INSIGHT
MAGAZINE

IN CONVERSATION WITH CROMWELL'S CHIEF FINANCIAL OFFICER, **MICHELLE DANCE**

PAGE 10

CROMWELL PROPERTY GROUP

CROMWELL PHOENIX GLOBAL OPPORTUNITIES FUND

ARSN 654 056 961 | APIR Code CRM0245AU

12.3%

Total returns p.a.

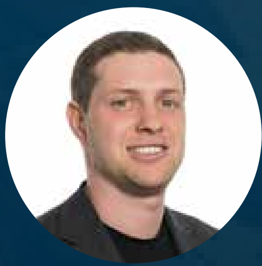
annualised since inception (December 2019)[1]

Past performance is not indicative of future performance.

OPEN FOR INVESTMENT

The nearly five-year-old Cromwell Phoenix Global Opportunities Fund seeks to invest in a broad range of global equities trading at discounts to their readily quantifiable Net Asset Values.

Focusing on small-cap stocks where analyst coverage is often low, and pricing discrepancies present the best opportunities, this product provides an exposure that is different to regular global equity funds. Over its history, it has delivered strong relative and absolute returns performance, and answer your questions.



INTERESTED IN LEARNING MORE?

Express your interest to our upcoming webinar to explore the fund's performance and potential.

Hear directly from **Portfolio Manager Jordan Lipson**, who will share valuable insights on the fund's strategy and performance, and answer your questions.

Scan the QR code to find out more about our upcoming webinar

1. As at 30 September 2024, after fees and costs. Past performance is not a reliable indicator of future performance.

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EDITION 48

Published by **Cromwell Property Group**

Welcome to the latest edition of Insight Magazine.

In this edition, we explore how best to take advantage of property market cycles. We feature insights from Cromwell's Chief Financial Officer Michelle Dance, and explore the sectors Cromwell will target following the sale of the European fund management platform. Additionally, we take a look at Cromwell's ESG results following the release of our latest report and provide an overview of parts 3 and 4 of "The Essential Guide to Investing in Unlisted Property."

A monthly digital version of Insight is also available to all subscribers – so, if you would like to receive news articles and commentaries more regularly each month via email, and you aren't already, please complete the form online by scanning the QR code below.

Cromwell Property Group (ASX:CMW) (Cromwell) is a real estate investor and fund manager with operations on three continents and a global investor base. As at 30 June 2024, Cromwell had a market capitalisation of $1.0 billion, and total assets under management of $11.0 billion across Australia, New Zealand and Europe. Insight Magazine is published by Cromwell for our retail 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.

LATEST NEWS

Cromwell CFO guides discussion on debt at PCA forum

Cromwell's Chief Financial Officer, Michelle Dance, was asked to moderate an intriguing panel discussion at the Property Council of Australia Capital Markets Forum 2024 at Crown Sydney in late October.

The topic – *'Debt: Bank and non-bank lending and global credit'* – examined the place debt now has in several portfolios globally; the risks and opportunities that exist in the debt market; as well as the future of credit.

Panellists Luke Briscoe, Head of Capital and Investor Solutions at Madigan Capital; Cathy Houston, Managing Director Real Estate Credit at MA Financial; and Jeremy Fyfe, Head of Origination NSW/ACT, Qualitas, joined Michelle to discuss how Australian organisations should approach the topic. The panel was extremely well received by the hundreds of forum attendees.

Each year, the PCA Capital Markets Forum brings together domestic and international investors, heads of real estate, heads of capital, fund managers, and portfolio managers from leading property and investor groups in an immersive format to gain fresh perspectives on business.

New barristers' chambers opens at 400 George Street

Queensland's largest barristers' chambers in more than a decade have opened at Cromwell's 400 George Street in the Brisbane CBD – a prime location within a minute's walk to the nearby court precinct.

The formation of the new George Street Chambers – home to 30 barristers and six readers – was initiated by barrister David de Jersey KC, after lack of office supply meant there had been a significant shortage of chambers available for new and emerging barristers.

Brisbane's newest chambers covers 1,457 square metres of A-grade office space on Level 29 of 400 George Street.

"With this transaction, George Street Chambers is set to become a cornerstone of Brisbane's legal fraternity, offering a modern, well-equipped environment that caters to the evolving needs of the city's barristers and their clients," said Mr de Jersey.

Each barrister has been able to customise their individual rooms, meaning there is 30 different styles and preferences within the overall design. The chambers also contains a specially designed immersive hearing space, allowing barristers to connect to virtual court hearings via video conferencing.

FY25 Tenant Satisfaction Survey Results released

The results of Cromwell's annual tenant satisfaction survey have been compiled for FY25 – and the feedback has been encouraging.

Future Forma – an agency specialising in the independent evaluation of tenant–customer experiences across individual assets and portfolios – was engaged by Cromwell in August to conduct annual surveys across our commercial assets.

Across the portfolio, Cromwell achieved an overall tenant satisfaction score of 89%. This is a 1.4% increase on last year's score, and is 8.9% higher than the Tenant Satisfaction Index – which comprises of 350+ investment grade office building surveys throughout Australia.

Data contained in the Future Forma report will allow us to focus on the continuous improvement of our tenant's workplace experience and create greater efficiencies in the business's processes.

New tenant engagement platform launched – CromwellConnect

Cromwell Property Group has officially launched a new tenant engagement platform at two of its buildings, ahead of extending the rollout to another four buildings from early 2025.

Named CromwellConnect, the online portal and smartphone app has been specifically designed to enhance the tenant experience at select Cromwell office buildings. The platform provides tenants with relevant information, tools, and services to make their respective workdays a more engaged, tailored, and efficient experience.

Through CromwellConnect, tenants can find information on the surrounding CBDs and important services; end-of-trip and third space facilities access; lunch specials at local eateries; information on the exciting events being held inside and outside of the building; and so much more.

The platform was successfully rolled out at our 100 Creek Street building in Brisbane in late September, and is currently being rolled out at our 207 Kent Street Building in Sydney. The collective tenant response to the new platform has been extremely positive.

Equipment replaced and upgraded at 700 Collins Street

Cromwell's Projects Team has completed an intricate operation to install new mechanical equipment atop our 700 Collins Street property in Melbourne. The project was commissioned to replace end-of-life mechanical equipment, and cater for tenant demand for increased air conditioning provisions.

A 450-tonne crane was used to lift components of a new Tenant Cooling Condenser Water (TCCW) system – including cooling towers, pumps, heat exchangers, steel frames, and piping – onto the roof of the building, 18 storeys above the adjacent Wurundjeri Way.

The project included liaising with local council to close a portion of the neighbouring six-lane highway for the duration of the crane lift. Equipment connection is expected to be complete in early November, before the old cooling towers are decommissioned and demolished.

These works are part of Cromwell's broader programme of future proofing our assets to meet current and future tenant needs.

Sale of 433 Boundary Street

Cromwell Funds Management, acting on behalf of unitholders in the Cromwell Direct Property Fund, has sold the Fund's 433 Boundary Street property to Brisbane-based syndicator Aequitas Property Group for $41.5 million.

This represents a 3.8% premium to the most recent external valuation of $40.0 million dated 31 December 2023. View the continuous disclosure statement on the fund's webpage for more information **www.cromwell.com.au/dpf**.

TAKING ADVANTAGE OF THE PROPERTY CYCLE

Colin Mackay
Research & Investment Strategy Manager
Cromwell Property Group

Understanding the property cycle can be useful for investors, as it enables them to make informed investment decisions and stay focused on their long-term goals.

Commercial property market cycle phases

In our view, the commercial property market cycle includes four phases:

Peak: This phase features strong economic growth, rising property prices, and high investor confidence. Demand accelerates and vacancy rates drop well below normal levels. However, it can also lead to overvalued assets as sentiment moves ahead of underlying property performance and prices reach their zenith. Interest rates may also start to rise in this phase as the RBA seeks to take some 'heat' out of the economy.

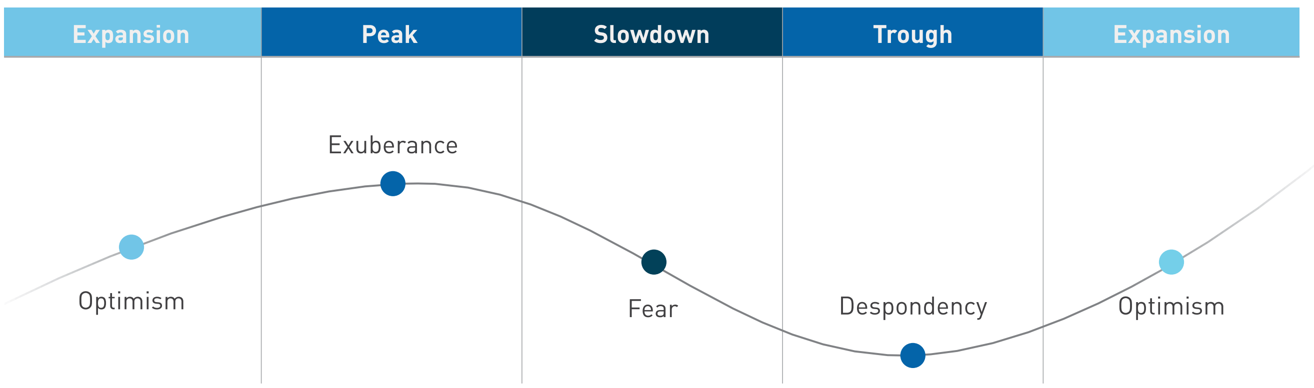
Slowdown: In this phase, market dynamics shift, leading to weaker demand and softening prices. Construction, which typically picks up in the expansion phase, starts to create an oversupply and vacancy rates increase. Interest rates continue to rise, impacting jobs growth and slowing the economy. Sentiment worsens, perpetuating falling prices.

Trough: Characterised by low investor confidence and sometimes widespread despondency, this phase sees prices hitting their lowest point. However, it can also present opportunities for investors to buy undervalued assets at attractive prices. Towards the end of this phase, rate cuts often stimulate activity and lay the foundation for asset appreciation.

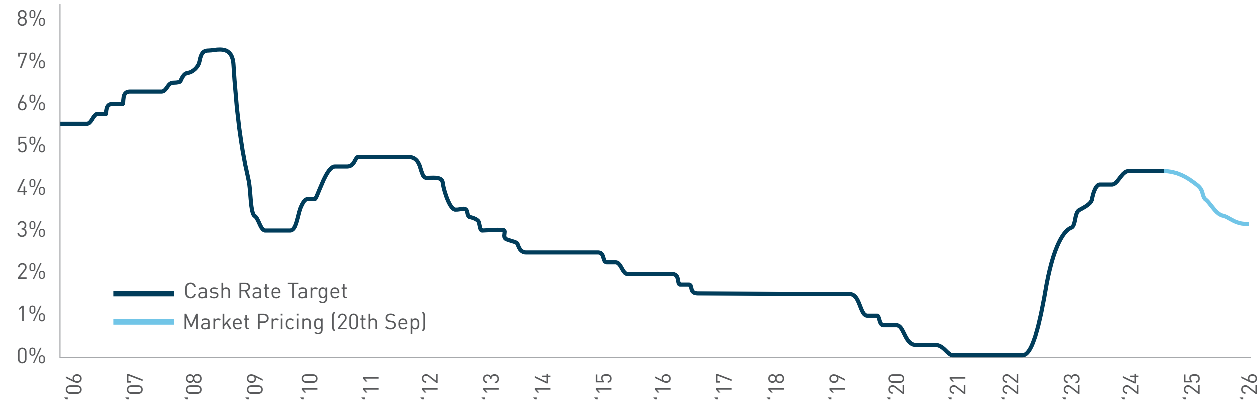
Expansion: During this phase, economic and financial conditions improve, boosting investor confidence and supporting asset prices. This is typically the longest phase, underpinned by moderate growth rather than the sentiment-driven extremes of the market peak and trough.

Property market cycles repeat over time, but each one is unique. This is because the intensity and duration of a cycle depends on a multitude of factors such as macroeconomic conditions, geopolitical events, investor sentiment, and unexpected occurrences like natural disasters or global pandemics. Sectors within a market and even different locations can be at different phases of the cycle at the same point in time.

Now that we have the basics covered, let's take a look at the current property market.



