



Pallas FM Trust

Performance Update

31 March 2021
PFMT01

Key Metrics as at 31 March 2021

Bond	
Note Type	Fixed Rate Notes
ISIN	AU3CB0275915
Austraclear Series I.D.	PFMT01
Common Code	225828130
Bloomberg	FIGI# BBG00YNB5ZY5 (BB#BN2156758)
Notes on Issue	3,380 Notes of \$10,000 each
Issue Limit	15,000 Notes of \$10,000 each
Issue Term	4 Years
Term to Maturity	45 months
Fungible	Yes
Fixed Coupon	7.5% p.a. paid quarterly in arrears
(Initial) Issue Date	21 December 2020
Maturity Date	31 December 2024
Rating	n/a
Withholding Tax	S.128F Compliant
Underlying Portfolio	
Total Issue Size	\$33,800,000
Total Invested Amount	\$32,000,000
Total Cash Amount*	\$3,491,907
Total Current SPV Investments	8
Average Portfolio LVR	64.4%
Weighted Average Loan Maturity	10.4 months
Investments in Arrears	NIL

*Made up as \$1.8 million of cash available for investment, \$1.69 million of IP Reserve.

Investment Objective & Strategy

Provide bond investors with access to a high-yield, fixed-rate bond supported by a portfolio of underlying SPV investments. Each SPV investment is secured by a registered first mortgage over a quality, Australian real estate asset, predominately located in Sydney, Melbourne and Brisbane metropolitan areas. The SPV portfolio gives investment diversity by geography, sponsor, loan tenor and loan type.

Key Service Providers

Trustee	Pallas Funds Pty. Limited AFSL No. 473475
Investment Manager	Pallas Capital Pty. Limited (ABN 50 616 130 913)
Note Trustee	AMAL Trustees Pty. Limited (ABN 98 609 737 064)
Registrar, Issuing & Paying Agent	AMAL Management Services Pty. Limited (ABN 46 609 790 749)
Security Trustee	AMAL Security Services Pty. Limited (ABN 48 609 790 758)

Investment Activity

As at 31 March 2021, of the \$33.8 million raised in Tranches 1, 2 and 3 of the Pallas FM Trust Bond Series A (PFMT01), \$32 million (95.0%) was invested across eight SPV-first mortgage investments, specifically participations in the following Trusts:

Investment	Amount (\$A)	Initial LVR	Effective LVR*
10 Male Street FM Trust	\$5,619,500	62.5%	43.7%
54 Montclair Avenue FM Trust	\$980,563	64.0%	0.0%
8 River Terrace Capital Trust	\$7,500,000	65.0%	50.35%
94 River Street Capital Trust	\$2,338,498	64.35%	17.85%
Benelong Crescent Capital Trust	\$4,720,797	64.3%	41.28%
Botany Road Capital Trust	\$3,095,642	65.0%	29.51%
Marmont FM Capital Trust	\$7,500,000	65.0%	50.35%
Palmerston Street Capital Trust	\$245,000	65.0%	0.0%
Total	\$32,000,000	64.4%	n/a

*The Effective LVR is calculated after applying the Investment Protection (IP) reserve to each loan balance.

The table above shows the Loan to Value Ratio (LVR) on which each Qualifying Loan was made and the Effective LVR, net of this IP protection. The table shows that of the eight investments as at 31 March 2021, the highest Effective LVR was 50.35% and in the case of two investments the Effective LVR was 0.0%.

The Notes benefit from an Investment Protection (IP) mechanism which requires parties associated with Pallas FM Trust to lodge cash and/or bank guarantees equal to 5.0% of the total principal amount outstanding in respect of the Notes.



Pallas FM Trust

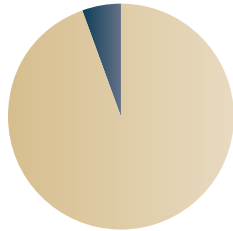
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As at 31 March 2021, Pallas FM Trust held \$3.5 million of cash reserves, made up of \$1.7 million of monies held as IP Reserve, and \$1.8 million in uninvested funds. The first quarterly interest payment to noteholders totalling \$658,000 was paid on 31 March 2021.

