



PROPERTY GROUP

Annual General Meeting 2014



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Directors



Geoffrey H Levy, AO
Chairman



Paul Weightman
Executive Director
Chief Executive Officer



Daryl Wilson
Executive Director



Richard Foster
Non-Executive
Director



Robert Pullar
Non- Executive
Director



David Usasz
Non-Executive
Director



Michelle McKellar
Non-Executive
Director



Marc Wainer
Non- Executive
Director



Michael Watters
Non- Executive
Director

Meeting Agenda



- Open
- Chairman's Address
- CEO's Address
- Business



Chairman's Address

Mr Geoffrey H. Levy, AO

Recycling Capital For Future Growth

- ➔ Sale of 6 assets in FY14 for \$253m, plus sale of 321 Exhibition St for \$206m post balance date
- ➔ Assets have delivered good returns, but expected future returns were below required hurdle rate
- ➔ Capital recycled to co-investment in Northpoint Tower and to reduce gearing with balance retained for future opportunities
- ➔ Internal management model has created additional value over time

	Acquisition Date	Sale Proceeds	IRR Achieved
321 Exhibition St, VIC	September 2010	\$205.9m	14.7%
Homebase Centre, NSW	October 2012	\$40.5m	14.5%
NQX, Distribution Centre, QLD	February 2003	\$25.0m	11.1%
Gillman Woolstore, SA	June 2004	\$15.6m	11.1%
Brooklyn Woolstore, VIC	June 2004	\$39.1m	9.5%
380 La Trobe St, VIC	December 2005	\$113.6m	8.9%
Smithfield Industrial Property, NSW	October 2012	\$19.2m	1.3%
Weighted Average			11.9%



Recently Sold: 321 Exhibition Street, VIC

Consistent Execution of Strategy



Active Asset Management

- Additional capital available through continued recycling of non-core assets
- Continued sale of assets which are not expected to meet hurdle rates
- Maintain a disciplined and focused approach to new acquisitions

Funds Management Growth

- Long term target still remains 20% earnings contribution
- Strong appetite for yield with low volatility should continue in low growth environment
- Two new diversified funds add to appeal for larger wealth managers

Effective capital management

- Have taken gearing to lower end of target range, which provides opportunity to take advantage of opportunities
- New hedging profile allows Cromwell to benefit from lower rates with a known maximum base rate

Conservative Guidance – based on current gearing and cash reserves

- Focus is on enhancing DPS and creating value
- FY15 operating earnings guidance of at least 8.3cps excluding any changes to portfolio
- FY15 target of 3% distribution growth on FY14

	FY13	FY14	Change
Statutory profit (\$'000)	46,156	182,471	295%
Statutory profit (cents per security)	3.4	10.6	208%
Property Investment (\$'000)	96,510	138,616	44%
Funds Management External (\$'000)	3,330	5,491	65%
Funds Management Internal (\$'000)	3,086	2,839	(8%)
Development (\$'000)	(515)	(225)	56%
Operating profit (\$'000) ¹	102,411	146,721	43%
Operating profit (cents per security)	7.6	8.5	12%
Distributions (\$'000) ²	97,448	131,394	35%
Distributions (cents per security)	7.3	7.6	5%
Payout Ratio (%)	95%	90%	(5%)

1) See page 37 for further details of operating profit and reconciliation to statutory profit

2) FY 13 excludes \$4.2m of distributions above pro rata entitlement attributable to equity raisings

Cromwell's key points of difference



Actively manage our
portfolio

Gear intelligently through
the property cycle

Produce value from our
funds management
business

Election of new board members



Andrew Konig

Mr Konig has more than 20 years of commercial and financial experience, including 10 years as the Group Finance Director at Independent News & Media [South Africa] Limited and Redefine Properties Limited. He is currently the CEO of Redefine Properties Limited, involved in regulatory compliance, investor relations, and legal and human resource management. Mr Konig is also an Executive Director of Fountainhead Property Trust Management Limited and numerous other Redefine Group companies.



Jane Tongs

Ms Tongs has over 20 years of management expertise, serving on the boards of insurance, funds management and other financial services entities. She is currently chairman of the Lend Lease Australian Prime Property Fund Investors Committee and a Director of Australian Energy Marketing Operator Limited, Catholic Church Insurances Ltd and Warakirri Asset Management Ltd. Ms Tongs is also a Fellow of the Institute of Chartered Accountants, CPA Australia and a member of the Institute of Company Directors.