Australian Cash Rate Target



Source: RBA; ASX; Cromwell

The macro landscape

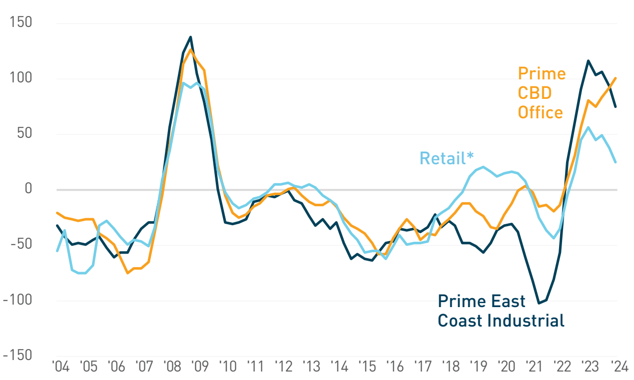
As mentioned, macroeconomic conditions play a big role in property cycles. Recently, we've seen a significant increase in interest rates – 425 basis points in 18 months, which has significantly impacted commercial property prices. However, many believe that interest rates have peaked for this cycle. Other countries such as the US, Canada, New Zealand, and several across Europe, have already started lowering rates. Australia's inflation cycle took hold around six months later than peer markets and rate cuts are also expected to commence a bit later (around early next year). Cromwell expects lower interest rates will boost market confidence, stimulate transaction activity and support property prices.

Property pricing

We're starting to see signs that property prices may be stabilising. The pace of capitalisation (cap) rate expansion (a driver of declining property values) is slowing for retail and industrial properties, an indication that the cycle may be turning for these sectors. It is important to note that because the valuation cycle lags, waiting until market valuation cap rates have started to compress means the best buying (i.e. the bottom of the cycle) has actually already passed you by.

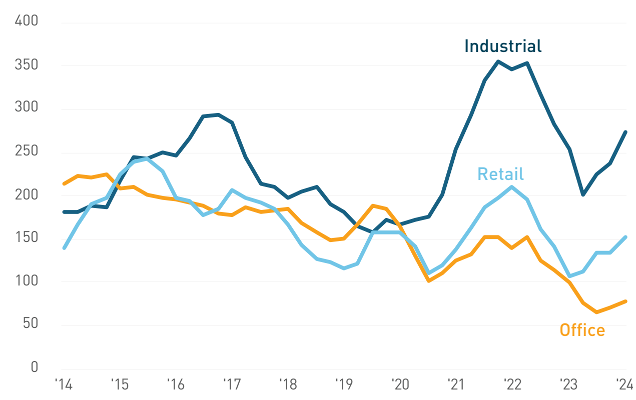
For office properties, cap rate expansion is yet to slow, but should follow the example of retail and industrial, in part supported by the emerging cap rate differential to the other sectors, which will boost the relative attractiveness of office investment. Increased transaction activity is another sign that the market cycle might be turning.

YoY Cap Rate change (bps)

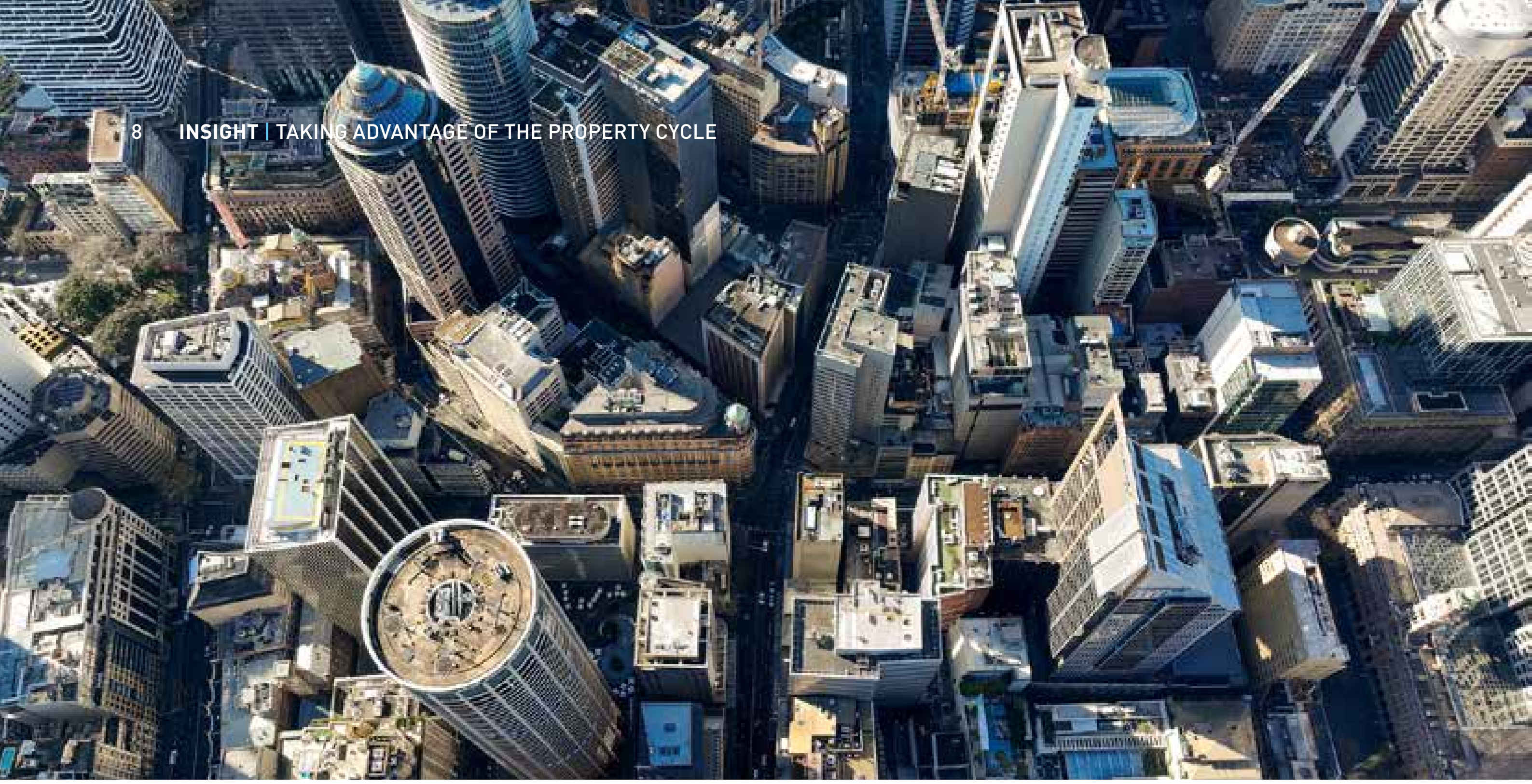


Source: Cromwell analysis of JLL data. *Regionals, Sub-Regionals, Neighbourhoods

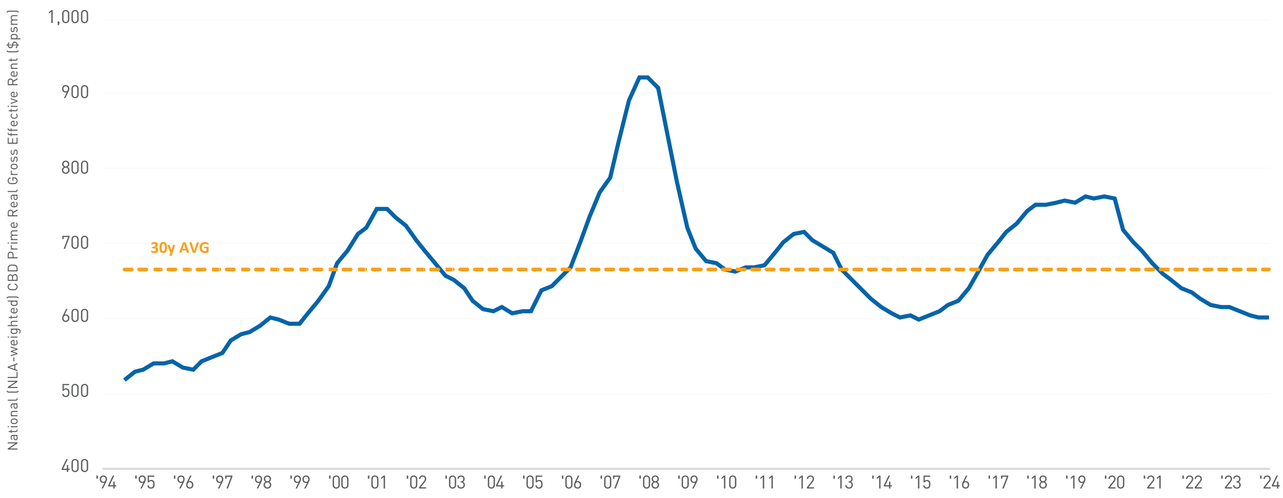
Number of transactions (rolling 4-qtr sum)



Source: Cromwell analysis of JLL data.



Office rent affordability



Source: Cromwell analysis of JLL (Jun-24) and ABS Data

Office fundamentals

While the macroeconomic and capital cycles appear to be becoming more favourable, they would be of little consequence if office market fundamentals were too far out of sync. Despite some challenges, like high vacancy rates in Sydney and Melbourne, there are still reasons for investors to be optimistic about the office market.

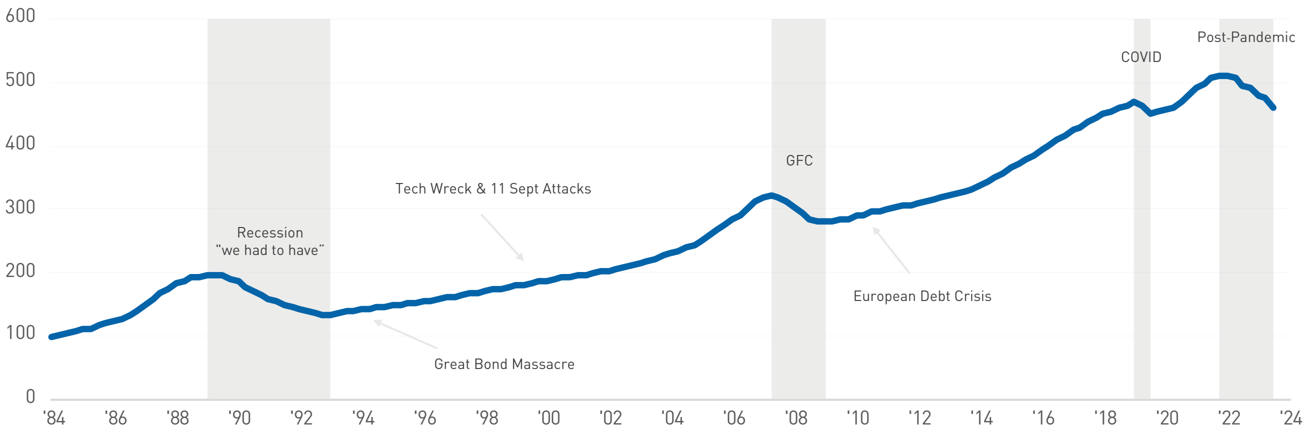
Firstly, rents are at cyclical lows, similar to the levels seen after the early 90s office market blowup. With rents at low levels, occupiers aren't under financial pressure to reduce their space or avoid expanding if they're growing. This also means that cutting office space or rent isn't the first option for saving costs. Companies understand that losing staff or having lower productivity due to a poor work environment is a bigger risk to their profits.

The other cyclical element of office fundamentals is the development pipeline (i.e. supply risk). This is relatively small, with the amount of national CBD stock expected to grow by only 0.9% per year from 2024 to 2028[1], compared to the 20-year average of 1.6% per year[2]. It's not practical to build new offices unless they are already under construction or part of an infrastructure project, due to low rents and high construction costs affecting profitability.

It's unlikely this dynamic will be resolved any time soon, with construction cost inflation expected to remain elevated[3] and state infrastructure pipelines set to continue outcompeting for scarce resources and labour for at least several years. The lack of new development is good for the performance of existing buildings, helping to balance supply and demand and support rental growth.

1. Source: Cromwell (Jun-24)
2. Source: Cromwell analysis of JLL data (Jun-24)
3. Source: International construction market survey 2024 (Turner & Townsend)

Commercial property asset value growth index



Source: MSCI (Jun-24); Cromwell. Standing Investments series.

The long-term trend

Over the past 40 years, investing in Australian office, industrial, and retail properties has generally paid off, with property values growing steadily despite facing a number of downturns and crises. While looking at a shorter timeframe will accentuate cyclical ups and downs, the market has shown a long-term upward trend.

Adopting a long-term approach when investing in property means investors can benefit from this steady growth. This approach helps avoid the stress of predicting market movements. Sticking to a disciplined, long-term strategy based on solid fundamentals can help investors navigate market cycles, reduce risk, and build wealth over time.

Getting in on the ground floor

It's hard to know exactly when any market will peak or bottom out, but there are signs that can give clues about the general position of the commercial property cycle – whether it's falling, stabilising, rising, or peaking.

With rate cuts expected in 2025, financial markets believe the overall economic cycle is close to turning. Similar signs are appearing in commercial property, with slower cap rate expansion in some sectors and increased transaction activity. For office spaces, very low rents and limited supply are reasons for optimism and present a good buying opportunity.

