CROMWELL HEALTHCARE

PROPERTY FUND

SUMMARY OF INFORMATION

**Please note this is NOT a Statement of Advice (SoA) and should not be used as such.  Rather it contains information which may assist an adviser to prepare a hypothetical recommendation for an investment in the Cromwell Healthcare Property Fund (Cromwell HPF) and is, accordingly, provided as an information document to assist financial advisers in preparing their own SoA.**

**Please refer to your licensee for appropriate SoA templates in which to insert this information. Advisers or their licensee should obtain their own legal advice as to the content requirements of the SoA.**

**This document is provided for the use of licensed financial advisers only.  It does not consider the investment objectives, financial position, or particular needs of a particular investor. A recommendation should only be made by an adviser who has considered and determined the relevant personal circumstances of their client and who forms a reasonably held view that the Cromwell HPF meets their client’s goals and objectives and so is appropriate for them. This document is not intended to illustrate the giving of suitable or best advice.**

**Should a recommendation be made, applications can only be made on the Application Form for the Cromwell HPF.  Any potential investor should consider the terms of the PDS and TMD for the Fund in deciding whether to invest in the Cromwell HPF.**

**Current Application Forms, PDS and TMD are available on our website at: www.cromwell.com.au/chpf.**

1. Basis of Recommendation

It is recommended that an investment of <$xxx> be made to subscribe for units in the Cromwell Healthcare Property Fund (Cromwell HPF or Fund) as we believe it meets your goals and objectives by <insert how recommendations will meet client’s objectives>.

The Fund is a closed-ended, unlisted property fund with investors anticipated to be invested for 5 to 7 years. The Manager and Responsible Entity of the Cromwell HPF is Cromwell Funds Management Limited ABN 62 114 782 777 (CFM). CFM is a wholly owned subsidiary of Cromwell Corporation Limited, which is part of the Cromwell Property Group (ASX: CMW), a Real Estate Investment Manager with a track record of delivering superior long-term performance through a disciplined and diligent approach to managing property and investors’ funds.

As at 31 December 2023 Cromwell had a market capitalisation of $1.14 billion, a direct property investment portfolio in Australia valued at $2.4 billion, and total assets under management of $11.4 billion across Australia, New Zealand, and Europe.

The Fund is acquiring, for $42 million, a 100% freehold interest in a two-level medical facility located at 16 Playford Boulevard, Elizabeth, SA, known as GP Plus Health Care Centre Elizabeth. The Property is 100% occupied with a weighted average lease expiry (WALE) of 6.1 years (as at 31 July 2024) with the tenant having the option to renew the lease for two further terms of five years each. The single tenant for the whole asset is the Adelaide Health Service Incorporated, a South Australian Government healthcare operator.

GP Plus Health Care Centre Elizabeth was purpose built and completed for SA Health in 2010 to provide primary health care, outpatient, and allied health services to the northern suburbs of Adelaide. GP Plus Health Care Centre is expected to achieve:

* + - increased equity of access to health services;
    - decreased number of patients requiring referral to hospital;
    - increased availability of minor injury services at a community level;
    - delivery of services closer to home;
    - increased use of self-management programs;
    - increased early detection of health status risk factors;
    - early intervention in the management of risk factors affecting the health of an individual; and
    - improved management of chronic conditions.

The medical centre is a net lettable area of 4,319 sqm with consulting suites for general practice, dental, physiotherapy, podiatry, family consult rooms, medical imaging and x-ray, mammography, minor procedures, plaster procedures and a specialist collection room.

A large site of 11,720 sqm in the civic heart of Elizabeth, on the edge of the regional shopping centre – Elizabeth City Centre – it provides car parking for 186 cars and offers expansion potential subject to tenant requirements and council approvals.

The initial term of the Fund is a minimum of five (5) years from the Issue Date. Investors must accept the risk that the Fund will be illiquid, with no redemption facility or secondary market available during the initial term and that their total return depends on the performance of the sole Asset of the Fund.

The purchase of the Property is intended to be funded by an equity raising of approximately $28 million with the balance to be satisfied through debt, resulting in an initial loan to value ratio (LVR) of 38% on gross assets at settlement. The Fund will have a draw down limit on the initial facility of 40% LVR. Pro-forma net tangible assets per unit is forecast to be $0.96 at settlement of the Property.

The Responsible Entity expects to make distributions on a monthly basis. Distributions will be paid by electronic transfer typically within 15 days of the end of each month.

The objective of the Fund is to provide Unitholders with a distribution yield on Issue Price starting at 7% per annum with the potential for capital growth over the period of investment.

The Fund has been given a Recommended rating from Core Property research.

Further information on the Fund is included in this document under “The Offer” heading.

[Note to advisers: please ensure that you have also considered alternative strategies, products, and any consequences of replacing existing products – refer to your SoA template for full recommendation instructions in relation to what else must be addressed when completing recommendations. Further, please consider whether the level of diversification in your client’s portfolio remains appropriate after any investment in the Cromwell HPF]

1. Offer Information

## The Offer

The Manager and Responsible Entity of the Cromwell HPF is Cromwell Funds Management Limited ABN 63 114 782 777 (AFS Licence No 333214).

