INSIGHT
MAGAZINE

WHAT'S COMING FOR COMMERCIAL PROPERTY IN 2025?

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CROMWELL PROPERTY GROUP

About Cromwell

Cromwell Property Group (ASX:CMW) is a real estate investor and funds manager with A$4.5 billion of assets under management in Australia and New Zealand.

Cromwell is a trusted capital partner and fund manager to a range of global and local investors, capital providers and banking partners and has a strong track record of creating value and delivering superior risk-adjusted returns throughout the real estate investment cycle.

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.

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EDITION 49

Welcome to the latest edition of Insight Magazine.

In this edition, we explore the evolution of the office workpace, three years post-COVID lockdowns. We examine the future of commercial property in 2025 with insights from Cromwell's Research Manager and Investment Strategy Manager Colin Mackay. Additionally, we explore Phoenix Portfolios analysis of DigiCo REIT and celebrate a significant milestone for our Phoenix Portfolios Global Opportunities Fund, marking five years since its inception.

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.

LATEST NEWS

Cromwell completes sale of European Funds Management platform

Cromwell has completed the sale of its European funds management platform and associated co-investments to Stoneweg SA Group for €280 million / $457 million.

Initially announced in May 2024, the transaction covers all components of Cromwell's European business, including the 50% interest in Cromwell Italy Urban Logistics Fund and the 27.8% interest in Cromwell European REIT. The strategic move is consistent with the Group's commitment to simplify the business.

The exit from the European business allows Cromwell to concentrate on its core competencies in Australia and New Zealand and positions the platform for future growth.

Modernisation and upgrades at 100 Creek Street, Brisbane

Although the thought of warmth might not be appealing right now, given the recent scorching temperatures in Brisbane, we are pleased to announce the completion of our heating upgrade at 100 Creek Street. Tenants can look forward to a cozy and comfortable environment this winter.

This upgrade follows our recent lift modernisation at 100 Creek Street. The new motors offer impressive energy savings of 55% compared to the older ones and regenerate 35% of the power used, feeding it back into the building grid. This initiative not only provides significant environmental benefits but also helps reduce energy costs, which is especially important with rising energy prices.

PCA Committee appointments

Cromwell is pleased to announce our ongoing, active participation in the Property Council of Australia Committees for 2025/26.

We are committed to championing strong advocacy for the property industry, driving positive change, and fostering growth. Together, we will address key challenges and seize opportunities to shape a vibrant and resilient future for the sector.

Cromwell wins Best Sustainable Finance Deal award

We are pleased to announce that Cromwell has been awarded the Best Sustainable Finance Deal for Australia/New Zealand 2024 by FinanceAsia.

FinanceAsia's annual Achievement Awards celebrate excellence across Asia's financial markets, recognising the outstanding achievements of key players in the Asia Pacific and the Middle East. This prestigious award highlights Cromwell's dedication to sustainability and innovation in finance.

Cromwell won the award for our multi-bank, $1.2 billion Green and Sustainably Linked Loan, which is uniquely aligned with both the Asia Pacific Loan Market Association Green Loan Principles and Sustainability Linked Loan Principles. The loan includes ambitious targets to reduce emissions and our gender pay gap, underscoring our commitment to these critical issues as part of our broader Environmental, Social, and Governance Policy.

Cromwell half year financial results

Cromwell will hold its HY25 financial results briefing on Thursday 27 February 2025. Cromwell invites investors to attend the online briefing, hosted by Chief Executive Officer Jonathan Callaghan and other members of the Cromwell team.

The briefing will commence at 10am AEDT (Sydney/Melbourne).

Pre-register via the Cromwell website:
https://www.cromwellpropertygroup.com/hy25-results

Cromwell Phoenix Global Opportunities Fund webinar

As the Cromwell Phoenix Global Opportunities Fund celebrated its five-year anniversary, Cromwell Funds Management and the fund's Investment Manager Phoenix Portfolios recently hosted a webinar to provide insights into the fund's journey and performance.

During the session, Portfolio Manager Jordan Lipson discussed the fund's investment strategy, market opportunities, and outlook. By focusing on small, often overlooked global equities, the fund has delivered an annualised return of 13.5%[1], outperforming market benchmarks through expert insights and strategic investments across diverse global sectors. Thank you to everyone who attended the webinar.

For more information about the Cromwell Phoenix Global Opportunities Fund, please visit **cromwell.com.au/gof** or contact Cromwell's Investor Services Team at 1300 268 078.

1. As at 31 December 2024, after fees and costs. Past performance is not a reliable indicator of future performance.

THREE YEARS AFTER COVID LOCKDOWNS: THE EVOLUTION OF THE OFFICE WORKPLACE

Late 2021 saw the last of the COVID-19 lockdowns in Australia, specifically, Melbourne, which experienced some of the longest lockdowns globally, ended its final major lockdown on 22 October 2021. Just over three years later, what does the landscape of working from home (WFH) and subsequent office workplaces look like in Australia?

The evolution of WFH

The demand for workplace flexibility has been growing since 2015, but the COVID-19 pandemic acted as a catalyst, accelerating this trend. According to the Australian Bureau of Statistics[1], 36% of employees regularly worked from home in August 2024, slightly down from 37% in 2023 and 40% in 2021. To put those figures into context, pre-COVID-19 levels were around 30-32%.

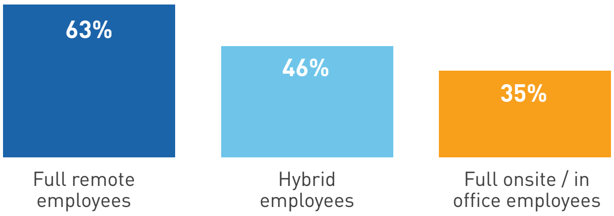
The main reasons for working from home in 2024 were flexibility (25%), operating a home-based business (23%), catching up on work after hours (21%) and saving money/spending less time commuting (12%). Interestingly, there is no consensus on the optimal number of days to work from home; older generations tend to prefer more time in the office compared to Millennials and Generation X. A 2024 Wellness at Work study[2] by Australian HR platform Employment Hero found people who spent more time WFH improved their work-life balance and mental health. 73% of professionals believe all companies should offer flexible work options to employees[3].

Employers may have a different view.

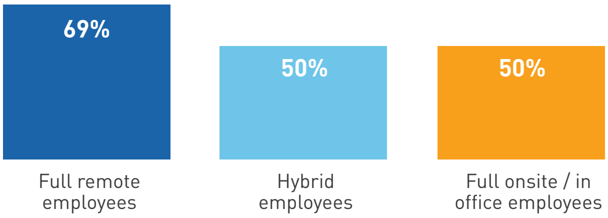
The KPMG 2024 CEO Outlook[4], published in November 2024, revealed that 83% of the 1,325 CEOs surveyed expect a full return to the office by 2027. This marks a significant increase from the 64% who held this expectation in 2023.

1. Working arrangements, Australian Bureau of Statistics (Aug-24)
2. Wellness at Work Report, Employment Hero (2024)
3. Have the Rules of Etiquette Changed in Today's World of Work?, Deel (Nov-24)
4. KPMG 2024 CEO Outlook: Top CEOs see through global turbulence by betting big on AI, KPMG (2024)

Percentage of people who stated their overall work-life balance was above average



Percentage of people who stated they were happy with their overall mental health



Source: ABS

Again, this expectation only increases with age, as indicated in the chart below.

In late 2024, several organisations mandated a return to the office. For instance, Amazon requires employees to work from the office five days a week starting 2 January 2025, to enhance collaboration and company culture. Dell increased its office mandate from three to five days a week in September 2024, citing productivity and collaboration as key reasons. Flight Centre and Tabcorp also mandated full-time office work to foster a "winning culture." The public sector is following suit, with the NSW Premier's department directing public servants to primarily work from the office.

Many CEOs plan to reward employees who return to the office with favorable assignments, raises, or promotions[4]. However, some employees prefer the convenience of working from home, even if it results in fewer promotions.

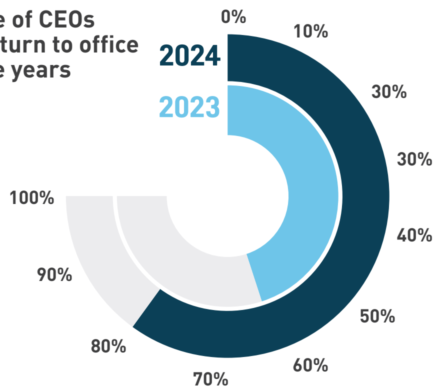
A survey by Deel found that 45% of respondents would consider taking a pay cut for a fully remote job, and 75% of individuals under the age of 54 indicated they would leave their job if flexible work options were not available[5].

Clearly, there is a significant gap between employees' preferences and employers' willingness to support remote work. As this tension continues, it becomes increasingly important for employers to create office environments that attract employees. So, what does the optimal modern office look like?

The optimal modern office

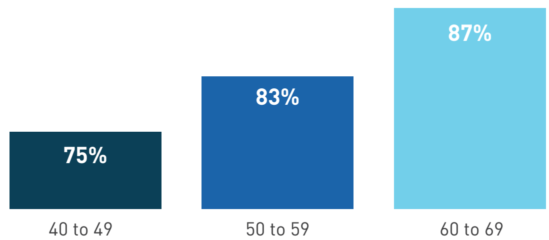
- **Location and surrounding amenities** – As employers strive to lure their employees back into the office, factors such as office location, commute time, and access to public transport have become critical. Local amenities like cafes, bars, and restaurants also play a significant role in attracting employees.
- **Adaptable workplace design** – Flexible, multi-use spaces are essential, including dedicated areas for individual online meetings and focused work. This adaptability supports various work styles and needs.
- **Social and collaboration spaces** – With collaboration being a key reason for bringing people back to the office, spaces that facilitate in-person collaboration and informal social interactions are a must.
- **Office technology** – High-quality video conferencing tools, reliable Wi-Fi, and collaborative software such as apps, which inform when colleagues will be in the office, are essential to support seamless communication between remote and in-office employees.
- **Health and wellness** – Environmental features like natural light and better air quality now rank highly. Incorporating wellness rooms, fitness areas, and ergonomic furniture can enhance employee well-being and productivity.

Overall percentage of CEOs predicting a full return to office over the next three years



Source: KPMG 2024 CEO Outlook

Generational difference on the back to office debate



5. Changing patterns of work, Australian Institute of Health and Welfare (Sep-23)

ADAPTING TO MEET THE NEEDS OF THE MARKET - SNAPSHOT OF A CROMWELL OFFICE ASSET

Since acquiring 207 Kent Street in 2013, Cromwell has continuously adapted the property to align with tenant needs. Our integrated property management model ensures that we manage properties in accordance with our investors' interests while meeting tenant expectations. Regular market analysis and tenant engagement inform strategic enhancements that maximise occupancy, satisfaction, and income potential.

- **Adaptable workplace design** – Early on, we recognised that the COVID-19 work from home experience would permanently alter tenant expectations and office space use. On Level 14, we faced a challenging floor plate shape, which required innovative thinking to redesign the space for post-pandemic needs. At that time, few tenants had witnessed or understood what an optimal post-COVID workspace would entail. To aid decision-making, prospective tenants needed to see a modern fit-out showcasing flexible multipurpose zones, open collaboration areas, workspace options, breakout entertainment areas, retreat spaces, and smart IT connectivity.