For investors who have the courage and capital to buy now, the benefits can be significant. Attractive prices are available, with buyers able to take advantage of distressed sales and the gap between market fundamentals and sentiment. While choosing the right properties is still crucial for investment returns, getting in early and riding the market upswing can provide a strong advantage for investors. Those who have been patient and held onto their investments through this stage of the cycle are also likely to benefit. ■

IN CONVERSATION WITH...

MICHELLE DANCE

CHIEF FINANCIAL OFFICER, CROMWELL PROPERTY GROUP

Cromwell Chief Financial Officer Michelle Dance began her professional career during the catastrophic worldwide stock market crash of 1987. This remarkable experience steeled her for the next 36 years, which she has spent working in finance and real estate markets across the world.

Skilled in navigating capital markets, portfolio and funds management, as well as debt origination and arrangement, Michelle has been with Cromwell for more than two-and-a-half years – recently stepping into the CFO role.

Michelle holds a Bachelor of Economics from the University of Queensland, as well as a Master of Commerce, Economics, and Finance from the University of New South Wales.

Michelle, you have an impressive, decades long career in finance and property – and have worked with some large organisations – what initially appealed to you about this line of work?

My favourite subjects at school were economics and English – I had the same teacher for both, who was quite an inspirational woman. As I was finishing high school, I decided that I didn't want to be a teacher, which seemed to be the only clear career path for someone who was considering studying English literature at university. And so, economics became the most logical path for me to take, given my love for the subject – and it's a love that's still there today.

As I was studying economics at university, I got it into my head that I wanted to be a dealer, working in dealing rooms. I don't even think that, at the time, I had a clear idea of what that meant – but it sounded like a lot of fun.

When I finished university, a recruiter friend set up a series of job interviews at various brokerage houses and dealing rooms around Sydney. The day that I flew into Sydney from Brisbane for my interviews was 19 October 1987 – Black Monday.

I remember walking into dealing rooms for job interviews that day, and the interviewers being close tears; people shouting and screaming around the offices; people running out of my interviews to scream at other people and then coming back in to continue our conversation. It was quite dramatic!

It was only really the next morning when I opened the newspaper that I realised exactly what I'd been witnessing. Regardless, I was offered a job as a trainee dealer at CSR and I moved to Sydney the day after my 20th birthday.

I spent the first decade of my career working in dealing rooms in corporate group treasury roles. It was exciting – it was all the things that I'd learned about in economics at school and university playing out in in real life, in real-time.

Here I was, a very young kid from the suburbs in Brisbane, suddenly dealing with vast, vast quantities of money. And it was kind of intoxicating – I just loved it.

What appealed to you about joining Cromwell Property Group?

One of the key things that I've learned is that your level of happiness in an organisation is very much dependent on the work that you're doing – but it's equally impacted by the culture of the organisation. You can be doing exciting work, but, if the culture that doesn't work for you, it can be a pretty unhappy experience.

So, all the questions I asked of Cromwell and the leadership team during the interview process were about the culture that they wanted to build and, very quickly, that line of questioning became, "what is the culture that we're going to create together?"

And so, I made the decision to join an organisation where I could see such enormous potential – if we could reset the culture and really embrace what Cromwell had been in the past – a really nimble, exciting property manager – then we had the ability to reestablish something that was pretty exciting.

In the years since, we've been fortunate to foster the kind of culture that we want to work in, and the kind of business that we would have been really excited about joining when we were starting our careers.

What does your role as Cromwell's Chief Financial Officer involve? What are some of the key responsibilities that you take on daily?

I love the CFO role – I'm really, really enjoying it.

Over the past year, we've made incredible inroads into getting the balance sheet into the position you'd want it in at this point of the real estate cycle. We've had far too much capital invested in Europe, and our gearing was way higher than we wanted it to be. We've exited non-core investments in Australia, but the exit from Europe is the real game changer.

The interest rate environment has been as challenging as the property market; and working with the team to refine how we manage our interest rate risk has been important too.

Obviously, having less debt in the first place makes us less sensitive to movements in interest rates, which is a good start.

While the improvement to the balance sheet is incredibly rewarding – and critical to being able to grow returns for our investors – where I get a real buzz is from the people I get to work with, the role is about people more than anything else. You can't achieve superior financial performance without great people and a positive culture.

Cromwell has a large and very diverse finance team, and I'm responsible for supporting these incredible people to be themselves; to give them the space to grow and do more of what they do well.

The CFO role is really about strategy and people and relationships – I feel incredibly lucky to lead such an incredible group of finance professionals.

The last few years have been challenging for markets across the world – how does the current environment compare to previous market downturns that you've helped guide organisations through?

There's a principle derived from a quote in Leo Tolstoy's *Anna Karenina*, which essentially says that all families are functional and happy in the same way, but they're dysfunctional and unhappy in their own individual ways.

Markets cycles are a little bit the same – when markets are trending in a bullish direction, cap rates are compressed; interest rates are low; money is easy; life is easy.

It's when markets turn that you really learn a lot about the environment you're working in – you get to find out who's really good at what they do, and you learn a lot more about the character of the people that you work with.

I've been through several market cycles – I started working the aftermath of the stock market collapse of 1987; through the challenges of the real estate market in the early 90s; and I worked through the Global Financial Crisis.

The cycle we're going through at the moment is similar to other previous real estate cycles that I've experienced.

Traditionally in downcycles, the risk premium that gets eroded when everyone's buying reappears. And it's normal that you should have a risk premium – you should have a higher return from a riskier investment than a safer investment. People forget that when you're in a very bullish market – I think we're seeing that at the moment.

Having said that, there are two key differences in the current market when compared to the Global Financial Crisis, for instance.

One is that the market is still very liquid – the banks are very healthy, you can get money. At the moment, the debt markets are functioning perfectly well.

By contrast, the GFC was very much about the banks having no liquidity. You had strongly performing assets, but you had very distressed owners because they couldn't get access to capital.

Secondly, for those of us who primarily own office buildings – we're experiencing what retail experienced when people figured out that they could shop on their mobile phones.

It didn't mean that all shops ceased to exist, it meant that bad shops ceased to have a reason to exist.

Office space is currently going through the same thing.

For many years, we've been working towards a more flexible working environment – I think that's really important for employees, and I think it's really important for employers, too.

> "As a business, Cromwell is always working to make sure that we meet the specific needs of our tenants.

Because of the aging population, anything that can be done to grow the pool of available labour – like offering hybrid working – is good for employers.

What hybrid working means for providers of office space is that we're no longer just competing with other providers – we're also competing with people's lounge rooms. So, there's a structural element to what's happening in the property market currently, compared to previous cycles.

As a business, Cromwell is always working to make sure that we meet the specific needs of our tenants. We're continuing to be adaptable and cater for tenants with changing needs, and we're also making sure that we spend our money wisely on attractive places for people to come and enjoy.

Why was the sale of Cromwell's European portfolio so important, and how does the sale position our business going forward?

The sale of the European platform is extremely significant for the future of our business. It was important for us to realise that operating in Europe wasn't benefitting the business or our investors to our expected standard, and that it was instead prudent to focus on the things that we're good at, in the markets that we know.

Since we ventured into Europe, it had become very difficult for the market to understand who we were and how our business worked. We were a Brisbane-based asset and fund manager that was buying assets across Europe; investing in a vehicle in Singapore; and investing in shopping centres in Poland. This made it hard for us to engage with equity markets.

So, getting out of Europe achieves a few things – one it completes our simplification strategy which was executed to bring us back to our core sectors and markets, and make Cromwell attractive to investors once again.

Secondly, it brings back a huge amount of capital that we can reinvest in growing our Australian business.

> "We're fairly uniquely positioned to grow our business. I find that incredibly exciting – and the culture that we've in place got should enable us to do that.

A lot of our peers are still going through the de-gearing process; they're still going through the process of selling assets, and they're selling assets at the bottom of the cycle. Whereas the Australian assets that we sold were largely sold at the beginning of the cap rate expansion cycle.

So, we're fairly uniquely positioned to grow our business. I find that incredibly exciting – and the culture that we've in place got should enable us to do that.

What market/economic indicators are cause for optimism, looking forward? And where do you see opportunity for Cromwell over the next 12-18 months?

I see that we're currently bouncing around the bottom of the real estate valuation cycle – but buildings that are well-located, and that have good amenity, are very well let.

Most of the vacancies in Australia are contained to a very small number of assets. If you look at Melbourne, for example – September 2024 research from JLL finds that just over 60% of vacancy in Melbourne was across 38 buildings. So, it's very concentrated.

Importantly, we know the sorts of things that are attractive to retaining tenants – our leasing team and asset management team are amazing. You just have to look at the incredible third spaces we've created, like at our 400 George Street asset; the end-of-trip facilities in buildings across our portfolio; or the ESG upgrades that we've completed in the past 12 months and you get a sense of what we can accomplish.

We've also identified a number of key areas of investment going forward. In particular, we see really good opportunity in non-discretionary retail – there's really good opportunity to generate really good returns in that space, as well as in the small lot industrial space.

It's not our aim to establish billion-dollar funds to compete with the likes of Dexus and Mirvac – our intention is very much to focus on the things that we've always been good at: repositioning of assets, finding stuff that other people don't know what to do with, and then just managing it really well. We're good at that!

What do you enjoy most about your role at Cromwell?

The people! The people are awesome.

I've been reflecting on this recently – there are very few moments in my career – very few organisations I've worked for – where the executive team all like each other. It is shocking how rare that is.

In other organisations, that factionalism in executive committees filters down and just infects the culture with this really quite toxic feeling. And Cromwell just doesn't have that.

I love working with everyone at Cromwell – it's an awesome place.

CROMWELL: WHERE OUR FUTURE LIES POST-EUROPEAN EXIT

On 15 May 2024, Cromwell announced the sale of the Cromwell Polish Retail Fund for €285 million ($465 million) to Star Capital Finance, a diverse real estate investor based in Prague.

Later that month, Cromwell informed the market that we had entered into a binding agreement for the sale of our European fund management platform and interests – including the Cromwell Italy Urban Logistics Fund and Cromwell European REIT – for a total consideration of €280 million ($457 million) to a Geneva-headquartered, multi-strategy real estate investment manager, Stoneweg SA Group.

Speaking on the European platform sale agreement at the time, Cromwell Chair Dr Gary Weiss said, "this is a turning point for Cromwell to focus on leveraging the exceptional team we have in Australia; to drive value from our local asset and funds management business."

"In the current operating environment, numerous options were considered to simplify and de-risk the business, and we believe that this transaction will provide the debt reduction and working capital needed to move forward in a focused and value-accretive way."

Now, with the sale of the European fund management platform sale imminent, Cromwell is completing the simplification of the business, and entering the next exciting phase of our strategy.

> "This is a turning point for Cromwell to focus on leveraging the exceptional team we have in Australia; to drive value from our local asset and funds management business.
>
> Dr Gary Weiss, Cromwell Chair

We are continuing to refocus on traditional property sectors primarily in Australia – a market in which we have a proven record of active asset management, driving value through enhanced leasing activities, asset upgrades, and ESG repositioning.

In this article, we will examine some of the property sectors that have been identified for future investment, following the settlement of the European platform. Our investment approach is guided by both top-down and bottom-up analysis, with consideration given to a number of cyclical, structural, and secular drivers of performance - such as behavioural shifts, demographic demands, economic factors, market fundamentals, and investor requirements.

Office building investment

In Australia, Cromwell manages an investment portfolio of $2.2 billion and funds management platform of $1.5 billion. Central to our business success has been, and will remain, office buildings in large metropolitan centres. We view several segments of the sector as favourable for investment, including Core/Core+ Value Add, Creative Fringe, and ESG Rejuvenation.

Core+ / Value Add

The 'core' category of office property investments includes a focus on high-quality, stable properties located in prime markets – particularly capital city CBDs. The hallmark of core investments is their ability to generate consistent, long-term income through different cycles and market conditions. These properties form the foundation of Cromwell's current Australian investment portfolio.

While the office sector continues to face challenges due to global market pressures, there are nuances across and within markets regarding vacancy rates and rental growth outlooks. In Brisbane, for example, the CBD vacancy rate is at the lowest level since 2012, and occupied space has increased since the onset of the pandemic, contributing to higher rents[1]. Similarly, the majority of Australian CBD buildings remain well-occupied, with real estate investment research company CBRE estimating more than half of all office buildings have vacancy of less than 5%[2]. This disconnect between sentiment and actual market conditions presents opportunities for investors to acquire quality office assets at attractive prices.

At this point in the cycle, we also see substantial opportunity to generate additional value for investors by leveraging the skills and expertise of our in-house property and project management teams. Delivering carefully considered capital improvements, space fit-outs, and a targeted leasing strategy, can reposition an asset's proposition and profile for potential occupiers. This process has been successfully repeated by Cromwell across our assets in recent years.

Case study

207 Kent Street third space – CoLab at Kent

In early 2025, Cromwell will open our newest third space at our 207 Kent Street property in Sydney – CoLab at Kent. Construction began mid-year after Australian interdisciplinary design practice Hot Black was engaged to design a space that would meet the diverse needs of our current and future tenants. The new third space will encompass a 365sqm area on Level 6 of the building.

