

Directors' Report

The Directors of Cromwell Funds Management Limited (CFM) the responsible entity of Cromwell Phoenix Property Securities Fund (the Fund), present their report at the end of the half-year ended 31 December 2023.

The responsible entity and its directors

Cromwell Funds Management Limited has been the responsible entity of the Fund since its registration. Cromwell Funds Management Limited is part of Cromwell Property Group, a global real estate investment manager with \$11.4 billion of assets under management. The responsible entity undertakes management and administrative duties for the Fund and monitors the Custodian, Link Fund Solutions Pty Limited, which holds the Fund's assets on behalf of the unitholders.

The responsible entity's directors are as follows (collectively referred to as "the Directors"):

Ms TL Cox	Non-executive Chair	Appointed 14 January 2021, Chair since 14 January 2021
Ms LJC Crombie	Non-executive Director	Appointed 30 June 2022
Ms RJ Lloyd	Non-executive Director	Appointed 18 July 2022
Mr GG Ross	Non-executive Director	Appointed 18 July 2022

Review of operations and results

Financial performance

The Fund recorded a statutory profit of \$16,254,000 for the half-year ended 31 December 2023 (2022: \$13,717,000) and declared distributions of \$4,616,000 (2022: \$5,387,000).

The following table shows the Fund's performance against its benchmark index since the Fund's inception:

	Half-year	1 year	3 years (annualised)	5 years (annualised)	Since inception (annualised)
Fund performance (before fees and costs)	8.5%	10.9%	6.4%	6.6%	8.8%
Fund performance (after fees and costs)	8.0%	9.8%	5.4%	5.7%	7.7%
S&P/ASX 300 A-REIT Index	13.0%	16.9%	5.9%	6.4%	4.8%
Excess return (after fees and costs)	-5.0%	-7.1%	-0.5%	-0.7%	3.0%

For the half-year ending 31 December 2023, the S&P/ASX 300 A-REIT Accumulation Index rose 13.0%, materially outperforming the broader domestic equity market. However, the sector was driven higher by index heavyweight Goodman Group, which rallied nearly 27% over 6 months, and by more than 47% over the year.

The Cromwell Phoenix Property Securities Fund underperformed its benchmark over the half-year. Goodman Group is the Fund's largest position, representing approximately 13% of the portfolio at period end. The stock's very strong performance, up 26.8% and 47.4% for the 6 month and 1-year periods ending 31 December 2023 contributed positively to absolute returns for the Fund. However, given Goodman Group's dominant position in the benchmark, at just over 31% at period end, the Fund's relative underweight position detracted materially from returns on a relative basis.

Positive contributions to relative returns came from large holdings in Charter Hall Group and GPT Group and a smaller position in Unibail-Rodamco-Westfield.

Establishment of Wholesale class

On 15th November 2023, a Wholesale class of units was established for the Fund which has its own Product Disclosure Statement (PDS) and unit pricing. The Wholesale class requires a minimum initial deposit of \$500,000 with a commitment that within the following 12 months, the deposit is increased to \$5,000,000. Coinciding with this investment requirement the Wholesale unitholders are charged a management fee of 0.86% compared to that of Ordinary unitholders of 0.96%. All existing units on issue by the Fund prior to this date are now known as Ordinary units.

Likely results and expected results of operations

The activities of the Fund are regulated by the Fund's constitution. Owing to the limitations on the scope of activities contained in the constitution, future activities of the Fund will be confined to investment in Australian listed property securities and selected other investments with similar characteristics to provide a mixture of income and capital growth to investors.

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests and other global economic impacts (such as global geopolitical instability and monetary policy). Investment performance is not guaranteed, and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Directors' Report

Subsequent events

No matter or circumstance has arisen since 31 December 2023 that has significantly affected or may significantly affect:

- the Fund's operations in future financial years; or
- the results of those operations in future financial years; or
- the Fund's state of affairs in future financial years.

