Cromwell Insight Magazine | Edition 29

CROMWELL PROPERTY GROUP

insight

Cromwell's half-year results at a glance

	HY20	HY19	CHANGE
Statutory profit ($M)	**227.3**	111.1	104.6% ↑
Statutory profit (cents per security)	**8.78**	5.52	59.1% ↑
Operating profit ($M)	**134.1**	82.6	62.4% ↑
Operating profit (cents per security)	**5.18**	4.10	26.4% ↑

INSIDE

8 GDP vs GDP per capita: Is Australia really 'the lucky country'?

12 Your vote counts

14 In conversation with...Cromwell Chair Leon Blitz

20 The investment risk from climate change

28 The emergence of build-to-rent in Australia

CONTENTS

3 CEO update

4 In brief

6 Cromwell's half-year results at a glance

8 GDP vs GDP per capita: Is Australia really 'the lucky country'?

12 Your vote counts

14 In conversation with...Cromwell Chair Leon Blitz

17 The Cromwell Property Group Foundation calls for nominations

20 The Investment risk from climate change

24 Looking over the horizon: identifying the megatrends of today that will shape the cities of the future

28 The emergence of build-to-rent in Australia

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Cromwell Property Group (ASX:CMW) (Cromwell) is a real estate investor and manager with operations on three continents and a global investor base. The Group is included in the S&P/ ASX 200. As at 31 December 2019, Cromwell had a market capitalisation of $3.1 billion, a direct property investment portfolio in Australia valued at $3.2 billion and total assets under management of $11.9 billion across Australia, New Zealand and Europe.

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

32 **QUARTERLY REPORTS**
34 Australian Market Update
36 Cromwell Direct Property Fund
37 Cromwell Phoenix Property Securities Fund
38 Cromwell Property Trust 12
39 Cromwell Ipswich City Heart Trust
40 Cromwell Riverpark Trust
41 Cromwell Phoenix Opportunities Fund
32 Cromwell Australian Property Fund
43 **QUARTERLY SNAPSHOT**

Paul Weightman
MANAGING DIRECTOR /CEO

CEO update

Dear Investor,

On 27 February 2020, we released our half-yearly results. Statutory profit of $227.3 million, equivalent to 8.78 cents per security (cps), increased 59% on the 5.52 cps in the prior comparable period.

Operating profit per security, considered by the Directors to best reflect the underlying earnings of Cromwell, was 5.18 cps, a 26% increase on the 4.10 cps reported in the previous comparable period.

We were delighted to be able to again deliver such a strong set of results for securityholders. A summary of the results is available on page six inside and the full ASX presentation and announcement can be found in the Securityholder Centre on our website.

Overall, we have a clear proven strategy, a long-WALE portfolio of balance sheet properties, a $1.2 billion plus value-add development pipeline, a host of 'Invest to Manage' opportunities, a successful and growing business in Singapore and a robust platform and presence in Europe.

Despite this, we have been notified that ARA Asset Management (ARA) is calling a securityholder meeting to again push for the election of its nominee, Dr. Gary Weiss, to the Cromwell Board. This is just three months after the majority of those voting rejected his appointment at the 2019 AGM.

The material prepared by ARA and sent to securityholders contains incorrect and selective information and their proxy form has again been made to look as though it was sent by Cromwell. We encourage all securityholders to ignore this material and await the official Cromwell response.

If you have not received the official response by the time you receive Insight, or alternatively have any questions, please do not hesitate to call Cromwell's Investor Services Team on 1300 268 078 or +61 7 3225 7777, email invest@cromwell.com.au or check the Cromwell website for the latest information.

In this edition of Insight, we look at the burgeoning build-to-rent sector, identify the investment risks pertaining to climate change, the megatrends impacting our world and our 'In conversation' feature is with Cromwell Chair, Mr Leon Blitz. The Cromwell Property Group Foundation is also calling for nominations and we also examine why it is important for securityholders to exercise their right to vote.

I hope you enjoy Insight 29.

Yours sincerely,

P. Weightman

Paul Weightman

In brief

Investor Conference series returns this July

Building on the success of the 2018 and 2019 events, Cromwell's Investor Conference series will return in July. The 2020 series will provide investors with an update on the health of Australia's property markets, including economic drivers, as well as the performance of the listed and unlisted sectors and outlook for each geographic and industry sector.

The dates for each event are as follows:

Brisbane

Wednesday 22 July, 5:30pm – 8pm
Cromwell Head Office
Level 19, 200 Mary Street, Brisbane

Sydney

Wednesday 29 July, 5:30pm – 8pm
Sofitel Wentworth
61-101 Philip Street, Sydney

Melbourne

Thursday 30 July, 5:30pm – 8pm
The Westin
205 Collins Street, Melbourne

If you would like to attend, email your interest to events@cromwell.com.au. Further details will be provided in the next edition of Insight.

Cromwell Phoenix Property Securities Fund award nominations

The Cromwell Phoenix Property Securities Fund (Fund) has again received endorsement from industry participants, with nominations for Morningstar's Fund Manager of the Year – Listed Property and Infrastructure and the Financial Standard Investment Leadership Award – Australian Listed Property.

Both award categories look at long-term risk-adjusted track records as part of the assessment criteria, with the Fund's long-term outperformance of the benchmark qualifying it for both nominations.

Congratulations to Fund Manager Stuart Cartledge and the team at Phoenix Portfolios on the achievement.

Maturity draws closer for Cromwell Property Trust 12

The Cromwell Property Trust 12 (Trust) is due to mature in October 2020.

Cromwell Funds Management Limited (CFM) as the responsible entity of the Trust, is currently considering a range of options at maturity, including inviting unitholders to vote on an extension of the Trust term. If CFM considers it in the best interest of unitholders to extend the Trust for a further period of time, an extraordinary resolution would be required of unitholders.

Cromwell Property Trust 12 investors are advised that maturity documentation, including any voting documentation on the extension of the term of the Trust, will be communicated to them in due course.

Cromwell partners with BlackRock on 475 Victoria Avenue

Cromwell recently sold a 50% stake in 475 Victoria Avenue, Chatswood for $120 million, and entered into a joint venture for its expansion with a private fund managed by BlackRock.

Situated in the heart of the booming Chatswood precinct, the site comprises two 13-level office buildings, ground floor retail and three levels of basement parking.

Cromwell's Chief Investment Officer, Rob Percy, said the sale was another example of Cromwell's successful 'Invest to Mange' strategy in action.

"Similar to the strategic approach taken with Northpoint Tower in North Sydney, the location, high-calibre tenants and considerable development upside of 475 Victoria Avenue position it as an attractive investment proposition," he said.

"Cromwell has an existing development application on the site. We will review these plans and explore further ways to increase the value of the asset and support the continued growth of the Chatswood precinct," Mr Percy concluded.

$85 million DA lodged for Centenary House

Cromwell has lodged an $85 million development application (DA) for 19 National Circuit in Canberra's prestigious Barton Precinct.

The DA is to demolish the existing building and construct a new six-storey office building, consisting of 18,000 sqm of A-grade net lettable area, with average floor plates of 3,200 sqm surrounding an internal atrium, designed to promote inter-floor connectivity and natural light.

Occupants will benefit from a new generation of end-of-trip facilities with up to 136 bike parking spaces, 18 showers and 214 lockers, as well as a ground floor cafe and 225 basement car parking spaces.

The DA is designed to exceed government specifications with regards to tenant services zoning and is targeting a 6-Star NABERS Energy rating, as well as a 6-Star Green Star Design and As-Built v1.3 rating.

CEREIT surpasses IPO forecast for eighth consecutive quarter

In FY19, Cromwell European REIT (CEREIT) generated gross revenue of €177.0 million, surging 42.1% compared to the corresponding FY18, and exceeding IPO forecasts by 39.4%. Net property income was €116.1 million, up 40.1% year-on-year and 37.4% higher than projected.

Income available for distribution to unitholders amounted to €96.9 million, 42.6% higher than the €67.9 million in FY18 and 38.0% higher than the IPO forecast. This translates to an FY19 distribution per unit of 4.08 Euro cents, representing an 8.8% increase year-on-year.

Cromwell EREIT management Pte Ltd CEO, Simon Garing, commented, "Two years after listing, we are delighted to report another strong quarter, surpassing IPO forecasts for the eighth straight period. I am pleased the market is acknowledging CEREIT's performance. With CEREIT's rising unit trading price in FY19, we delivered to our unitholders a total shareholder return of 32.0%, approximately 6.5 and 22.5 percentage points higher than the FTSE ST REIT Index and the Straits Times Index, respectively."

HY20 results:

59% increase in statutory profit per security, strategy delivering for all securityholders

	HY20	HY19	Change
Statutory profit ($M)	227.3	111.1	104.6% ↑
Statutory profit (cents per security)	8.78	5.52	59.1% ↑
Operating profit ($M)	134.1	82.6	62.4% ↑
Operating profit (cents per security)	5.18	4.10	26.4% ↑

NTA per unit	WALE	Gearing	Debt tenor
$1.04 (FY19 0.99)	6.1 years (DPT)	41% (pro-forma 39%)	4.2 years

Cromwell recently reported half-year (HY20) statutory profit of $227.3 million (HY19 $111.1 million), equivalent to 8.78 cents per security (cps), up 59% on the 5.52 cps in the prior comparable period.

"We have delivered an exceptional set of results in the first half," stated CEO Paul Weightman.

"The Group has a clear proven strategy, a long-WALE portfolio of balance sheet properties, a $1.2 billion-plus value-add development pipeline, a host of 'Invest to Manage' opportunities, a successful and growing business in Singapore and a robust platform and presence in Europe."

Cromwell's long-dated balance sheet assets (WALE 6.1 years) continue to drive operating earnings above the rolling net operating income target of 3.0%. Valued at $3.2 billion, the Core and Core+ segments continue to perform strongly. Combined, they represent over 98% of the portfolio by value, and have occupancy of 98.75%.

The active asset portfolio provides line of sight to at least $1.2 billion of development work either underway or likely to commence within the next few years. This includes exploring expansion opportunities at 475 Victoria Avenue, Chatswood, where Cromwell recently sold a 50% stake to a private fund managed by BlackRock.

The Cromwell Polish Retail Fund (CPRF) was acquired in the half for €512.9 million. CPRF is set to be restructured by the end of March, then offered to capital partners, with Cromwell expecting to retain an eventual stake of 20% to 30% - similar to its stake in the Cromwell European REIT (CEREIT).

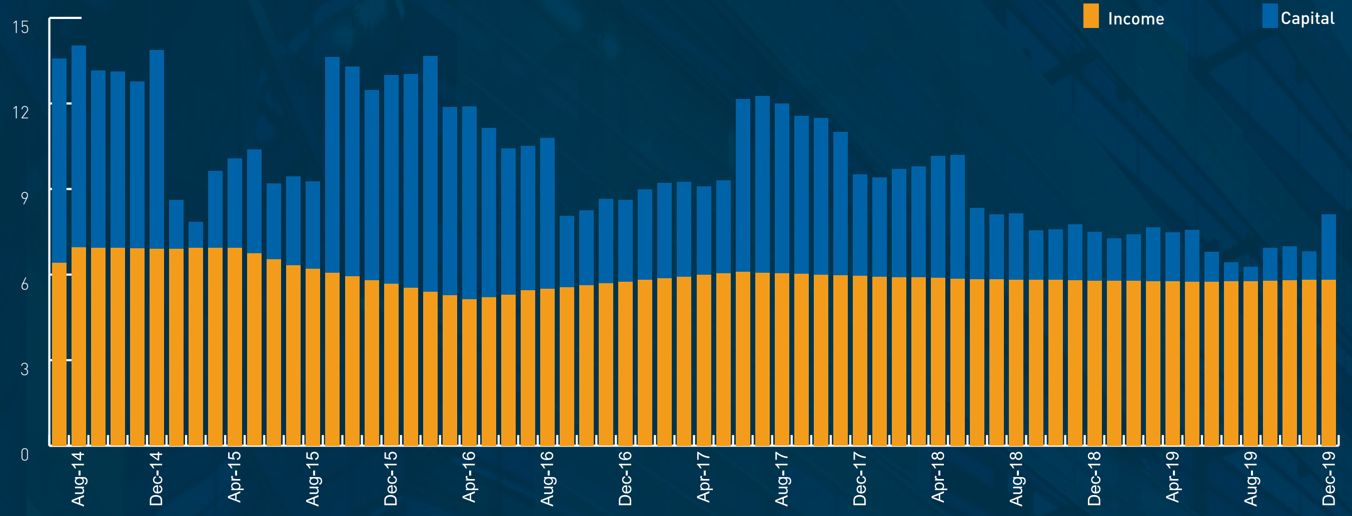
Gearing of 39% is within target range on a pro-forma basis, and prior to any CPRF sell-down.