Features will include:

- A refreshment area
- A kitchen/breakout area
- A business lounge
- A 25-person training/multi-purpose room
- A 70-person training/multi-purpose room
- Quiet and focus areas
- Furniture/equipment storage space

1. Cromwell analysis of JLL data (Sep-24)
2. Source CBRE, Australian CBD Office Occupancy Brief (Sep-23)

Creative Fringe

Fringe markets are adjacent to major CBDs and provide a number of the same agglomeration and accessibility benefits as CBD precincts, while offering proximity to diverse amenity and a unique cultural feel. In particular, non-traditional and difficult-to-replicate office assets within fringe markets, such as converted warehouses or heritage buildings, often strongly appeal to growing technology and creative industries and support the cultural and brand identity of a firm. This is increasingly important as providing an engaging and dynamic workplace and employee experience becomes more of a central focus.

A key advantage of targeted opportunities in the 'Creative Fringe' is the ability to better cater to smaller occupiers. These tenants have been exhibiting a stronger propensity for in-office, face-to-face work, and have been growing most strongly over the last five years in terms of both headcount and office space[3]. This trend is contributing to the performance of fringe markets, which have ranked first, second, and third for net space demand since the onset of the pandemic[4]. Given their location, they can also be a more affordable option for tenants, reducing the risk of financially induced downsizing and providing a runway for rental growth if demand conditions remain conducive.

> Non-traditional and difficult-to-replicate office assets within fringe markets, such as converted warehouses or heritage buildings, often strongly appeal to growing technology and creative industries

ESG Rejuvenation

To ensure that Cromwell maintains optimal returns for investors over the longest possible duration – that the assets we manage generate the returns expected – we need to ensure that Environmental, Social, and Governance (ESG) practices are genuinely integrated and brought to life across all the activities we undertake, across all our investments.

Given the current delays in commercial building construction across Australia, refurbishing existing assets to meet ESG requirements has the potential to be a more cost-efficient, time-efficient – and simultaneously the "greener" option – as opposed to constructing new buildings for tenants. Indeed, preserving original buildings as much as possible will be critical to achieving our net zero targets.

We have the opportunity to identify buildings that are lagging in ESG specifications and apply our collective knowledge to implement strategies and initiatives to enhance ESG ratings and performance. Such improvements can expand the pool of potential tenants, increase net income (via higher rents or lower operational expenses), and support a stronger asset valuation.

Cromwell has already made progress in this space over the past two years, including the McKell building electrification project in Sydney; completion of our solar programme installation; and replacement of HVAC facilities at other locations.

By identifying and modifying existing properties to align more effectively with the long-term sustainability goals of our tenants; our investors' expectations; and changing market demands, we can create assets that provide long-term, 'future proof' returns for investors.

3. Cromwell analysis of JLL (Sep-24) and ABS (Jun-23) data
4. Cromwell analysis of JLL data (Sep-24)

Medical offices and community support services

The healthcare and social assistance sector remains an essential and growing industry, accounting for 8% of the Australian economy[5] and 16% of employment[6]. Healthcare property encompasses a range of asset types, from hospitals to medical centres, life science facilities and specialist disability accommodation. While some sub-sectors – such as private hospitals – are facing well publicised issues, we believe medical centres/offices are resilient to these challenges and well placed to benefit from several demand tailwinds. These assets are essential to communities across the country, providing a range of primary and secondary care such as GP, specialist, and allied health services.

Why target for investment?

Supply of healthcare services across the country is currently being outpaced by demand, which is being driven by long-term demographic trends, such as population growth, the ageing population, and longer life expectancy. Additionally, lifestyle factors such as poor diets and lack of exercise, coupled with improved detection and diagnostics, are seeing the rate of disease incidence increase on an age-standardised basis. This environment is resulting in health service pressures and longer wait times – necessitating a greater focus on more efficient models of care.

We believe shifting towards primary and preventive care is critical to achieving a more sustainable healthcare system, and that medical centres are an important component in that shift. Providing care in a non-hospital environment, such as a medical centre, can:

- be cheaper due to lower overheads;
- reduce the risk of infection and deliver better health outcomes;
- enhance patient comfort and satisfaction; and
- improve convenience, due to the proximity to local communities.

The shift from hospital to non-hospital care is already underway, as evidenced by spending and policy prioritisation. Latest available data shows growth in primary healthcare expenditure outpaced growth in spending on hospitals from 2011-12 to 2012-22[7]. Additionally, a number of policies have been announced that put greater emphasis on primary and preventive care, including a $99 million Federal Government initiative to connect frequent hospital users with a GP to reduce the likelihood of hospital re-admission; $79 million to support the use of allied health services for multidisciplinary care in underserviced communities; and $3.5 billion to triple GP bulk billing incentives.

Medical centres are an increasingly important part of the essential and growing healthcare industry, representing efficient and fit-for-purpose facilities that can help alleviate the capacity constraints of hospitals and improve the sustainability of the health system. Tenants are typically stable, long-term occupiers, which have higher rates of lease renewal compared to traditional office space[8].

We believe medical centres' alignment with demand trends and Government healthcare spending priorities, together with attractive investment characteristics, such as CPI-linked income and defensive land holdings, puts them in a favourable position compared to other healthcare property investments.

5. National Accounts, ABS (Dec-23)
6. Labour Force, ABS (Feb-24)
7. Constant prices. Cromwell analysis of AIHW data (last updated October 2023)
8. Exploring Australian healthcare opportunities, JLL (Jun-22)

Large format retail (LFR) property

Large format retail currently accounts for approximately 24% of all retail sales in Australia[9] – or an estimated $102.3 billion – according to June 2024 data from the industry's peak body, the Large Format Retail Association. Large format retail now makes up more than 35% of all retail floor space in Australia[10].

The sector emerged in the 1970s with the development of stand-alone retail stores that sold homemaker products, including furniture, floor coverings, homewares, or whitegoods – a consumer need that had been previously met by traditional department stores.

Why target for investment?

As an investment, large format retail property can offer a more attractive yield and lower capex requirements compared to other sectors, given the simplicity of the property type's physical structure and associated infrastructure.

In addition, large format retail has faced competition from industrial uses for new sites, constraining supply and contributing to one of the lowest vacancy rates on record[11].

Like healthcare property, increases in demand for large format retail shopping centres are closely linked to strong population growth, particularly within the 'household formation' lifestyle stage – the period of time that couples or families are establishing a place to live. By extension, high migrant-driven population growth at present is increasing demand for these resources, as these people find and fit-out their new homes.

Urbanisation and smaller households provide another source of demand. The number of occupied dwellings is growing faster than the overall population[12], meaning there is a need for more rooms to be furnished and greater demand for the shopping centres that primarily cater to home-oriented retail categories.

Importantly, the sector has proven to be relatively resilient to online shopping – with consumers preferring to 'touch and trial' homewares in easy-to-navigate shopping centres with substantial convenient parking.

9. Large Format Retail Association
10. Large Format Retail Association
11. Cromwell analysis of JLL data (Jun-24)
12. Cromwell analysis of ABS data
13. The Property Council of Australia/MSCI All Property Digest, Jun-24

Small lot industrial property

Industrial property has been the top-performing real estate sector over the past decade[13], propelled by strong rental growth as demand for space outpaced development of new supply.

'Small lot' industrial refers to industrial assets that are typically smaller than 8,000sqm; support a variety of occupier uses; can be multi-tenanted; and are often located in urban 'infill' areas. These assets differ from 'big box' assets, which are larger; often logistics-oriented; usually single-tenanted; and situated further from the heart of metropolitan areas, given their size.

Why target for investment?

In 2024, customer demand, scarcity of supply, along with a diverse tenant base, are key drivers for rental growth in this sector. Small lot industrial properties' proximity to customers is a significant benefit for tenants – occupiers are able to provide customers with products faster, and more flexibly, at the time promised and with lower delivery costs. Being in proximity to customers has the potential to provide stronger rental growth – given that transport is the biggest cost for logistics operators, a location that reduces transport costs is worth paying more in rent for.

The small lot industrial sector caters to an array of industries and uses, from warehousing through to manufacturing. As different industries have different demand drivers and can thrive at different points of the property cycle, having a diverse tenant pool provides leasing optionality.

Often overlooked by institutional capital due to a lack of scale, and by passive private investors due to escalating active management requirements, small lot industrial offers compelling total return opportunities for those with the expertise and capability to identify and improve underappreciated assets.

Convenience retail property

Convenience retail property assets are generally smaller, standalone shopping centres – often anchored by supermarkets – that service the surrounding suburbs by providing convenient access to essential goods and services.

Why target for investment?

Convenience retail centres have consistently been the top-performing centre types over the past 30 years[14]. These centres have shown to provide resilient, inflation-adjusted cashflow that is less exposed to the cyclicality of discretionary spending – cashflow which is largely underpinned by blue chip, national tenants.

In 2024, convenience retail is an in-demand sector with less long-term uncertainty than discretionary shopping centres. This is partially due to their alignment to long-term shifts in consumer preferences – from goods (big screen TVs, home theatres, etc.) to groceries, services, and experiences. A major driver for these shifting preferences is the cultural and lifestyle changes consumers are making, which has implications for which retail categories can sustain growing rents.

> Convenience retail centres have consistently been the top-performing centre types over the past 30 years[14].

Convenience retail is also less exposed to the competition impacts of e-commerce – people like to pick their own apples, and haircuts are yet to be made available online! While the rise of online shopping may have some impact on incremental space demand, much of the once-off impact has been incorporated into rents and valuations.

Cromwell has a strong record in traditional property sectors locally, driven by our exceptional team who deliver enhanced returns through active asset management.

By repositioning and developing assets, an area in which we have consistently excelled, we aim to generate meaningful securityholder value.

We will continue to drive value from assets in Cromwell's investment portfolio and the assets in our retail funds through active asset management initiatives – this will support asset valuations and unitholder value through the next part of the property cycle.

14. Cromwell analysis of The Property Council of Australia/MSCI All Property Digest, Jun-24

TENANTS PRAISE CROMWELL'S APPROACH AS FY24 ESG RESULTS RELEASED

Cromwell's latest ESG report was released in late October – the document outlines the significant progress the business has made towards our long-term ESG targets in FY24, including sizeable reductions in Australian scope 1, 2, and 3 emissions. Encouragingly, the results have been praised by tenants throughout our Australian office and fund portfolios.

Cromwell Head of Property Operations, Tessa Morrison, said ongoing delivery of ESG initiatives was consistently being undertaken in close partnership with building users to deliver tangible positive impacts.

"We've seen a massive shift towards an ESG focus by tenants in the past 18 months – it's always been strategically important to us as a business, but it is increasingly becoming a key consideration for occupiers in their decision making as well," said Ms. Morrison.

"A large part of Cromwell's ESG approach is centred on 'future proofing' our assets – making sure we can meet the current and future needs of occupiers. By installing solar energy infrastructure and making the shift to GreenPower in our buildings, for instance, we're taking steps to secure the long-term future of our assets and simultaneously aligning our approach with our occupiers' ESG needs.

> " Through the implementation of environmental, social, and governance policies to produce tangible results - we're working to maximise rental yield, reduce waste, and retain tenants at the same time.
>
> Tessa Morrison, Head of Property Operations

"Larger tenants, in particular, are telling us that they need to have their net zero strategy in place; they've got their own targets and, because of their footprint, they need to carefully consider the office space they occupy.

"This means that if we can't support tenants' needs, they can't meet their ESG objectives, but by meeting tenant ESG demands – through the implementation of environmental, social, and governance policies to produce tangible results – we're working to maximise rental yield, reduce waste, and retain tenants at the same time."

> "It remains critical that we do business with organisations that place importance on ESG also, so to see Cromwell make strides towards their own ESG ambitions has been hugely encouraging.
>
> Gustavo Pilger, R&D Strategy & Management Director, Dassault Systèmes

Global software corporation Dassault Systèmes (3DS) occupies a full floor at Cromwell Direct Property Fund's 100 Creek Street building in Brisbane's CBD. Gustavo Pilger, 3DS's R&D Strategy & Management Director, said, "ESG, and sustainability in general, is at the core of our purpose and ambition as a company. It remains critical that we do business with organisations that place importance on ESG also, so to see Cromwell make strides towards their own ESG ambitions has been hugely encouraging."