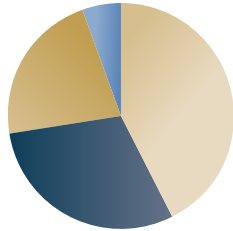
All investments held by Pallas FM Trust are performing. Investment Manager Pallas Capital is satisfied with the deployment of Pallas FM funds to-date.

Asset Diversification



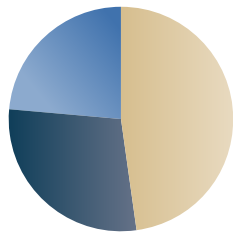
Portfolio Composition

- Funds Invested 94.7%
- Cash 5.3%



Investment Type Diversification

- Construction Finance 42.7%
- Land Development 29.8%
- Residual Stock 22.2%
- Cash 5.3%



Geographic Diversification

- Sydney 47.9%
- Melbourne 28.7%
- Brisbane 23.4%

*Based on deployed funds only. Excludes any cash position of PFMT01.

As stated in its Investor Memorandum dated 15 December 2020, until the earlier of:

- the date on which the Issue Size reaches \$50 million; or
- 21 December 2021, the first anniversary of the first Issue Date of any Notes.

The restriction on the maximum single exposure is a requirement that the Issuer will not make a single Qualifying Loan or a single SPV Investment in an amount exceeding \$7.5 million.

About the Investment Manager

Pallas Capital is an Australian commercial real estate financier and investment manager that has originated and managed in excess of \$760 million investments since December 2016 across 110 transactions.

The platform offers a range of real estate-backed single asset and diversified debt and equity investment opportunities for wholesale investors. Pallas Capital has offices in Sydney and Melbourne.

Pallas Capital currently has transactions under management of \$470 million.

Pallas Capital has a unimpaired track record. All of the transactions by Pallas Capital have either been repaid together with all investment returns or are fully performing and has repaid in excess of \$290 million million to investors with no impairments.

Pallas Capital offers a range of investment types across the 'capital stack', including:

- bespoke first and second mortgage investments,
- diversified pooled first mortgage portfolio investments, and
- preferred equity and ordinary equity investments in real estate development projects.

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INDEPENDENT VERIFICATION REPORT FOR QUARTER ENDING 31 March 2021

Commercial in Confidence



21 April 2021

TO: Noteholders

Pallas FM Trust (PFM Trust) – 7.5% Fixed Rate Bonds Due 2024

We refer to the Investment Memorandum dated 15 December 2020 issued by Pallas Capital Pty. Limited (ACN 616 130 913) acting as the Corporate Authorised Representative (ASIC No. 001257625) of Pallas Funds Pty Ltd (ACN 604 352 347) as trustee of the Pallas FM Trust (**Issuer**) (**Investment Memorandum**).

This independent verification report is issued in accordance with the reporting provision set out in Section 3 (**Key Terms**) of the Investment Memorandum. Terms used in the Investment Memorandum have the same meaning in this report. AMAL Management Services Pty Limited (ACN 609 790 749) in its capacity as Verification Agent for the Pallas FM Note Trust (**AMAL**) has undertaken an independent verification for the PFM Trust and confirms that as at 31 March 2021 it has reviewed the primary source documents confirming the following:

- 1) (**Security**): that each loan is secured by a registered first mortgage on Australian real estate and has been provided with documents showing that it is supported by the personal guarantee of the sponsor(s) behind the borrower (and in some cases, security over other assets) in each case, in favour of the Issuer;
Verification methodology: AMAL has reviewed copies of the independent source documents (i.e. mortgage, certificate of title / land title search issued by the relevant land registry office, personal guarantees) for the purpose of verifying that this statement is true and correct.
- 2) (**Nature of security property**): that the property securing each loan is a development site, residential property or commercial property;
Verification methodology: AMAL has reviewed a copy of the independent source document (i.e. a valuation report prepared by a Pallas Capital Panel Valuer) for the purpose of verifying that this statement is true and correct.
- 3) (**Type of loan**): that each loan is an investment loan, construction loan or residual stock loan;
Verification methodology: AMAL has reviewed copies of the independent source documents (i.e. loan agreement and associated security documents) for the purpose of verifying that this statement is true and correct.