  By providing designers with a reverse brief and budget, we met these requirements and illustrated what an optimised space could look like. This effort resulted in a new 5-year full-floor lease with ERM, signed just four weeks after practical completion. Since then, we have modernised several other fit-outs in the building, achieving positive leasing outcomes.

- **Social and collaboration spaces for tenants** – Recently, we repurposed a previously underutilised and challenging-to-lease area on Level 6, transforming it into a versatile third space for tenants. This area now includes a fully equipped kitchen, breakout areas, a business lounge, and two multifunctional and configurable rooms available for use by all building occupants.

Another key area for socialising and collaboration is the lobby, which has seen continuous enhancements over the years. The latest upgrade transforms it into a vibrant entry space that offers a sophisticated yet welcoming first impression.

Designed to be functional for both tenants and visitors, the lobby features enhanced wayfinding, various seating configurations to accommodate different needs, and local Indigenous artwork, including a stunning 5m x 10m piece by a Gadigal artist.

Lobby upgrade

BEFORE

AFTER

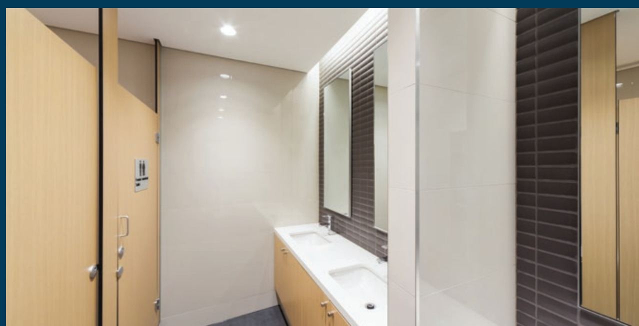
- **Location and amenity** -The 20-level A-grade property occupies a premium position overlooking Darling Harbour and is adjacent to Sydney's Barangaroo office precinct, Australia's new hub for global financial and professional services. It is a short 5-minute walk from Wynyard Station via Wynyard Walk and is close to bus and ferry services.

Office fitouts, Level 7 and 22

- **Health and wellness** – Cromwell has adapted the end-of-trip facilities at 207 Kent Street to cater to the increasing number of tenants who prefer to ride or walk to work or seek a quick workout during lunch. We transformed a dated, dark end-of-trip (EOT) facility on Level 5 into a bright, inviting space for daily use. The upgraded facility now boasts doubled amenities and, through innovative design solutions, improved energy-efficient lighting and high-quality ventilation. These enhancements have resulted in high tenant satisfaction and positive feedback from leasing agents and prospective tenants.

End-of-trip facilities

BEFORE



AFTER

What do changes in working patterns mean for office landlords?

Growth in occupied space

The increase in workers returning to the office is contributing to improved conditions in the office property market and a more stable environment. Our December quarterly update for direct property highlighted another positive quarter for office space fundamentals. JLL Research data shows over 30,000 sqm of positive net absorption was recorded across major CBD markets, taking the total to over 160,000 sqm for 2024. This marks the strongest year for net demand since 2019.

Tenants shifting space requirements.

CBRE Research[6] analysed around 880 leasing decisions in Australia since 2021 to understand office tenant behavior. In 2024, smaller tenants continued to expand due to increasing headcounts and the need for collaborative spaces. Larger tenants, however, have been contracting their footprints due to hybrid work models, though this trend is slowing. By early 2024, the contraction rate for spaces over 3,000 sqm decreased to 13% from 21% in 2023. Tenants with 1,000 to 3,000 sqm spaces have shifted to a 5% growth in 2024, compared to a -1% average in 2023. This indicates that many larger tenants have already "right-sized" their spaces to match the number of in-office employees, ensuring efficient space utilisation.

Third space at 207 Kent Street

Diverging performance

Not all buildings have the location and amenity benefits tenants are seeking, or the physical attributes (e.g. layout/size) necessary to provide a variety of flexible spaces including wellness facilities. As tenants exercise their power of choice, assets with the right ingredients are outperforming those that are unable to evolve in line with shifting preferences. The widening gap between 'winners' and 'losers' is evident across all office segments, from B Grade to Premium.

The ability to drive outperformance through expert asset management has also intensified. Shifts in tenant preferences and regulatory requirements are occurring faster than before, requiring an active approach to ownership which stands out from the pack and underpins leasing success.

Conclusion

The post-COVID office landscape in Australia has undergone a significant transformation, driven by evolving employee preferences and employer expectations. While remote work remains popular, with many employees valuing flexibility and improved work-life balance, a notable shift towards hybrid and in-office work is evident. Employers are increasingly mandating office returns to foster collaboration and company culture, despite some resistance from employees.

The optimal modern office now prioritises location, adaptable design, social and collaboration spaces, advanced technology, and health and wellness features. These elements are crucial in attracting and retaining talent, ensuring productivity, and maintaining high occupancy rates.

For office landlords, the return of workers to offices is stabilising the market, with positive net absorption figures and a trend towards upgraded premises. Improved demand is flowing to assets that have evolved in line with shifting preferences, resulting in a performance gap between the haves and have nots. Economic conditions, including lower inflation and anticipated interest rate cuts, are expected to support leasing demand and capital growth.

As the workplace continues to evolve, the ability to adapt and meet tenants' changing needs will be key to success in the commercial property market.

6. CBRE Research - Australian Office, CBRE (Q3-2024)

FY25 TENANT SATISFACTION SURVEY - A CLOSER LOOK

The annual tenant satisfaction survey, conducted by independent agency Future Forma, enables Cromwell to continuously enhance the workplace experience for tenants and align with market trends.

From the latest survey, results highlight that location, quality of amenities, and occupant health, comfort, and productivity remain top priorities for tenants. Additionally, health and wellbeing continue to be the most valued engagement activities, with 78% of tenants emphasizing their importance as well as ESG being a factor for future lease requirements.

This survey underscores Cromwell's commitment to an adaptable and efficient workplace environment, tenant satisfaction and retention, and future income.

OVERALL PERFORMANCE

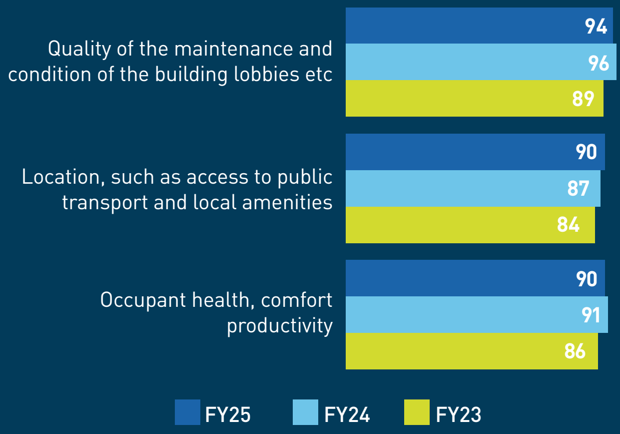
Overall tenant satisfaction score of 89%

1.4% increase on FY24

8.9% increase above the Tenant Satisfaction Index (TSI)

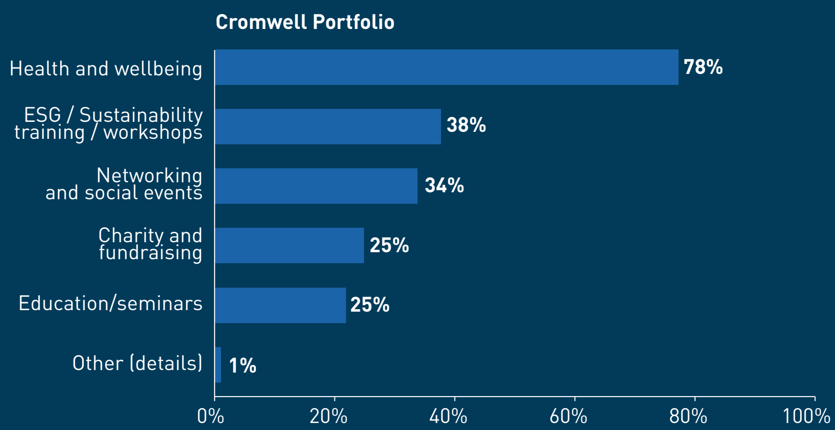
TENANT PREFERENCE

How important are each of the following to your organisation and its occupancy of the building?



ENGAGEMENT

What are the most important engagement activities for your organisation and its staff?



WORKPLACE

78%

of respondents believe the building is *likely / highly likely* to meet their requirements in three years' time

ESG

61% **of respondents rate ESG as *important / very important* in their organisations decision to lease.**

44% **are currently *new zero, have set a net zero target or considering net zero***

*Tenant Satisfaction Index (TSI) comprises of 350+ investment grade office building surveys throughout Australia.

STOCK IN FOCUS

Stuart Cartledge
Managing Director
Phoenix Portfolios

DIGICO REIT - THE HOTTEST INITIAL PUBLIC OFFERING FOR SEVERAL YEARS

Phoenix was peppered with questions about DigiCo REIT (DGT) in the lead up to the stock's Initial Public Offering (IPO). This article provides a high-level explanation of the demand and supply characteristics of the data centre market along with some comments on DGT specifically and ultimately why we chose not to invest in the IPO.

Industry background

The data centre industry is a critical backbone of the global digital economy, enabling the storage, processing, and dissemination of data across businesses, governments, and individuals. The sector has experienced rapid growth over the past decade, driven by technological advancements, the proliferation of cloud computing, and the increasing importance of data-driven decision-making across industries.

Key demand drivers include:

- **Cloud computing and SaaS:** Cloud computing adoption continues to soar, with enterprises migrating workloads to the cloud for scalability and cost-efficiency. Platforms offering Software-as-a-Service (SaaS), such as Microsoft 365 and Salesforce, rely heavily on data centres.
- **5G and IoT:** The rollout of 5G and the growth of Internet of Things (IoT) devices generate unprecedented data volumes, necessitating scalable and reliable data storage solutions.
- **Artificial Intelligence (AI) and Machine Learning (ML):** AI and ML require significant computational power, leading to increased demand for high-performance data centres equipped with GPUs and specialised hardware.
- **Digital transformation:** Businesses across all sectors are investing in digital tools and platforms, further boosting the need for robust data infrastructure.

On a conference call in December 2024 with US based Digital Realty, the company described demand growth "greater than anything we've ever seen before" and went on to explain how they've moved from addressing the need for "growth in the cloud" to "enterprise digital transformation" to a current situation where Artificial Intelligence is accounting for approximately 50% of new bookings.