Cromwell's 30.4% equity stake in CEREIT, which reported its eighth consecutive quarter of IPO forecast outperformance at its FY20 results announcement to the SGX-ST, is now valued at over €400 million ($637 million).

FY20 guidance has been reaffirmed, with operating profit expected to be no less than 8.30 cps and distributions no less than 7.50 cps.

"We are exceptionally well-placed to continue to add value for all securityholders," concluded Mr Weightman.

CROMWELL DIRECT PROPERTY FUND



Regular, reliable income[1]

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

Income Growth Split[2] as at 31 December 2019

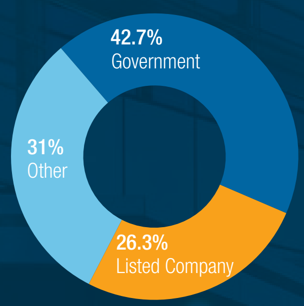
	1 Year	3 Years	5 Years	Inception (August 13)
Income	5.8%	5.9%	5.8%	7.4%
Growth	2.3%	2.5%	3.5%	2.8%
Total Returns	8.1%	8.4%	9.3%	10.2%

FURTHER DETAILS ON PAGE 36

11 quality commercial property assets with an 7.8 year weighted average lease expiry (WALE)[4]

Tenant Type by Income[3]

as at 31 December 2019



Cromwell Funds Management Limited ABN 63 114 782 777 AFSL 333214 is the responsible entity of, and the issuer of units in, the Cromwell Direct Property Fund ARSN 165 011 905. Please see the PDS dated 29 September 2017 for more information.

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.

1. Capital growth and income distributions are not guaranteed and are subject to the assumptions and risks contained in the PDS.
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.
4. Calculated on a 'look-through' gross passing income basis.

CROMWELL FUNDS MANAGEMENT

GDP vs GDP per capita: Is Australia really 'the lucky country'?

Australia's longstanding nickname is 'the lucky country', based on our prosperity and reinforced, in part, by nearly three decades of consecutive annual economic growth. However, digging slightly deeper into the 'lucky country' moniker suggests all is not what it seems.

Firstly, the quote. Originating from Donald Horne's 1964 book, 'The Lucky Country', the entire phrase states, 'Australia is a lucky country run mainly by second rate people who share its luck. It lives on other people's ideas, and although its ordinary people are adaptable, most of its leaders (in all fields) so lack curiosity about the events that surround them, that they are often taken by surprise.'

Horne's quote has long been twisted to fit a specific context. A similar argument can be made that this is also the case for Australia's economic growth as measured by its GDP numbers.

How economic growth is measured

Economic growth is typically measured in terms of gross domestic product (GDP), a measure of the value of all goods and services produced in a given country, across a given timeframe.

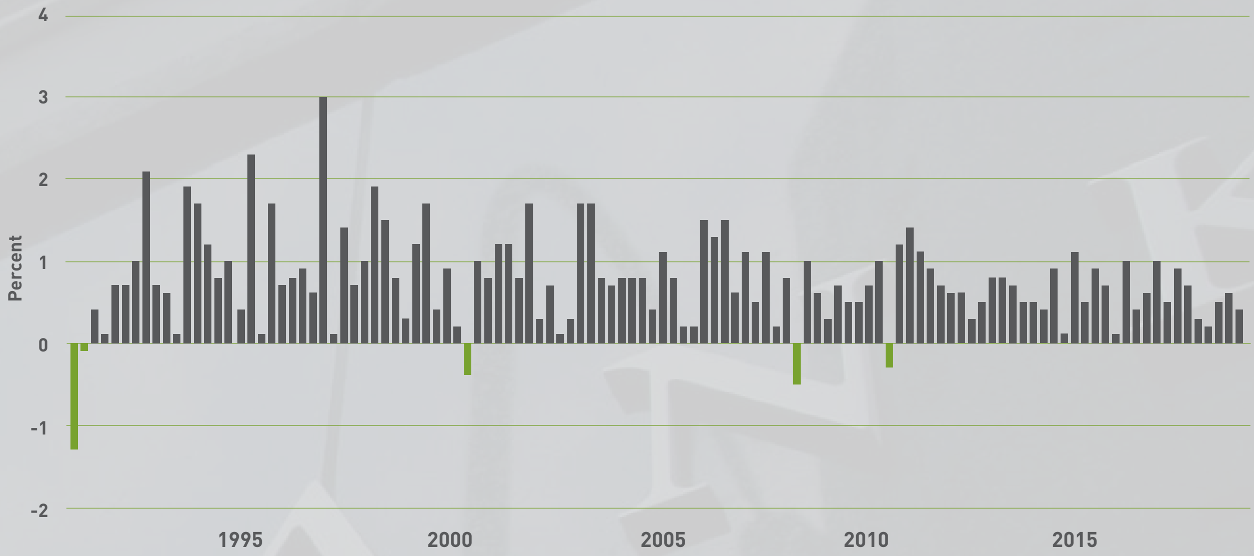
The equation to calculate GDP is private consumption + gross investment + government investment + government spending + (exports – imports). Each component is explained below.

A recession refers to two consecutive quarters of negative GDP growth.

$$GDP = C + I + G + (X - M)$$

C	+	I	+	G	+	(X - M)		
Consumption		**Investment**		**Government spending**		**Imports**	-	**Exports**
Consumption is typically the largest GDP component, consisting of private expenditure for goods and services within an economy.	+	Investment refers to the purchases a business makes to produce consumer goods. However, not all purchases are counted. If a purchase replaces an existing item, it does not add to GDP and is not counted.	+	Government spending is the sum of government expenditure on final goods and services. It includes wages paid to public servants and government investment.	+	Imports are subtracted, as they are already captured in consumption, investment or government spending, and must be deducted to avoid counting foreign supply as domestic.	-	GDP captures the amount a country produces, including goods and services produced for other nations' consumption.

Australia's quarterly GDP growth (1991 to 2019)



Source: Tradingeconomics.com | Australian Bureau of Statistics

28 years without a recession (technically)

Australia's last recession ended in 1991, and since then, there have only been three individual quarters of negative GDP growth. In December 2000, as a result of the dot-com crash and recession across Europe; in December 2008, during the Global Financial Crisis; and in March 2011, due to the Queensland floods.

With the recent bushfires, subsequent flooding and impact of the Coronavirus on tourism and international students, there is a strong possibility Q1 2020 will be the fourth.

Overall, Australia has had relatively high levels of economic growth (3.3% annually) compared to other developed economies between 1992 and 2017, placing it eighth out of the 32 Organisation for Economic Co-operation and Development (OECD) nations.

The last couple of years have seen weaker GDP growth, capped with a 1.7% growth rate for the 12 months to September 2019. GDP per capita growth over this same period, however, was a much more modest 0.2%.

Is GDP per capita a better measure?

GDP per capita is a measure of a country's economic output that accounts for its number of people. It simply divides the country's GDP by its total population.

Growth in GDP per capita demonstrates how much economic growth is exceeding population growth, which can be used as an indication of improvement, or decline, of living standards.

Australia recorded relatively strong growth in annual GDP per capita between 1992 and 2017, but did not outperform other OECD countries to the same extent as overall GDP. This underscores the importance of population growth, and the sometimes-controversial role of immigration in particular, in accounting for the resilience of Australia's economy since the 1991 recession.

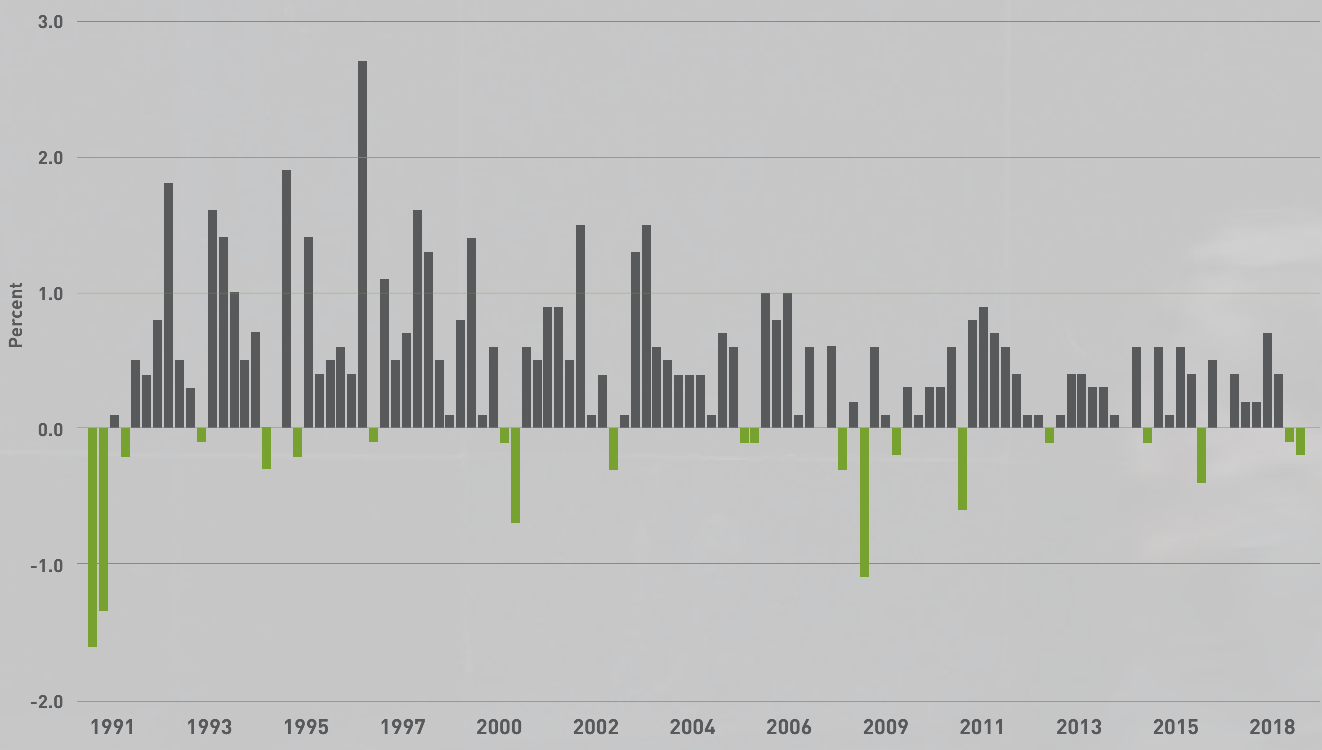
Effectively, where GDP is the 'lucky country' part of Donald Horne's quote, GDP per capita paints a more nuanced picture.

What about a 'per capita recession'?

The claim that Australia has gone almost three decades without a recession has been under fire in recent years, particularly as Australia suffered a 'per capita recession' to close out 2018. The September (-0.1%) and December (-0.2%) quarters saw negative GDP per capita growth.

The second half of 2018 marked the third time this had happened since Australia's conventional recession in 1991. The September (-0.1%) and

Australia's quarterly GDP per capita growth (1991 to 2018)



Source: ABS

December (-0.7%) 2000 and March (-0.1%) and June (-0.2%) 2006 quarters each saw negative growth in GDP per capita.

