

MERGER PROPOSAL – CROMWELL DIRECT PROPERTY FUND AND AUSTRALIAN UNITY DIVERSIFIED PROPERTY FUND

Cromwell Funds Management Limited (CFM), as the responsible entity of the Cromwell Direct Property Fund (CDPF), has entered into a Merger Implementation Deed (MID) with Australian Unity Property Limited (AUPL), as the responsible entity of the Australian Unity Diversified Property Fund (AUDPF). Pursuant to the MID, it is proposed that AUDPF will merge with CDPF by way of a trust scheme.

On implementation of the trust scheme under the MID, the merged property fund will comprise a diversified portfolio of 15 high-quality assets, valued at c.\$1.1 billion, across several major Australian metropolitan areas.

Summary of proposed merged property fund:

	CDPF	AUDPF	Proposed merged property fund
Gross Asset Value	~\$695 million ¹	~\$425 million ¹	~\$1.1 billion ¹
Pro forma Gearing	38.8% ^{1,2}	30.1% ^{1,2}	38.2% ^{1,2}
Net Asset Value	~\$386 million ¹	~\$293 million ¹	~\$645 million ^{1,3}
Interest in Properties	9 ⁴	6 ⁵	15
WALE	4.3 years ⁶	9.6 years ⁶	5.8 years ⁶
Capitalisation Rate	6.2%	5.5%	5.9%
FY24 DPU Yield	6.0% ⁷	4.3% ⁷	6.0% ⁸
Occupancy by NLA	91.5%	99.1%	94.1%
Management Fee	0.60% of GAV	0.65% of GAV	0.60% of GAV
Performance Fee	20% above the PCA/MSCI Unlisted Retail Property Fund Core Index	20% above a 10% IRR hurdle	20% above the PCA/MSCI Unlisted Retail Property Fund Core Index

- As at 31 May 2023 with pro forma adjustments for June 2023 valuations and AUDPF asset sales.
- Calculation per RG46: total interest-bearing liabilities / gross assets.
- Net of transaction adjustments, including costs and stamp duty.
- Includes indirect interest in two properties, held via an investment in the underlying managed investment scheme.
- Excludes indirect interest in Australian Unity Office Fund (AOF), and assets held for sale.
- Based on gross passing income as at 30 June 2023.
- Calculated by dividing FY24 forecast distributions per unit by each fund's respective pro forma unit price at 31 May 2023.
- Calculated by dividing anticipated FY24 forecast distributions by the indicative merged fund pro forma unit price as at 31 May.

The merger is expected to be implemented in late-2023, subject to satisfaction of certain conditions precedent set out in the MID, including a successful vote in favour of the merger from AUDPF unitholders.

Expected benefits for CDPF unitholders

Through the planned fund merger, CDPF unitholders may benefit from:

- strong weighted average lease expiry and occupancy metrics, which are expected to provide CDPF unitholders with sustainability of income;
- improvements in the geographic diversification of the fund, with assets in Western Australia, Queensland, New South Wales, Victoria, and South Australia;
- enhanced sector diversification of the portfolio through the addition of retail, industrial, office and high convenience assets, with two assets under development; and
- the larger scale and broader investor base of the merged fund, which are expected to strengthen access to equity capital for future acquisitions and value add opportunities, as well as provide the leverage to secure more favourable financing terms.

Separately, Cromwell has entered into a Share Sale and Purchase Agreement with Australian Unity Limited to acquire AUPL, the responsible entity of AUDPF, for a total consideration of \$17 million, payable in instalments. A condition to the acquisition of AUPL is AUDPF unitholder approval, and implementation, of the merger.

Pathway to implementation

AUDPF unitholders must pass a special resolution to amend its constitution; and, if passed, the merged fund will adopt CDPF's existing framework.

Units held by AUDPF investors will be acquired by CDPF, in exchange for AUDPF investors receiving units in CDPF.

For more information on this merger, or anything else relating to the Cromwell Direct Property Fund, please contact Cromwell's investor Services Team on 1300 268 078 or your Relationship Manager directly or visit the website: www.cromwell.com.au/dpf.

Advisers

CFM has engaged Highbury Partnership as its financial adviser and Gilbert + Tobin as its legal adviser on the merger.

Cromwell Funds Management Limited ABN 63 114 782 777 AFSL 333214 (CFM) has prepared this notice and is the responsible entity of, and the issuer of units in, the Cromwell Direct Property Fund ARSN 165 011 905 (Fund). In making an investment decision in relation to the Fund, it is important that you read the product disclosure statement dated 17 November 2020 (PDS). A target market determination (TMD) is available. Applications for units in the Fund can only be made on the application form. The PDS, TMD and application form are issued by CFM and are available from www.cromwell.com.au/dpf or by calling Cromwell's Investor Services team on 1300 268 078. This content has been prepared without taking account of your objectives, financial situation or needs. In deciding whether to acquire or continue to hold an investment, you should consider the PDS and assess, with (or without) your financial adviser, whether products fit your objectives, financial situation and needs. CFM and its related bodies corporate, and their associates, do not receive any remuneration or benefits for the general advice given in this notice. If you acquire units in the Fund, CFM and certain related parties may receive fees from the Fund and these fees are disclosed in the PDS.

Please note: Any investment, including an investment in the Fund, 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 PDS for examples of key risks. Past performance is not indicative of future performance. Forward-looking statements in this notice are provided as a general guide only. Capital growth, distributions and tax consequences cannot be guaranteed. Forward-looking statements and the performance of the Fund are subject to the risks and assumptions set out in the PDS.