While all forecasts in this space need to be considered carefully, the chart adjacent provides an indication of potential growth. Supply is being added rapidly, albeit, the physical requirements of land, buildings, IT infrastructure and power can sometimes lag demand. In broad terms, the supply landscape comprises:

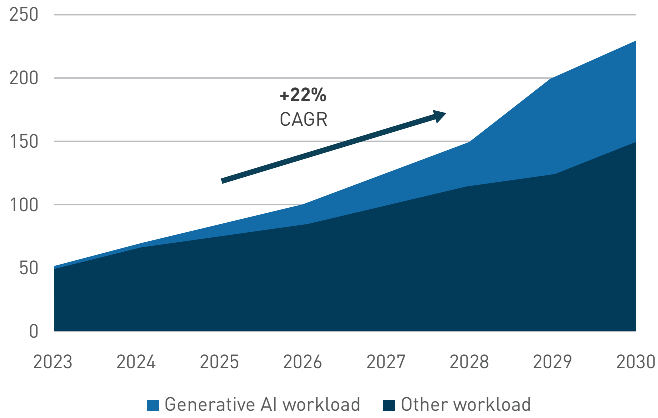
- **Hyperscalers:** Technology giants such as Amazon (AWS), Microsoft (Azure), and Google (GCP) dominate the hyperscale market. These companies continue to invest heavily in expanding their global network of data centres.
- **Colocation services:** Colocation providers, such as Equinix and Digital Realty, are also experiencing high demand as enterprises seek hybrid solutions that combine on-premises and cloud storage.
- **Enterprise data centres:** Large organisations such as banks and government, may own and operate their own data centres, specifically tailored to their needs.
- **Edge centres:** For certain uses, it is important that data centres are close to end users, helping latency. Edge centres are closely located to end users, but tend to be smaller in scale.

What is DigiCo REIT?

DGT is a newly established, ASX-listed Real Estate Investment Trust that seeks to own, operate and develop data centres. Initially focused on Australia and the USA. The trust has a global mandate and an equally broad strategic focus, looking for exposure across stabilised assets, value-add, and development opportunities.

Estimated global data centre capacity demand[1]

Global capacity demand in GW



Source: AI power: Expanding data centre capacity to meet growing demand (McKinsey Company, October 29, 2024)

Unlike traditional real estate metrics, where the focus is on gross or net lettable area, with data centres, it's all about power[1], so the metrics turn to megawatts (MW) and gigawatts (GW) as the key attribute of a facility. In that context, DGT's initial portfolio has installed capacity of 76MW, with the vehicle looking to materially expand this to 238MW via additions and greenfield opportunities already identified.

Externally managed by HMC Capital Limited, DGT benefits from a recently acquired operating platform of staff that brings the IT capability alongside the funds management, accounting, tax and risk management skills of the HMC Capital platform.

DGT is tapping into one of the mega-trends identified by its external manager.

1. Interestingly, and somewhat fortunately, renewable energy sources now power approximately 40% of global data centres, with many operators targeting net-zero emissions by the 2030s.

What's not to like?

Data centre assets are more difficult to value than traditional real estate. Traditionally, as a real estate investor, we have been a provider of land and buildings with the tenants responsible for power, and everything that sits within the buildings. This type of real estate is reasonably easier to value, particularly where long leases provide certainty of income. Once we move further up the risk spectrum, by providing a powered shell, and potentially towards operating the assets ourselves, we benefit from much higher returns but are also more exposed to the operating business, and the risks around obsolescence of equipment. As such, valuation metrics become more challenging, as long term forecasts for cash generation are subject to large estimation error.

DGT is new to this space, and while we believe they have done a solid job of assembling a diversified initial portfolio and management team, they lack a solid public track record. Over time this will dissipate, but in the short term we require an enhanced return expectation to compensate.

The entire portfolio has been recently acquired and a large portion of it is yet to even settle. Given the strong interest in the sector, it would be hard to argue that it is anything other than a sellers' market which is unlikely to be supportive of cheap acquisitions. Our estimate of the price paid per MW of capacity is around $28m. This includes both the cost and additional capacity of planned projects.

By way of comparison, Goodman Group (GMG), which has been a hugely successful developer, owner and operator of industrial property in Australia and key overseas markets, has also recently pivoted towards the development of data centres. Data centres are expected to become more than 50% of GMG's total development pipeline. GMG has a data centre pipeline of ~5GW, albeit this will take more than a decade to roll out. GMG is targeting 80MW facilities with an estimated end value of ~$2bn, implying a market value for a brand new facility of ~$25m per MW. Furthermore, this includes a substantial development margin for GMG. These figures are rough and ready, but do not flatter the DGT valuation.

> The data centre industry is a critical backbone of the global digital economy, enabling the storage, processing, and dissemination of data across businesses, governments, and individuals.

One of the metrics we use to value property stocks is a "Sum of the Parts". For externally managed REITs, this involves estimating a market value for each of the assets held, and then making adjustments for the capital structure (debt) and the management fee structure. For DGT, given all assets have been recently acquired, we have a reasonable starting point for valuation. At IPO DGT was priced at a ~4% premium to book value and a bigger premium to our assessed "Sum of the Parts" once the management fee stream is accounted for.

And finally, a word on externally managed trusts, which we have made many times before, but remains very important. There is an inherent conflict between the manager, who is incentivised to grow assets and fees, versus the unitholders of the trust who may be better served with a more stable portfolio. This misalignment is made worse when there are fees attached to acquisitions and dispositions. Sadly, DGT is encumbered with such fees, albeit the manager does have a substantial co-investment stake offsetting this concern to some extent.

Conclusion

The data centre space is an amazing one. It represents a substantial opportunity, and we expect DGT to grow strongly as it develops out its current pipeline and makes acquisitions. However, each opportunity needs to compete for the same dollar of capital. Right now, we see some compelling opportunities in related areas, such as Centuria Industrial REIT (CIP), which trades at a material discount to its book value and also has some growth options.

WHAT'S COMING FOR COMMERCIAL PROPERTY IN 2025?

Colin Mackay
Research & Investment Strategy Manager
Cromwell Property Group

Santa has come and gone, prawn-induced food comas have ended, and workplaces and schools have started to hum again after the summer break. As the festive cheer starts to dissipate, now is a good time to look ahead at what the balance of the year has in store for us. This article touches on five key macro developments expected to influence commercial property performance and investment over 2025.

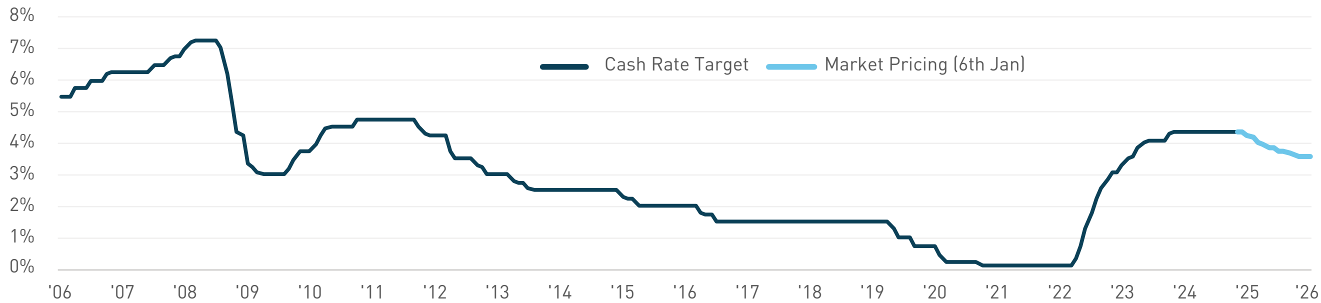
1. Rate cuts

After hopes of a late-2024 rate cut were dashed in October by resilient labour data, attention turned to 2025 for the turning of the economic cycle and a return of looser monetary policy supportive of stronger growth. While anything is possible and economic conditions can change quickly (particularly if geopolitical tensions intensify), markets have a high degree of confidence that the next move in the cash rate will be down – it's now a question of **when** and by **how much?**

Financial market pricing indicates three cuts are expected in 2025[1], with economists also typically expecting two to four cuts in the year[2] for a 50-100bps decrease in the cash rate. Because these cuts are expected by the market, instruments like Australian Government 10-year bonds have likely already 'priced in' most of the change – and so long-term bond yields may not see significant movement from their current level of around 4.5%[3].

> Rate cuts should be a net positive for commercial property by supporting a stabilisation of asset pricing, increasing transaction activity, and easing cost of debt pressures.

Australian Cash Rate Target



Source: RBA; ASX; Cromwell.

1. ASX (as at 6th January 2025); Cromwell
2. Reserve Bank rate cut hopes skirt federal election decider, AFR (1st January 2025)
3. RBA (as at 6th January 2025)

Regardless, rate cuts should be a net positive for commercial property by supporting a stabilisation of asset pricing, increasing transaction activity, and easing cost of debt pressures. An 'easier' monetary policy environment should also stimulate the economy, which is a benefit for a growth asset class like commercial property where tenants' demand for space is linked to economic activity such as jobs growth, retail consumption, and trade volumes.

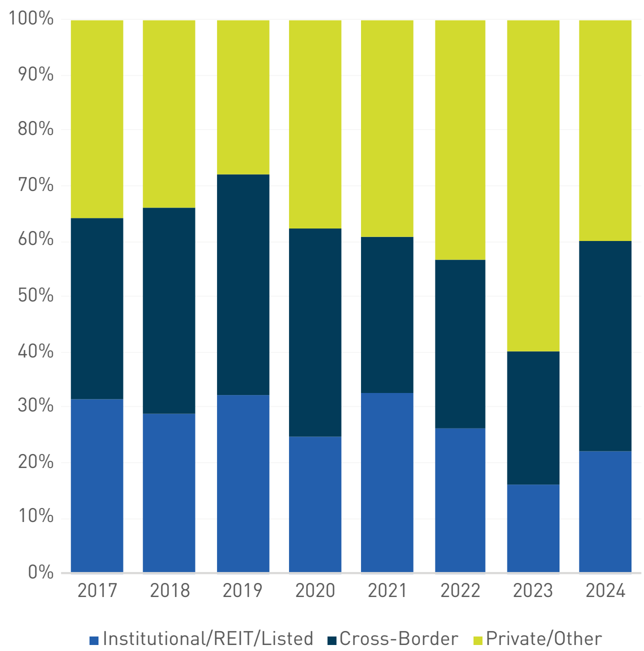
2. Shifting capital composition

In downturns, nimble private investors tend to trade commercial property more actively than institutional holders. This cycle has been no different, with private buyers making up 45% of acquisitions (by dollar volume) from 2022-23, up from 32% in the five years prior. As 2024 progressed, offshore institutional capital thawed and allocated to the Australian market, becoming the dominant buyer type. Such investors have been involved in some of the headline transactions of the year, including Sydney office towers 55 Pitt Street, 255 George Street and 10-20 Bond Street.

Over the course of 2025, we expect domestic institutional capital to join the party and step up acquisition activity. This expectation reflects the turning of the cycle which appears to be occurring, and the stabilisation of prices that should continue as the cycle enters its next phase.