Additionally, while there have only been three negative GDP growth quarters since 1991, there have been 20 quarters of falling GDP per capita growth.

However, it may be unfair to call consecutive quarters of negative per capita growth a recession at all, as it more closely resembles a slowdown. For example, through the 2006 'recession', job growth remained solid, unemployment fell, and it occurred while Australia was in the midst of its mining boom.

Growth slowing below the level of population growth, especially with weak wages growth and high underemployment, is a concern as it effectively highlights that people are less well off than they were before. A per capita recession on its own, however, is not necessarily the same as a real recession, and the three seen over the past 28 years do not compare to the impact of the 1991 recession on jobs, confidence and economic welfare.

Examples on the global stage

In 2018, 17 countries, the majority of which are emerging economies, recorded positive annual GDP growth, but negative growth in GDP per capita. Of these countries, Bahrain experienced perhaps the greatest disparity between annual growth in GDP (1.78%) and GDP per capita (-3.11%), with population growth at 4.92%.

Compare the emerging economy of Bahrain, to one of the world's most highly-developed economies' in Japan. In 2018, Japan's annual GDP growth was 0.78%, a full 1% behind Bahrain. However, with an ageing population and shrinking workforce Japan's population declined 0.2%, meaning GDP per capita was actually higher at 0.99%.

While the economic profiles of Japan and Bahrain are vastly different, the above demonstrates an increase in GDP per capita, as in Japan, does not always make it a better indicator, particularly when a country's population is in decline.

As more major economies begin to reach peak population, as currently experienced by Japan, Russia and some of Western Europe, their GDP growth will, in turn, begin to decline unless they find ways to become substantially more productive, and do 'more with less'.

Australia's population is expected to grow 24% to 31.4 million by 2034, meaning over the medium term our GDP figures should continue to be propped up by this increase. However, if productivity and population growth were to decline at the same time, we might need to reconsider how we measure economic success, particularly if gross GDP numbers become consistently negative year in, year out.

Population growth and productivity

It takes, on average, 2.1 children born per woman to maintain a country's population – this is known as the replacement rate. The current global fertility rate sits at 2.44 children per woman. However, since the 1960's, the rate has halved and is below the replacement rate in most western countries.

Presently, just under half of the world's population live in countries with a fertility rate below the replacement rate. Because these countries are not repopulating fast enough to maintain their current population, an imbalance is emerging between the ratio of elderly dependents to working-age people. This is set to intensify over coming decades.

The United Nations predicts that by 2100, almost 30% of the population will be aged 60 or older. As life expectancy continues to increase steadily, dependents will live longer. This will have a range of economic impacts.

Healthcare costs will strain resources, while smaller working populations will struggle to produce enough income tax revenue to support these rising costs. If left unchanged, this will likely cause spending power to decrease, consumerism to decline, job production to slow, and ultimately, the global economy to stagnate.

Immigration has been a solution for many countries, particularly Australia and the United States. In 2017, Australia's net migration figure was 263,300, which represented 1.07% of the population, while the US figure was 4,774,029, representing 1.47%.

Several nations are already experiencing the effects of an ageing population with existing elderly dependents. A quarter of Japan's population is currently over the age of 65. With a far lower net migration rate (357,800 in 2017, representing just 0.28% of the total population), Japan is attempting to utilise R&D and technology to substantially increase productivity and offset the demographic driven slowdown of its GDP.

Your vote counts

Australians are active investors. The results of the most recent ASX Australian Investor Study showed Australians are more likely to do their own research when making investment decisions than to use a professional adviser . The same survey suggested 60% of Australian adults hold investments outside of their institutional superannuation fund, and 31% of Australian adults hold listed shares1. If Australians like to be in control of their own investments, then why do so few Australian securityholders vote at General Meetings – whether they're Annual General Meetings (AGMs) or Extraordinary General Meetings (EGMs)?

'Mum and Dad' investors sit on the sidelines

Link Market Services (Link) is Cromwell's securities registry provider. Link's most recent AGM Snapshot (2019 Meetings)[2] showed that for ASX200 companies, the percentage of securityholders lodging a vote at the AGM was 5.60%. However, the percentage of voting issued capital for the same period was 73.41%, demonstrating the larger securityholders such as institutional investors are the ones who typically participate in the voting. What these numbers also suggest is that 'mum and dad' securityholders, those same securityholders who have done the hard yards to earn the money and research their investment decisions, don't often participate in the ongoing decision making of their investments.

The General Meeting - your chance to have your say

When you own securities in a listed company, you are putting your faith in the Board and management of that company to look after the future growth and income of your investment. As one of the owners of the company, you have the chance to vote on resolutions put forward at your company's General Meeting.

An AGM of a listed company is a formal, compulsory meeting at which the company's Board of Directors and owners (securityholders) meet to discuss matters relating to the operation and performance of the company over the prior year, and for the Board of Directors to present and discuss direction and strategy for the upcoming year.

The AGM will include a securityholder vote on important company matters, such as Director elections or re-elections and the appointment of the auditor. Link's AGM Snapshot (2019 Meetings) reported that 94.29% of companies in the ASX200 who use their[1] registry services conducted a poll at their AGM. In line with good governance, at Cromwell's AGM in 2019, all resolutions were decided on a poll (rather than by a show of hands).

In addition to a vote, any General Meeting provides a forum for securityholders to ask questions or to provide feedback to the Board. Securityholder questions can facilitate important discussions and can clarify direction or decisions for all securityholders when addressed at the General Meeting.

The General Meeting is therefore an important event for securityholders, as it gives the owners of the company the chance to participate in decision making.

From time to time, an EGM may be called so that securityholders can vote on a matter during the year (rather than later in the year at the AGM). Like the AGM, an EGM gives the owners of the company (securityholders) the opportunity to participate in decision making.

Cromwell's 2019 AGM voter participation

Cromwell's 2019 AGM voter participation:

Voting by number of securityholders:

Only 22% of securityholders voted; 78% of securityholders did not vote.

Voting by issued capital:

81.1% of securities voted; 18.9% of securities not voted.

1 Published 2017 (biennial) https://www2.deloitte.com/au/en/pages/economics/articles/asx-australian-investor-study.html.

2 2018 AGM Season Statistics, published February 2019. https://linkgroup.com/agmsnapshot/2018-meetings/files/LNK_AGM_Snapshot_2018.pdf. All statistics based on Link clients.

3 Available at https://www.asx.com.au/documents/regulation/cgc-principles-and-recommendations-fourth-edn.pdf.

Why should you vote?

The ASX Corporate Governance Principles and Recommendations (4th edition) note that "Meetings of security holders are an important forum for two-way communication between a listed entity and its security holders"[3]. If you opt not to vote at General Meetings, you forgo the opportunity to participate in the decision making for your company.

Further, institutional or wholesale investors may not necessarily have objectives that align with your own reasons for holding a security. If 'mum and dad' securityholders and smaller securityholders leave the responsibility of voting to the institutional securityholders (as evidenced by the 5.60% securityholder participation rate reported by Link), the outcome may not reflect their views.

How to participate

Securityholders don't necessarily have to attend the General Meeting to participate. If you choose not to attend, the company will provide opportunities to lodge a proxy form and submit questions prior to the meeting.

The first and most important step is to make sure your details are up to date with the registry. Have you changed address since you first held the securities? Would you prefer Notices of Meeting to come to you by email? Make sure you provide any changes to your contact details to the securities registry. Link Market Services is Cromwell Property Group's registry and you can contact them by phone on +61 1300 550 841 or email registrars@linkmarketservices.com.au or online at www.linkmarketservices.com.au.

What to expect

In the lead up to a General Meeting, you will receive a Notice of Meeting which will include the details of the physical meeting, an explanation of the items of business and a formal personalised proxy form with which to vote. If you don't plan to attend the meeting, you can simply complete the proxy form and return it before the due date.

Most companies will also offer online proxy appointment, which makes it even easier to participate. Look for a link on the Notice of Meeting or call the company directly for more information.

Make your opinions heard

A General Meeting is your opportunity to participate in the decision making for your company.

At the General Meeting, you have the opportunity to ask questions or make comments on the management of the company.

If you cannot attend the General Meeting in person, simply appoint a proxy to attend and speak on your behalf.

Every vote counts

The AGM (or any EGM) is an important event in the company's year. The meeting gives securityholders, as owners, the chance to participate in decision making. Every individual securityholder's opinion matters and every vote counts.

Cromwell is committed to good governance and encourages all of its securityholders to participate in decision making. Contact Cromwell's Investor Services Team on 1300 268 078 or invest@cromwell.com.au to make sure your details are up to date, so you can stay informed throughout the year and vote at AGMs and any EGM.

- Update your details
- Check your letterbox and email
- Read the material
- Have your say

In conversation with...
Cromwell Chair Leon Blitz

Independent Non-executive Chair of Cromwell Board

Mr Leon Blitz joined the Cromwell Board as an independent Non-executive Director in 2017, became Deputy Chair in 2019, and recently succeeded Mr Geoff Levy as Chair. Mr Blitz is the co-founder and CEO of Grovepoint, a London-based private equity and FCA-regulated investment management firm.

Mr Blitz has a significant track record as a deal maker and fundraiser with extensive experience in working with high performance management teams to develop and execute corporate strategies in both listed and unlisted markets.

How did you get your start?

I have always been interested in business and investments, and when I was making a decision about my future professional career, the pathway into the field was through chartered accountancy. I completed a Bachelor of Commerce at the University of Cape Town in South Africa. Accounting and finance degrees subsequently followed.

My working career began with Arthur Andersen, which was the only truly multinational accounting firm at the time. While I completed my training contract in auditing, I was involved in the business consulting side of accounting, building financial models and introducing them on floppy discs to clients in meetings, back when laptops were the size of sewing machines.

After Arthur Andersen, I joined Investec when it was a new 'challenger' bank in South Africa. After a few years, I was looking to get international experience, so in 1990 I came to Australia. However, not too long after I landed, Investec offered me a role in London. So, Australia, at the time, was not to be. My parents subsequently settled here, as did my sister and family, and continue to live in Sydney.

What made Investec a great place to work?

Investec was a dynamic and exciting place to be. Working there was the closest thing you could get to running your own business within a business. The onus was on you to take responsibility, and you were given a lot of freedom, within a very strong values and risk-based framework. The founders were also present and involved, which filled people with a sense of empowerment and confidence.

Investec was full of great people, it was very customer-focused and didn't have any legacy issues to hold it back. When Investec started expanding abroad, I was strongly aligned and connected with the firm's culture and values system and was chosen as a candidate to help establish the business in London.

I ended up spending 20 years with Investec in London, initially heading up the private banking and property lending business, and the last few years leading the bank's principal investment activities, where I was responsible for backing successful entrepreneurs and high net worth individuals.

Investec and Cromwell both have the same emphasis on the importance of culture and values. Culture is fundamental to any business and it should be palpable. The influence of the founders is deeply ingrained and felt across both companies. Client-centricity, doing the right thing, entrepreneurship and a strong focus on people also forms a major component for both, and is at the heart of why they are successful.

What makes a Board successful?

I've had a lot of private and advisory board experience, especially in having to deal with large investors, and diversity of thought and experience is essential. A good board should be comprised of independent and diverse perspectives in order to avoid groupthink. Challenge should be encouraged, and while skills and experience should be different, they should also be complementary. A good board has a blend of commercial nous and good governance. This has become increasingly important as there's a lot of pressure on companies to ensure things are done in the right way.

International experience is also important at Cromwell. I spend time in Australia and know the market, but appreciate that more than half of Cromwell's business and people, not to mention a lot of its investors are located outside of Australia. I was originally introduced to Cromwell because of my familiarity and access to European investors, capital partners and investment markets.

What will your first 90 days as Chair look like?

I've been focused on ensuring a smooth transition from Geoff, settling in the new Directors, and making sure the management team are executing the 'Invest to Manage' strategy. I have been on the board for a few years now, so I have a good grasp of the business. Geoff has also helped things enormously, he has been a very effective Chair over the last 12 years and has been extremely generous with his time.