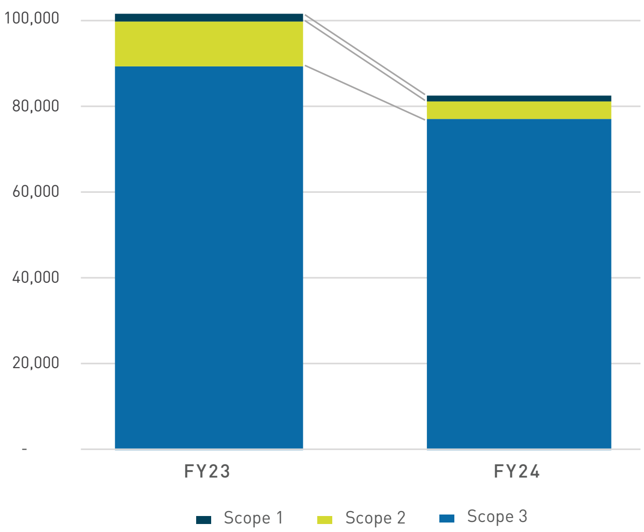
Similarly, business advisory firm ImpactInstitute, which occupies space in Tower 1 of Cromwell's 475 Victoria Avenue complex in Chatswood, has also expressed admiration for Cromwell's ESG development.

ImpactInstitute Managing Director Paula Cowan said, "as an organisation committed to driving positive change for people and planet, it's been encouraging to see Cromwell's ESG strategy align so closely with our purpose."

"It's refreshing to be headquartered in a building where the owner has made tangible changes to reduce environmental impact and better the community in which we work and live – and has committed to doing so going forward."

Earlier in 2024, global infrastructure consulting firm AECOM signed a seven-year lease extension – for 6,622 sqm of floorspace over two-and-a half levels – at the HQ North building in Fortitude Valley, citing Cromwell's ESG sustainable upgrades and excellent facilities at the building as a determining factor in remaining at the location.

Australian Scope 1, 2, and 3 Reduction



ESG Report

Cromwell's FY24 ESG Report highlights the business's ESG progress made during FY24. This includes:

- Scope 1 emissions in Australia decreased by 24%, primarily due to electrification projects and continual improvement of building management practices.
- Scope 2 emissions decreased by 58% through the purchase of GreenPower, a government-accredited renewable energy product, along with energy efficiency measures and the installation of additional on-site solar panels.
- Scope 3 emissions in the Australian value chain decreased by 14% which represents all upstream and downstream activities. A portion of this decrease is linked to downstream leased assets as tenants benefitted from the shift to GreenPower.

Cromwell has also highlighted a focus on efficient resource utilisation and exploring opportunities in the transition to a low-carbon economy going forward. This approach aims to drive sustainable value creation and build resilience against climate risks for the business. ■

2024 ESG REPORT

The full report can be found at **www.cromwellpropertygroup.com/esg**

THE ESSENTIAL GUIDE TO INVESTING IN UNLISTED PROPERTY:

PARTS 3 AND 4

Cromwell continually strives to help securityholders and potential investors better understand the nature of the market – and our business – so that they can make more informed investment choices.

In Insight 47, we explored key excerpts from parts 1 and 2 of Cromwell's *The Essential Guide to Investing in Unlisted Property* – a comprehensive series of papers that has been compiled to be a valuable resource for anyone seeking to diversify their portfolio and explore alternative avenues for growth through unlisted property funds and trusts.

In that article, we defined the different property asset classes, and investigated various ways to invest in commercial property. Now, in the second part of this series, we will explore the excerpts from the parts 3 and 4 of the Guide.

Your easy-to-understand guide

Cromwell's *The Essential Guide to Investing in Unlisted Property* is comprised of four parts:

- **Part 1 – The different property asset classes**
  Part 1 explores the differences between the residential and commercial property and provides an overview of the sub-classes of commercial property – retail, office, industrial, and specialist properties.
- **Part 2 – Various ways to invest in commercial property**
  In Part 2 we examine different investment methods, ranging from direct property ownership to professionally managed property trusts.
- **Part 3 – How does an unlisted property trust work?**
  Part 3 provides insight into the structure of unlisted property trusts; the issuance of units; borrowing arrangements; property management; costs and fees, distributions; tax-deferred income; and the process of exiting your investment.
- **Part 4 – Reviewing an unlisted property trust**
  Before investing in an unlisted property trust, it is important to understand and review the provided Product Disclosure Statement (PDS) and Target Market Determination (TMD), particularly the 'risks' section, to fully comprehend the nuances of the trust and its assets. In Part 4, we provide a summary of what to look out for.

Excerpt from *The Essential Guide to Investing in Unlisted Property: Part 3*

How does an unlisted property trust work?

Unlisted property trusts can only be offered by licensed managers, who are called the 'responsible entity' of the trust. ASIC issues the manager an Australian Financial Services (AFS) licence – and the manager has a fiduciary duty to act in the best interests of investors, including prioritising the interests of unitholders over their own interests.

This section of the Guide explains two key documents that managers must provide to investors:

a. the Product disclosure statement (PDS); and

b. the Target Market Determination (TMD) – a newer document introduced as a result of new Design and Distribution Obligations (DDO) introduced by ASIC in October 2021.

A PDS and TMD must be provided for any type of trust you consider investing in, these being:

Fixed-term trusts

A fixed number of units are issued (usually at $1.00 each). The capital raising is completed when the full cost of the property, plus fees and costs less any borrowing, has been raised.

Open-ended funds

An open-ended fund continues to raise funds indefinitely so long as it can keep purchasing properties. Units will be issued based on a unit price, with the unit price based on the value of the fund's properties and other assets. Unit pricing policies and frequency of issue will depend on the manager and fund.

Property management

A significant benefit of investing in an unlisted property trust is gaining access to the multi-faceted expertise of the manager. The best property fund managers have an internal property management division, which looks after the buildings in the trusts it manages. Having this function in-house ensures an alignment of interests between not only the manager and investors, but also tenants who are ultimately responsible for providing unitholders with real income.

Property management includes leasing, ongoing maintenance of buildings, building concierge services, fire safety, and other compliance requirements and – most importantly for you as an investor – making sure rent is collected!

Distributions

The trust will receive rental payments from tenants and this is passed on, less any expenses, to unitholders as distributions on a regular basis. Depending on the trust, distributions may be paid monthly, quarterly, six-monthly, or annually.

Tax-deferred distributions

Tax-deferred distributions can be an attractive feature of many property investments and have the potential to increase the after-tax return of an investment. The benefits of tax deferral can be significant, especially for those with high incomes. For many investors, an investment that offers 100% or even 50% tax-deferred distributions can significantly enhance the after-tax returns from that investment.

Excerpt from *The Essential Guide to Investing in Unlisted Property: Part 4*

Reviewing an unlisted property trust

The manager is critical when choosing a property trust. These are the people and organisations you are relying on – and paying – to carry out appropriate due diligence on the property asset, to build and manage the trust, and usually to physically manage its assets. In reviewing the manager, you should consider their experience and past performance, as well as whether they are financially secure; have good compliance process in place; are forthcoming with information; and more.

Among other elements, it is critical to consider the trust structure; distribution yield; and the property asset/s.

Trust structure

It is important to understand the trust structure to ensure the investment is suitable for your needs and anticipated outcomes. The product disclosure statement can be used to help you determine a) whether the trust fixed term or open-ended; b) what happens at maturity of the trust; c) how liquidity is provided (for open-ended trusts); d) how units are priced; e) how are properties valued; and more.

Distribution yield

The distribution yield is the income you can expect to receive for every $1 of investment (e.g. a dividend yield of 6% per annum means you can expect to receive 6 cents per year for every $1 invested).

The property asset

When reviewing the building(s) in a trust, there are a number of factors to consider and questions to ensure you have answers to before an investment is made. These factors include:

- **Location** – is the property in an ideal location; on a major road; has access to public transport?
- **Building quality** – what kind of capex is required to bring the building up to the required standard?
- **Capital growth** – is there opportunity for capital growth? Is the building in a growth area?
- **Lease team** – Ideally, for a fixed-term trust, the lease term will be longer than the term of the trust, as this ensures security of income stream throughout the term of the trust.
- **Lease** – Is the rental rate market or is it 'over-rented'?
- **Tenants** – are the tenant blue-chip corporate or government tenants?
- **Weighted Average Lease Expiry** – what is the vacancy risk associated with the property?
- **Green credentials** – what is the NABERS rating for the property? ■

Download the full series

For the full, unabridged version of parts 3 and 4 of the *The Essential Guide to Investing in Unlisted Property*, as well as parts 1 and 2 in the series, please scan the code or visit

www.cromwell.com.au/real-expertise/investing-in-unlisted-property-trusts/

Download your copy for free today.

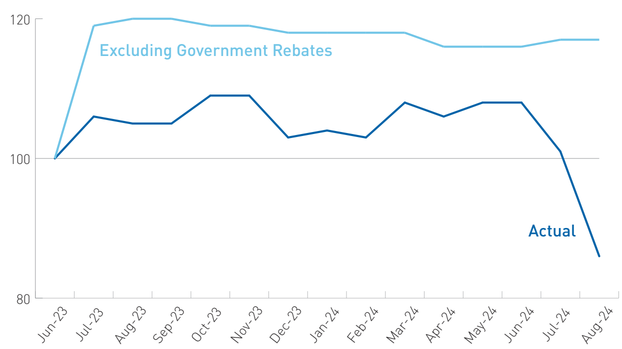
DIRECT PROPERTY UPDATE

SEPTEMBER 2024 QUARTER

Economy[1]

The trajectory of inflation – and consequently interest rates – remains top of mind for financial markets, businesses, and households alike. Year-on-year headline inflation of 2.7% was recorded in the month of August, a substantial fall from the 3.5% rise recorded in July and the first time the measure has sat within the RBA's target band of 2-3% since 2021. However, the sharp fall was in part due to Federal and State Government cost-of-living subsidies, namely electricity rebates. The RBA is "looking through" these temporary factors and instead focusing on underlying inflation, which continued to slow in August but was a more elevated 3.4% year-on-year (per the trimmed mean).

Electricity Price Index



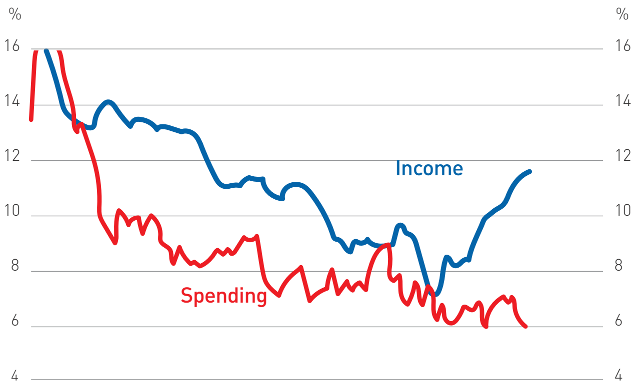
Source: ABS

The RBA has maintained its cautious stance, making it clear that its focus is on getting inflation sustainably within the target range. Any decisions to cut the official cash rate will be made with that objective top-of-mind. While some banks are still noting the possibility of a rate cut at one of the two remaining meetings this year, consensus points to the first cut occurring in February next year, with several cuts expected by December 2025. Lower interest rates should boost market confidence, stimulate transaction activity, and support property prices.

One of the key data points influencing the RBA's monetary policy decisions – besides inflation – is the strength of the labour market. Employment has proven resilient, with jobs growth of 47,500 recorded in August. Similarly, the unemployment rate remained at 4.2%, having only increased by +0.3% since the start of the year. While these and other metrics indicate a robust labour market, it is important to highlight that not all industries are experiencing the same conditions. One of the more obvious divergences exists between industries exposed to the business cycle and consumers (market industries), and non-market industries such as healthcare and education. Data released in September indicates non-market industries accounted for 89% of jobs created over the 12 months to June. This poses a challenge for the RBA, which would like to see some heat come out of the labour market overall, but whose blunt tool has more of an impact on the industries and sectors which have already slowed.