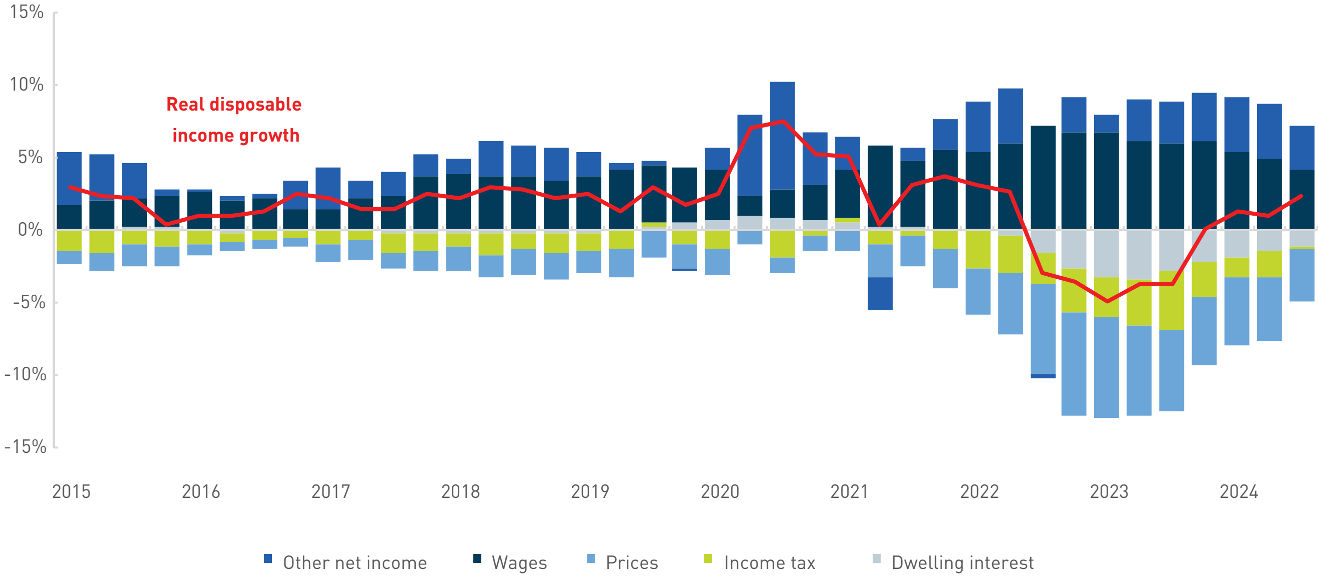
Deepening of the capital pool and increased activity from institutional buyers will be important precursors to price recovery – with more competition comes more aggressive bidding for assets. This competitive shift will likely be felt in specific asset segments (e.g. premium office) before others, and to differing degrees. While markets and segments that follow the cycle (rather than lead it) may face a slower price recovery, acquirers can benefit from a longer 'buying window' where sentiment (and pricing) is yet to align with property fundamentals.

Share of commercial property acquisitions by capital type



Source: RCA/MSCI; Cromwell. By dollar volume

Annual household disposable income growth



Source: RBA; Cromwell analysis of ABS data (Sep-24)

3. Stronger consumers

Consumers have been buffeted since 2022 by various cost-of-living pressures, spearheaded by surging inflation, higher interest rates, and bracket creep. These contributed to a stark fall in consumer confidence, subdued retail sales growth, and tough trading conditions for businesses that cater to households more broadly.

In good news for 2025, many of these headwinds are abating.

- Headline inflation has slowed from a peak of 7.8% in December 2022 to 2.8% as at September 2024[4]. Lower inflation is benefitting the real (inflation-adjusted) spending power of households.
- As highlighted earlier, interest rate relief is expected to arrive relatively soon, which will lead to a decrease in what is the biggest expense for many Australian households.
- The Stage 3 tax cuts went live from July and are improving households' disposable (post-tax) incomes.

With a federal election approaching, we may also see additional assistance for households announced in the first half of the year as politicians try to shore up support before voters head to the polls.

An improved outlook is starting to become evident in stronger consumer confidence measures, setting the stage for stronger retail sales growth. While rising disposable incomes will be welcomed by retailers across all categories, we believe long-term consumption trends will continue to provide outsized benefits to shopping centre assets which are resilient to e-commerce competition and more heavily weighted towards 'essentials'.

4. Improved market sector

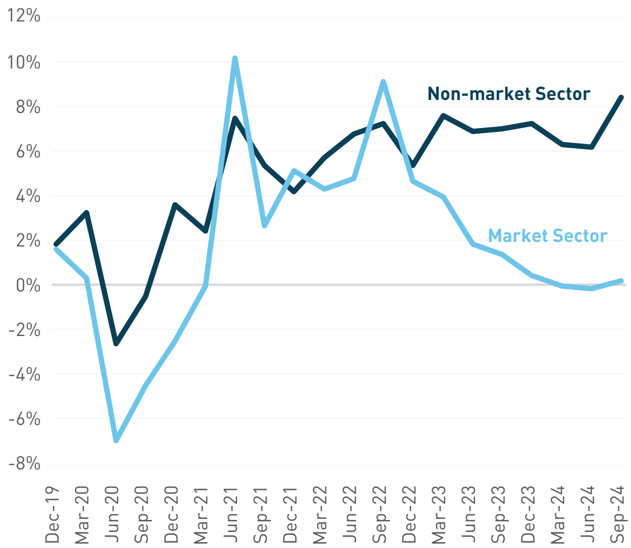
The labour market has been remarkably resilient considering the broader economic slowdown – jobs growth of 2.5% was recorded over the year to September 2024, in stark contrast to GDP growth of only 0.8%[5]. However, the robust outcome was largely driven by the **non-market** sector, comprised of industries such as education, healthcare, and public administration, where demand is not determined by typical market forces or the business cycle. During this period, the non-market sector accounted for 94% of the jobs created and **market sector** jobs growth was a meagre 0.2%.

Demand for office space is correlated with white collar jobs growth, which is largely represented by the **market sector**. Although headline jobs growth may slow in 2025, market sector jobs growth should accelerate from its low base due to the anticipated rate cuts, which benefit industries exposed to the business cycle. This is expected to contribute to stronger jobs growth in the typical 'office-using' industries, positively impacting office space demand, reducing vacancy rates, and enhancing rental growth conditions.

While the outlook for office market conditions appears more favourable over the next twelve months, the risk of asset obsolescence remains elevated due to shifting ways of working and amenity preferences. Property selection will be a key driver of outperformance for investors.

4. September 2024 Quarterly CPI, ABS (30th October 2024)
5. ABS September Labour Account and National Accounts (Dec-24)

YoY jobs growth by sector



Source: ABS; Cromwell. Data to Sep-24

Effective US tariff rate
(Import Duties as a % of Total Imports)

Source: U.S. International Trade Commission (May-24);
Fitch Ratings (Jan-25)

5. Geopolitical uncertainty

Geopolitical uncertainty was a key feature of 2024. It was the biggest election year in history globally, with 80 countries heading to the polls and incumbents' power diminishing in over 80% of the elections held[6]. At the same time, conflict in the Middle East escalated and the Russia-Ukraine war continued unabated.

It looks set to be much of the same in 2025. While most of the election outcomes are now known, implications for the global and domestic economies are yet to become evident. Trade policy is top of mind following Trump's promise of 60% tariffs on Chinese goods, 25% on Mexican and Canadian imports, and 10% on imports from all other countries. While such extreme tariffs are unlikely, increased protectionism of some degree is anticipated and could lead to retaliatory measures including counter-tariffs. Similarly, tariffs are typically viewed by economists as inflationary and may stoke cost-of-living pressures once again, particularly if combined with fiscal stimulus. But it's also possible that disrupted global trade has a deflationary effect if confidence and growth take a significant hit. It is a time of known unknowns.

Whatever occurs, times of volatility and uncertainty often reward quality and security. Assets with strong tenant covenants and stable cashflow are well placed, as are those with enduring location advantages. Shifting trade dynamics are of particular relevance to industrial property and assets which can cater to manufacturing occupiers may benefit from an increased focus on domestic industry.

5b. A Broncos premiership

The author is unable to provide supporting data for this prediction.

A year with something for everyone

Economic growth should improve in 2025 as the RBA lifts its foot off the interest rate brake pedal, easing pressures on household wallets and business investment. A stronger economy is a positive for commercial property as increased consumption, jobs growth, and trade volumes underpin leasing demand.

Lower interest rates should also support the continued stabilisation of asset pricing, as capital markets normalise after several years of constrained liquidity and elevated debt costs. A stable price environment will be more conducive to improved transaction activity and subsequently valuation recovery.

There are some potential speed bumps which could sap momentum, not least of which is the geopolitical landscape. Given the environment of uncertainty, flight to quality is a theme which will likely continue to play out over 2025, rewarding assets that can provide investors with stable and secure income. ■

6. Market Outlook, Westpac (Dec-24)

The **Cromwell Phoenix Global Opportunities Fund**

marks five years of disciplined management and strategic investments in attractive, yet overlooked, global securities. Over this period, the Fund has consistently delivered strong returns, outperformed benchmarks, and navigated diverse market conditions with agility and expertise. Each milestone reflects the Fund's commitment to uncovering value in unique opportunities, fostering long-term success for its investors.

Explore the key moments and achievements that have defined its journey below.

CROMWELL PHOENIX GLOBAL OPPORTUNITIES FUND

FIVE YEARS

YEAR 0

Created to meet investor demand for global diversification

31 December 2019

The Cromwell Phoenix Global Opportunities Fund (Fund) is launched to provide access to overlooked international securities.

YEAR 1-2

Focused on building a **strong, risk-adjusted track record** (closed fund)

31 December 2021

15.7% p.a.* **Total returns**

Outperforming Vanguard Total World Stock ETF benchmark by 0.3% p.a.

*As at 31 December 2021. Past performance is not indicative of future performance.

Sign up to our five-part case study series

and discover how we leverage market volatility and uncover attractive, yet overlooked, opportunities in offshore small or microcap stocks.

CROMWELL FUNDS MANAGEMENT

Phoenix Portfolios

YEAR 3

Opened to **retail investors**

31 December 2022

Ensures strategic advantage by enabling investments in small-cap stocks and diverse listed structures.

8.8% p.a.* **Total returns**

Outperforming Vanguard Total World Stock ETF benchmark by 3.6% p.a.

*As at 31 December 2022. Past performance is not indicative of future performance.

YEAR 4

Outperforming market benchmarks

31 December 2023

10.3% p.a.* **Total returns**

Outperforming Vanguard Total World Stock ETF benchmark by 1.0% p.a.

*As at 31 December 2023. Past performance is not indicative of future performance.

YEAR 5

Five year milestone

31 December 2024

13.5% p.a.* **Total returns**

Outperforming Vanguard Total World Stock ETF benchmark by 0.7% p.a.

*As at 31 December 2024. Past performance is not indicative of future performance.

Book a **Q&A Session**

Need more information? Our friendly Investor Relations team can answer your questions about the Cromwell Phoenix Global Opportunities Fund.

Cromwell Funds Management Limited ABN 63 114 782 777 AFSL 333 214 (CFM) has prepared this communication and is the responsible entity of, and the issuer of units in, the Cromwell Phoenix Global Opportunities Fund ARSN 654 056 961 (Fund). In making an investment decision in relation to the Fund, it is important that you read the product disclosure statement dated 26 October 2021 (PDS), and the target market determination (TMD) and consider whether the Fund is appropriate for you. The PDS and TMD are available from www.cromwell.com.au/gof, by calling Cromwell's Investor Services Team on 1300 268 078 or emailing invest@cromwell.com.au.