CEO's Address

Mr Paul Weightman

Operating Earnings Per Security Increased by 12%

- ➔ Statutory profit increased 295% to \$182.5m
- ➔ Operating profit¹ increased by 43% to a record \$146.7m
- ➔ Earnings per security increased 12% to 8.5 cps
- ➔ Distributions per security increased by 5% to 7.6 cps
- ➔ Payout Ratio decreased from 95% to 90%

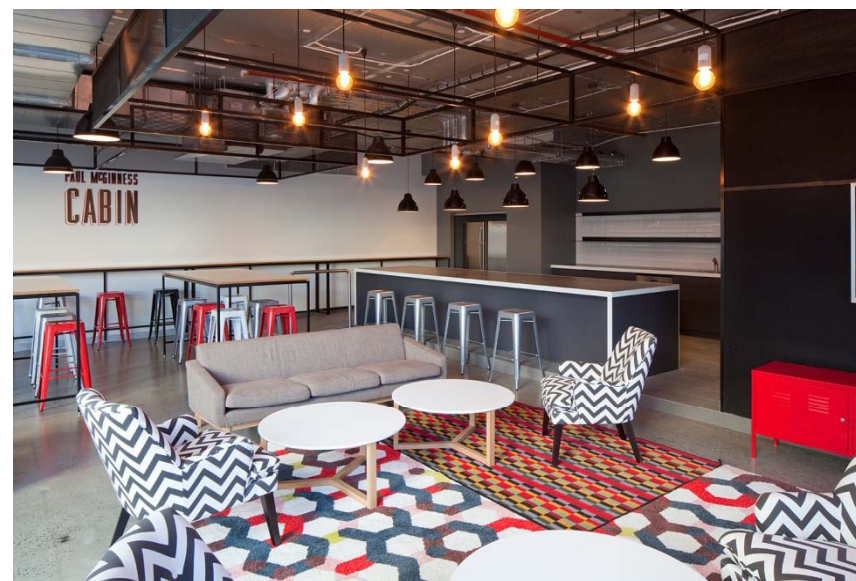
- ➔ Operating earnings increase derived from a number of factors:

- ➔ Accretion from FY13 acquisitions
- ➔ Increase in like for like income from existing portfolio
- ➔ Reduced interest rates
- ➔ Increase in funds management earnings

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Qantas HQ: Internal Break-out Room

Portfolio improvement



→ Sale of 7 assets, including 321 Exhibition Street, for \$458m

	Acquisition Date	Sale Proceeds	IRR Achieved
321 Exhibition St, VIC	Sept 2010	\$205.9m	14.7%
Homebase Centre, NSW	Oct 2012	\$40.5m	14.5%
NQX, Distribution Centre, QLD	Feb 2003	\$25.0m	11.1%
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Smithfield Industrial Property, NSW	Oct 2012	\$19.2m	1.3%
Weighted Average			11.9%

→ Capital recycled to co-invest in \$278m Northpoint Tower

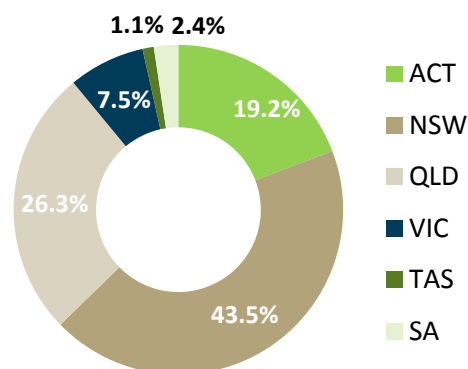
Property Stats

Address:	100 Miller Street, North Sydney
Sector:	Commercial/Retail
Land area:	5,020 sqm
NLA:	Office: 32,542 sqm Retail: 2,603 sqm Carparks: 423
Purchase Price:	\$278.7 million
Occupancy:	>99%
Initial Yield:	8.7%

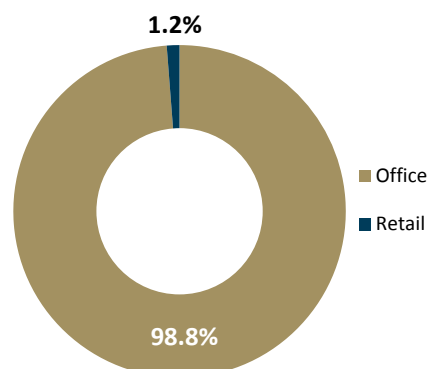
Property Portfolio Remains Robust



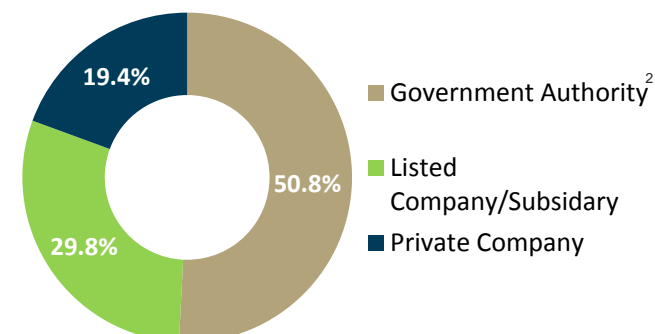
Geographic Diversification¹



Sector Diversification¹



Tenant Classification¹



Top 5 Tenants ¹	% of Gross Income	Cumulative %	Credit Rating ³
Federal Government	21%	21%	AAA
NSW State Government	15%	36%	AAA
Qantas	11%	47%	AA+
QLD State Government	9%	56%	BB+
AECOM Australia Pty Ltd	4%	60%	
TOTAL	60%		