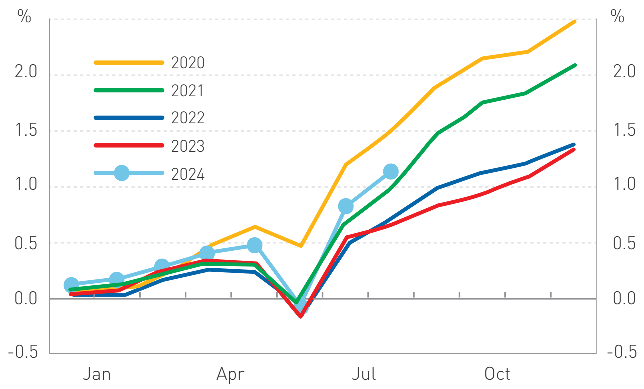
1. Data sourced from various ABS publications, except where otherwise specified

CBA: Income vs Spending
(annual % change, smoothed)



Source: CBA

CBA: Additional Repayments
(YTD change in offset & redraws, % of housing credit)



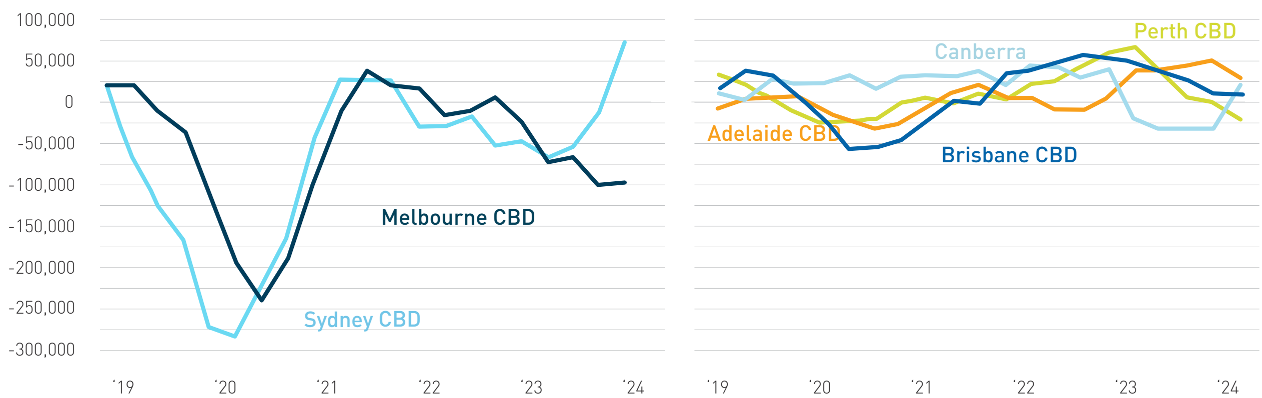
Source: CBA

Another important driver of the economy being closely watched is household consumption and how it responds to the stage three tax cuts which kicked in this quarter. While it's too early to get a firm read on consumers' response, initial indications suggest a greater propensity to save than spend. CommBank's analysis of their proprietary data shows while incomes have increased following the tax cuts, card spending has not seen a similar lift. Instead, consumers are saving the additional cash flow by boosting offset and redraw account balances. The CommBank data was broadly corroborated by the ABS Household Spending Indicator for August, which showed spending -0.5% lower than June levels. While the retail component of household consumption exceeded expectations in August (+3.1% YoY) and should be supported by the tax cuts, a sustained recovery may take some time (and rate cuts) to materialise.

Office

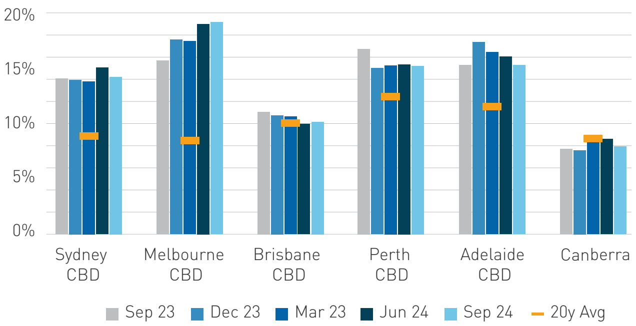
It was an improved quarter for office space fundamentals, but the headline figures continued to obscure varied performance across markets. Analysis of JLL Research data indicates more than 90,000 square metres (sqm) of positive net absorption (demand) was recorded across the major CBD markets in aggregate, the strongest quarter since 3Q18. Most of the demand expansion was driven by Sydney CBD which recorded its strongest result since 2015, with support from Canberra and Adelaide CBD. Melbourne CBD was again the weakest performing market from a demand perspective, dragged into contraction by the western end of the city.

Net absorption YoY (sqm)



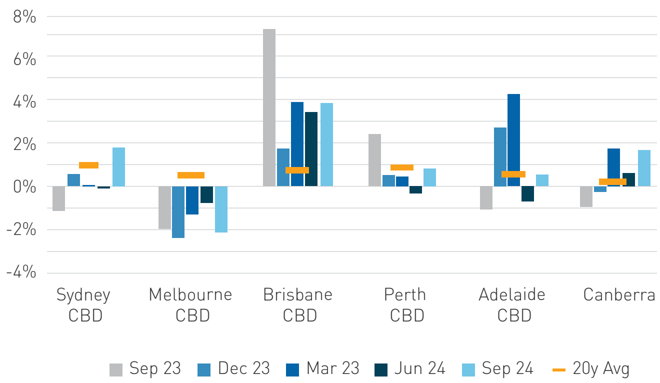
Source: JLL (Sep-24); Cromwell

Total vacancy rate



Source: JLL (Sep-24); Cromwell

Prime net effective rental growth (QoQ)



Sources: JLL (Sep-24); Cromwell

With limited new supply completed over the quarter and the demand side of the equation proving solid, the national CBD vacancy rate improved from 15.4% to 15.1%. Every market except Melbourne CBD and Brisbane CBD saw vacancy decline, with Sydney CBD (-0.9%) the standout due to its strong quarter of demand. Canberra and Brisbane CBD remained the tightest markets – their vacancy rates are in line with or tighter than the long-term average.

The pace of prime net face rent growth (+1.3%) improved over the quarter, taking national CBD annual growth to +4.7% (from +3.9% last quarter). Reflecting its favourable supply-demand conditions, Brisbane CBD was again the standout market recording growth of +2.8% (QoQ). Pleasingly, there were also material improvements in face rental growth for Canberra and Sydney CBD, with Canberra delivering its strongest quarterly result since 2012. Incentives were relatively unchanged with the exception of Melbourne CBD, which worsened. This resulted in positive net effective rental growth outcomes, particularly in Sydney CBD which recorded its strongest quarter of effective growth since 2017.

While transaction activity slowed in dollar terms compared to last quarter ($2.1 billion vs $2.7 billion), the number of deals done increased. It was the absence of any 'mega' deals which dragged the volume figure, with the largest transaction this quarter – Billbergia's estimated $500 million acquisition of Han's Group's Sydney Pitt Street development site – dwarfed by last quarter's 55 Pitt Street stake selldown. The Melbourne and Sydney CBDs were the most active markets, comprising 71% of dollar volume, well above their average share over the last ten years of less than 50%. Across the major CBD markets, average prime yields were largely unchanged with only Sydney CBD seeing a negligible softening. This was only the second quarter since market pricing peaked approximately two years ago where national CBD yields expanded by less than 15bps.

Retail

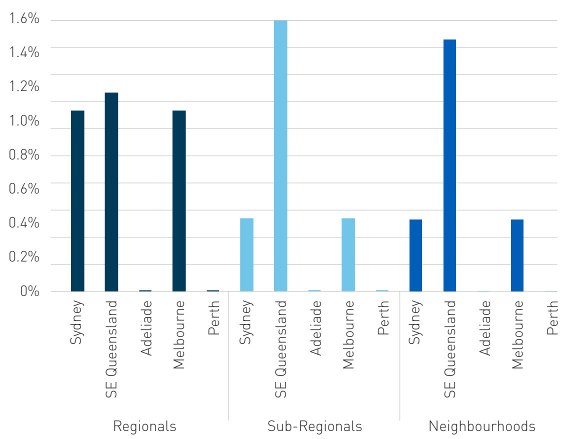
It was a very strong quarter for retail with the core sectors (Regionals/Sub-Regionals/Neighbourhoods) recording weighted net rent growth of +0.7% compared to June. This was the best quarterly result since 2010, in aggregate and for each sub-sector. Regional centres stood tallest delivering growth of +0.9% (QoQ), but the outcomes across Sub-Regionals and Neighbourhoods were also healthy. From a market perspective it was the east coast

> If rates are held steady, the labour market continues to soften, and disinflation resumes its downwards trend, we should see further improvement in capital market liquidity and property transaction activity.

that outperformed. South-East Queensland recorded the strongest core retail growth for the second consecutive quarter, with growth in every sub-sector exceeding +1.0% and the convenience end of the centre type spectrum (Sub-Regionals and Neighbourhoods) performing particularly well. Sydney and Melbourne also recorded solid growth, while Adelaide and Perth were unchanged across the board. Rental growth has been supported by a lack of supply, with stock growth running well below population growth over the last two years.

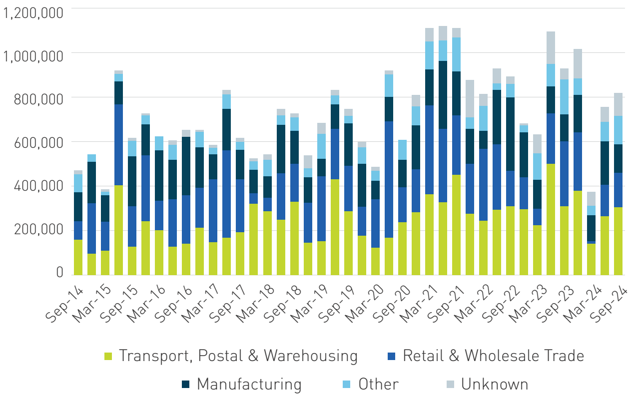
Transaction activity continued to improve, with September dollar volumes totalling $1.9 billion and exceeding the $1.8 billion recorded last quarter. The total was buoyed by Vicinity's $420 million acquisition of the Future Fund's 50% stake in Lakeside Joondalup – a major shopping centre in Perth – in what was the largest deal in a year. Two other Regionals also changed hands in Perth during the quarter, resulting in the highest transaction volume on record for Western Australia. Yields were largely unchanged except for Sydney Neighbourhoods, which recorded 12.5bps of compression. This represents the second quarter of no movement for most centre types and markets, potentially signalling retail asset pricing is starting to stabilise.

Net Rent QoQ Change (excl. Canberra)



Sources: JLL (Sep-24); Cromwell

Gross occupier take-up by industry (sqm)



Sources: JLL (Sep-24); Cromwell

Industrial

Occupier take-up (gross demand) increased on last quarter to total nearly 820k sqm, which is in line with the quarterly average of the past five years. Multiple industries recorded weaker take-up with Manufacturing and Construction (a notably volatile industry) being the main drags. These industries were more than offset by solid growth across Transport & Warehousing, Wholesale Trade, and various smaller tenant industries. The major driver of improved take-up was Brisbane, which recorded its strongest quarter since last year. Adelaide and Perth also recorded solid growth while Sydney and Melbourne were relative drags.

Rental growth remains above the long-term average, despite a weakening of demand relative to supply. The quarterly pace of rental growth slowed across the east coast, but improved in Perth and Adelaide. Perth recorded a sharp acceleration across all three of its precincts, while Adelaide was the top performing market over the quarter, led by rents in the Outer South growing by more than 6%. Melbourne prime rents were unchanged across the board, while Brisbane and Sydney outcomes were mixed – precincts that outperformed in the previous quarter slowed, while those which underperformed saw an acceleration this quarter. Incentives increased in Brisbane, Perth and most Sydney precincts, impacting effective rental growth.

Delivery of supply moderated compared to last quarter but remained elevated versus historical averages, with nearly 750k sqm of new stock completed over the three months to September. Melbourne recorded very little supply after a record level of completions last quarter, outpacing only the much smaller markets of Perth and Adelaide.

Supply continues to be concentrated in a small number of precincts, with a single Sydney precinct (Outer Central West) accounting for more than half of new supply over the quarter. There are currently over 2 million sqm of floorspace under construction and largely due for completion in 2024 and 2025. While extended delivery schedules and solid pre-commitment levels are helping prevent a surge of unleased supply from entering the market, the elevated pipeline of projects will likely continue to push the vacancy rate upwards and dampen the pace of rental growth.

It was a solid quarter of transaction activity, with dollar volumes totalling $2.1b. While Sydney activity fell after three consecutive $1b+ quarters, Melbourne recorded its strongest quarter in history. The result was underpinned by the $600m acquisition of the Austrak Business Park in Melbourne's north, which Aware Super and Barings jointly secured. Yields across every Perth precinct expanded by 25bps, the only movement recorded over the quarter.

Outlook

Global issues are expected to dominate the headlines over the coming quarter. From an economic perspective, escalating conflict in the Middle East may put upwards pressure on oil prices and hence headline inflation. However, the potential impact on underlying inflation is less clear. While consumers would notice some pain at the bowser, higher fuel prices could dampen demand across the economy more broadly. As Australia's largest export market, the impact of economic stimulus in China will also be closely watched. Announcements to date appear unlikely to move the needle significantly, but there is scope for additional policies to be delivered. Finally, the outcome of the election and key data prints (jobs and CPI) in the US could materially shift interest rate expectations and financial conditions in Australia.

Interest rate expectations will remain a key influence on the performance of commercial property. We believe rate cuts will contribute to improved market confidence, support a stabilisation of pricing, and stimulate transaction activity. Other countries such as the US, Canada, New Zealand, and several across Europe, have already started lowering rates. Australia's inflation cycle took hold around six months later than peer markets, and rate cuts are also expected to commence a bit later. A consensus is starting to form across economists, with February being pencilled in for the first rate cut by three of the four major banks. However, it is important to note that the precise timing is uncertain and will be data dependent.

How did the Cromwell Direct Property Fund fare this quarter?