I'm stepping in at a time of increased securityholder agitation. There is no denying that. It's a normal and reasonable expectation of securityholders to have questions and demands, but as a board, when we consider these issues, it is our duty to do the right thing by all securityholders.

As incoming Chair, together with the Board, I'm leading a strategic review of the business. This process is underway, in conjunction with our appointed advisers, UBS and Goldman Sachs. The business is performing exceptionally well, but our single largest securityholder continues to agitate and is attempting to paint a picture of Cromwell being in 'disarray' which is both egregious, and far from the truth. This situation will be an immediate priority.

Do you have a message for securityholders?

On a day-to-day basis it is business as usual. We declared a fantastic set of results at the half year, with statutory profit up 59%. Paul, the management team and staff have done a great job executing the 'Invest to Manage' strategy, building resilience into the business and positioning it for the future.

Between my time at Investec, Grovepoint and now at Cromwell, I've been answerable to investors my entire career. I'm keen for us to continue to ensure security of investment, that a dollar invested is always returned, and the distributions we pay and returns we make remain in line with expectations. In the end, we must always do the right thing and not favour one securityholder over another. I've already begun meeting with securityholders, and I'm always open to engaging with all stakeholders.

We are protective of the values and principles that have defined Cromwell as an organisation over the last 21 years. Geoff had a very strong sense of these values and principles too, and I will look to continue this.

How do you spend your time outside work?

I'm married with three children, two of whom are currently at university, and one is about to enter the professional workforce also as an accountant. This has meant that I'm now in the advantageous position of having a little - not a lot - but a little bit of extra time on my hands, particularly compared to when my children were younger and when I was actively building my business with my partners.

This has allowed me to dabble in a few new passions. I'm about to start learning the piano and I take lessons to improve my voice while singing in choir. I have the opportunity to contribute and be involved in a number of charitable organisations. Beyond that, I must admit to being a follower of sports, particularly Arsenal, and I'm also a keen, albeit slow, runner.

We also enjoy travelling and went to Costa Rica last year. It is a little off the beaten track but was absolutely fantastic. The people are very welcoming and the culture is palpable. The country has it all: rainforests, volcanoes, pristine beaches, jungle and a huge array of wildlife. It is a million miles away from London and I thoroughly enjoyed it.

CROMWELL PROPERTY GROUP *Foundation*

The Cromwell Property Group Foundation calls for nominations

Underpinning Cromwell's values is the belief that we have a responsibility to support the communities in which we operate. Cromwell has a long history of supporting charitable organisations and continues to build on this legacy through the Cromwell Property Group Foundation (Foundation).

Foundation history

Established in 2014, the Foundation supports charities or organisations that provide support to, or conduct research into causes relevant to the mature-aged community. To date, the Foundation has donated $892,000, resulting in significant change to countless lives.

The Foundation announces 2020 corporate partners

The Foundation is pleased to welcome FDC Construction & Fitout (FDC) and nettletontribe as corporate partners for 2020.

Foundation Committee Chair, Jodie Clark said, "We are delighted to have these two property industry leaders, both of whom have a long standing relationship with Cromwell and the Foundation, play an integral role in the Foundation's 2020 fundraising activities."

"FDC and nettletontribe's contribution will allow the Foundation to make an even stronger contribution to causes relevant to the mature-aged community."

As corporate partners, FDC and nettletontribe will be key supporters in this year's fundraising initiatives, which include the FY20 beneficiaries dinner, 'Manhattan Mystique', in June, as well as the biennial Destination Outback journey in August.

nettletontribe | FDC

Nominations now open

You can now nominate a cause or charitable organisation for consideration. To submit a charity, complete the nomination form and follow the nomination process outlined below by **30 April 2020.**

Please note the following key considerations:

1. All nominees must confirm their Australian Deductible Gift Recipient (DGR) status;
2. The nominees must support the mature aged community;
3. The funds must be allocated to a specific project and make a tangible difference; and
4. Successful nominees must commit to providing Cromwell with regular updates.

Nominations process

Submission lodged at www.cromwellfoundation.org.au/charity-application, with information provided on the charity name, nominee and background.

Submission received by the Foundation Committee. Does the proposed charity align with the Foundation's mission?

YES
Contact is made with the charity requesting supporting documentation for a specific project or initiative.

NO
The charity is informed that it does not align with the Foundation's mission and the process ends.

The proposal is finalised by the Committee and presented to the Foundation Board.

The Foundation Board advises the outcome of the submission.

SUPPORTED
Contact is made by the Foundation Committee advising the proposal has been successful, and discusses details for donations to be made.

NOT SUPPORTED
Contact is made by the Foundation Committee advising that the proposal has been unsuccessful, with the charity encouraged to reapply next year.

Donations are made, with updates on the progress and outcomes of the project encouraged.

MND and Me Foundation

The MND and Me Foundation holds the straightforward mission 'to care and to cure', and works to reduce the burden and stress of living with Motor Neurone Disease (MND) by providing practical assistance to families, thereby helping them cope with their challenges.

In FY19, the Foundation donated $40,000 to the MND and Me Foundation, facilitating financial support for MND sufferers over the age of 65. This support is significant on a number of fronts.

In 2018, there were roughly 350 people living with MND in Queensland, 42% of which were aged 65 or older. People who are diagnosed at this age are not covered by the National Disability Insurance Scheme, instead falling under the cover of My Aged Care (MAC), which has a capped funding allocation and lengthy waiting periods to access the funds.

For those with MND, which can have large equipment requirements, the amount provided by MAC can fall short, which is detrimental to quality of life.

The Foundation's support of the MND and Me Foundation has been used to bridge this gap, by so far providing four emergency respite grants to MND sufferers aged 65 or over. These grants have been used to assist those under severe financial stress and where there are no alternative options to access funding.

The traditional model of respite care requires an individual in need of support to move from their home into centre-based care for the short term, so carers can take a break. The Foundation's support enables the MND and Me Foundation to provide families with a more modern, flexible and truly individual-focused approach to meaningful respite support.

The MND and Me Foundation Client Services Manager, Sarah Durand, visits all grant recipients and is able to observe how having access to vital funding can improve quality of life for Queenslanders living with MND.

Sarah discussed the impact of these grants on MND sufferers.

"Within my role as Client Services Manager, I get to see the difference that respite grants make on a daily basis, not only for people living with MND, but also their carers and loved ones."

"These grants enable a carer to have a break with the knowledge that their loved one is going to be respected and cared for by qualified professionals. Knowing this alleviates some of the stress, worry and sometimes feeling of guilt for carers when they think of having a holiday."

"Having the flexibility to access in-home respite is a great way of keeping the living arrangements consistent with minimum disruption to daily routines".

Laura's story

Laura applied for a grant to purchase in-home support services so her mother, who is also her full-time carer, could take a short holiday to visit other family members.

Having access to this in-home support enabled Laura's mother to have a much-needed break with other members of the extended family with the knowledge that Laura was comfortable in her own surroundings.

Janice's story

The MND and Me Foundation's most recent grant enabled the recipient to fulfil her dying wish. Janice was a mature-aged lady who had been living with MND for 11 years. Unfortunately, she experienced a decline in her health as her MND symptoms were progressing rapidly.

Janice acknowledged she was approaching the end of her MND journey, and her only wish was to remain living in her own home with support available through to her passing. Janice received a respite grant, allowing her to access the in-home care she required to stay in her own home until she passed away.

The investment risk from climate change

Climate change is introducing an evolving series of systemic risks that threatens the resilience of a wide range of assets and their investment value over the long term. The nature of modern capital markets requires risks to an investment be identified, valued, accounted for and managed in the present.

For some real estate investors with long-term mandates, particularly pension funds, the impacts are now either materialising, or are forecast to materialise, over the typical holding period of an investment building and certainly over the life-cycle of a new asset or development. Mitigating and managing these risks is therefore an increasingly important consideration.

What are the risks?

On 15 January 2020, the World Economic Forum published their annual Global Risks Report.

For the first time in the survey's history, all top five risks in terms of likelihood are simultaneously occupied by climate change and environment-related issues being extreme weather, climate action failure, natural disasters, biodiversity loss, and human-made environmental disasters.

In terms of the global economic impact, climate action failure surpassed weapons of mass destruction, taking the top risk impact position with biodiversity loss and extreme weather occupying impact position three and four respectively.

The building and construction sector is a substantial contributor to these risks through its heavy consumption of energy and high emissions. The International Energy Agency (IEA) estimates that the sector is responsible for approximately 36% of global energy consumption and 39% of CO_2 emissions.

The IEA have also indicated that the real estate sector could be 40% more energy efficient by 2040, although achieving this opportunity will require a large alteration of existing infrastructure, energy use patterns and technological capacity. These, in turn, will all require significant levels of investment.

Top ten risks in terms of Likelihood

1. Extreme weather
2. Climate action failure
3. Natural disasters
4. Biodiversity loss
5. Human-made enviromental disasters
6. Climate action failure
7. Cyberattacks
8. Water crisis
9. Global governance failure
10. Asset bubbles

Top ten risks in terms of Impact

1. Climate action failure
2. Weapons of mass destruction
3. Biodiversity loss
4. Extreme weather
5. Water crisis
6. Information infrastructure breakdown
7. Natural disasters
8. Cyberattacks
9. Human-made enviromental disasters
10. Infectious diseases

Categories

- Economic
- Enviromental
- Geopolitical
- Societal
- Technological

Top ten risks identified in the Global Risks Report 2020 are ranked according to potential likelihood and impact over the next ten years.
- Global Risks Report 2020

Direct impacts from climate change

Ecosystem stress	Rising global temperatures increase glacial and ice sheet melt, causing oceans to expand, increasing the average sea level and the risk that low-lying geographies will be flooded.
Shifting weather patterns	Disruption to the Gulf Stream caused by the continued progression of ice-cap melt could cause major changes to the pattern of severe weather events.
Water scarcity	Already affecting a quarter of the world's population, 'extremely high' water scarcity is projected to increase due to population density, drought, and riverine flood risk.
Forced migration	On average, 20 million people a year have been forced to leave their homes due to floods, storms, wildfires and hotter temperatures. This trend has remained relatively constant over the last decade.
Geopolitical instability	Countries will face more potential points of contention as climate change reshapes the security of and access to historic common property resources.
Economic impacts	Over 200 of the world's largest firms estimated that climate change would cost them a combined total of nearly US$1 trillion in the case of non-action.
Asset stranding	The transition to a low-carbon economy will result in a devaluation of infrastructure, knowledge and assets whose value is, to some degree, based on burning fossil fuels and emitting greenhouse gases.

Stranded assets

The nature of the real estate sector necessitates long-term thinking, as real assets are both fixed and long-standing in nature. Physical assets must be able to provide tenants with sustainable and resilient utility of space to ensure the asset, and hence the investment, remains profitable in the long term.

Failing to respond adequately to both physical and transitional asset-level risk will increasingly expose investments to the risk of early economic obsolescence. When an asset is able to meet market expectations of what it should be able to do – it becomes 'stranded'.

What is a stranded asset?

The term 'stranded assets' refers to assets at risk of losing their value, in this case due to climate change.

Until fairly recently, the concept of a stranded asset in the commercial real estate sector has been largely hypothetical. However, trends are emerging that are changing this.

For example, the European Union (EU) adopts one of the most comprehensive approaches to regulating assets globally, through the use of Energy Performance Certificates (EPCs). Following the 2010 EU Energy Performance of Building Directive, it became mandatory for all European properties to hold an EPC and to monitor heating and air conditioning.

EPCs are a key enabler of building improvement, as they have potential to influence investment decision-making. They also provide the opportunity for governments to enforce minimum energy standards, and are an important information tool for building owners, occupiers and stakeholders.

In the Netherlands, office buildings need to meet minimum energy performance requirements (EPC Label C) by 2023, or they cannot be leased. By 2030, the minimum is expected to be raised to EPC Label A.