1) By gross income

2) Includes Government owned and funded entities

3) S&P Ratings as at 15 August 2014

- Very strong tenant profile
 - Government² contributes 51% of income
 - Top 5 tenants account for 60% of income
- Continued high exposure to office sector
- Average 'like for like' property income growth of 1.4% for FY14, impacted by bi-annual CPI reviews
- Moved overweight Sydney office in past twelve months following acquisition of NSW Portfolio and Northpoint

Property Portfolio – Movement In Book Value



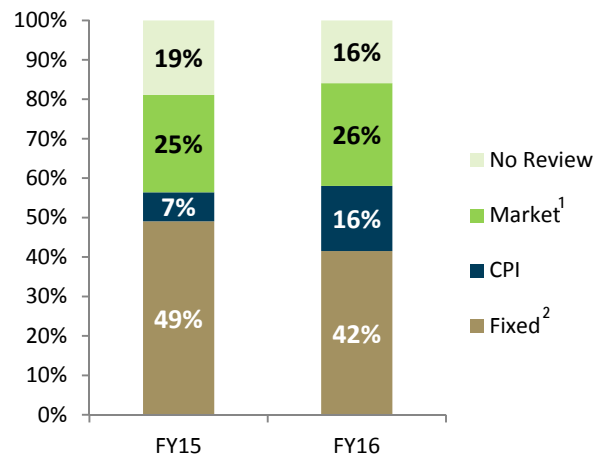
- ➔ Portfolio significantly improved through acquisitions since 2010
- ➔ In-sourced facilities management model delivers consistently low lifecycle capex
 - ➔ Average 0.24% of valuation over past 5 years

	FY14 (\$'000)	FY13 (\$'000)	FY12 (\$'000)	FY11 (\$'000)	FY10 (\$'000)
Opening Balance	2,396,000	1,724,400	1,444,850	1,064,100	1,117,175
Acquisitions	-	661,346	263,422	322,405	-
Property Improvements	44,484	76,319	50,199	40,403	1,311
Lifecycle Capex	6,828	6,301	2,614	3,029	2,231
Disposals	(250,009)	(42,439)	(39,329)	(33,735)	(22,128)
Straight Lining of Rental Income	5,648	6,071	6,892	4,883	852
Lease costs and incentives	11,927	29,275	15,810	15,879	2,216
Amortisation of leasing costs	(1,454)	(1,484)	(1,373)	(909)	(640)
Amortisation of leasing incentives	(10,180)	(8,042)	(6,332)	(4,864)	(4,771)
Net gain/(loss) from fair value adjustments	46,226	(55,747)	(12,353)	33,659	(32,146)
Balance at 30 June	2,249,470	2,396,000	1,724,400	1,444,850	1,064,100
Lifecycle Capex as a % on average assets	0.29%	0.31%	0.16%	0.24%	0.20%

