such as cash and fixed income).</p> |
| Medium | <p>For the relevant part of the consumer's portfolio, the consumer:</p> <ul style="list-style-type: none"> • has a moderate or medium risk appetite, • seeks low volatility and potential losses (e.g. has the ability to bear up to 4 negative returns over a 20 year period (SRM 3 to 5)), and • is comfortable with a moderate target return profile. <p>The consumer typically prefers defensive assets (for example, fixed income).</p> |
| High | <p>For the relevant part of the consumer's portfolio, the consumer:</p> <ul style="list-style-type: none"> • has a high risk appetite, • can accept high volatility and potential losses (e.g. has the ability to bear up to 6 negative returns over a 20 year period (SRM 5 or 6)), and • seeks high returns (typically over a medium or long timeframe). <p>The consumer typically prefers growth assets (for example, shares and property).</p> |
| Very high | <p>For the relevant part of the consumer's portfolio, the consumer:</p> <ul style="list-style-type: none"> • has a very high-risk appetite, • can accept very high volatility and potential losses (e.g. has the ability to bear 6 or 7 negative returns over a 20 year period (SRM 6 or 7)), and • seeks to maximise returns (typically over a medium or long timeframe). <p>The consumer typically prefers high growth assets (such as high conviction portfolios, hedge funds, and alternative assets).</p> |
| Extremely high | <p>For the relevant part of the consumer's portfolio, the consumer:</p> <ul style="list-style-type: none"> • has an extremely high risk appetite, • can accept significant volatility and losses, and • seeks to obtain accelerated returns (potentially in a short timeframe). <p>The consumer seeks extremely high risk, speculative or complex products which may have features such as significant use of derivatives, leverage or short positions or may be in emerging or niche asset classes (for example, crypto-assets or collectibles).</p> |
| Consumer's need to access capital | |
| <p>The Issuer has considered the redemption request frequency under ordinary circumstances. However the redemption request frequency is not the only consideration when determining the ability to meet the investor's requirement to access capital. The Issuer has considered the extent that the liquidity of the underlying investments or possible liquidity constraints (eg ability to stagger or delay redemptions) could impact this, and has been taken into consideration.</p> | |
| Weekly / Monthly / Quarterly / Annually or longer | <p>The consumer seeks to invest in a product which permits redemption requests at this frequency under ordinary circumstances and the issuer is typically able to meet that request within a reasonable period.</p> |

| Term | Definition |
|----------------------|---|
| Significant Dealings | <p>Section 994F(6) of the Act requires distributors to notify the issuer if they become aware of a significant dealing in the product that is not consistent with the TMD. Section 994G of the Act requires the Issuer to notify ASIC if it becomes aware of a significant dealing in the Fund that is not consistent with the TMD. Neither the Act nor ASIC defines when a dealing is 'significant' and distributors and the Issuer have discretion to apply its ordinary meaning. The issuer will rely on notifications of significant dealings to monitor and review the product, this TMD, and its distribution strategy, and to meet its own obligation to report significant dealings to ASIC.</p> <p>Dealings outside this TMD may be significant because they constitute an individual transaction which has resulted in, or will or is likely to result in, significant detriment to the consumer (or class of consumer).</p> <p>The distributor should have regard to:</p> <ul style="list-style-type: none"> • the nature and risk profile of the product (which may be indicated by the product's risk rating or withdrawal timeframes), • the actual or potential harm to a consumer (which may be indicated by the value of the consumer's investment, their intended product use or their ability to bear loss), and • the nature and extent of the inconsistency of distribution with the TMD (which may be indicated by the number of red and/or amber ratings attributed to the consumer). <p>Objectively, a distributor may consider a dealing (or group of dealings) outside the TMD to be significant if:</p> <ul style="list-style-type: none"> • the consumer's intended product use is solution/standalone, • the consumer's intended product use is core component or higher and the consumer's risk/return profile is low. |



IMPORTANT NOTICE & DISCLAIMER

Cromwell Funds Management Limited ABN 63 114 782 777 ("CFM") holds Australian Financial Services Licence number 333214 and is the responsible entity of the Cromwell Direct Property Fund ARSN 165 011 905 ("the Fund"). CFM is the issuer of this Target Market Determination ("TMD") and is to be read in conjunction with the Product Disclosure Statement ("PDS"). The PDS is dated 17 November 2020.

CFM is a subsidiary of Cromwell Corporation Limited ("CCL"). Cromwell Property Group comprises Cromwell Corporation Limited and the Cromwell Diversified Property Trust ("DPT") (the responsible entity of which is Cromwell Property Securities Limited ("CPS")). Cromwell Property Group is an ASX-listed stapled security (ASX: CMW).

Neither CFM, its related entities, directors nor officers make any promise or representation, or give any guarantee as to the success of the Fund, the amount (if any) of distributions, the amount (if any) you will receive on withdrawal, the income or capital return, or the taxation consequences of investing in the Fund.

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You should obtain and carefully consider the Product Disclosure Statement (PDS) for the Fund before making any decision about whether to acquire, or continue to hold, an interest in the Fund. Applications for units in the Fund can only be made pursuant to the application form relevant to the Fund.

A copy of the PDS, continuous disclosure notices and relevant application form may be obtained from [Cromwell Direct Property Fund - Cromwell Funds Management](#)

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

Responsible Entity:

Cromwell Funds Management Limited

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|------|--------------------------------|---------|--|
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