Policymakers across the world are following, notably in the UK and New York, and have implemented carbon and energy regulations that will similarly

impact assets, and threaten the cash flow and valuation of those that do not comply.

How to avoid stranding

For physical assets to maintain their present utility, and hence value, into the future, asset managers must increasingly consider climate risk issues alongside regular capital and operational expenditure to inform ongoing asset improvements and avoid the risk of asset stranding.

This includes not only the mere direct physical impact of extreme weather events, but also includes other impacts including shifts in consumer preferences for low-carbon products, sustainable buildings, increasing insurance premiums, growing risk of litigation and other increased operational costs.

The International Renewable Energy Agency (IRENA) have identified that US$11.8 trillion of current assets could be stranded by 2050 based off today's rate of global emission reductions.

The risk of asset stranding is therefore of increasing significance for fund managers and in January this year, BlackRock, Inc., the world's largest asset manager representing US$7 trillion of investment, declared it will now make climate change central to its investment considerations.

In his annual letter to CEOs, BlackRock CEO, Larry Fink stated that 'the evidence on climate risk is compelling investors to reassess core assumptions about modern finance... We believe that all investors, along with regulators, insurers, and the public, need a clearer picture of how companies are managing sustainability-related questions.'

Climate-related investment risk at Cromwell

Understanding uncertainty, risks and value-add real estate opportunities are fundamental components that underpin all business activities at Cromwell. This includes the risks of climate change to our assets and investments as this ultimately impacts the returns we can provide to securityholders and investors.

To read more about Cromwell's approach to managing climate-related risk please view our latest Taskforce on Climate-related Financial Disclosures (TCFD) statement at www.cromwellpropertygroup.com/sustainability/climate-related-financial-disclosure-statement.

Cromwell's climate-related commitments

1. Carbon Neutral Global Operations by 2022
2. Net Zero Carbon business by 2050
3. Continued participation in the Global Real Estate Sustainability Benchmark (GRESB) (including the resilience module) and CDP (formerly Carbon Disclosure Project)
4. Continued alignment with the TCFD and updated statement in 2020

Looking over the horizon: identifying the megatrends of today that will shape the cities of the future

We live in a world of accelerating change. From artificial intelligence and augmented reality to the rising impacts of climate change, disruptive forces appear to be approaching from every direction. The resulting complexity is both an opportunity and a threat for businesses and investors. Those that fail to look over the horizon and prepare for what is coming will be left behind, but those that do respond can find opportunities for innovation and growth.

The seeds of the future can be found today

Predicting the future is fraught with problems. We should all be using hoverboards or flying cars for transport and have robot butlers by now if the sci-fi movies of the past were anything to go by.

While we don't have a crystal ball, it is possible to identify powerful social, demographic, environmental and technological forces of change - or megatrends - that are already having an impact on the world and will increasingly shape the way we live and work in coming decades.

It's a concept summed up well in the famous quote by American speculative fiction writer William Gibson: 'The future is already here. It's just not evenly distributed yet'. If we look hard enough at what is going on in the world today, we can determine which emerging trends will grow to significantly impact the future.

Fundamental and dramatic forces

The term 'megatrends' was coined by John Naisbitt in the early 1980s who defined them as large, transformative processes with 'global reach, scope, and a fundamental and dramatic impact'.

Megatrends are not new. A list of those that shaped the last half a century could include the Internet, the rise of women in the workforce and the baby boom that followed World War II.

However, businesses and investors today operate in a world where several fast-moving megatrends, such as rapid technological change, globalisation, aging populations and increasing urbanisation are intersecting to transform every aspect of society.

"The speed of change is absolutely quickening," says Dr Matthew Bell, Managing Partner of Climate Change and Sustainability Services at EY Asia Pacific, who points to three key areas of rapid change – technology, the environment, and people.

1 Technological change is increasing at a rapid pace

Technological change is now occurring at a much faster pace than we have ever known. A little over a decade ago, smartphones as we know didn't exist, the Internet wasn't publicly available until the 1990s, and the first personal computer was invented less than 50 years ago.

A good indicator of growth in innovation is the number of peer reviewed research papers, which have grown exponentially since the 1940s[1]. The acceleration is only expected to continue, with futurists predicting that in the next decade we'll see more technological change than in the past 100 years[2].

2 Environmental issues are increasing in urgency

Over the last few decades, humans have produced more than half of the greenhouse gas emissions produced in human history[3]. This is forecast to have a profound impact on global temperatures with extreme weather events expected to increase in severity and incidence.

3 Demographics are reshaping society

The global population is continuing to grow, not because more people are being born, but because people are living longer. In 2018, for the first time in history, people aged 65 or above outnumbered children under five years of age. By 2050, one in four persons living in Europe and Northern America will be aged 65 or over[4].

At the same time, the population is becoming increasingly urbanised. Today, 55% of people live in urban areas, a proportion that is expected to increase to 68% by 2050, and with that the number of megacities will multiply. In 1995, there were only 14 megacities, defined as cities with more than 10 million inhabitants. However, by 2018, that had more than doubled to 33. According to United Nations projections, the world will have 43 megacities by 2050, most of them in developing regions[5].

1. Justin J. W. Powell, The Century of Science: The Global Triumph of the Research University Vol: 33, Emerald Press Publishing
2. Peter H. Diamandis, The Future is Faster Than You Think: How Converging Technologies Are Transforming Business, Industries, and Our Lives, Simon & Schuster
3. Global Carbon Atlas, Carbon Story. This interactive graphic can be found at http://www.globalcarbonatlas.org/en/outreach
4. UN, World Population Prospects: the 2019 Revision
5. UN, 2018 Revisions of World Urbanization Prospects

Risks and opportunities for real estate investors

A megatrend that is already emerging in the property sector is mass urbanisation, which is having a notable impact on how developers masterplan for their sites. For instance, mass urbanisation is changing the way people think about infrastructure, property and transport, treating them less like individual sectors and more as combined, connected parts of a whole.

Offices are increasingly catering to, and curating experiences beyond, work. Space is becoming more adaptive, incorporating elements of retail, dining, wellness, connectivity, and community.

Most recently, and using the Sydney office market as an example, we have seen this trend in development applications which seek to transform assets into multi-use destination hubs like Nine's move to its new North Sydney premises and the development of Commonwealth Bank of Australia's office park at South Eveleigh. Infrastructure is also playing a key role in tenant decision-making, with Sydney's new light rail and current Metro projects forecast to seamlessly connect the CBD with the North Shore and the emerging South CBD precincts opening them up to further development.

As increasingly densely populated urban centres limit the potential for warehouses within cities, last-mile logistics will become fundamentally important, creating further opportunities for investors.

Energy will become increasingly distributed as there is a shift away from big power stations and toward smaller forms of energy generation such as renewables and smaller grid or even building networks.

EY predicts property owners could play a key role in the disintermediation process by generating energy from their own buildings and potentially storing it with batteries. In this way, tenants could buy energy from the building owner instead of purchasing it from a power generator and distributor. This in turn could provide the mass infrastructure needed for the wholesale adoption of electric cars.

As new technology enables people to use space in different ways, property investors may need to carefully consider how to head off the risk of disintermediation by advances in technology and new technology players.

Looking beyond imminent dangers

In their 2020 Sustainability Year Book, S&P Global and RobecoSAM say the interconnected systems within which corporates exist has never been more complex. In part, it is this complexity which presents many companies with the need to mitigate against unforeseen negative events, or 'emerging risks', defined as areas of potential risk whose impact is unlikely to be felt in the coming three years. However, it says many companies still have a tendency to focus on shorter term risks.

'While most businesses are usually good at defining and managing material risks – those that pose clear and present danger – the identification of new and emerging risks is tricky. Emerging risks are uncertain and difficult to quantify and so represent large unknowns to companies. Given these constraints, they have been omitted from traditional risk reporting and financial disclosures to investors,' write Annelies Poolman, Lead ESG Benchmarking Specialist, and Isabelle Stauffer, Senior Manager ESG Research, in the report.

There are plenty of high-profile examples of companies that have failed to see disruptive forces over the horizon and paid dearly for it. Think Kodak not preparing for the threat of digital photography, Myspace becoming obsolete with the onset of Facebook, and Microsoft's MSN Messenger, which was decimated by the onset of smartphones and social networks.

Cromwell's response

Cromwell has again increased its annual investment in megatrend analysis, appointing EY to help to identify the key megatrends that have potential to impact the group and its investments. Alongside the annual materiality review Cromwell uses the output to determine which of the megatrends offer the greatest opportunity or present the highest risks and to use this understanding to inform its 'Invest to Manage' strategy, business plans and objectives.

Phil Cowling, Cromwell's Chief Sustainability Officer, says conducting an annual materiality review helps to ensure the Group's objectives are appropriate and can respond to the fluid and dynamic environment in which it operates.

"Things can change significantly in a year in terms of market expectation, emerging challenges and disruptors. If you are not stopping to closely consider what's coming over the horizon, there is a good chance that you may be too slow to see the opportunities or react to the risks until the impacts are already being felt in the business."

"I think that's the role of sustainability over the next few years," Cowling said. "Companies that have strong ESG practices and are able to demonstrate the capacity to look ahead, adapt rapidly and reinforce their resilience will attract the greatest stakeholder confidence.

The emergence of build-to-rent in Australia

Build-to-rent could offer institutional investors a stable asset class and fill a substantial gap in the country's housing stock, but tax hurdles remain an impediment to the viability of this emerging sector.

What is build-to-rent?

Build-to-rent refers to a residential development in which all of the units are retained by an owner or developer and leased out, as opposed to being sold off to multiple owners as per the traditional build-to-sell model. The developer owns and manages the units as long-term income generating assets, typically benefitting from economies of scale when it comes to maintenance, repairs and other general upkeep.

As Australia continues to urbanise and inner-city land values increase, owning a house can suddenly become a more distant dream for many. Confronted with this reality, there is a new generation prepared to rent for longer in order to continue to access the lifestyle, location and amenity-rich environment that they are attracted to, and that build-to-rent can provide.

A new asset class for investors

For institutional investors, build-to-rent provides diversification from traditional asset classes by providing a secure revenue stream with a new and growing customer base. Institutions deploy capital into the build-to-rent sector overseas in order to diversify their portfolios and achieve a low-risk, stable, long-term income return for their investors.

Growth in the sector will be underscored by build-to-rent helping address Australia's housing supply deficit as the population continues to grow. Unlike other commercial assets, which are generally comprised of a small number of long-term leases, build-to-rent developments are comprised of hundreds of diversely structured rental agreements that turn over on a rolling basis.

The appeal of the sector is based in long-term returns similar to aged care and hotels, which compare favourably with both equity market and commercial returns, along with providing lower volatility. As demonstrated across the US build-to-rent sector, during an economic downturn, rents are more resilient, decline less and improve more rapidly than other commercial sectors.

Where build-to-rent differs from traditional rental accommodation

Similar to commercial assets, profit from a build-to-rent development is derived through rental income. High tenant turnover and long vacancy periods are therefore detrimental to income, and as a result, build-to-rent developments incorporate elements designed to attract and retain tenants.

'Star' facilities

In existing build-to-rent markets, such as the United Kingdom, a star rating system similar to the hotel industry is broadly used. Where a 3-star apartment indicates a more basic offering, a 5-star development may include a concierge, gym and other amenities.

Modernisation and refurbishment

Where build-to-sell projects are often developed as quickly and cheaply as possible, build-to-rent apartments are constructed with adaptability and durability in mind, as operators retain the premises upon completion.

Operators, therefore, have the ability to manage upgrades efficiently, effectively, and with minimum disruption for tenants. This is vital from an investor standpoint, because if the value of an apartment or building drops, so too does the return on investment.

Customer focus

Operators aim to provide a customer-focused service, often with an in-house maintenance team, longer-term leases and reduced real estate agency fees.

Community

Developments often include a communal element in order to encourage tenants to build networks and establish roots, thereby reducing turnover.