- 4) (**Valuation**): the security property for each loan is supported by a valuation by a Pallas Capital Panel Valuer dated no more than three months prior to the date on which the lender committed to make the loan;
Verification methodology: AMAL has reviewed a copy of the independent source document (i.e. a valuation report prepared by a Pallas Capital Panel Valuer) for the purpose of verifying that this statement is true and correct.
- 5) (**Loan-to-value ratio (LVR)**): the Loan Commitment of each loan represents a maximum LVR of 65.0% (in the case of a construction loan, based on the 'as if completed' value of the project ex-GST).
Verification methodology: AMAL has reviewed copies of the independent source documents (i.e. loan agreement and associated security documents) for the purpose of verifying that this statement is true and correct.
- 6) (**Term**): the term of each loan is less than or equal to 24 months;
Verification methodology: AMAL has reviewed copies of the independent source documents (i.e. loan agreement and associated security documents) for the purpose of verifying that this statement is true and correct.
- 7) (**Diversification Strategy / Maximum Single Exposure**): that each loan falls within the limitation on the Maximum Single Exposure;
Verification methodology: AMAL has reviewed copies of the independent source documents (i.e. unit certificates, holding statements) for the purpose of verifying that this statement is true and correct.
- 8) (**Investment Protection Mechanism**): that as at 31 March 2021, the PFM Trust holds bank guarantees and/or cash equivalent to 5.0% of the Issue Size (i.e. the aggregate principal amount outstanding in respect of all Notes on issue from time to time);
Verification methodology: AMAL has reviewed copies of the independent source documents (i.e. bank statements, bank guarantees) for the purpose of verifying that this statement is true and correct.
- 9) (**SPV Lenders**): that each SPV Lender is controlled and/or managed by a member of the Pallas Group and the PFM Trust does not hold all of the units in each such SPV Lender; and
Verification methodology: AMAL has reviewed copies of the independent source documents (i.e. unit certificates, holding statements) for the purpose of verifying that this statement is true and correct.

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10)(**Related Party Transactions**): that each loan to a Related Party and/or SPV Investment where the SPV Lender has made a loan to a Related Party:

- i) has been made on an arms-length commercial basis;
- ii) has been approved by the Independent Supervisor, who is appointed to scrutinise such loan or SPV Investment; and
- iii) is jointly and severally guaranteed by the related persons that hold a beneficial interest in the borrower.

Verification methodology: AMAL has reviewed copies of the independent source documents (i.e. Independent Supervisor's report, personal guarantees) for the purpose of verifying that this statement is true and correct.

Signed for and on behalf of
AMAL Management Services Pty Limited
(ACN 609 790 749)

Position: Authorised Officer

Date: 21 April 2021



COMPLIANCE CERTIFICATE FOR QUARTER ENDING 31 March 2021

Commercial in Confidence

TO: Noteholders

Investment Memorandum – Pallas FM Trust 7.5% Fixed Rate Bonds Due 2024

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This Compliance Certificate is issued in accordance with the reporting provision set out in Section 3 (Key Terms) of the Investment Memorandum. Terms used in the Investment Memorandum have the same meaning in this certificate.

As at 31 March 2021, the Issuer hereby confirms that:

- a) the Issuer is in compliance with all obligations under the Transaction Documents referred to on page 12 of the Investment Memorandum; and
- b) no event of default under the Transaction Documents is subsisting.

Signed for and on behalf of
Pallas Funds Pty Ltd as trustee
of the Pallas FM Trust

Director: Patrick Keenan

Date: 21 April 2021

Director: Dan Gallen

Date: 21 April 2021



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CAPITAL