DIRECT PROPERTY UPDATE
DECEMBER 2024 QUARTER

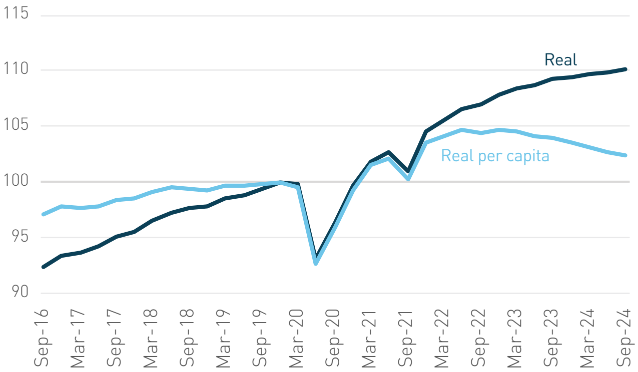
Economy[1]

Some of the biggest events of the quarter happened far from our shores, none bigger than the US election where the incumbent Democratic Party ceded control of the Senate and Donald Trump secured the keys to the White House. This was the biggest election year in history globally[2] and it turned out to be a year where voters turned against incumbents, with the final quarter also seeing Japan's ruling Liberal Democratic Party reduced to coalition government. The US and Japan results followed similar outcomes in the likes of India, South Africa and the UK earlier in the year.

Cost-of-living pressures and the state of economies more broadly appear to have contributed significantly to election results. In Australia, the economy continues to fare relatively well compared to peer markets. Underlying inflation is tracking towards the target band and the labour market is a particular bright spot, with only 3.9% of those in the labour force unemployed. However, population growth is doing a lot of heavy lifting – this quarter saw the release of September GDP data, which showed real GDP growth of 0.8% year-on-year but a per capita decline of -1.5%.

The final quarter of the year is where the rubber hits the road for businesses – particularly retailers – exposed to the discretionary wallets of households. On this front, sales events such as Black Friday and Cyber Monday are becoming increasingly important. These events have shifted promotional activity (and spending) earlier, from December to November.

Australian GDP growth (indexed to Dec-19)



Source: ABS (Dec-24); Cromwell

1. Data sourced from various ABS publications, except where otherwise specified
2. A 'super' year for elections, United Nations Development Programme (2024)

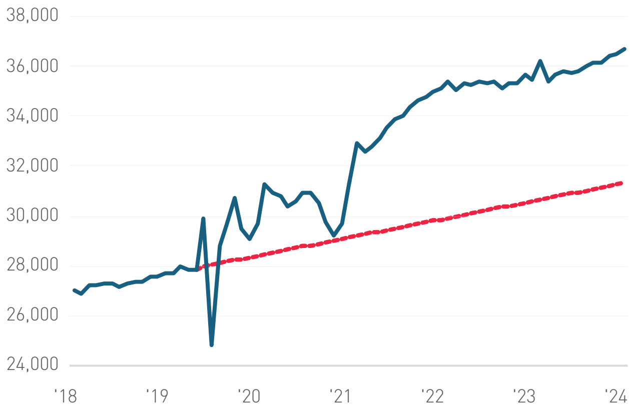
While official ABS data for November retail sales are not available at the time of writing, higher frequency trading indicators from some of the banks suggest the promotional period did generate strong growth, led by discretionary non-food categories such as clothing. However, a more accurate assessment of performance over the quarter requires December data to be released (early February) given the slowdown that now tends to occur after the sales events conclude. While it does appear that the Stage 3 tax cuts and easing inflation pressures are providing some degree of stimulus to discretionary spending, a more significant improvement in retail growth may not be seen until cash rate cuts materialise.

Office

It was another positive quarter for office space fundamentals to end the year. Analysis of JLL Research data indicates over 30,000 square metres (sqm) of positive net absorption (demand) was recorded across the major CBD markets in aggregate, taking net absorption to over 160,000 sqm for 2024. This was the strongest year (on a rolling basis) for net demand since mid-2019. The positive quarterly result was relatively broad-based, with every CBD market except Melbourne (-1,800 sqm) and Perth (-2,300 sqm) recording demand expansion. Brisbane CBD was the top performer, underpinned by solid demand across small and large occupiers. Sydney CBD also performed well, with small occupiers leading the demand for space.

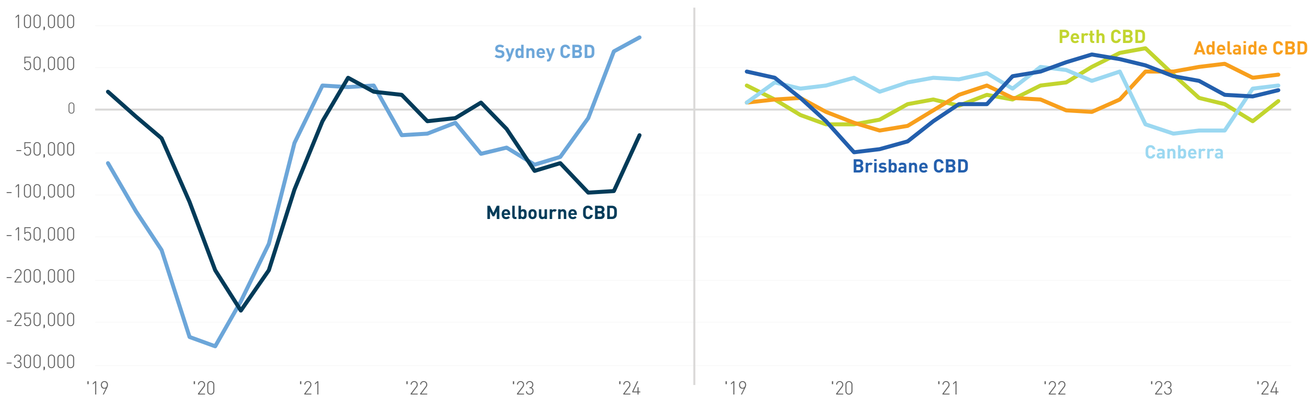
While demand was solid, supply completions contributed to the national CBD vacancy rate nudging 0.1% higher to 15.2%. This was almost entirely driven by Sydney CBD, where vacancy increased in every precinct except the Core. The vacancy rate remained flat or decreased in every other CBD market except Perth (+0.1%), with Brisbane CBD the strongest performer due to demand tailwinds and no stock completions over the quarter. In a positive indicator for the future direction of the vacancy rate, sub-lease vacancy has now reverted to the long-term (20 year) average, as large occupiers have re-absorbed space they were previously offering to the leasing market.

Monthly nominal retail trade vs Pre-COVID trend ($m)



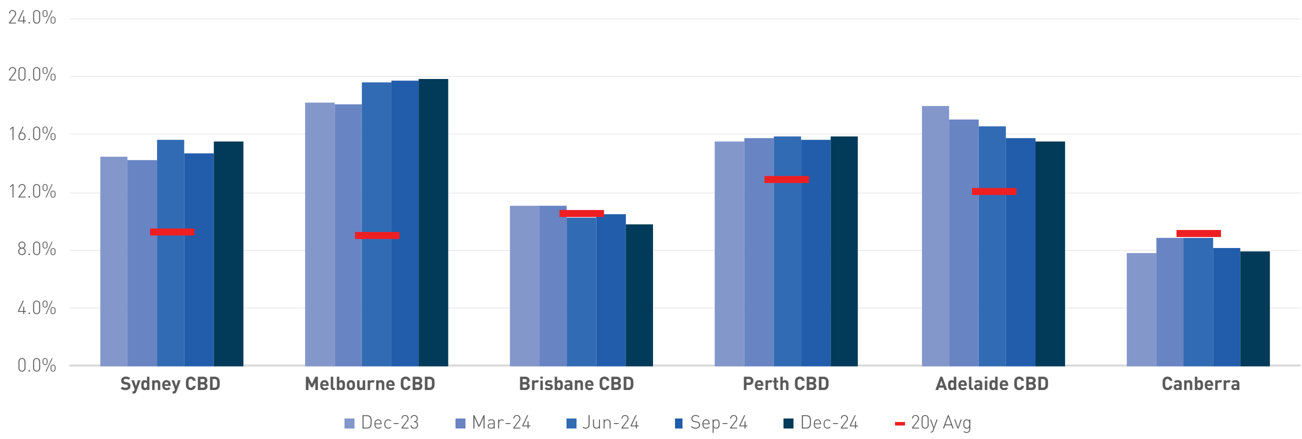
Source: ABS (Oct-24); Cromwell

Net absorption YoY (Sqm)



Source: JLL (Dec-24); Cromwell

Total vacancy rate



Source: JLL (Dec-24); Cromwell

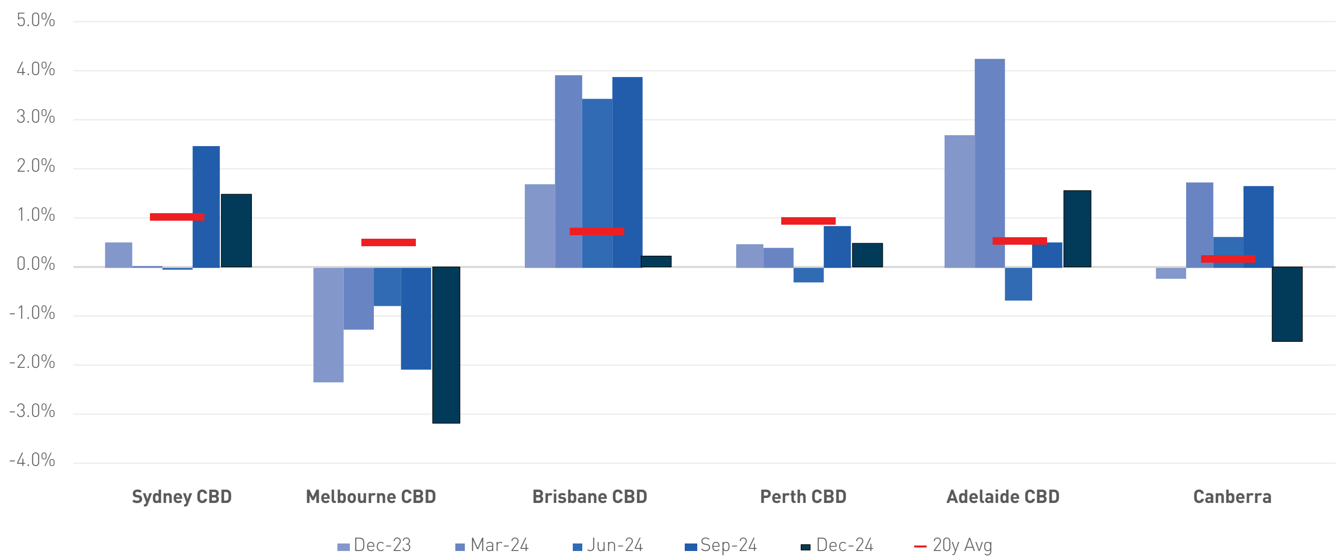
The pace of national CBD prime net face rent growth (+1.2%) remained slightly above the long-term average over the quarter and contributed to strong growth of 5.0% over the year.