Stability

As institutional investors seek passive income over capital gain from buying and selling, they will hold onto assets for the long term. Tenants can therefore be confident they will not have to vacate their rental as a result of the sale of the premises.

Required reform in Australia

Build-to-rent's lack of presence across Australia can largely be attributed to a number of tax-related hurdles the sector faces.

Firstly, a managed investment trust (MIT) is a type of trust in which investors collectively invest in passive income activities, such as shares, property or fixed interest assets.

MIT's are common structures in the commercial real estate sector. For example, an office building may be purchased by an institution, such as an industry superannuation fund, through an Australian MIT. In turn, this provides the super fund with access to a share of an income stream, such as the rent paid by tenants.

MIT's are also popular with foreign investors, as income from this type of trust can enable a relatively low rate of tax, and tax simplicity for partial ownership of certain Australian assets.

In the case of an MIT with entirely commercial asset holdings, payments to all investors have tax withheld, generally 15%. However, the withholding tax on residential real estate, including build-to-rent MIT income for foreign investors is 30%.

Alongside the MIT withholding tax on foreign investors are additional surcharges, as well as high land tax costs for institutional investors across the board, plus high upfront GST costs. This is illustrated in the example below.

Potential flow-on effects

Potential exists for a number of positive flow-on effects from a burgeoning build-to-rent sector.

Increased capital means greater stock

Overseas capital investment is vital to the success of the build-to-rent sector in Australia. In the commercial sector, foreign capital reached $11.5 billion in 2019, which was a third of all investment activity. A greater level of institutional capital will inevitably lead to more development activity and stock coming online.

An (im)practical example

Matthew Cridland, a tax lawyer and Partner at K&L Gates provided an example of how build-to-rent taxes would rack up in New South Wales.

Firstly, duty applies at a premium of 7% for vacant land purchases above $3 million. If the party acquiring the land is foreign, an 8% 'Surcharge Purchaser Duty' also applies, lifting the total duty to 15%.

An MIT is considered a 'foreign person' if an overseas company holds a 20% or more interest. On a $20 million vacant residential development site, total duty costs – including premium rate and surcharges – would be $2,940,490, or 14.5%

NSW also imposes a land tax surcharge of 2% on residential land owned by a foreign person, wherein no thresholds apply. Australian-based, foreign-owned developers are exempt from these surcharges, but only if they are developing new homes or residential lots for sale. The exemptions do not apply to foreign institutional investment in new residential developments which will be held for lease – regardless of the economic benefits such projects may provide.

Beyond the aforementioned surcharges, the existing land tax rules also work against institutional investment. In NSW, a premium land tax of 2% is applied to a site with an unimproved land value above $4,231,000. As such, for build-to-rent projects, it is reasonable to anticipate the 2% tax will be applicable.

For an unimproved $20 million development site, land tax would be $372,104. Surcharges would likely increase this by $400,000 to $772,104. However, unlike duty, this is an annual expense that varies as land values fluctuate.

By this point in the example, it should come as no surprise that GST also works against the build-to-rent sector. For a build-to-rent project involving total costs of $110 million, no credit is available for the $10 million of GST. However, an identical project, differing only through the intention to sell rather than lease upon completion, would allow the developer to claim a $10 million credit and have a net cost of $100 million.

These surcharges and taxes may vary on a state level, but the impact they have, in addition to the 30% withholding tax rate, means the sector faces substantial headwinds.

Higher-density living

It is anticipated build-to-rent developments will be high-density buildings, typically exceeding 200 dwellings in inner city and well-located capital city locations.

In the UK, the average size of build-to-rent developments is growing, which indicates the confidence from investors in the sector. In Q3 2019, the average size of each development was 133 units, while projects under construction increases to 245 units, which grows again to 325 units for those in the planning phase.

Lower rents from increased competition

Hypothetically, competition amongst build-to-rent providers could create competition to attract tenants. This is the case in the commercial office space, where institutional investment has enabled the delivery of premium amenity to appeal to tenants.

Institutional investment in the residential sector could therefore create better rental conditions, such as more responsive building management, or slower rental increases.

Best case scenario

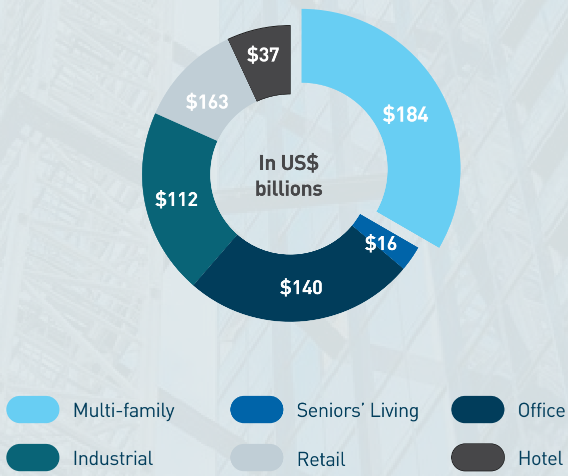
In order for Australia's build-to-rent sector to compete with some of the most successful countries globally, tax conditions must change to level the playing field for foreign investors. The most important change to facilitate the success of this emerging sector would be to reduce the MIT withholding tax to 15% across the board. Additional positives would be revised land tax and duty surcharge revenue and to level the land tax playing field for all residential investors.

The build-to-sell model has dominated the Australian residential landscape for decades, with policy based around this. However, with more people renting, cities growing rapidly and people wanting a greater choice in their housing options, it is clear there is demand for build-to-rent. It is now up to state and federal governments to ensure policy frameworks allow supply to match demand.

Success in the US

Over a third of the US population lives in private rental accommodation, and of this, 36%, or approximately 10% of the total US population live in multi-unit rental communities. As such, the build-to-rent, or as it is known locally, 'multi-family' sector is large, well established and liquid.

Multi-family represents a third (33%) of all institutional investment



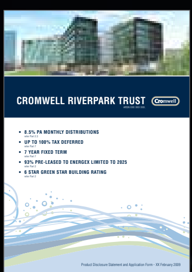
According to the National Multi-family Housing Council, the sector is worth a total of US$3.3 trillion, with the majority of this capital provided by banks, life insurance companies, commercial mortgage-backed securities or government-backed lending programmes.

The sector also has a significant economic impact. In 2016, the most recent year comprehensive figures are available, multi-family apartment construction generated over US$150 billion in economic activity, as well as over 750,000 jobs.

Cromwell Direct
Property Fund
(OPEN)

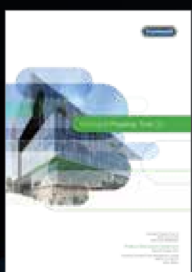
Cromwell Phoenix
Property Securities Fund
(OPEN)

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



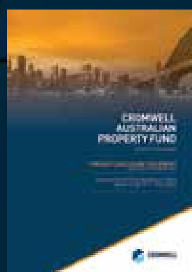
Cromwell Riverpark
Trust

Cromwell Ipswich
City Heart Trust



Cromwell Property
Trust 12

Cromwell Phoenix
Opportunities Fund
(CLOSED)



Cromwell Australian
Property Fund
(CLOSED)

QUARTERLY REPORTS

Investment Reports to 31 December 2019

CONTENTS

Open for investment

36 Cromwell Direct Property Fund ARSN 165 011 905

37 Cromwell Phoenix Property Securities Fund ARSN 129 580 267

Closed to investment

38 Cromwell Property Trust 12 ARSN 166 216 995

39 Cromwell Ipswich City Heart Trust ARSN 154 498 923

40 Cromwell Riverpark Trust ARSN 135 002 336

41 Cromwell Phoenix Opportunities Fund ARSN 602 776 536

42 Cromwell Australian Property Fund ARSN 153 092 516

Any investment, including an investment in Cromwell-managed Funds, is subject to risk. If a risk eventuates, it may result in reduced distributions and/or a loss of some or all of the capital value of your investment. See the disclosure document issued for the Fund for examples of key risks. Capital growth, distributions and tax consequences cannot be guaranteed.

Cromwell Funds Management Limited ABN 63 114 782 777 AFSL 333214 (CFM) has prepared these reports and is the responsible entity of, and the issuer of units in, the funds and trusts referred to in these reports (the Funds). In making an investment decision in relation to a Fund, it is important that you read the disclosure document for that Fund. The report for each Fund refers to the disclosure document (product disclosure statement and any supplementary product disclosure statement) issued for that Fund. The disclosure document for each Fund is issued by CFM and is available from www.cromwell.com.au or by calling Cromwell's Investor Services Team on 1300 268 078. Not all of the Funds are open for investment. Applications for units in open Funds can only be made on application forms accompanying the disclosure document for the Fund.

These reports have been prepared without taking into account your objectives, financial situation or needs. Before making an investment decision, you should consider the report and the disclosure document for the particular Fund and assess, with or without your financial or tax adviser, whether the Fund fits your objectives, financial situation or needs. Past performance is not a reliable indicator of future performance. Forward-looking statements (provided here as a general guide only) and the performance of a Fund are subject to the risks and assumptions set out in its disclosure document. CFM and its related bodies corporate, and their associates, do not receive any remuneration or benefits for the general advice given in these reports. If you acquire units in a Fund, CFM and certain related parties may receive fees from the Fund and these fees are disclosed in the disclosure document for that Fund. Performance data for Cromwell-managed Funds are calculated based on unit prices for each Fund, which may differ from underlying net asset values. Performance data for periods longer than one year have been annualised. Distribution rates and yields are based on the 31 December 2019 unit price and are subject to change. The proportion of distributions that are tax deferred will depend on a number of factors (for example, building amortisation and depreciation of plant and equipment) and may vary from year to year. Deferred tax may be payable, in whole or in part, on the sale, transfer or redemption of units in the Fund.

Direct property update

Hamish Wehl

HEAD OF RETAIL FUNDS MANAGEMENT

Throughout the December 2019 quarter, Cromwell's unlisted direct property funds received valuation uplifts to three assets within the Cromwell Direct Property Fund. The largest increase was recorded at 433 Boundary Street, Spring Hill, which increased by 14.3% to $48 million, up from $42 million as at 31 December 2018. The increase in valuation was underpinned by a reduction in the capitalisation rate.

Investor-led interest in Cromwell's unlisted property funds remains at elevated levels following the three interest rate cuts by the RBA throughout 2019.

2020 will be a difficult year for the world economy as the knock-on effects of the Coronavirus are felt. In Australia, hit by bushfires, floods, reduced numbers of tourists and international students, and with a susceptibility to any downturn in the Chinese economy, forecasts are being lowered. Economic growth for 2020 is likely to be well below the previously forecast 2.00%.

"We do not underestimate the challenges ahead. 2020 was already looking like a year of muted global economic growth prior to the recent natural disasters and the Coronavirus. Given current asset pricing levels, we remain highly selective and very cautious," said CEO Paul Weightman at Cromwell's HY20 results announcement.

The financial impact of the virus on the Australian tourism industry will be worse than the SARS outbreak in 2003. The peak industry body for the tourism, transport and aviation sectors, Tourism and Transport Forum (TTF), estimates the number of international visitors to Australia will drop by 40% between January and June 2020, compared to the same period in 2019 - a loss of 1.8 million visitors. TTF estimates this could be at a cost as high as $2 billion a month.

Coronavirus has also caused recent volatility in world equity markets, reflected in the US ten-year yield recording its record low at 1.2408%. The lower bond yield has resulted in the listed property sector outperforming the wider equities market. This has also resulted in further increased interest in alternative asset classes, including unlisted property.

2020 will again see Cromwell remain cautious and selective with asset acquisitions, as we have been throughout recent years.

An interesting development within Cromwell's business is the current seniors' living joint venture. Throughout the December 2019 quarter, Cromwell's joint venture partner, LDK Healthcare, achieved two major milestones.

Firstly, its unique membership model was overwhelmingly endorsed by residents at its North Sydney village with over 97% converting to the 'membership model' from their previous deferred management fee (DMF) structure.

Secondly, the development in Greenway, ACT achieved completion of the first of five buildings and welcomed its first residents in January. With the second stage due to complete in April 2020, the village will then have 210 homes available.