The Australian healthcare sector is an essential service with demand growing with Australia’s population growth (leader for developed countries) and an ageing population. Property that provides space for medical services has potential to benefit from this demand. CFM is launching this fund targeting this opportunity. Cromwell HPF aims to provide investors with an average income distribution for the initial 5 years of over 7% per annum with the potential for capital growth from the underlying asset, a medical centre located in North Adelaide. Cromwell has been attracted to the Property by the following features:

* + - the quality of the single tenant (a South Australian government healthcare operator);
    - 100% occupancy;
    - 6.1 years of contracted rental income, expected to provide regular income distributions;
    - purchase price compares well to recent comparable transactions;
    - purchase price below Cromwell’s estimated replacement cost;
    - essential health services being provided to the community from the facility;
    - located in a potential future population growth area for Adelaide;
    - located in the town centre within close proximity to a large regional shopping centre and other essential services; and
    - future expansion potential to accommodate tenant growth.

## Structure

The Fund is a closed-ended registered Managed Investment Scheme investing in a single property.

The minimum investment amount is $10,000 with units issued at $1.00 per unit (Issue Price).

The Fund will be open to applications until 24 July 2024. The Responsible Entity reserves the right to extend the offer or close the offer early.

Units under this offer are expected to be issued when the minimum subscription amount of $27,757,000 is achieved.

The Investment Term will commence from the date Units are issued in the Fund in accordance with the PDS.

The initial term of the Fund is a minimum of five years. If the Property is not sold, or a sales process commenced, prior to the seventh anniversary, the term of the Fund may be extended by a special resolution of Unitholders. While it is not the intention of the Responsible Entity, the Property may be sold before the end of the term of the Fund, but only if the Responsible Entity considers it to be in the best interests of Unitholders.

## The Investment

Cromwell HPF is a healthcare property investment opportunity expected to deliver monthly income with the potential for capital growth.

Performance Drivers

Tenant quality and 100% occupancy

* + - The Property is leased to a single tenant being a healthcare operator of the South Australian Government which has a Fitch credit rating of AA+.

Strategic location:

* + - The Property is located in the fastest growing region in South Australia (Outer North) with total population growth of 2.8% p.a. projected from 2021-31.
    - Growth in the age segment of 65+ is projected to be 4.3% p.a. from 2021-31, with this age demographic expected to support demand for health services.
    - Located near a key regional hospital and community support amenities including educational, aged care and recreational facilities.
    - Part of an essential services cluster, adjacent to a large regional shopping centre.
    - Easily accessible from several arterial roads, rail, and bus hub with 186 on site car parks.

Attractive purchase price:

* + - The passing yield of the Property (7.2%) is higher than seven comparable medical facility assets (average of 5.9%) which have traded in the period since October 2021.
    - Cromwell estimates the cost to develop an equivalent building at the site is materially higher than the purchase price.

Facility is aligned to Government Health Policy:

* + - Essential outpatient services complement nearby major hospitals, addressing primary and allied health needs.

The PDS includes a section on “ASIC Disclosure Principles and Benchmarks” and CFM will periodically provide updates on the benchmarks at [www.cromwell.com.au/chpf](http://www.cromwell.com.au/chpf).

The Target Market Determination (TMD) should be used as a guide to clarify whether your clients are suitable for this Fund. The TMD should be read in conjunction with the PDS. The TMD is also available online at [www.cromwell.com.au/chpf](http://www.cromwell.com.au/chpf).

## Distributions

The Responsible Entity expects to make distributions monthly. The Responsible Entity is forecasting distributions (as measured against the Issue Price) of 7% per annum (annualised) to the first financial period of the Fund ending 30 June 2025 and 7% in respect the financial year ending 30 June 2026. The Fund aims to provide Unitholders with an average income distribution for the initial 5 years of over 7% per annum.

## Manager (Responsible Entity)

CFM is a wholly owned subsidiary of Cromwell Corporation Limited, part of the Cromwell Property Group. CFM aims to provide investors with investment products which deliver attractive returns through professionally selected and managed property investments.

The directors and senior executives of CFM, and the Cromwell Property Group, have a diverse background and wide variety of skills and experience in the creation and management of direct property investments. These skills include areas such as contract negotiation, due diligence, valuation, financial and credit analysis, loan structuring, property law, commercial real estate, funds and asset management, accountancy and development management.

## Borrowing Policy

The purchase of the Property will be partly funded by borrowings which will be secured against the Property and the Fund’s assets. The Responsible Entity has and complies with a borrowing policy for the Fund which outlines the level of gearing and interest cover the Fund expects to maintain.

Under the borrowing policy, once borrowings are in place, the Fund does not intend to undertake any additional borrowing which would increase the gearing ratio of the Fund above a 50% LVR. The Responsible Entity will seek to maintain the Interest Cover Ratio above 1.5 times.

## Investment Risk

An investment in the Fund is subject to various risks. These risks have been outlined in the Product Disclosure Statement (PDS) and have been separated into specific investment risks and general risks. If these risks eventuate, they may result in reduced distributions and/or loss of some or all of the capital value of an investment in the Fund. Distributions and return of your capital are not guaranteed.

The Responsible Entity aims to manage these risks. However, risks cannot be avoided altogether, and some risks are completely outside the control of the Responsible Entity.

A potential investor should consider the risks, and their attitude towards risk in general, when considering an investment in the Fund. The entire PDS should be read and considered.

**<This may be supplemented by commentary about the investor’s specific circumstances, and how an investment in Cromwell Healthcare Property Fund meets the client’s portfolio diversification requirements.>**