Lease Expiry Profile

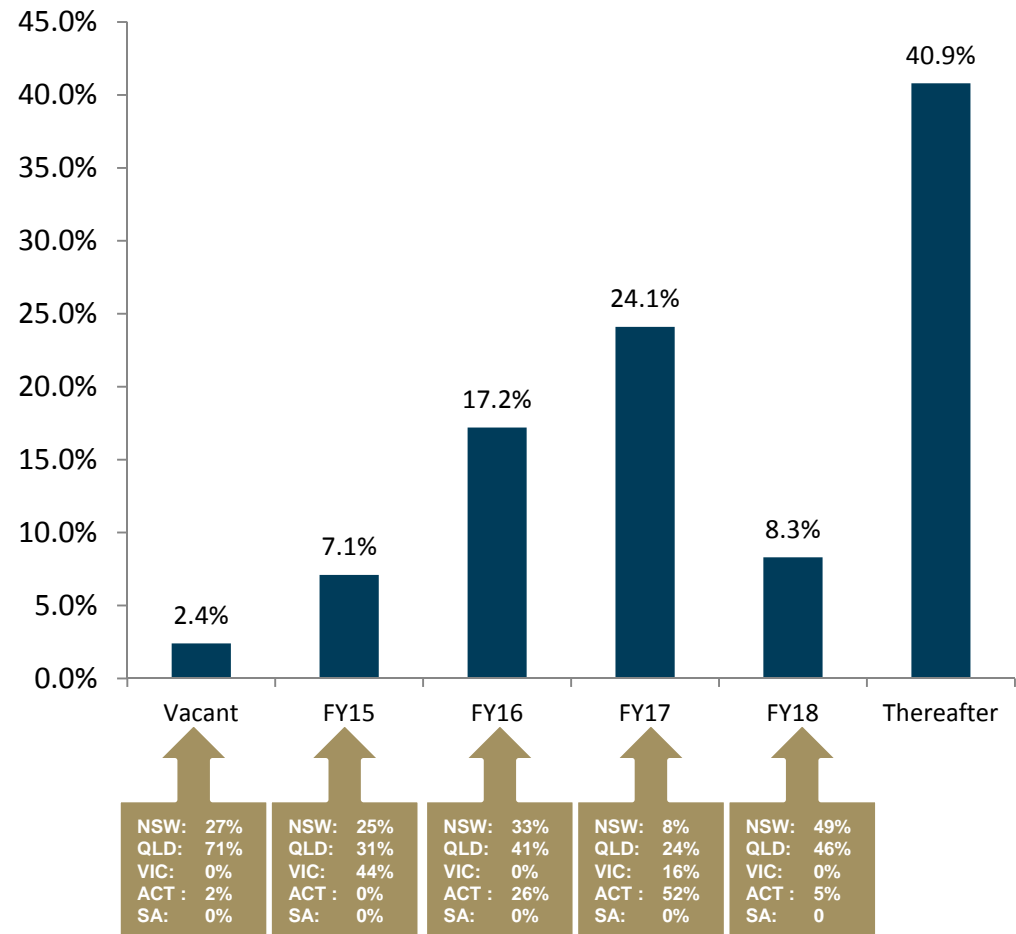
- ➔ WALE of 5.9 years
- ➔ Vacancy 2.4% vs. CBD office average of 12.2%³
- ➔ Expiry profile cushioned against current soft conditions
 - ➔ Average fixed review of 3.1% over 49% of portfolio in FY15
 - ➔ Average fixed review of 3.5% over 42% of portfolio in FY16

Next review type⁴



- 1) Includes vacancy and expiring leases
- 2) Includes CPI reviews with a fixed minimum amount
- 3) Source: JLL Research
- 4) Calculated on FY15 passing income, subject to review

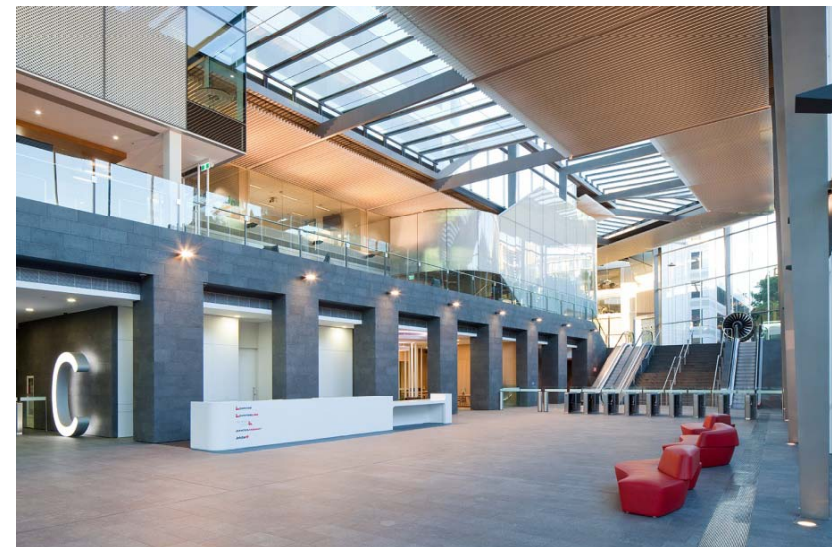
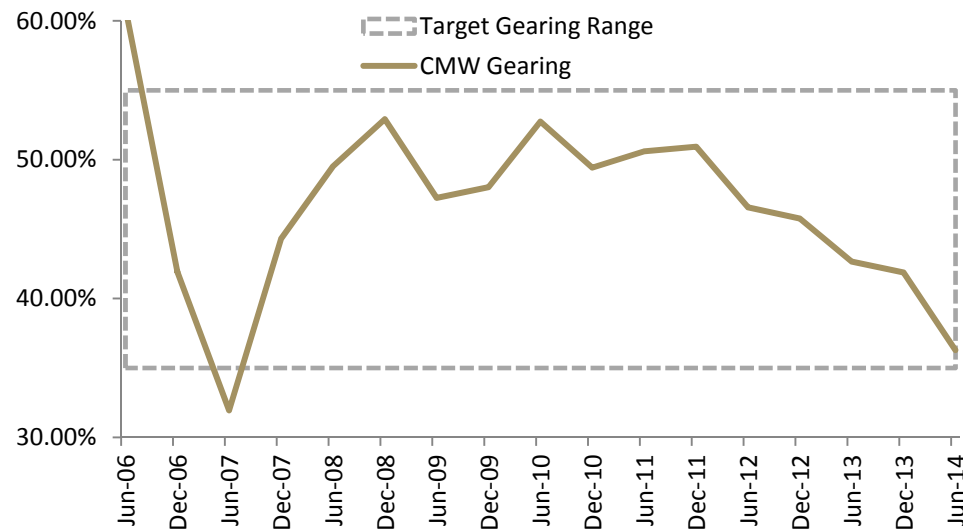
Lease Expiry Profile % Gross Income