Every market recorded rent growth with Adelaide CBD the biggest improver (+1.6%). Incentives were largely unchanged except for Canberra (+0.6%) and Melbourne CBD (+1.4%), with net effective rents in those two markets falling as a result. Brisbane CBD took a breather after three consecutive very strong quarters, however supply-demand conditions remain favourable. Sydney CBD recorded another solid quarter, somewhat masking a two-speed market where the Core continues to outperform other precincts.

Transaction volume exceeded $2 billion for the third quarter in a row. This took the annual figure to $8.4 billion, a healthy increase of nearly 50% compared to 2023. While deal activity is still some way short of pre-COVID levels, there are signs that capital has started to move the office sector out of the 'do not touch' bucket. Sydney CBD accounted for the largest transaction of the quarter, BGO's ~$580 million acquisition of 10-20 Bond Street. There was also elevated activity in some Sydney fringe and suburban markets which lifted overall Sydney transaction volume to $1.4 billion. Consistent with its stronger underlying fundamentals, Brisbane continued to comprise an above-average share of national deal activity. Melbourne recorded its weakest calendar year of transaction volume since the Global Financial Crisis, reflecting the vacancy challenges and uncertainty that persist in that market.

Across the major CBD markets, average prime yields expanded by 12.5 basis points (bps) in Brisbane and 25bps in Melbourne – all other CBDs were unchanged. Melbourne yields are now in line with Brisbane, a rare position, as investors demand a higher risk premium to account for the southern state's weaker outlook.

Prime net effective rental growth (QoQ)



Source: JLL (Dec-24); Cromwell

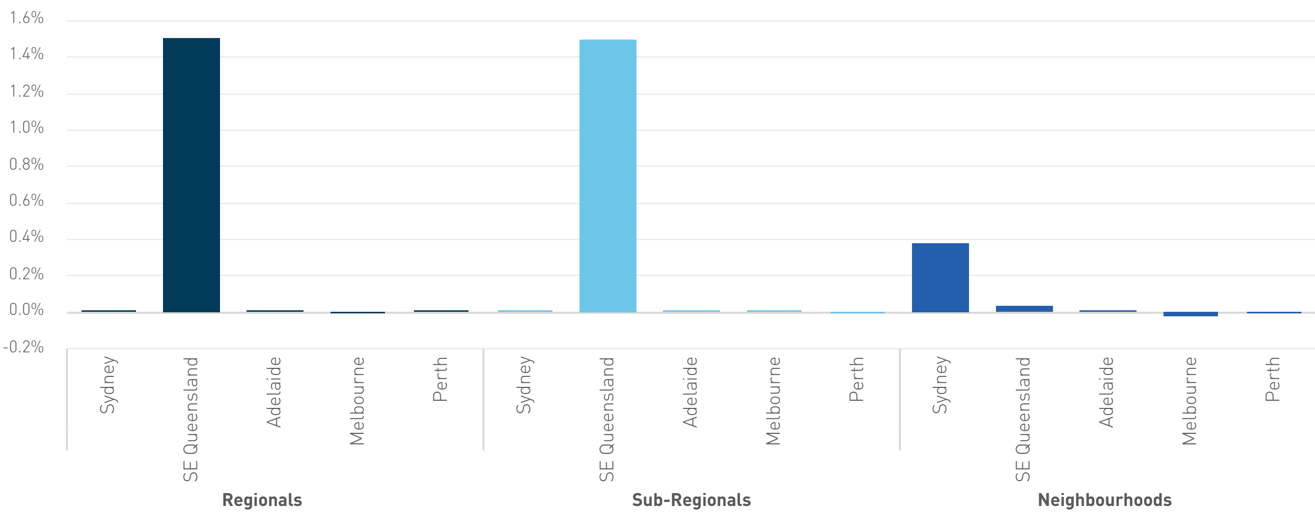
Retail

Space market fundamentals improved across core retail (Regionals/Sub-Regionals/Neighbourhoods) with the vacancy rate decreasing for every centre type over the last six months (biannual data print). Regional and Sub-Regional centres now have a lower vacancy rate than pre-COVID. A lack of supply has contributed to the tightening of conditions with core retail stock growth of only +0.7% recorded over 2024.

Despite an improving supply-demand balance, rent growth was relatively muted over the quarter. While Regionals and Sub-Regionals recorded strong net rent growth in South East Queensland, Sydney Neighbourhoods was the only other segment to record material growth. On an annual basis, the rent growth rate seen over 2024 was the strongest achieved since 2011 for every sector.

Transaction volume totalled ~$1.8 billion for the December quarter, taking the 2024 figure to $6.3 billion. Activity over the quarter was buoyed by the Regional sub-sector, specifically the circa $900 million acquisition of QIC's Westpoint Shopping Centre by Haben and Hines. Sub-Regional activity was also solid with nearly $500 million of deals recorded for the centre type, slightly exceeding the five-year quarterly average. It was a relatively quiet quarter for convenience retail, with less than $200 million of Neighbourhood centres changing hands. There were further signs that the cycle is starting to turn for the retail sector, with no yield expansion recorded for any centre type or market. Sydney yields compressed across every centre type after nearly $1.3 billion of transaction evidence over the quarter.

Net rent QoQ change (excl. Canberra)



Source: JLL (Dec-24); Cromwell

Industrial

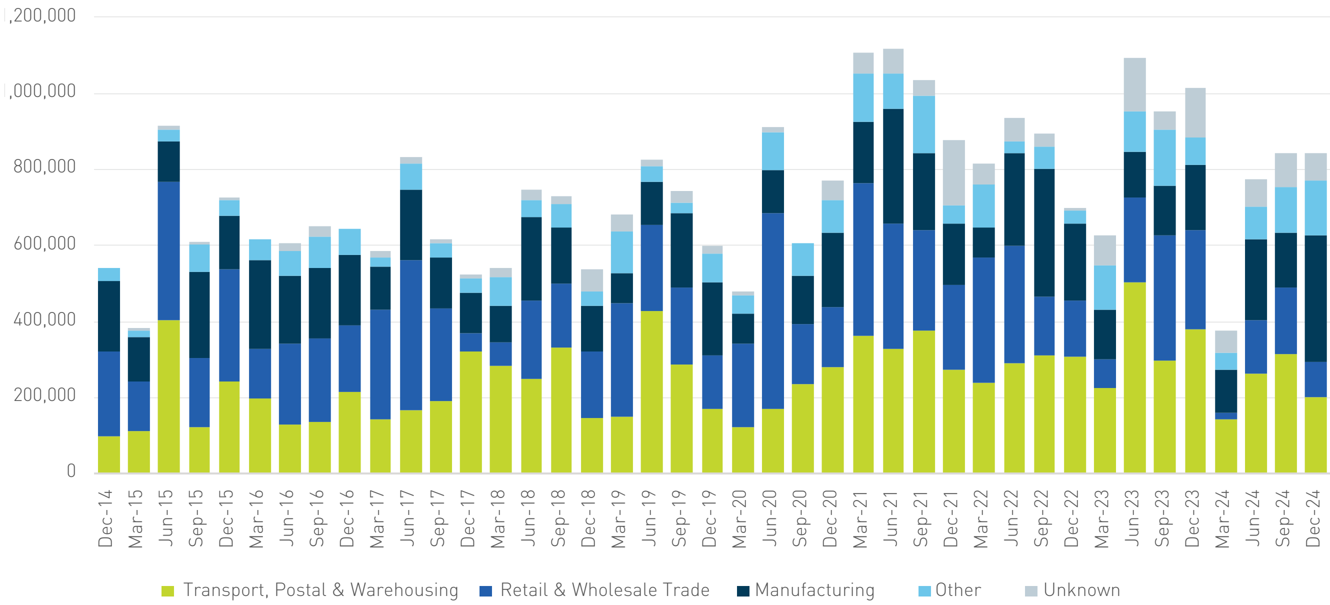
Occupier take-up (gross demand) maintained last quarter's level of around 840,000 sqm, remaining in line with the quarterly average of the past five years. Manufacturing had its second-highest quarter of demand on record (back to 2007) accounting for 40% of take-up. There were also large sites leased by individual users in smaller industries such as healthcare and equipment storage. Space demand was concentrated in Melbourne and Sydney, with both markets recording their strongest quarter in over a year. Brisbane was a relative drag and well down on its average level of the past three years, with only one lease greater than 9,000 sqm signed and the total number of lease deals decreasing versus last quarter.

Rent growth remains above the long-term average despite a weakening of demand relative to supply. The quarterly pace of rent growth was mixed across markets. In precincts where rents moved, strong growth was achieved. However, rents were unchanged in 12 of 22 precincts nationally, dragging headline growth rates. Brisbane was the standout performer with all three precincts recording rent growth of at least 3.7% (QoQ). Perth performed worst relative to last quarter as rents were unchanged across all of its precincts. Incentives had a limited impact on effective rent growth. They increased in Sydney's outer ring precincts – where take-up is more driven by new developments and higher face rents were recorded over the quarter – but were largely unchanged across the other markets.

While over 900,000 sqm of industrial supply was earmarked for completion in the final quarter of 2024, less than 600,000 sqm was actually delivered as construction delays continued to push out project schedules. This theme is helping to maintain a reasonable supply-demand balance despite a record level of supply being delivered in 2024. Supply delivered over the quarter was concentrated in Melbourne, with completions in Sydney and Brisbane relatively muted. There are currently nearly 1.8 million sqm of floorspace under construction and due to complete in 2025. A key determinant of underlying space market conditions over the year will be how much of the planned development pipeline not currently under construction actually proceeds to commencement.

It was a fairly weak quarter for transaction volume, owing to a lack of large portfolio deals and weak activity in Melbourne (after a record quarter previously). While every other quarter during the year had a top transaction value of at least $600 million, the biggest transaction in Q4 was less than $200 million. Prime yields were relatively stable, with 25bps of expansion in two Melbourne precincts the only notable movements.

Gross occupier take-up by industry (sqm)



Source: JLL (Dec-24); Cromwell

Outlook

There are still some offshore factors that could knock the Australian economy off course, namely geopolitical developments (e.g. Trump tariffs), conflict in the Middle East, and China's waning economic growth. Positively, local conditions are largely evolving as hoped with inflation continuing to moderate as labour market gains are retained. While expectations continue to bounce around as new data is released, markets are currently forecasting at least one RBA rate cut by May[3]. This growing confidence that a rate cut will land in the first half of the year is supporting the stabilisation of commercial property market pricing which now appears to be occurring across all the sectors.

With capital market conditions appearing to improve and liquidity constraints easing, the strength of underlying property fundamentals should come into sharper focus. Opportunities that are aligned to Australia's population growth tailwinds are well positioned, as are those where sentiment has become dislocated from property performance.

How did the Cromwell Funds Management fare this quarter?