Value of scheme assets

The total carrying value of the Fund's assets as at the end of the reporting period was \$228,978,000 (30 June 2023: \$228,779,000). The Fund held investments valued at \$221,834,000 (30 June 2023: \$216,056,000) and net assets attributable to unitholders of \$225,967,000 (30 June 2023: \$222,017,000) at balance date. This represents net tangible assets of \$1.17 (30 June 2023: \$1.10) per unit, before any allowance for selling costs.

Rounding of amounts

In accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* amounts in these financial statements have been rounded off to the nearest thousand dollars, or in certain cases to the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* (Cth) accompanies this report on page 5.

This report is made pursuant to section 306(3) of the *Corporations Act 2001* (Cth).



Ms TL Cox

Chair

11 March 2024

Sydney



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The Directors
Cromwell Funds Management Limited
As Responsible Entity for Cromwell Phoenix Property Securities Fund
Level 10, 100 Creek Street
BRISBANE QLD 4000

Auditor's Independence Declaration

In relation to the independent auditor's review for the half year ended 31 December 2023, to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

Pitcher Partners

PITCHER PARTNERS

CHERYL MASON
Partner

Brisbane, Queensland
11 March 2024

Brisbane Sydney Newcastle Melbourne Adelaide Perth



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ROBYN COOPER

FELICITY CRIMSTON
CHERYL MASON
KIERAN WALLIS

MURRAY GRAHAM
ANDREW ROBIN
KAREN LEVINE

EDWARD FLETCHER
ROBERT HUGHES

Statement of Profit or Loss

For the half-year ended 31 December 2023

	Note	Half-year ended	
		31 December 2023 \$'000	31 December 2022 \$'000
Investment and other income			
Distributions and dividend income	4c	5,205	11,073
Interest		51	16
Net fair value gain from investments in equity securities	4b	12,128	3,792
Total investment and other income		17,384	14,881
Expenses			
Fund administration costs		1,095	1,087
Brokerage fees		35	77
Total expenses		1,130	1,164
Profit for the half-year		16,254	13,717
Other comprehensive income for the half-year		-	-
Total comprehensive income for the half-year		16,254	13,717

The above statement of profit or loss should be read in conjunction with the accompanying notes.

Balance Sheet

As at 31 December 2023

		As at	
		31 December 2023 \$'000	30 June 2023 \$'000
	Notes		
Assets			
Cash and cash equivalents		2,780	4,402
Receivables	3	4,364	8,321
Investments at fair value through profit or loss	4	221,834	216,056
Total assets		228,978	228,779
Liabilities			
Payables		670	1,006
Distribution payable		2,341	5,756
Total liabilities		3,011	6,762
Net assets		225,967	222,017
Equity			
Contributed equity	5	192,013	199,701
Retained earnings		33,954	22,316
Total equity		225,967	222,017

The above balance sheet should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the half-year ended 31 December 2023

31 December 2023	Notes	Contributed equity \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2023		199,701	22,316	222,017
Profit for the half-year				
Other comprehensive income for the half-year		-	16,254	16,254
		-	-	-
<i>Transactions with unitholders in their capacity as unitholders:</i>				
Units issued:				
For cash	5	19,040	-	19,040
Reinvestment of distributions	5	562	-	562
Units redeemed	5	(27,290)	-	(27,290)
Distributions paid / payable	2	-	(4,616)	(4,616)
Total transactions with unitholders		(7,688)	(4,616)	(12,304)
Balance at 31 December 2023		192,013	33,954	225,967

31 December 2022	Notes	Contributed equity \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2022		207,024	22,949	229,973
Profit for the half-year		-	13,717	13,717
Other comprehensive income for the half-year		-	-	-
<i>Transactions with unitholders in their capacity as unitholders:</i>				
Units issued:				
For cash	5	19,130	-	19,130
Reinvestment of distributions	5	798	-	798
Units redeemed	5	(24,689)	-	(24,689)
Distributions paid / payable	2	-	(5,387)	(5,387)
Total transactions with unitholders		(4,761)	(5,387)	(10,148)
Balance at 31 December 2022		202,263	31,279	233,542