Capital Management – Transforming Debt Platform

- ➔ Successfully completed the refinancing of 7 debt facilities into 1 new platform
 - ➔ Common terms
 - ➔ One security pool over 26 properties, with limited recourse to head trust
 - ➔ Improved pricing, average margin 1.6%
 - ➔ Initial step towards corporate credit rating
 - ➔ Potential to diversify away from bank debt over time
- ➔ Managing gearing appropriately is a key capital management initiative
 - ➔ Gearing reduced before peak of property cycle via valuation increases and asset sales
 - ➔ Increased gearing at bottom of property valuation cycle through selective acquisitions
 - ➔ Current deleveraging consistent with previous public statements

CMW Gearing



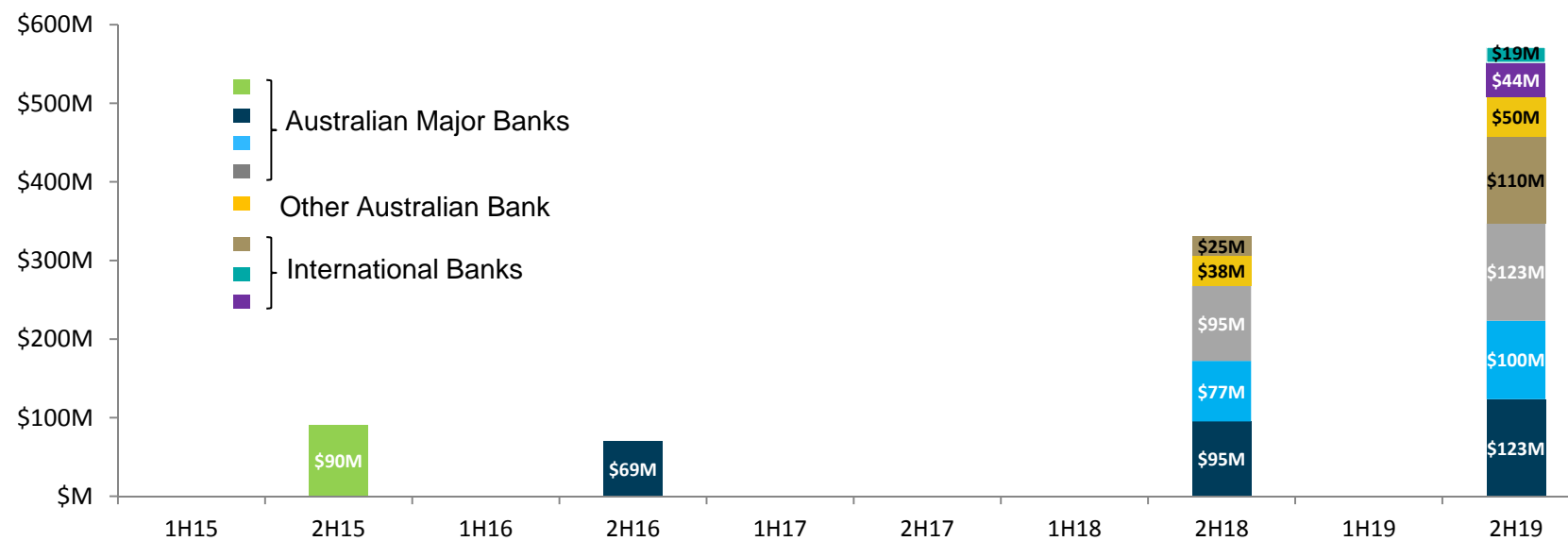
Qantas HQ: Reception Lobby

Weighted Average Debt Expiry Extended To 3.9 Years



- ➔ Diversified across 8 lenders with varying maturity dates
- ➔ No maturities until June 2015
- ➔ Weighted average debt expiry of 3.9 years

Debt Expiry Profile¹



Value Expiring	N/A	\$90.5m	N/A	\$69.6m	N/A	N/A	N/A	\$331.2m	N/A	\$571.2m
% Expiring	0%	8.5%	0%	6.6%	0%	0%	0%	31.2%	0%	53.7%