If you would like to know more, visit LDK's website at ldk.com.au or call 1300 535 000.

Listed property update

Stuart Cartledge
MANAGING DIRECTOR
PHOENIX PORTFOLIOS

The S&P/ASX 300 A-REIT Accumulation Index moved slightly lower over the quarter, down 0.7%. The property sector underperformed the broader Australian Market, with the S&P/ASX 300 Accumulation Index lifting 0.7%.

After strong performance across the calendar year, the large cap property fund managers took a step backwards in the most recent quarter. Charter Hall Group (CHC) lost 3.4% and Goodman Group (GMG) gave up 4.7%, despite both releasing positive operational updates, in which funds under management continued to grow strongly and demand for their investment product remained at an historic high. Despite the more recent drop, CHC and GMG moved 54.0% and 28.6% higher over 2019.

Residential property developers outperformed the index during the final quarter of 2019 as residential property prices powered higher, in particular within the Sydney and Melbourne markets. AV Jennings (AVJ) was one of the strongest performers, up 10.5%, whilst Peet Limited (PPC) gained 10.0%. Stockland (SGP) was buoyed by its residential exposure, lifting 4.5%, with more muted performance coming from the Perth-exposed Finbar Group Limited (FRI) and the South East Queensland-exposed Sunland Group (SDG) which gained 1.8% and 1.2% respectively.

Retail landlords had a mixed quarter as some transactional evidence for both larger shopping malls and smaller convenience-based centres was observed over the period. The biggest retail property sale of the year occurred in November, with Lendlease's (LLC) APPF Retail Property Fund selling a 50% stake in Westfield Marion, in suburban Adelaide, for $670 million to Singapore-based SPH REIT. This price represented a 9% discount to Scentre Group's most recently reported book value. For the quarter, SCG was down 2.5%, whilst Vicinity Centres (VCX) lost 0.1%. The owners of smaller retail properties fared better, with Shopping Centres Australasia (SCP) gaining 5.2% and Charter Hall Retail REIT (CQR) moving 3.9% higher.

Office property owners Dexus (DXS) and Mirvac Group (MGR) outperformed both the market and their smaller capitalisation counterparts, rising by 0.3% and 5.9% respectively. Owners of suburban office property broadly underperformed, with Australian Unity Office Fund (AOF) losing 2.3%, Garda Property Group (GDF) falling by 2.9% and Centuria Metropolitan REIT (CMA) giving up 3.1%. It was an active period for each, with AOF the subject of a failed takeover attempt, GDF undertaking an internalisation transaction and CMA entering into two separate capital raisings.

Listed market outlook

The macroeconomic environment for property markets has turned mostly positive. The prior headwind from the slowdown in the previously fast-moving residential property market has abated and now turned positive. The overwhelming tailwind of falling bond yields has also continued in recent times. The sector has continued to demonstrate strong earnings certainty, an element that is attractive to many investors. August's reporting season along with October's quarterly reports confirmed this, with minimal changes to forward expectations.

We are cognisant of the structural changes occurring in the retail sector and the need for ongoing changes to the product provided by retail landlords. Also, according to the Australian Bureau of Statistics, the annualised growth in total retail sales is less than 3%, materially lower than the 5% plus levels observed for the last two decades. Retail represents over 40% of property assets in the benchmark and this changing landscape is being carefully monitored.

Property is an interest rate sensitive sector and will be supported to the extent that we see a continuation of the prevailing low interest rate environment. The sector now offers investors a current-year distribution yield of around 4.7%. In comparison to bond yields trading around 1.3% the yield premium of the sector now sits well above its long-term average of 1.9%. It is also worth noting that today's distribution yield is more robust than historical yields because it is based on a more conservative payout policy that retains some earnings to support growth.

Over the medium term, A-REIT earnings streams are relatively secure given the contracted nature of rental income and long average lease terms. Furthermore, financial leverage is low, with gearing across the sector below 30% (Debt to Total Assets) making the sector a relatively low risk investment choice.

OPEN FOR INVESTMENT

www.cromwell.com.au/dpf

Investment Report to 31 December 2019

CROMWELL DIRECT PROPERTY FUND

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

Key statistics

as at 31 December 2019

Status	OPEN[1]
Unit Price	$1.2761[2]
Distribution Yield	5.68% p.a.[3]
WALE	7.8 years[4]

Performance

	1 Year	3 Years	5 Years	Inception (Aug-13)
Fund Performance After fees & costs	8.1%	8.4%	9.3%	10.2%
Benchmark PCA/IPD Unlisted Retail Property Fund Core Index	16.9%	16.8%	21.6%	19.8%
Excess Returns After fees & costs	(8.8%)	(8.4%)	(12.3%)	(9.6%)

Fund update

External valuations for assets as at 31 December 2019 held within the Cromwell Direct Property Fund (Fund) has provided good news for unitholders:

- 433 Boundary Street, Spring Hill increased by 14.3% to $48 million, up from $42 million as at 31 December 2018. The increase in valuation is underpinned by a reduction in the capitalisation rate
- 64 Allara Street, Canberra increased by 2.8% to $18.5 million, up from the valuation of $18 million as at 31 December 2018. The increase in valuation is underpinned by an increase in market rents
- 420 Flinders Street, Townsville increased by 0.9% to $64.3 million, up from the valuation of $63.75 million as at 10 May 2019. The increase in valuation is underpinned by an increase in market rents

- The value of the Bunnings asset, located in Angle Vale, SA, remains constant at $33.6 million, up from $31.3 million with the next external valuation due at 30 September 2020
- The value of the Parafield Retail Complex, Parafield, SA remains constant at $29 million, with the next external valuation due in September 2020
- The value of the 163-175 O'Riordan Street, Mascot asset remains constant at $113.3 million with the next external valuation due in March 2020
- The Fund's look through gearing at 31 December 2019 was 28.3%, with direct gearing at 29.4%
- The Fund's performance to 31 December 2019 was 10.2% per annum annualised since inception with 12-month performance of 8.1%

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 PDS dated 29 September 2017.
2. Unit prices are calculated daily. See the PDS for further information and www.cromwell.com.au/dpf for latest pricing.
3. Paying 7.25 cents per unit p.a. Yield based on current unit price of approximately $1.2761 (31 December 2019).
4. Figures as at 31 December 2019. 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

Investment Report to 31 December 2019

CROMWELL PHOENIX PROPERTY SECURITIES FUND

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

Key statistics

as at 31 December 2019

Status	OPEN[1]
Unit Price	$1.3613[2]
Distribution Yield	4.70% p.a.

Performance

	1 Year	3 years	5 years	7 years	Inception (Apr-08)
Fund Performance After fees & costs	21.2%	10.3%	12.0%	14.3%	9.7%
Benchmark S&P/ASX 300 A-REIT Accumulation Index	19.6%	9.5%	11.2%	12.7%	5.3%
Excess Returns After fees & costs	1.6%	0.8%	0.8%	1.6%	4.4%

Top ten stock holdings[3]

APN PROPERTY GROUP LIMITED
CHARTER HALL GROUP LIMITED
DEXUS
GENERAL PROPERTY TRUST
LENDLEASE GROUP
MIRVAC GROUP
SCENTRE GROUP
STOCKLAND LTD
UNIBAIL-RODAMCO-WESTFIELD
VICINITY CENTRES

Alphabetical order

Fund update

- Since inception, in April 2008, the Fund has delivered an annualised return, net of fees, of 9.7%
- Over the December 2019 quarter, the Fund delivered a return of 1.5%, outperforming the benchmark which returned -0.7%
- Positive contributions to the Fund's performance over the quarter came from overweight positions in the outperforming APN Property Group, Unibail-Rodamco-Westfield, and Sydney Airport 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 the outperforming Stockland and Ingenia Communities Group

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 PDS dated 29 September 2017.
2. Unit price as at 31 December 2019. Unit prices are calculated daily. See the PDS dated 29 September 2017 for further information and www.cromwell.com.au/psf for latest pricing.
3. As at 31 December 2019. Positions held by the Fund are subject to change.

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

CLOSED TO INVESTMENT

www.cromwell.com.au/c12

Investment Report to 31 December 2019

CROMWELL PROPERTY TRUST 12

This Trust replicates many features of Cromwell's other unlisted property trusts, including the seven-year investment period, innovative construction funding structure and long lease term. However, this Trust is underpinned by two assets valued at $153 million[1].

Key statistics

as at 31 December 2019

Status	CLOSED
NAV Price	$1.41
Distribution Yield	6.38% p.a.
WALE	12.0 years[2]

Performance

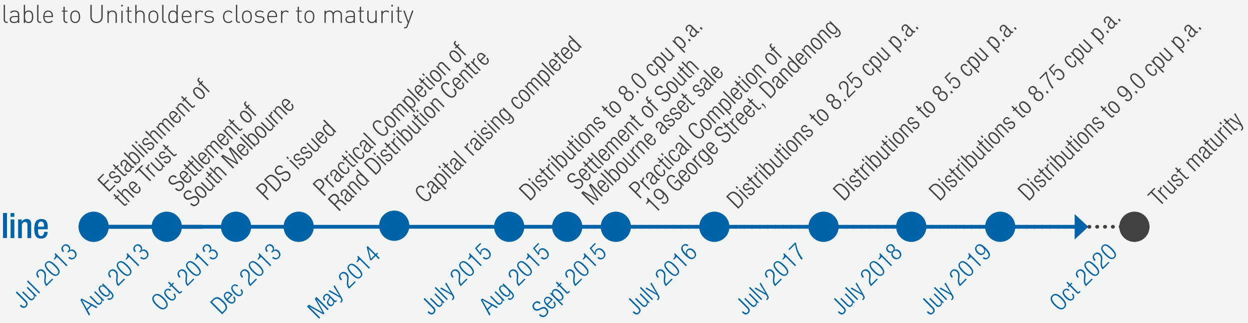
	1 Year	3 Years	5 Years	Inception (Oct-13)
Trust Performance After fees & costs	13.5%	10.7%	15.6%	14.1%
Benchmark PCA/IPD Unlisted Retail Property Fund Core Index	16.9%	16.8%	20.9%	19.7%
Excess Returns After fees & costs	(3.4%)	(6.1%)	(5.3%)	(5.6%)

Trust update

- The values of the Rand Distribution Centre, located in Direk, SA and the 19 George Street, Dandenong assets remain constant at $53 million and $100 million respectively, with both assets due to be revalued in September 2020
- Performance for the quarter ending 31 December 2019 was 1.8%
- The Trust's unit price is currently $1.41
- The Trust reaches the end of its seven-year term in October 2020. Sections 1.3 and 1.4 of the Trust's PDS (which can be found at *www.cromwell.com.au/C12*) provides guidance on the process to be followed at the maturity date, with the properties to be offered for sale by public campaign and capital returned to Unitholders

  However, if CFM as the responsible entity of the Trust, considers it in the best interest of Unitholders to extend the Trust for a further period of time an extraordinary resolution is required of Unitholders. An extraordinary resolution to sell either of the remaining properties before the end of the term or to extend the term of the trust would require at least 50% of total units able to be voted to vote in favour of the resolution for it to be passed. Further information will be made available to Unitholders closer to maturity

Timeline



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 ($100 million) as at 30 September 2019 and Rand Distribution Centre ($53 million) as at 30 September 2019.
2. Calculated by gross income.

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

CLOSED TO INVESTMENT

www.cromwell.com.au/ich

Investment Report to 31 December 2019

CROMWELL IPSWICH CITY HEART TRUST

The unlisted Trust's asset is the $126 million[1] Ipswich City Heart Building in Ipswich, Queensland. The Trust was the first Cromwell trust to be certified as a Responsible Investment by the Responsible Investment Association of Australasia.