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the half-year ended 31 December 2023

	Half-year ended	
	31 December 2023 \$'000	31 December 2022 \$'000
Cash flows from operating activities		
Distributions and dividends received	4,774	10,081
Interest received	51	16
Expenses paid	(860)	(1,473)
Net cash provided by operating activities	3,965	8,624
Cash flows from investing activities		
Payments for investments at fair value through profit or loss	(14,204)	(36,040)
Proceeds from sale of investments at fair value through profit or loss	25,025	40,245
Net cash provided by investing activities	10,821	4,205
Cash flows from financing activities		
Proceeds from issue of units	19,041	19,168
Payment for units redeemed	(27,980)	(24,513)
Payment of distributions	(7,469)	(10,627)
Net cash used in financing activities	(16,408)	(15,972)
Net decrease in cash and cash equivalents	(1,622)	(3,143)
Cash and cash equivalents at beginning of period	4,402	8,322
Cash and cash equivalents at 31 December	2,780	5,179

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the half-year ended 31 December 2023

1. Basis of preparation

The half-year financial report of Cromwell Phoenix Property Securities Fund for the half-year reporting period ended 31 December 2023 is a general purpose financial report that has been prepared in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001 (Cth). The financial report is designed to provide an update on the Fund's financial performance and financial position since the last annual financial report was issued. This financial report therefore does not include all the notes normally included in an annual financial report and needs to be read in conjunction with the annual financial report for the year ended 30 June 2023. The Fund is a for-profit entity for the purposes of preparing financial statements.

The accounting policies adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Fund's annual financial report for the year ended 30 June 2023. These accounting policies are consistent with applicable Australian accounting standards and with international financial reporting standards.

The balance sheet is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within twelve months, except for financial assets at fair value through profit or loss and net assets attributable to unitholders.

The Fund manages financial assets at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within twelve months, however, an estimate of that amount cannot be determined as at balance date.

In the case of net assets attributable to unitholders, the units are redeemable on demand at the unitholder's option. However, holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within twelve months cannot be reliably determined.

The financial report has been prepared on a going concern basis.

Rounding of amounts

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 amounts in these financial statements have been rounded off to the nearest thousand dollars, or in certain cases to the nearest dollar.

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current half-year.

Continuous disclosure

Continuous disclosure and updates on the Fund's performance and events significant to the Fund are provided on Cromwell's webpage at www.cromwell.com.au/psf.

Segment information

The Fund operates in one operating segment, being investment in ASX listed securities and unlisted equity securities. The Fund earns dividends and derives capital appreciation from investments in listed ASX securities and unlisted equity securities.

a) Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical or professional experience and other factors such as expectations about future events. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

At 31 December 2023 and 30 June 2023 the only assets carried at fair value are investments at fair value through profit or loss. Refer note 4 and note 6 for further information.

b) New and amended accounting standards and interpretations adopted by the Fund

The Fund has adopted all applicable new Australian accounting standards and interpretations. There are no new relevant accounting standards and interpretations that have been adopted in the current period.

Any new relevant accounting standards and interpretations that have been issued or amended but are not yet effective and have not been adopted by the Fund are unlikely to have any material impact on the Fund.

Notes to the Financial Statements

For the half-year ended 31 December 2023

2. Distributions

a) Overview

Distributions to unitholders are paid quarterly. When calculating the amount of distribution, the expected return from the Fund's investments (on an annualised basis) is taken into account. The actual amount distributed may be higher or lower than this amount but is no less than the Fund's net taxable income.

b) Distributions paid / payable

The distribution history of the Fund may be viewed on Cromwell's webpage at www.cromwell.com.au/psf. Total distributions paid / payable during the half-year were as follows:

	Half-year ended	
	31 December 2023 \$'000	31 December 2022 \$'000
Distributions paid / payable	4,616	5,387

c) Distributions by class

Distributions paid / payable during the half-year by class were as follows:

	Half-year ended			
	31 December 2023		31 December 2022	
	\$ per unit	\$'000	\$ per unit	\$'000
Ordinary class				
30 September	0.0116	2,298	0.0124	2,550
31 December	0.0120	2,318	0.0139	2,837
	0.0236	4,616	0.0263	5,387
Wholesale class				
30 September ⁽¹⁾	-	-	-	-
31 December ⁽²⁾	0.0095	-	-	-
	0.0095	-	-	-
Total distributions paid / payable		4,616		5,387

(1) Wholesale class was established on 15th November 2023, so no distribution was payable for September quarter.