In late August, Cromwell Direct Property Fund completed the sale of 433 Boundary Street, Spring Hill, at a 3.8% premium to its most recent external valuation of $40.0 million. The net proceeds from the sale were used to repay debt, reducing the fund's gearing.

In September, Cromwell Funds Management revalued approximately 28% of the fund's portfolio, resulting in an overall decrease in value of 2.2%. As at 30 September 2024, the portfolio is valued at $554.6 million, with a weighted average capitalisation rate of 7.24%. Despite continued strong growth in rents and increased tenant demand, recent sales evidence has contributed to further cap rate expansion. Major sales in the Brisbane CBD this quarter include the William Buck Centre at 120 Edward Street, and 116 Adelaide Street.

Despite this, the outlook for both Brisbane's CBD and fringe office markets remains positive. Market commentary suggests that while there will likely be some further downward pressure on valuations through the remainder of 2024, yields are finally nearing the bottom of the cycle.

Additionally, new interest rate hedging has been executed this quarter to provide certainty around the fund's largest cost – its interest expense. The fund is now 58% hedged, with a weighted average hedge term of 2.4 years. Variations in interest expense can have a material impact on operating earnings, so minimising the downside risk associated with those movements through the use of interest rate derivatives helps maintain the fund's ability to consistently deliver monthly distributions to investors.

Cromwell's Projects Team remains hard at work on major capex updates, including the finalisation of lift modernisation at 100 Creek Street in Brisbane. This work involves upgrading the equipment and controls for the building's eight lifts. The team is also in the procurement stage for installing a new heating plant at Creek Street.

At the O'Riordan Street asset in Mascot, a new bracketing system is being installed to secure the car park façade panels, with the project currently in the engineering design and development phase. Additionally, the team is progressing with the design for the lobby and end-of-trip facilities, which will enhance the tenant experience and support lease renewals.

At the 420 Flinders Street asset in Townsville, Cromwell continues investigations with engineers into some remediation works on the wet wall. This proactive effort aims to address issues with the shoring wall construction and prevent potential water infiltration. Due to limited access for repairs, this is a complex project, with testing underway to guide the next steps.

CromwellConnect, the new tenant platform, has been successfully rolled out and has been incredibly well received by tenants at Creek Street. The online platform and mobile app allow tenants to stay updated on the latest building news, book meeting rooms, join health and wellbeing sessions, and access local retail offers.

Annual tenant engagement surveys have been completed, with results expected later this month. The information will be included in our annual ESG report, which was released at the end of October.

Altitude Corporate Centre, Mascot NSW

Encouragingly, data from the fund's Altitude Corporate Centre in Mascot shows an 18% reduction in base building electricity consumption over July and August this year, while our Flinders Street property in Townsville saw a 14% reduction. These results are thanks to the newly installed solar infrastructure.

The fund's portfolio currently stands at 95% occupancy, with a weighted average lease expiry of 3.7 years. However, there are leasing deals currently under Heads of Agreement – the stage where terms have been agreed but lease documentation is not yet executed. Accounting for the largest of these agreements – a new seven-year deal across more than 2,100sqm at 545 Queen Street, Brisbane – occupancy improves to 97%.

Across the eight-asset portfolio, there is now only three floors available for lease – one each at Creek and Queen Streets in Brisbane, and one at 95 Grenfell Street in Adelaide.

Read more about the Cromwell Direct Property Fund: **www.cromwell.com.au/dpf**.

LISTED MARKET UPDATE

SEPTEMBER 2024 QUARTER

Stuart Cartledge
Managing Director
Phoenix Portfolios

The S&P/ASX 300 A-REIT Accumulation Index rocketed higher during the September quarter, gaining 14.3%. Property stocks outperformed broader equities in the period, with the S&P/ASX 300 Accumulation Index adding 7.8%. During the quarter most companies in the property sector released their full year financial results to 30 June 2024. The solid results and upbeat outlook statements aided performance. The other (related) factor was the reduction in interest rates over the period. At the end of June, the 10 Year Australian Government Bond yield was 4.4%, however it ended September below 4.0%.

Traditional property fund managers were some of the strongest performers in the September quarter. The earnings of these companies are particularly sensitive to movements in interest rates. At current levels, property funds management product is once again in demand, with yield and expected internal rates of return (IRRs) which are appealing relative to fixed income products. Charter Hall Group (CHC) led the way, gaining 42.8%, as its earnings guidance for the next financial year surpassed the expectations of market participants. Centuria Capital Group (CNI) was also a meaningful outperformer, adding 26.7%, as it was carried by the same positive sentiment that drove CHC higher. Alternatively, Goodman Group (GMG) returned a respectable 6.4%, but underperformed the index as lofty expectations of future earnings growth were not met by the guidance provided at its annual financial result.

Shopping centre owners were also outperformers, as they produced solid results and presented earnings guidance that demonstrated resilience. Operating metrics, such as specialty sales and leasing spreads, did diminish across the year, but some believe that a lower interest rate environment over the medium term and tax cuts in the short term are likely to lead to strong consumer spending and income growth for retail property owners. Vicinity Centres (VCX) was the major outperformer, moving 22.6% higher in the quarter. Scentre Group (SCG) also rose sharply, up 19.7%. The owners of smaller neighbourhood shopping centres saw more muted, but still strong performance, with Charter Hall Retail REIT (CQR) returning 14.9% and Region Group (RGN) lifting 9.0%.

Large capitalisation diversified property owners were also beneficiaries of the renewed enthusiasm from property securities. Stockland (SGP) rose 25.7%, aided by solid operational progress and the prospect of an improving market for the sale of new residential homes and land. GPT Group (GPT) also performed well, up 24.5%, with new CEO Russell Prout outlining his vision for a more capital efficient and higher return on equity (ROE) future for the business. Despite dropping on an underwhelming financial result, Mirvac Group (MGR) more than recouped its losses, finishing the quarter 15.0% higher.

Larger land lease retirement property owners were the major underperformers during the quarter. Lifestyle Communities (LIC) lost 31.8%, as it was the subject of an ABC investigation, which suggested it was taking financial advantage of its customers. It has also been the subject of a short report, questioning its business model. Beyond this, it solely operates in Victoria, which is currently the weakest state in terms of house price growth and new home sales. This combination of factors forced the company to withdraw its sales guidance for the coming years. Ingenia Communities Group (INA) produced a solid financial result, albeit the quality of its earnings has been questioned. It underperformed the index but still lifted 6.5% in the period.

Market outlook

The listed property sector is in good shape and provides investors with the opportunity to gain exposure to high quality commercial real estate at a discount to independently assessed values. While share market volatility may be uncomfortable at times, the offset is liquidity, enabling investors to rebalance portfolios without the risk of being trapped in illiquid vehicles.

Rising interest rates have been a headwind for many asset classes, with property, both listed and unlisted, a particularly interest rate sensitive sector. More recently, interest rates have reduced and strong returns have been seen in property securities. The August reporting season saw stocks providing solid updates, with meaningfully more optimistic outlooks, based on the assumption that interest rates may have peaked and begun to come down. Long-term valuations are driven by "normalised" interest costs, meaning the impact of short-term hedges maturing is mostly immaterial. Should the forecast decline in interest rates eventuate, recent momentum may continue.

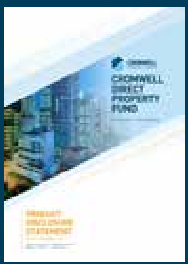
The industrial sub-sector continues to be the most sought after, given the tailwinds of e-commerce growth, the potential onshoring of key manufacturing categories and the decision by many corporates to build some redundancy into supply chains to cope with current disruptions. All of these factors are contributing to ongoing demand for industrial space, which is evident by rapidly accelerating market rents and vacancy rates at historic lows of around 2% in many markets. Strong rental growth has offset capitalisation rate expansion in recent periods resulting in flat valuations and capitalisation rate spreads to government bonds more in line with long-term norms.

We remain cognisant of the structural changes occurring in the retail sector with the growing penetration of online sales and the greater importance of experiential offering inside malls. Recent performance of shopping centre owners has however been strong, with consumers showing resilience and share prices moving sharply higher. It is interesting to note the juxtaposition of very high retail sales figures despite very low levels of consumer confidence, no doubt impacted by rising costs of living. Importantly, we are also now seeing positive re-leasing spreads in shopping centres, indicating strengthening demand from retail tenants.

The jury is still out on exactly how tenants will use office space moving forward, but demand for good quality well located space remains. Leasing activity is beginning to pick up, and there has also been some transactional activity, albeit at prices typically at discounts to book values. Incentives on new leases remain elevated.

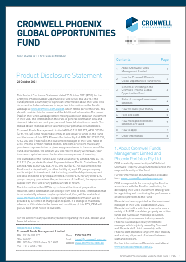
We expect to see further downside to asset values in office markets, but elsewhere expect market rent growth to largely offset cap rate expansion, particularly in industrial assets. Listed pricing provides a buffer to such movements. ■

OPEN FOR INVESTMENT



CROMWELL DIRECT PROPERTY FUND

CROMWELL PHOENIX PROPERTY SECURITIES FUND

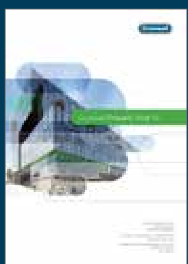


CROMWELL PHOENIX GLOBAL OPPORTUNITIES FUND

CLOSED TO INVESTMENT

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

CROMWELL RIVERPARK TRUST



CROMWELL PROPERTY TRUST 12

CROMWELL PHOENIX OPPORTUNITIES FUND (CLOSED)

QUARTERLY
FUND REPORTS

Investment Report to 30 September 2024

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) and if applicable the target market determination (TMD) issued for that Fund. The disclosure document and TMD 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 30 September 2024 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.

OPEN FOR INVESTMENT

CROMWELL DIRECT PROPERTY FUND

Investment Report to 30 September 2024

The Fund's 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.

Please visit the Fund webpage for the latest performance figures: www.cromwell.com.au/dpf

KEY STATISTICS

as at 30 September 2024

Status	**OPEN**[1]
Unit Price	**$0.7892**[2]
Distribution Yield	**6.02% p.a.**[3]
WALE	**3.8 years**[4]

PERFORMANCE

	1 Year	3 Years	5 Years	Inception (Aug-13)
Fund Performance After fees & costs	(24.6%)	(11.2%)	(3.5%)	3.8%
Benchmark PCA / MSCI Unlisted Retail Property Fund Index (Unfrozen)	(15.7%)	(2.2%)	4.2%	12.1%
Excess Returns After fees & costs	(8.9%)	(8.9%)	(7.7%)	(8.3%)

Past performance is not a reliable indicator of future performance.

FUND UPDATE

- See page 26 for an understanding of what is happening in the commercial real estate market.
- 433 Boundary Street, Spring Hill was sold in August 2024 for a gross sale price of $41.536 million, which represents 3.8% premium to its Dec-2023 external valuation.
- The largest asset (representing 28% of the Fund's total portfolio) was externally revalued in the last quarter, resulting in a Fund asset value decrease of 2.2% from June 2024. Weighted average capitalisation rate was 7.244% as at 30 September 2024.
- The portfolio continues to experience positive leasing outcomes, with its current weighted average lease expiry being 3.8 years and occupancy of 96.9% as at 30 September 2024.
- Since inception, the Fund has delivered an annualised return of 3.8% per annum with 12-month performance of -24.6%. The fund has delivered an annualised income return of 6.0% since inception.

In addition to the footnotes below, please read the important disclaimer at the beginning of the Quarterly Reports section on page 35.

1. When available, withdrawals are limited to monthly. However, redemptions under the Limited Monthly Withdrawal Facility are not currently being offered. See Continuous Disclosure Notices for more details. For further information, see Section 7.4 of the PDS.
2. Unit prices are calculated daily. See the PDS for further information and www.cromwell.com.au/dpf for latest pricing.
3. Based on current distributions of 4.75 cents per unit p.a. as at 30 September 2024.
4. Figures as at 30 September 2024. Calculated on a 'look-through' gross passing income basis.

See **www.cromwell.com.au/dpf** for further information.

OPEN FOR INVESTMENT

CROMWELL PHOENIX PROPERTY SECURITIES FUND ORDINARY UNITS

Investment Report to 30 September 2024

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

Please visit the Fund webpage for the latest performance figures: www.cromwell.com.au/psf

KEY STATISTICS

as at 30 September 2024

Status	**OPEN**[1]
Unit Price	**$1.3443**[2]
Distribution Yield	**N/A**

PERFORMANCE

	1 Year	3 years	5 years	10 years	Inception (Apr-08)
Fund Performance After fees & costs	38.7%	6.2%	5.8%	9.8%	8.6%
Benchmark S&P/ASX 300 A-REIT Accumulation Index	45.9%	8.8%	7.2%	10.5%	6.0%
Excess Returns After fees & costs	(7.2%)	(2.6%)	(1.4%)	(0.7%)	2.6%

Past performance is not a reliable indicator of future performance.