Key statistics

as at 31 December 2019

Status	CLOSED
NAV Price	$1.46
Distribution Yield	7.71% p.a.
WALE	8.2 years[2]

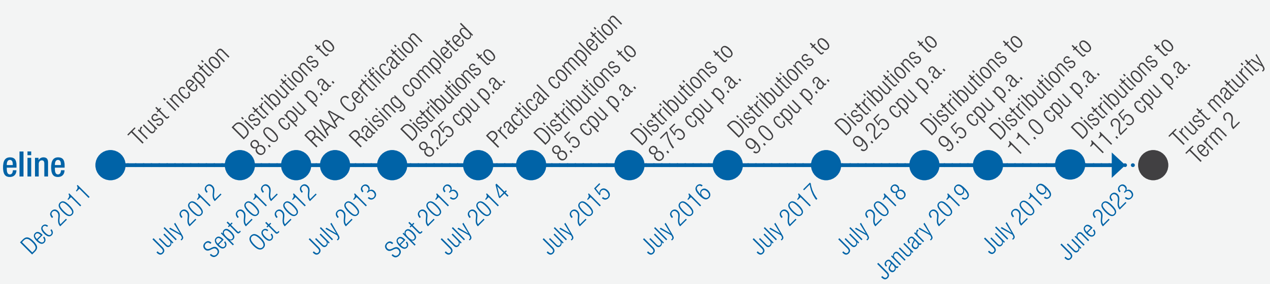
Performance

	1 year	3 years	5 years	7 years	Inception (Dec-11)
Trust Performance After fees & costs	10.1%	12.6%	16.2%	14.0%	13.3%
Benchmark PCA/IPD Unlisted Retail Property Fund Core Index	16.9%	16.8%	20.9%	18.7%	17.6%
Excess Returns After fees & costs	(6.8%)	(4.2%)	(4.7%)	(4.7%)	(4.3%)

Trust update

- The Trust's asset was revalued in December 2019 however no change was recorded. The next external valuation is due in December 2020
- Performance for the quarter ending 31 December 2019 was 2.7%
- The Trust's unit price is currently $1.46

Timeline



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 valuation as at 31 December 2019.
2. Calculated by gross income.

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

CLOSED TO INVESTMENT

www.cromwell.com.au/crt

Investment Report to 31 December 2019

CROMWELL RIVERPARK TRUST

This was the first of Cromwell's next generation 'back to basics' single property trusts and served as a bellwether for the type of investments being sought in an uncertain economic environment. The Trust's building, Energex House, is currently valued at $280.5 million[1].

Key statistics

as at 31 December 2019

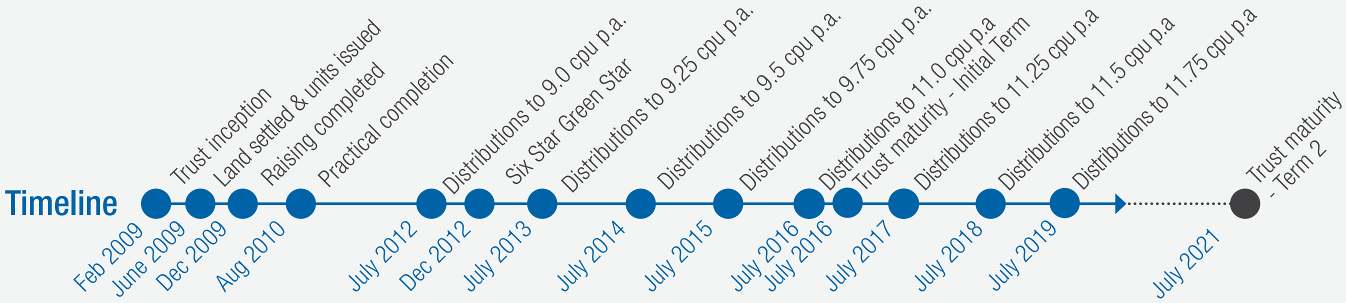
Status	CLOSED
NAV Price	$2.04
Distribution Yield	5.76% p.a.
WALE	5.4 years[2]

Performance

	1 year	3 years	5 years	7 years	Inception (Jul-09)
Trust Performance After fees & costs	9.7%	13.6%	17.0%	18.1%	15.4%
Benchmark PCA/IPD Unlisted Retail Property Fund Core Index	16.9%	16.8%	20.9%	18.7%	15.1%
Excess Returns After fees & costs	(7.2%)	(3.2%)	(3.9%)	(0.6%)	0.3%

Trust update

- The value of the Cromwell Riverpark Trust's (Trust) asset, Energex House, Newstead, Brisbane as at 31 December 2019 remains constant at $280.5 million, with the next external valuation due in June 2020
- Performance for the quarter ending 31 December 2019 was 2.1%
- The Trust's unit price is currently $2.04



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 valuation as at 31 December 2019.
2. Calculated by gross income.

See the 25 February 2009 (PDS) and the supplementary product disclosure statement dated 30 June 2009 (SPDS) and www.cromwell.com.au/crt for further information.

CLOSED TO INVESTMENT

www.cromwell.com.au/pof

Investment Report to 31 December 2019

CROMWELL PHOENIX OPPORTUNITIES FUND

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

Key statistics

as at 31 December 2019

Status	OPEN[1]
Unit Price	$2.0627[2]
Distribution Yield	N/A

Performance

	1 year	3 years	5 years	Inception (Dec-11)
Fund Performance After fees & costs, **inclusive** of the value of franking credits	21.6%	14.8%	16.4%	19.1%
Fund Performance After fees & costs, **excluding** the value of franking credits	19.2%	12.9%	14.8%	17.4%
S&P/ASX Small Ords Accumulation Index	21.4%	10.0%	10.6%	6.4%

Fund update

- Since inception, in December 2011, the Fund has delivered an annualised return of 19.1% (net of fees, inclusive of franking credits)
- The Fund delivered a net return of 2.5% over the December 2019 quarter
- Significant positive contributions to the Fund's performance over the quarter came from positions in APN Property Group, Egan Street Resources and Korvest
- Detracting from Fund performance over the quarter were holdings in Alkane Resources, Pacific Current Group and Energy Services Company

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

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1. Withdrawals cannot be guaranteed and are subject to the assumptions and risks set out in the PDS dated 29 September 2017.
2. Unit price as at 31 December 2019. Unit prices are calculated monthly. See the PDS for further information and www.cromwell.com.au/pof for latest pricing.

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

CLOSED

www.cromwell.com.au/apf

Investment Report to 31 December 2019

CROMWELL AUSTRALIAN PROPERTY FUND

Key statistics

as at 31 December 2019

Status	CLOSED
Unit Price	$1.3392[1]
Distribution Yield	4.67% p.a.[2]

Performance

	1 Year	3 Years	5 Years	Inception (Oct-13)
Fund Performance After fees & costs	13.1%	8.4%	9.5%	10.5%
Benchmark[3]	16.9%	11.8 %	14.5%	14.5%
Excess Returns After fees & costs	(3.8%)	(3.4%)	(5.0%)	(4.0%)

Fund update

- The Fund's performance for the quarter ending 31 December 2019 was 1.9%
- The Fund's performance to 31 December 2019 was 10.5% per annum annualised since inception

Termination Notice

- Cromwell Funds Management Limited (CFM) as the Responsible Entity of the Cromwell Australian Property Fund (Fund) has decided to terminate and wind up the Fund. For more information please refer to the Termination Notice dated 26 February 2020 at: *www.cromwell.com.au/investment-options/closed-funds/apf*
- CFM will now commence the process of winding up the Fund, which will include an orderly sale of the Fund's assets and distributing the net proceeds to Unitholders in accordance with the requirements of the Constitution and the Corporations Act
- Distributions of the net sale proceeds will be paid as part of the winding up process
- CFM expects to pay an interim distribution in March 2020 followed by a final distribution in August 2020

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 31 December 2019.
2. Paying 6.25 cents per unit p.a. Yield based on current unit price of approximately $1.3392 (31 December 2019).
3. The benchmark is set out in the PDS.

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

CROMWELL PROPERTY GROUP QUARTERLY SNAPSHOT

Cromwell Property Group (ASX:CMW) is a Real Estate Investor and Manager with operations on three continents and a global investor base. The Group is included in the S&P/ASX 200. As at 31 December 2019, Cromwell had a market capitalisation of $3.1 billion, a direct property investment portfolio in Australia valued at $3.2 billion and total assets under management of $11.9 billion across Australia, New Zealand and Europe.

Key statistics as at 31 December 2019

Security Price	$1.18[1]
Distribution Guidance	7.50 cpu[2]
Distribution Yield	6.36% p.a.[1,2]

Performance as at 31 December 2019

	1 Year	3 Years	10 Years
CMW Performance After fees & costs	26.3%	14.4%	14.1%
Benchmark S&P/ASX 300 A-REIT Accumulation Index	19.6%	9.5%	11.6%
Excess Returns After fees & costs	6.8%	4.9%	2.5%

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

23/12/2019	Change in substantial holding
23/12/2019	Dividend/Distribution - CMW
20/12/2019	Cleansing Notice
20/12/2019	Change of Director's Interest Notice - PL Weightman
20/12/2019	Appendix 2A
17/12/2019	Change in substantial holding
11/12/2019	TOV: CMW Panel Receives Application
29/11/2019	Cleansing Notice
29/11/2019	Appendix 3B
28/11/2019	Final Director's Interest Notice - MA McKellar
28/11/2019	Retirement of Cromwell Director - MA McKellar
28/11/2019	Results of Meeting
28/11/2019	2019 AGM Presentation
28/11/2019	Chair's Address And CEO's Address To Securityholders
22/11/2019	Appendix 3B
20/11/2019	September 2019 Quarter Distribution - Taxation Components
19/11/2019	Court Orders No Need To Disclose Proxy Information
14/11/2019	Letter to Cromwell Property Group Securityholders
14/11/2019	Judicial Advice Sought
12/11/2019	Change in substantial holding
07/11/2019	Change in substantial holding
01/11/2019	Update - Dividend/Distribution - CMW
01/11/2019	Cromwell Quarterly Business Update
30/10/2019	Update On Substantial Holder
28/10/2019	Cromwell Confirms Acquisition Of Investor Interests In CPRF
25/10/2019	Change of Director's Interest Notice - PL Weightman
21/10/2019	Initial Director's Interest Notice - TL Cox
21/10/2019	Initial Director's Interest Notice - L Scenna
21/10/2019	Notice of Annual General Meeting/Proxy Form
21/10/2019	Cromwell Appoints Two New Independent Directors
17/10/2019	Change in substantial holding
14/10/2019	Change Of Date Of Cromwell Property Group AGM 2019
04/10/2019	Appendix 3B

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

1. Based on security price as at close of trading 26 February 2020. Securities are traded on the ASX and the price is subject to market movements and will change daily. Current pricing is available at www.asx.com.au.
2. Capital growth, distributions and tax consequences cannot be guaranteed and are subject to assumptions and risk. Annualised distributions and yield based on most recent distribution and security prices.

CONTACT US
WITH ANY QUESTIONS

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

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KEY EVENTS CALENDAR

The following dates are indicative	
Monday, 30 March	Q3 FY20 Distribution Ex Date (Tentative)
Tuesday, 31 March	Q3 FY20 Distribution Record Date (Tentative)
Friday, 22 May	Q3 FY20 Distribution Payment Date (Tentative)
Monday, 29 June	Q4 FY20 Distribution Ex Date (Tentative)
Tuesday, 30 June	Q4 FY20 Distribution Record Date (Tentative)
Friday, 21 August	Q4 FY20 Distribution Payment Date (Tentative)
Tuesday, 29 September	Q1 FY21 Distribution Ex Date (Tentative)
Wednesday, 30 September	Q1 FY21 Distribution Record Date (Tentative)
Friday, 20 November	Q1 FY21 Distribution Payment Date (Tentative)
Wednesday, 30 December	Q2 FY21 Distribution Ex Date (Tentative)
Thursday, 31 December	Q2 FY21 Distribution Record Date (Tentative)

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
VWAP	Volume weighted average price
WACR	Weighted average capitalisation rate
WALE	Weighted average lease expiry by gross income

insight