(2) Distribution declared at \$4.96 due to only 521 units on issue, rounded to \$0.

3. Receivables

a) Overview

Receivables of the Fund generally consist of distributions and dividends receivable from its investment, unsettled sales and other receivables such as withholding tax receivable and Goods and Services Tax (GST).

	31 December 2023 \$'000	30 June 2023 \$'000
Distributions and dividends receivable	3,559	3,972
Unsettled sales ⁽¹⁾	508	4,135
Other receivables	297	214
Total receivables	4,364	8,321

(1) Unsettled sales represent sale of equity securities prior to period-end, which settled subsequent to period-end.

Notes to the Financial Statements

For the half-year ended 31 December 2023

5. Contributed equity

a) Overview

The Fund commenced in April 2008 as a wholly owned fund of the Cromwell Property Group.

Units are issued and redeemed by the Fund at a unit price determined in accordance with the responsible entity's Unit Pricing Policy. Per the Australian Securities and Investments Commission ("ASIC") and the Australian Prudential Regulation Authority's ("APRA") Unit Pricing: Guide to Good Practice, investors will receive compensation for any material unit pricing errors. In accordance with these guidelines the Fund does not pay exited members compensation for material unit pricing errors where the amount of any compensation payable is less than \$20.

On 15th November 2023, a Wholesale class of units was established for the Fund which has its own Product Disclosure Statement (PDS) and unit pricing. The Wholesale class requires a minimum initial deposit of \$500,000 with a commitment that within the following 12 months, the deposit is increased to \$5,000,000. Coinciding with this investment requirement the Wholesale unitholders are charged a management fee of 0.86% compared to that of Ordinary unitholders of 0.96%. All existing units on issue by the Fund prior to this date are now known as Ordinary units.

(b) Movements in contributed equity

	Wholesale class #'000	Ordinary class #'000	\$'000
Balance at 1 July 2022	-	207,793	207,024
Units issued for cash	-	16,430	19,130
Distribution reinvestments	-	728	798
Units redeemed for cash	-	(21,296)	(24,689)
Balance at 31 December 2022	-	203,655	202,263
Units issued for cash	-	15,669	18,255
Distribution reinvestments	-	628	699
Units redeemed for cash	-	(18,638)	(21,516)
Balance at 30 June 2023	-	201,314	199,701
Units issued for cash	1	17,573	19,040
Distribution reinvestments	-	521	562
Units redeemed for cash	-	(25,507)	(27,290)
Balance at 31 December 2023	1	193,901	192,013

6. Fair value disclosures – financial instruments

a) Fair value measurement of financial instruments

The Fund uses a number of methods to determine the fair value of its financial assets and financial liabilities. The methods comprise the following:

Level 1:	quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2:	inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
Level 3:	inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Fund measures and recognises the following financial instruments at fair value on a recurring basis as either Level 1 (quoted market prices) or Level 2 (inputs other than quoted prices). There are no level 3 investments.

- Listed equity securities - at Level 1, where quoted prices (unadjusted) in active markets for identical assets; and
- Unlisted equity securities – at Level 2, where inputs other than quoted prices included within level 1 that are observable for the asset, either directly (that is, as prices) or indirectly (that is, derived from prices).

Valuation techniques used to derive Level 1 fair values

The fair value of financial assets traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Fund's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Pitcher Partners

PITCHER PARTNERS



CHERYL MASON
Partner

Brisbane, Queensland
11 March 2024