In the last quarter, approximately 28% of the Cromwell Direct Property Fund's (Fund) portfolio was revalued, with a further 19% revalued in October during the December quarter. This resulted in a 2.3% decrease in the Fund's portfolio value, which now sits at $542 million, including its investments in the Cromwell Riverpark Trust and Cromwell Property Trust 12. The Fund is 58% hedged, with a weighted average hedge term of just over two years, positioning it well to benefit from potential future interest rate cuts. The Fund's portfolio is currently 96.4% occupied, with a weighted average lease expiry of 3.6 years. Notably, this lease expiry metric does not include executed leases yet to commence, such as a six-year lease for over 2,100 sqm at 545 Queen Street in Brisbane, starting in March 2025.

In December, the Cromwell Riverpark Trust, of which the Cromwell Direct Property Fund owns 23% valued at just over $32 million, held an Extraordinary General Meeting. Unitholders were asked to vote on extending the Trust's term through to 31 December 2026. Of the almost 70% of Unitholders who voted, 88% were in favour of the proposal. The decision by Cromwell Riverpark Trust Unitholders to extend the investment term reflects a strategic approach to navigating current market challenges. By allowing more time for market conditions to stabilise and improve, the Trust aims to achieve a more favourable sale price for Energex House. The strong fundamentals of the Brisbane office market, combined with early signs of price stabilisation and potential future decreases in interest rates, support this decision to wait, rather than sell in a depressed market. Cromwell Funds Management will monitor the market closely to determine the optimal timing for launching a formal sale campaign for Energex House, aiming to achieve the best possible outcome for investors.

Cromwell Direct Property Fund's portfolio is performing well against the 2025 financial year budgets, driven by the expertise of Cromwell's asset management, projects, and leasing teams. Cromwell's full in-house management model allows tenants to engage directly with staff on leasing, maintenance, ESG initiatives, and more.

Major capital expenditure projects are ongoing across the portfolio. These include carpet and lighting upgrades at the19 George Street asset in Dandenong, heating improvements at the 100 Creek Street asset in Brisbane, wet wall remediation works at the 420 Flinders Street building in Townsville, leasing works at 545 Queen Street in Brisbane, and lobby, end-of-trip, and carpark façade upgrades at Altitude Corporate Centre in Mascot. These efforts ensure the assets are maintained to a high standard, driving tenant retention and minimising downtime, particularly in multi-let assets such as the buildings at 100 Creek Street and 545 Queen Street in Brisbane.

Sustainability remains a key focus, exemplified by the recent lift upgrades at 100 Creek Street. The new motors provide energy savings of 55% compared to the older ones and regenerate 35% of the power used, feeding it back into the building grid. This initiative delivers both environmental and financial benefits, especially with rising energy costs.

In Adelaide, the team achieved strong leasing results at 95 Grenfell Street. While one tenant surrendered a full floor, they extended their lease on another floor for two years and paid a surrender fee, delivering a positive financial outcome. Terms have already been agreed to re-lease the surrendered floor for five years starting in April, ensuring minimal downtime.

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

3. As at 6 January 2025.

LISTED MARKET UPDATE

DECEMBER 2024 QUARTER

Stuart Cartledge
Managing Director
Phoenix Portfolios

Market Commentary

The S&P/ASX 300 A-REIT Accumulation Index gave back some of the gains seen in the previous quarter, dropping 6.1%. Property stocks underperformed broader equities in the period, with the S&P/ASX 300 Accumulation Index only losing 0.8%. The key factor affecting the performance of property stocks was the movement in interest rates. After beginning the quarter at just under 4.0%, the Australian Government 10 Year Bond yield, closed 2024 at approximately 4.4%. Related to this, expectations of interest rate cuts by the Reserve Bank of Australia have been delayed.

Office property owners were particularly weak during the quarter. Some sales evidence across a range of office property types did occur in recent times after an extended dearth in transactional activity. Dexus (DXS) announced the sale of two properties, 100-130 Harris Street in Pyrmont, adjacent to the Sydney CBD and 145 Ann Street in Brisbane, both at a capitalisation rate of approximately 7.6%. The sales represented a small discount to prevailing book values and are significantly below peak valuations. DXS closed the quarter down 9.6%. Other office owners fared worse, with Centuria Office REIT (COF) off 11.4%, GDI Property Group (GDI) losing 11.8% and Cromwell Property Group (CMW) giving up 13.9%.

Shopping centre owners performed broadly in line with the property index after strong performance in recent periods. Owner of Australian Westfield-branded shopping centres Scentre Group (SCG) lost 6.0%, whilst the owner of foreign Westfield-branded shopping malls, Unibail-Rodamco-Westfield (URW), dropped a similar 5.9%. Competitor, Vicinity Centres (VCX), fell a lesser 5.0%. Owners of smaller neighbourhood and subregional shopping centres underperformed their larger counterparts. Region Group (RGN) lost 6.7% and Charter Hall Retail (CQR) w as weaker, off 9.3%.

Owners of industrial property were also mostly underperformers, as market rent growth appears to have cooled from generationally strong numbers, however, remains positive. There also appears to be an increase in incentives offered to industrial tenants providing further evidence of a slowdown. Dexus Industria REIT (DXI) finished the quarter 10.0% lower, while Centuria Industrial REIT (CIP) fell 10.6%. Bucking the trend was Garda Property Group (GDF), which rose 5.4% in the quarter. This solid result came on the back of the sale of GDF's massive North Lakes asset. The asset is a big land holding in the North of Brisbane, slated for the development of an industrial estate. Its true value was highly uncertain and the sale for $114 million (to close in 2025) both provides certainty and crystalises meaningful value creation for GDF shareholders. Property fund managers faced mixed fortunes in the quarter. Negatively, Charter Hall Group (CHC) underperformed, dropping 8.7%. Goodman Group (GMG) outperformed the broader index, however still

lost ground, finishing the quarter 3.2% lower. Property debt fund manager Qualitas Group (QAL) was a strong performer, adding 16.1%, as it will be a beneficiary of higher interest rates to the extent that they do not cause losses on residential development projects. HMC Capital Limited (HMC) rallied, gaining 20.2% after listing a data centre REIT in the period. For more, see this quarter's feature article below.

As we flagged may be the case, M&A activity in undervalued, small capitalisation property stocks has seen a noticeable uptick. Both AV Jennings Limited (AVJ) and Eumundi Group Limited (EBG) received takeover bids at meaningful premiums to prevailing share prices. For more see the performance commentary section of this report. In addition, CQR's takeover of Hotel Property Investments (HPI) appears all but certain to complete, having gone beyond the minimum acceptance level.

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 been volatile, leading to mixed returns 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, performance may be solid once again.

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 somewhat cooled and has been offset by 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. ■

QUARTERLY **FUND REPORTS**

Investment Report to 31 December 2024

OPEN FOR INVESTMENT


CROMWELL PHOENIX PROPERTY SECURITIES FUND

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Product Disclosure Statement

CROMWELL PHOENIX PROPERTY SECURITIES FUND


CROMWELL PHOENIX GLOBAL OPPORTUNITIES FUND

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Additional Information

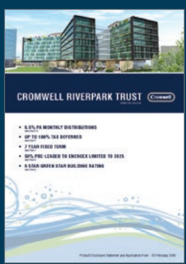
CROMWELL PHOENIX GLOBAL OPPORTUNITIES FUND

CLOSED TO INVESTMENT


CROMWELL DIRECT PROPERTY FUND

PRODUCT DISCLOSURE STATEMENT

CROMWELL DIRECT PROPERTY FUND


CROMWELL RIVERPARK TRUST

CROMWELL RIVERPARK TRUST


Cromwell Property Trust 12

CROMWELL PROPERTY TRUST 12


CROMWELL PHOENIX OPPORTUNITIES FUND

CROMWELL

Product Disclosure Statement

CROMWELL PHOENIX OPPORTUNITIES FUND (CLOSED)

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 31 December 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 PHOENIX PROPERTY SECURITIES FUND ORDINARY UNITS

Investment Report to 31 December 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 31 December 2024

Status	**OPEN[1]**
Unit Price	**$1.2903[2]**
Distribution Yield	**N/A**

PERFORMANCE

	1 Year	3 years	5 years	10 years	Inception (Apr-08)
Fund Performance After fees & costs	15.6%t	2.3%	4.6%	8.2%	8.2%
Benchmark S&P/ASX 300 A-REIT Accumulation Index	17.6%	3.2%	6.0%	8.6%	5.5%
Excess Returns After fees & costs	(2.0%)	(0.9%)	(1.4%)	(0.4%)	2.7%

Past performance is not a reliable indicator of future performance.

TOP TEN STOCK HOLDINGS[3]

- CENTURIA I REIT
- CHARTER HALL GROUP
- CHARTER HALL SOC IN
- GARDA PRPTY GROUP
- GOODMAN GROUP
- GPT GROUP
- MIRVAC GROUP
- PEET LIMITED
- QUALITAS LIMITED
- STOCKLAND

FUND UPDATE

- Since inception in April 2008, the Fund has delivered an annualised return, net of fees, of 8.2%, outperforming the S&P/ASX 300 A-REIT Accumulation Index by 2.7% pa.
- The S&P/ASX 300 A-REIT Accumulation Index fell 6.1% over the quarter, but delivered a strong 17.6% total return for the year.
- Performance was supported by takeover activity, with portfolio holdings in AV Jennings Limited and Eumundi Group Limited both receiving bids.
- Earnings guidance across the industry was broadly reiterated at AGMs held during the period.
- Positions in Peet Limited and Qualitas Limited added value over the quarter.
- The Fund's material underweight position in Goodman Group detracted value.

In addition to the footnotes below, please read the important disclaimer at the beginning of the Quarterly Reports section on page 30.

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 31 December 2024. Unit prices are calculated daily. See the PDS for further information and www.cromwell.com.au/psf for latest pricing.
3. As at 31 December 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 31 December 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 31 December 2024

Status	**OPEN**[1]
Unit Price	**$1.5549**[2]
Distributions	**Annually**

PERFORMANCE

	1 Year	2 Year	3 Years	Inception (Dec 2019)
Fund Performance After fees & costs	28.5%	21.1%	12.1%	13.5%
Benchmark Vanguard Total World Stock ETF	28.7%	25.2%	11.1%	12.8%
Benchmark iShares MSCI World Small Cap ETF	18.7%	17.7%	6.4%	9.3%

Past performance is not a reliable indicator of future performance.

FUND UPDATE

- The Fund is 5 years old!
- Since inception in December 2019, the Fund has delivered an annualised return of 13.5% net of fees, outperforming both large and small cap global equities benchmarks.
- The Fund delivered a very solid net return of 9.6% over the quarter.
- Contributing positively to performance over the quarter were positions in:
  - Super Group Limited (NYSE:SGHC)
  - Liberty Live Nation (NASDAQ:LLYV.A)
  - Beenos Inc. (TSE:3328)
  - Tetragon Financial Group (ENXTAM:TFG)
  - Patterson Companies, Inc. (NYSE:PDCO)
- Detracting from performance over the quarter were positions in:
  - Boat Rocker Media Inc. (TSX:BRMI)
  - Weiss Korea Opportunities Fund (AIM:WKOF)
  - San Sanken Group (TSE:6707)
  - Industrial Logistics Property Trust (NASDAQ:ILPT)

In addition to the footnotes below, please read the important disclaimer at the beginning of the Quarterly Reports section on page 30.