TOP TEN STOCK HOLDINGS[3]

- ABACUS STORAGE KING
- CENTURIA CAPITAL LIMITED
- CENTURIA INDUSTRIAL REIT
- CHARTER HALL GROUP LIMITED
- CHARTER HALL SOCIAL INFRASTRUCTURE REIT
- GENERAL PROPERTY TRUST
- GOODMAN GROUP
- MIRVAC GROUP
- PEET LIMITED
- STOCKLAND LTD

FUND UPDATE

- Since inception in April 2008, the Fund has delivered an annualised return, net of fees, of 8.6%, outperforming the S&P/ASX 300 A-REIT Accumulation Index by 2.6% pa.
- The S&P/ASX 300 A-REIT Accumulation Index delivered a very strong 14.3% return over the quarter, consolidating a 45.9% total return for the year.
- Charter Hall Group and Lendlease Group led performance, up 42.8% and 33.0% respectively.
- Reporting season in August, demonstrated the resilience of the property sector, with some growth starting to reemerge.
- Overweight positions in Charter Hall Group and Lendlease Group added value.
- The Fund's material underweight position in Goodman Group also contributed positively to relative performance.

In addition to the footnotes below, please read the important disclaimer at the beginning of the Quarterly Reports section on page 35.

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 Product Disclosure Statement dated 15 November 2023 (PDS).
2. Unit price as at 30 September 2024. Unit prices are calculated daily. See the PDS for further information and www.cromwell.com.au/psf for latest pricing.
3. As at 30 September 2024. Positions in the Fund are subject to change.

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

OPEN FOR INVESTMENT

CROMWELL PHOENIX GLOBAL OPPORTUNITIES FUND

Investment Report to 30 September 2024

The Fund invests in a portfolio of internationally listed, predominantly small capitalisation securities, which at the time of their acquisition, are considered to be trading at discounts to their observable net asset values (NAVs).

Please visit the Fund webpage for the latest performance figures: www.cromwell.com.au/gof

KEY STATISTICS

as at 30 September 2024

Status	**OPEN**[1]
Unit Price	**$1.4182**[2]
Distributions	**Annually**

PERFORMANCE

	6 Months	1 Year	2 Years	3 Years	Inception (Dec-19)
Fund Performance After fees & costs	8.8%	24.0%	20.6%	9.2%	12.3%
Benchmark Vanguard Total World Stock ETF	2.6%	21.7%	21.1%	9.2%	11.3%
Benchmark MSCI World Microcap AUD	(1.2%)	10.3%	8.8%	(4.3%)	5.1%

Past performance is not a reliable indicator of future performance.

FUND UPDATE

- Since inception nearly 5 years ago (December 2019), the Fund has delivered an annualised return of 12.3% net of fees.
- The Fund delivered a very solid net return of 9.0% over the September 2024 quarter.
- Contributing positively to performance over the quarter were positions in:
    - Sun Corporation (TSE:6736)
    - Compagnie de l'Odet (ENXTPA:ODET)
    - Osaka Steel (TSE:5449)
    - GDS Holdings Limited (NASDAQ:GDS)
- Detracting from performance over the quarter were positions in:
    - Lionsgate Entertainment Corp B Share (NYSE:LGF.B)
    - Japan Petroleum Exploration Co (TSE:1662)

In addition to the footnotes below, please read the important disclaimer at the beginning of the Quarterly Reports section on page 35.

1. Withdrawals cannot be guaranteed and are subject to the assumptions and risks set out in the Product Disclosure Statement dated 26 October 2021 (PDS).
2. Unit prices are calculated monthly. See the PDS for further information and www.cromwell.com.au/gof for latest pricing.

See **www.cromwell.com.au/gof** for further information.

CLOSED TO INVESTMENT

CROMWELL PHOENIX OPPORTUNITIES FUND

Investment Report to 30 September 2024

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.

Please visit the Fund webpage for the latest performance figures: www.cromwell.com.au/pof

KEY STATISTICS

as at 30 September 2024

Status	**CLOSED**
Unit Price	**$2.4439**[1]
Distributions	**Quarterly**

PERFORMANCE

	1 Year	3 years	5 years	Inception (Dec-11)
Fund Performance After fees & costs, inclusive of the value of franking credits	18.8%	8.6%	15.5%	17.8%
Fund Performance After fees & costs, excluding the value of franking credits	17.3%	6.5%	13.3%	15.9%
Benchmark S&P/ASX Small Ordinaries Accumulation Index	18.8%	(0.6%)	4.4%	5.7%

Past performance is not a reliable indicator of future performance.

FUND UPDATE

- Since inception in December 2011, the Fund has delivered an annualised return of 17.8% net of fees and inclusive of franking credits.
- The Fund delivered a materially positive return of 9.1% net of fees and inclusive of franking credits over the September 2024 quarter, broadly in line with the small capitalisation indices which returned 6.5% (Small Ordinaries) and 9.6% (Emerging Companies).
- Positive contributions to the Fund's performance came from positions in St Barbara Limited, Korvest Ltd, CTI Logistics and Pointsbet.
- Negative contributions to the Fund's performance came from positions in Ariadne Australia, Alkane Resources and Mount Gibson Iron.

In addition to the footnotes below, please read the important disclaimer at the beginning of the Quarterly Reports section on page 35.

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1. Unit price as at 30 September 2024. Unit prices are calculated monthly. See the PDS dated 29 September 2017 for further information and www.cromwell.com.au/pof for latest pricing.

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

CLOSED TO INVESTMENT

CROMWELL RIVERPARK TRUST

Investment Report to 30 September 2024

One of the market's best performing unlisted property trusts, the Cromwell Riverpark Trust delivers investors outstanding income and capital returns. The Trust is underpinned by Energex House located at 33 Breakfast Creek Road in Newstead, Queensland.

Please visit the Fund webpage for the latest performance figures: www.cromwell.com.au/crt

KEY STATISTICS

as at 30 September 2024

Status	**CLOSED**
Unit Price	**$1.57**
Distribution	**7.79% p.a.**
WALE	**5.6 years[1]**

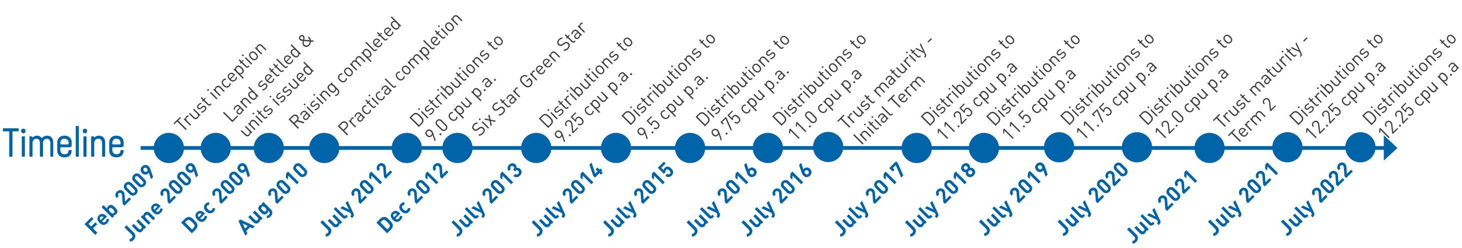
PERFORMANCE

	1 Year	3 Years	5 Years	7 Years	Inception (July-09)
Trust Performance After fees & costs	(20.2%)	(8.4%)	0.8%	3.5%	10.4%

Past performance is not a reliable indicator of future performance.

TRUST UPDATE

- See page 26 for an understanding of what is happening in the commercial real estate market.
- On 30 July 2024, an update on the timing of a sale of the Trust's Property was provided and notice was given that a proposal to extend the Trust's term to 31 December 2026 is to be voted on by unitholders.
- The asset remains 100% occupied, with a weighted average lease expiry of 5.6 years as at 30 September 2024.
- The Trust's unit price was $1.57 as at 30 September 2024.
- Since inception, the Trust has delivered an annualised return of 10.4% per annum.



In addition to the footnotes below, please read the important disclaimer at the beginning of the Quarterly Reports section on page 35.

1. As at 30 September 2024. Calculated by gross income.
2. Changes to MSCI's methodology for Benchmark performance reporting has resulted in an index start date that falls post the inception date of the Trust, consequently Benchmark comparison data is no longer available for the period since inception.

See the Product Disclosure Statement dated 25 February 2009 (PDS) and the Supplementary Product Disclosure Statement dated 30 June 2009 (SPDS).

See **www.cromwell.com.au/crt** for further information.

CLOSED TO INVESTMENT

CROMWELL PROPERTY TRUST 12

Investment Report to 30 September 2024

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. Now in its second term, the Trust is underpinned by a single asset located at 19 George Street, Dandenong.

Please visit the Fund webpage for the latest performance figures: www.cromwell.com.au/c12

KEY STATISTICS

as at 30 September 2024

Status	**CLOSED**
Unit Price	**$0.76**
Distribution Yield	**8.59% p.a.**
WALE	**5.8 years[1]**

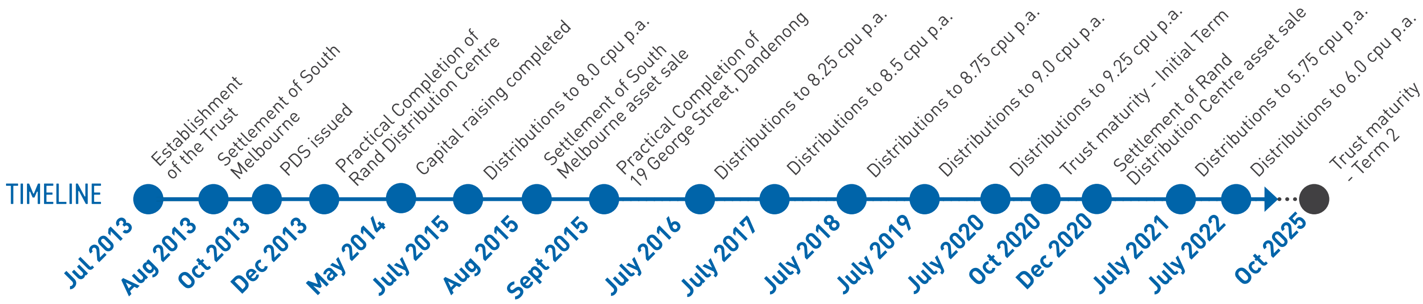
PERFORMANCE

	1 Year	3 Years	5 Years	7 Years	Inception (Oct-13)
Trust Performance After fees & costs	(19.2%)	(0.8%)	4.2%	6.3%	9.6%
Benchmark PCA / MSCI Australia Unlisted Retail Quarterly Property Fund Index (Unfrozen)	(15.7%)	(2.2%)	4.2%	6.6%	12.0%
Excess Returns After fees and costs	(3.5%)	1.4%	(0.1%)	(0.3%)	(2.4%)

Past performance is not a reliable indicator of future performance.

FUND UPDATE

- See page 26 for an understanding of what is happening in the commercial real estate market.
- The asset remains 99.3% occupied, with a weighted average lease expiry of 5.8 years as at 30 September 2024.
- The Trust's unit price was $0.76 as at 30 September 2024.
- Distribution rate is 6.50 cents per unit for the financial year 2025, reflecting an income yield of 8.6% based on the unit price as at 30 September 2024.
- Since inception, the Trust has delivered an annualised return of 9.6% per annum.



In addition to the footnotes below, please read the important disclaimer at the beginning of the Quarterly Reports section on page 35.

1. As at 30 September 2024. Calculated by gross income.

See the Product Disclosure Statement dated 29 October 2013 (PDS).

See **www.cromwell.com.au/c12** for further information.

CROMWELL PROPERTY GROUP QUARTERLY SNAPSHOT

Cromwell Property Group (ASX:CMW) is a real estate investor and funds manager with $11.0 billion of assets under management in Australia, New Zealand and Europe, with a market capitalisation of approximately $1.0 billion at 30 June 2024.

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

22 July 2024	Valuations Update
13 August 2024	Details of FY24 Results Briefing
29 August 2024	Appendix 4E and 2024 Full Year Accounts
29 August 2024	FY24 Results Annoucement
29 August 2024	FY24 Results Presentation
3 September 2024	Revised Securities Trading Policy
20 September 2024	Dividend/Distribution - CMW
26 September 2024	Appendix 4G 2024
26 September 2024	Annual Report 2024
27 September 2024	Change in substantial holding
30 September 2024	Cromwell Property Group AGM 2024 Details

Key Events Calendar

Friday 15 November	September 2024 quarter distribution payment date
Friday 29 November	2024 Annual General Meeting
Monday 30 December	December 2024 quarter distribution ex date (tentative)
Tuesday 31 December	December 2024 quarter distribution record date (tentative)

For further information, speak to your broker or visit www.cromwellpropertygroup.com

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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