1) Includes 50% of Northpoint Debt

Lowering Interest Rates



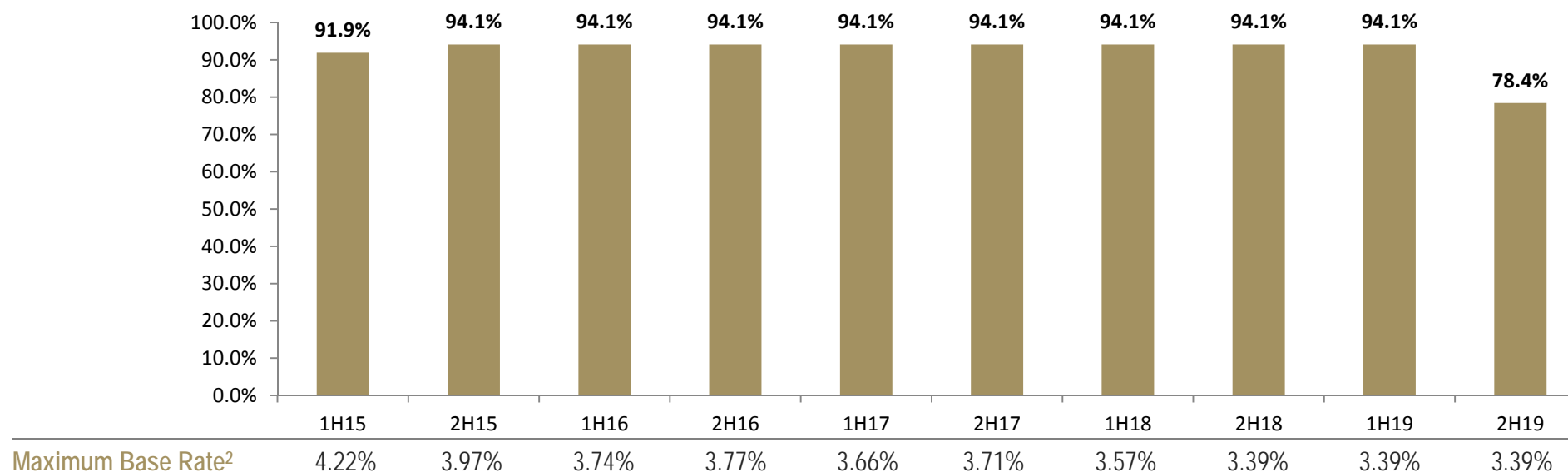
→ Targeting lower interest rates again in FY15

- Weighted average margin of 1.6% on current facilities¹
- Expect average interest rates on existing debt to be 5.6% in FY15, reduced from 5.9% in FY14¹

→ Weighted average hedge term of 4.7 years

- Extended with long-term cap in August 2014
- High degree of certainty over interest expense until FY19

CMW Hedging Profile¹



1) Includes 50% of Northpoint debt

2) Excludes facility margins, which average 1.6%

Funds Management – External AUM now \$1.3bn^{1,2}



→ Unlisted Property Trusts

- Cromwell Property Trust 12 launched in October 2013 and closed over-subscribed in April 2014
- Cromwell Direct Property Fund launched August 2013 receiving interest and inflows from large dealer groups
- Cromwell Australian Property Fund launched September 2013

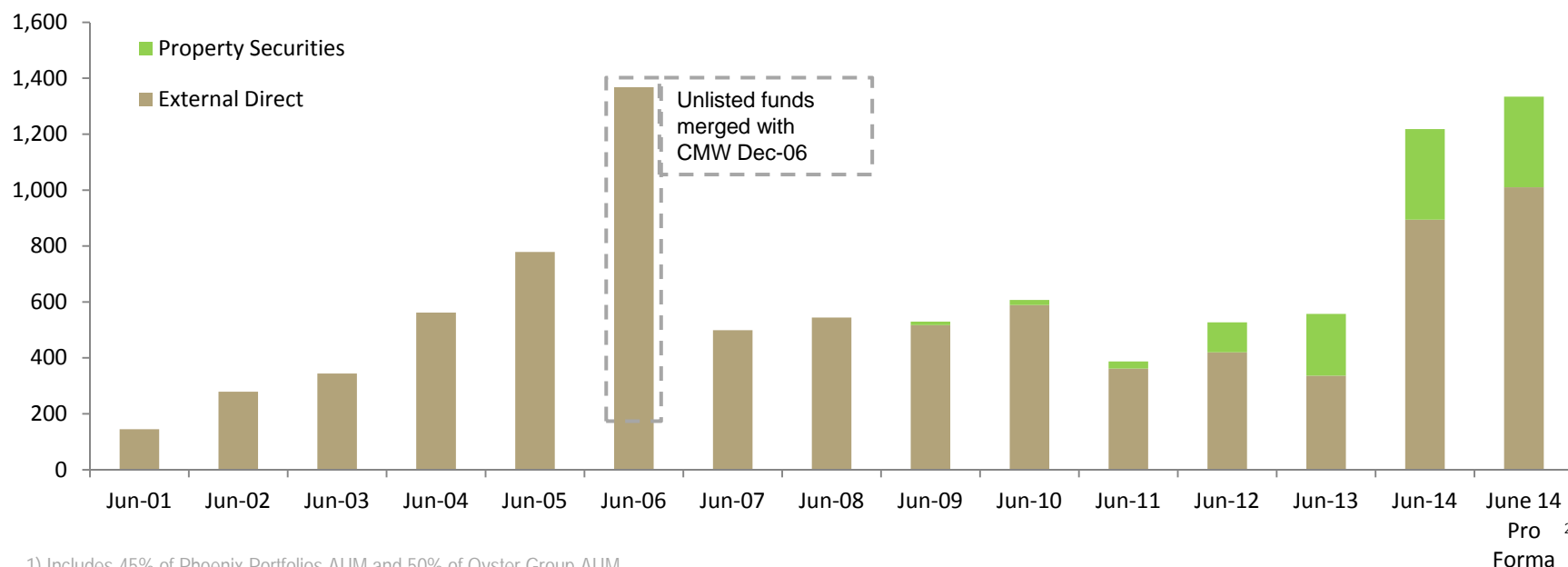
→ Property Securities (Phoenix Portfolios)