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 FOR INVESTMENT

CROMWELL DIRECT PROPERTY FUND

Investment Report to 31 December 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 31 December 2024

Status	**CLOSED**[1]
Unit Price	**$0.7515**[2]
Distribution Yield	**6.32% p.a.**[3]
WALE	**3.6 years**[4]

PERFORMANCE

	1 Year	3 Years	5 Years	Inception (Aug-13)
Fund Performance After fees & costs	(13.0%)	(12.7%)	(4.6%)	3.4%
Benchmark PCA / MSCI Unlisted Retail Property Fund Index (Unfrozen)	(8.8%)	(5.5%)	2.0%	11.6%
Excess Returns After fees & costs	(4.2%)	(7.2%)	(6.6%)	(8.2%)

Past performance is not a reliable indicator of future performance.

FUND UPDATE

- See page 22 for an understanding of what is happening in the commercial real estate market.
- During the December quarter, an external valuation was completed for one of the Fund's assets, which represented 19% of the Fund's total portfolio. This valuation was dated 31 October 2024 and resulted in a 2.3% decrease in Fund asset values. Weighted average capitalisation rate for the Fund was 7.297% as at 31 December 2024.
- The portfolio continues to experience positive leasing outcomes, with a current weighted average lease expiry of 3.6 years and occupancy of 96.4% as at 31 December 2024.
- Since inception, the Fund has delivered an annualised return of 3.4% per annum with 12-month performance of -13.0%. The Fund has delivered an annualised income return of 6.0% since inception.
- In the lead-up to the Fund's Periodic Withdrawal Opportunity, anticipated to occur in or around July 2025, Cromwell Funds Management Limited (CFML), as responsible entity of the Fund, will temporarily suspend accepting applications into the Fund and offering the CDPF Distribution Reinvestment Plan (DRP), effective from 13 January 2025.

In addition to the footnotes below, please read the important disclaimer at the beginning of the Quarterly Reports section on page 30.

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. Effective 13 January 2025, CFML has temporarily suspended accepting applications into CDPF, and offering the CDPF Distribution Reinvestment Plan. Refer to Fund Updates for further information: **Continuous Disclosure & Updates - Cromwell Funds Management**
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 31 December 2024.
4. Figures as at 31 December 2024. Calculated on a 'look-through' gross passing income basis.

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

CLOSED TO INVESTMENT

CROMWELL PHOENIX OPPORTUNITIES FUND

Investment Report to 31 December 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 31 December 2024

Status	**CLOSED**
Unit Price	**$2.4647**[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	13.0%	6.9%	15.3%	17.6%
Fund Performance After fees & costs, excluding the value of franking credits	11.5%	4.9%	13.2%	15.8%
Benchmark S&P/ASX Small Ordinaries Accumulation Index	8.4%	-1.6%	4.0%	5.5%

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 17.6% net of fees and inclusive of franking credits.
- The Fund delivered a return of 1.7% net of fees and inclusive of franking credits over the quarter, outperforming the small capitalisation indices which returned -1.0% (Small Ordinaries) and 0.1% (Emerging Companies) respectively.
- Positive contributions to the Fund's performance came from positions in Catapult Group, Ariadne Australia and Peet Limited.
- Negative contributions to the Fund's performance came from positions in St Barbara, Matrix Composites and Engineering and Hillgrove Resources.

In addition to the footnotes below, please read the important disclaimer at the beginning of the Quarterly Reports section on page 30.

Phoenix Portfolios Pty Ltd ABN 80 117 850 254 AFSL 300 302 (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. Unit price as at 31 December 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 31 December 2024

This was the first of Cromwell's next generation 'back to basics' single property trusts and served as a bellwether for the type of investments being sought in an uncertain economic environment.

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

KEY STATISTICS

as at 31 December 2024

Status	**CLOSED**
Unit Price	**$1.58**
Distribution	**7.76% p.a.**
WALE	**5.4 years[1]**

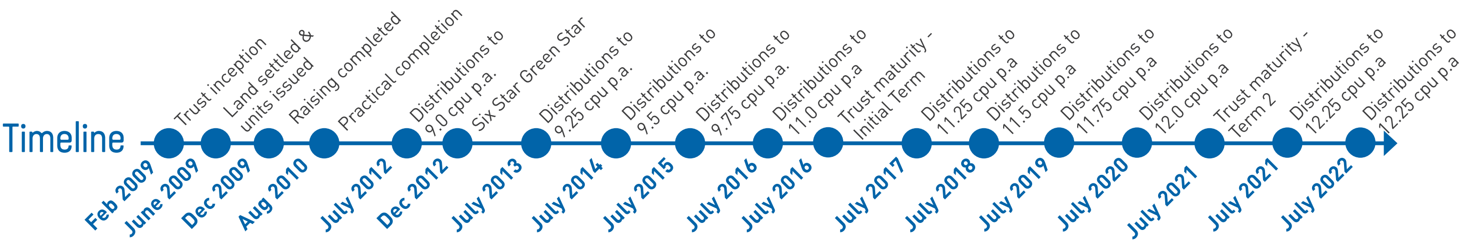
PERFORMANCE

	1 Year	3 Years	5 Years	7 Years	Inception (July-09)
Trust Performance After fees & costs	(6.7%)	(8.6%)	0.8%	3.7%	10.4%

Past performance is not a reliable indicator of future performance.

TRUST UPDATE

- See page 22 for an understanding of what is happening in the commercial real estate market.
- Unitholders have voted to approve the Term Extension Proposal for the Trust, as put forward in the Notice of Meeting and Explanatory Memorandum dated 30 October 2024. The vote extends the Term to 31 December 2026. Cromwell Funds Management will continue to monitor the market with a view to launching a further formal sale campaign during the Further Term, at the earliest time that it considers market conditions are favourable.
- Cromwell Funds Management Limited has simultaneously terminated Cromwell Riverpark Trust's (Trust) existing interest rate hedging and entered into a new $120 million interest rate hedge. The Trust is now 94.5% hedged (based on drawn balance) for 2 years.
- The asset remains 100% occupied, with a weighted average lease expiry of 5.4 years as at 31 December 2024.
- The Trust's unit price was $1.58 as at 31 December 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 30.

1. As at 31 December 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 31 December 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 31 December 2024

Status	**CLOSED**
Unit Price	**$0.76**
Distribution Yield	**8.60% p.a.**
WALE	**5.6 years[1]**

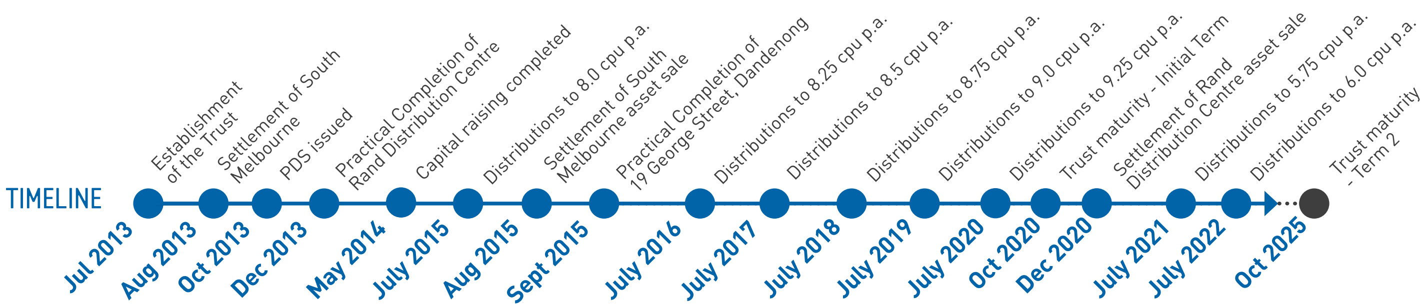
PERFORMANCE

	1 Year	3 Years	5 Years	7 Years	Inception (Oct-13)
Trust Performance After fees & costs	(4.4%)	(7.7%)	4.2%	6.4%	9.6%
Benchmark PCA / MSCI Australia Unlisted Retail Quarterly Property Fund Index (Unfrozen)	(8.8%)	(5.5%)	2.0%	5.5%	11.5%
Excess Returns After fees and costs	4.4%	(2.2%)	2.2%	0.9%	(1.9%)

Past performance is not a reliable indicator of future performance.

FUND UPDATE

- See page 22 for an understanding of what is happening in the commercial real estate market.
- The asset remains 97.9% occupied, with a weighted average lease expiry of 5.6 years as at 31 December 2024.
- The Trust's unit price was $0.76 as at 31 December 2024.
- Distribution rate is 6.50 cents per unit for the 2025 financial year, reflecting an income yield of 8.6% based on the unit price as at 31 December 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 30.

1. As at 31 December 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 A$4.5 billion of assets under management in Australia and New Zealand. Cromwell is a trusted capital partner and fund manager to a range of global and local investors, capital providers and banking partners and has a strong track record of creating value and delivering superior risk-adjusted returns throughout the real estate investment cycle.

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

8 October 2024	Becoming a substantial holder - QHL
8 October 2024	Becoming a substantial holder - SOF12
8 October 2024	Becoming a substantial holder - Redwood
8 October 2024	Becoming a substantial holder - SSW
15 October 2024	Notification regarding unquoted securities - CMW
15 October 2024	Notification of cessation of securities - CMW
15 October 2024	Change of Director's Interest Notice - JP Callaghan
24 October 2024	Notification regarding unquoted securities - CMW
24 October 2024	Change of Director's Interest Notice - JP Callaghan
29 October 2024	Notice of Annual General Meeting/Proxy Form
13 November 2024	Ceasing to be a substantial holder
22 November 2024	Ceasing to be a substantial holder
29 November 2024	Annual General Meeting 2024 Addresses and Presentation
29 November 2024	Results of Annual General Meeting 2024
6 December 2024	Becoming a substantial holder
18 December 2024	Notification regarding unquoted securities - CMW
18 December 2024	Change of Director's Interest Notice - JP Callaghan
20 December 2024	Dividend/Distribution - CMW
24 December 2024	Completion of Sale of European Funds Management Platform
31 December 2024	Change of Director's Interest Notice - GH Weiss

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

CROMWELL PROPERTY GROUP KEY EVENTS CALENDAR

Friday 14 February	December 2024 quarter distribution payment date
Thursday 27 February	HY25 results announcement
Thursday 27 March	March 2025 quarter distribution ex date (tentative)
Friday 28 March	March 2025 quarter distribution record date (tentative)
Friday 16 May	March 2025 quarter payment date (tentative)
Friday 27 June	June 2025 quarter distribution ex date (tentative)
Monday 30 June	June 2025 quarter distribution record date (tentative)
Friday 15 August	June 2025 quarter payment date (tentative)
Thursday 28 August	FY25 results announcement (tentative)
Monday 29 September	September 2025 quarter distribution ex date (tentative)
Tuesday 30 September	September 2025 quarter distribution record (tentative)
Tuesday 11 November	Cromwell AGM
Friday 14 November	September 2025 quarter distribution payment date (tentative)
Tuesday 30 December	December 2025 quarter distribution ex date (tentative)
Wednesday 31 December	December 2025 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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