



29 September 2023

Dear Unitholder

Update to Cromwell Direct Property Fund

I am writing to update you on recent strategic decisions that Cromwell Funds Management (CFM) Board has made in relation to the Cromwell Direct Property Fund (DPF/Fund). These decisions reflect CFM's commitment to acting in the best interests of all unitholders and will allow us to continue to provide you with monthly, tax-advantaged income over the long term.

It is widely publicised that the RBA has raised interest rates significantly in a bid to manage the steepest rise in inflation in 32 years. These moves have had a direct impact on asset pricing across different markets, including real estate. This has not only increased the cost of capital but also caused a shift in return expectations and therefore, more recently, valuations.

In the final quarter of FY23, DPF properties were independently valued to reflect current market valuations and recent transactional evidence. Despite positive leasing outcomes, the portfolio revaluation reflected a softening in capitalisation rates of around 0.38%. This impacted short term performance with DPF assets reducing in value by 5.08% on average.

Given these market conditions and CFM's commitment to deliver long term returns, the Board has made the strategic decision to cease to offer redemptions for a period of six months from 1 October 2023¹. In making this decision the CFM Board noted the scaling of redemption requests via the Limited Monthly Withdrawal Facility is no longer meaningful and not in the interests of the majority of unitholders. This decision does not alter the timing of DPF's next Periodic Withdrawal Opportunity which is expected to occur on or around July 2025.

As outlined in the PDS, the Fund aims to distribute an amount that is up to 100% of the Fund's expected profit from operations available for distribution (excluding unrealised gains/losses). In line with this policy, the decision has been made to reduce distributions for the Fund to 5.75 cpu p.a. taking effect from 1 October 2023. At a unit price of \$1.1121 (25 September 2023), a distribution of 5.75 cpu p.a. provides a yield of approximately 5.17%.

Distributions will continue to be paid monthly. For unitholders wishing to reinvest their monthly distributions in our Distribution Reinvestment Plan, we are pleased to offer a 5% discount to the unit price. If you would like to take up this offer, please contact us using the details listed below.

We understand receiving regular income is important to unitholders. We believe that, by taking these measured steps in the short term, we are better positioned to protect distributions while responsibly managing DPF for the benefit of all unitholders over the long term.

CFM will continue to closely monitor market conditions as they evolve and will communicate relevant updates as they occur. For more detailed information and ongoing updates, please refer to the Continuous Disclosure and Updates section on our website at cromwell.com.au/dpf. Should you have any questions or require further information, please do not hesitate to contact the Cromwell Investor Services Team on 1300 268 078 or email invest@cromwell.com.au.

Thank you for your continued trust and ongoing support.

Kind regards,

Peta Tilse
Head of Retail Funds Management

¹ The last redemption payment will be for the month of September 2023, with payment expected in mid-October 2023.