- Increase in AUM to over \$559m
- Demand growing from large dealer groups for retail product due to strong performance and premium ratings

→ Expansion into New Zealand

- Purchase of 50% stake in Oyster Group in June 2014
- Property AUM of \$NZ658m

External Assets Under Management (\$m)^{1,2}



1) Includes 45% of Phoenix Portfolios AUM and 50% of Oyster Group AUM

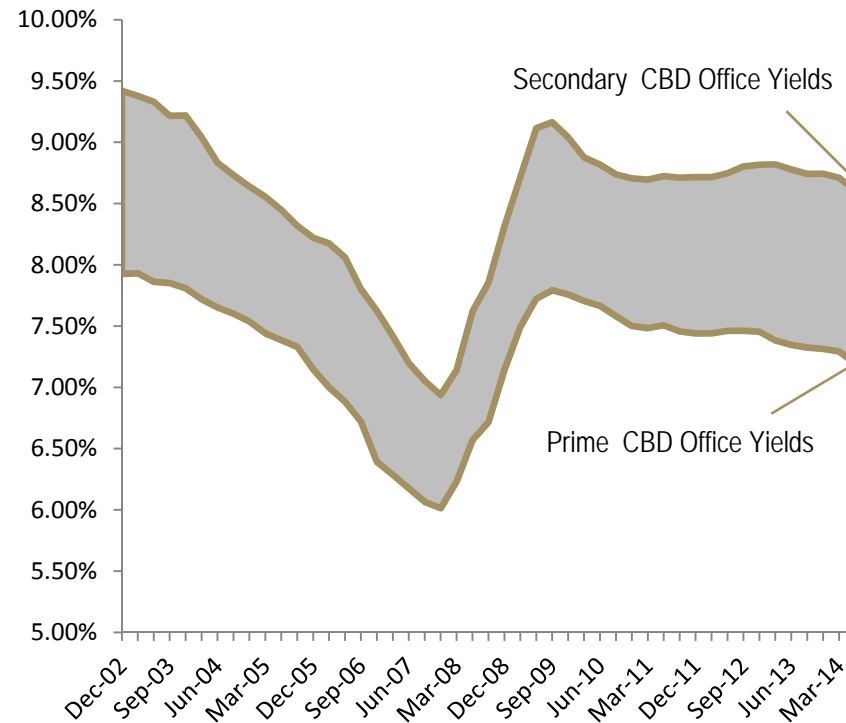
2) Assumes completion of property currently under construction

Outlook – Continued Focus on CBD Office



- **We still prefer commercial office property**
 - Significant demand for property with long leases
 - Demand for core CBD expanding to include near city and suburban locations
 - Australian office yields still high relative to global peers
- **Non Prime office cap rates yet to move**
 - Spread between prime assets and non prime assets at the greatest in over 10 years
 - Anticipate this spread to compress with increasing competition for assets, driving the value of B and secondary grade office properties
- **Rents will remain under pressure in the short term**
 - Not confined to office – occurring across all sectors
 - Long leases and minimal FY15 expiries provide 'bridge' of consistent cash flows until economic recovery takes hold
- **Active management and availability of capital are key to future performance**

Prime vs. Secondary Office Yields

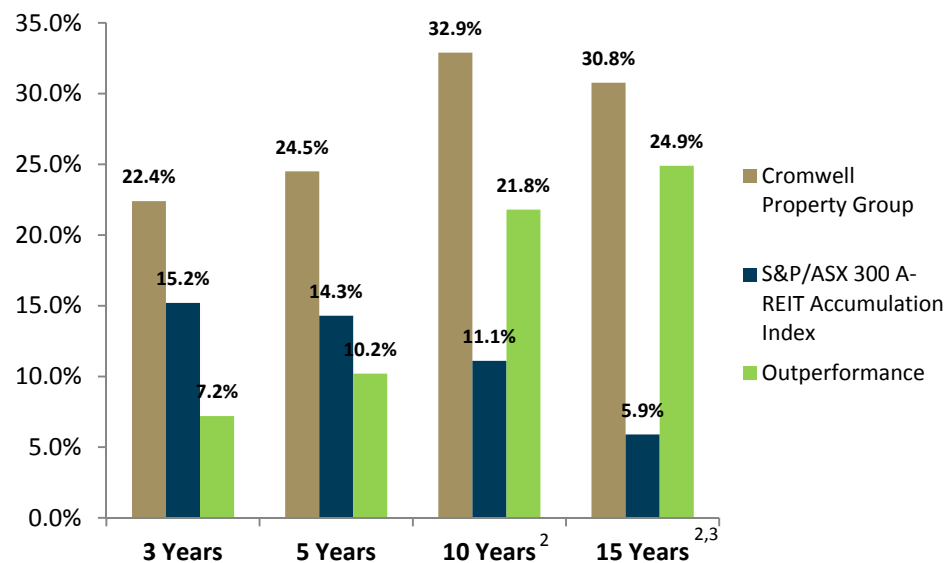


Source: JLL

Consistent Strategy Delivers Consistent Outperformance

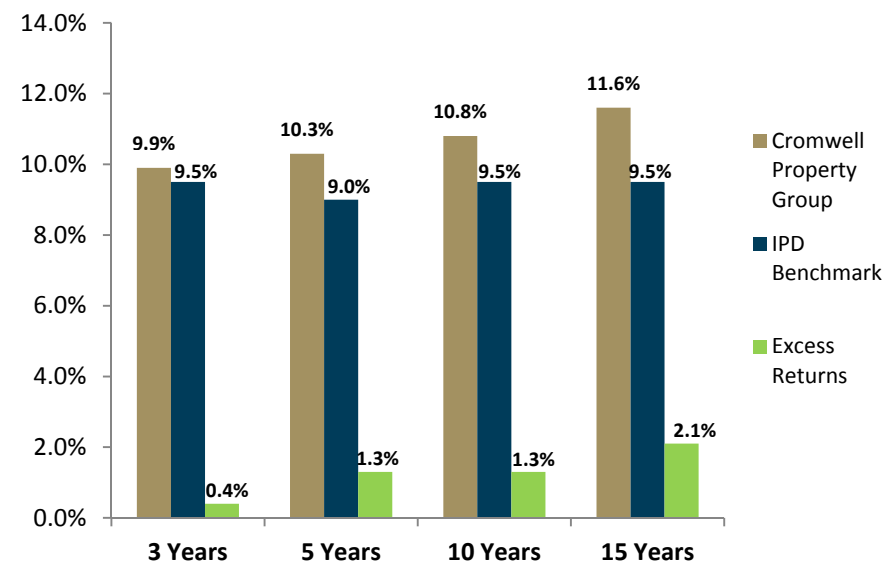


Cromwell Performance June 2014
(Annualised Total Securityholder Return)¹



Source: IRESS

Direct Property Returns
(to 30 June 2014 Annualised)



Source: IPD

Forecast FY15 EPS of at least 8.3 cps and DPS of 7.85 cps, representing 3% growth over FY14.

- 1) Includes distributions
- 2) 10 and 15 year CMW return includes period prior to stapling in December 2006
- 3) S&P/ASX 300 A-REIT Accumulation Index is since 31 March 2000

Voting Cards



Yellow card
Voting card

Blue card
Non-voting attendee card

Green card
Visitor card



Items of Business

Item 1



Consideration of the Financial, Directors' and Auditor's Reports

- This is not the subject of a formal resolution and no proxies apply

Item 2



Remuneration Report

"That the Company's Remuneration Report for the financial year ended 30 June 2014 is adopted."

	Number	% of proxies received
For	631,409,971	85.90
Open	16,753,170	2.28
Against	86,874,903	11.82
Abstain	7,430,621	

Item 3



Re-election of Mr Geoff Levy as a Director

"That Mr Geoff Levy, who retires by rotation in accordance with the Company's Constitution and offers himself for re-election, is re-elected as a Director of the Company."

	Number	% of proxies received
For	732,160,857	97.42
Open	17,097,357	2.28
Against	2,269,160	0.30
Abstain	8,362,692	

Item 4



Election of Ms Jane Tongs as a Director

” That Ms Jane Tongs, who is eligible and having offered herself for election, is elected as a director of of the Company.”

	Number	% of proxies received
For	735,490,687	97.58
Open	17,127,197	2.27
Against	1,119,192	0.15
Abstain	6,152,990	

Item 5



Election of Mr Andrew Konig as a Director

” That Mr Andrew Konig, who is eligible and having offered himself for election, is elected as a director of the Company.”

	Number	% of proxies received
For	725,138,526	96.20
Open	17,471,490	2.32
Against	11,142,445	1.48
Abstain	6,137,605	



Questions



Thank you for your time