



# Pallas FM Trust

## Performance Update — Q2 2021

30 June 2021  
PFMT1

### Key Metrics as at 30 June 2021

Bond	
Note Type	Fixed Rate Notes
ISIN	AU3CB0275915
Austraclear Series I.D.	PFMT1
Common Code	225828130
Bloomberg	FIGI# BBG00YNB5ZY5 (BB#BN2156758)
Notes on Issue	5,836 Notes of \$10,000 each
Issue Limit	15,000 Notes of \$10,000 each
Issue Term	4 Years
Term to Maturity	42 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	\$58,360,000
Total Invested Amount	\$56,674,065
Total Cash Amount	\$1,685,935
Total Current SPV Investments	16
Average Portfolio LVR	64.0%
Weighted Average Loan Maturity	9.7 months
Investments in Arrears	NIL

### Investment Objective & Strategy

Provide bond investors with access to a high-yield, fixed-rate bond supported by a portfolio of 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 the 30 June 2021, of the \$58.36 million raised in Tranches 1-8 of the Pallas FM Trust Bond Series A (PFMT1), \$56.67 million (97%) was invested across 16 SPV-first mortgage investments, specifically participations in the following Trusts:

Table 1

Investment	Amount (\$A)	Initial LVR	Effective LVR*
Botany Road Capital Trust	\$657,796	65%	0.0%
Edenholme Road FM Trust	\$1,858,460	59%	0.0%
8 River Terrace Capital Trust	\$7,500,000	62%	37.9%
10 Male Street FM Capital Trust	\$6,506,900	62.5%	34.5%
Palmerston Street Capital Trust	\$245,000	65%	0.0%
Benelong Crescent Capital Trust	\$2,697,168	64%	0.0%
54 Montclair Avenue FM Trust	\$2,021,102	64%	0.0%
Marmont FM Capital Trust	\$3,693,362	65%	13.6%
River Terrace Capital Trust	\$1,898,967	65%	0.0%
94 River Street Capital Trust	\$2,338,498	64%	0.0%
Toorak Ode FM Capital Trust	\$5,443,783	65%	30.2%
Pallas House Melbourne Capital Trust	\$7,488,358	65%	39.7%
Guilfoyle Office FM Trust	\$936,481	65%	0.0%
30 Love Street FM Trust	\$3,412,500	65%	9.4%
Bryant Drive FM Capital Trust	\$2,475,690	65%	0.0%
Dover Street FM Trust	\$7,500,000	65%	39.7%
<b>Total</b>	<b>\$56,674,065</b>	<b>64.0%</b>	

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



# Pallas FM Trust

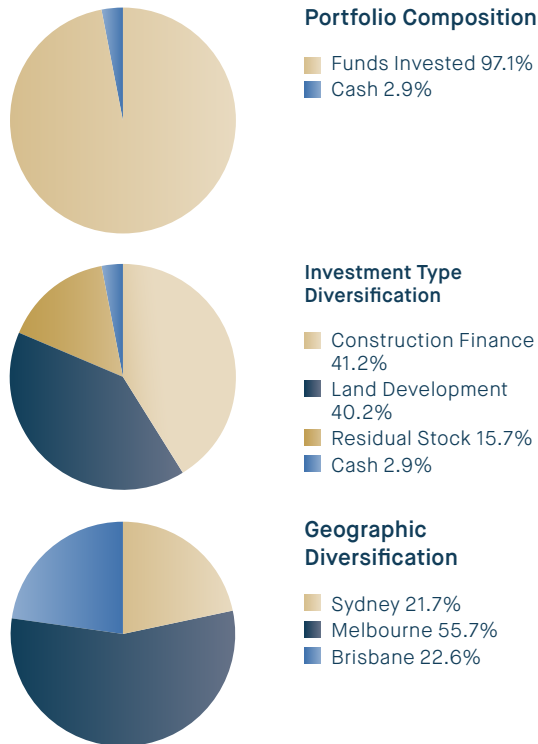
## Performance Update — Q2 2021

30 June 2021  
PFMT1

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. Accordingly, as at 30 June 2021 the Pallas FM Trust held cash of \$2,918,000 for this purpose.

Table 1 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 16 investments as at 30 June 2021, the highest Effective LVR was 39.7% and in the case of nine investments the Effective LVR was 0%.

### Asset Diversification



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

As at the 30 June 2021, Pallas FM Trust held \$4.6 million of cash reserves, made up of \$2.9 million of monies held as IP Reserve, and \$1.7 million in uninvested funds.

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

Given the total FUM of \$58.36 million as at 30 June is greater than \$50 million the following Maximum Single Exposure limits apply:

- Maximum Single Exposure  $\leq$  90 days is \$14.59 million; and
- Maximum Single Exposure  $>$  90 days is \$8.75 million.

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# Pallas FM Trust

Performance Update — Q2 2021

30 June 2021  
PFMT1



## About the Investment Manager

Pallas Capital is an Australian commercial real estate financier and investment manager that has originated and managed in excess of \$973 million investments since December 2016 across 139 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 \$638 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 \$316 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 including the Pallas FM Trust 4-year Fixed Rate Bond; and
- preferred equity and ordinary equity investments in real estate development projects.

### Sydney

Pallas House, L5 33-36 Bay Street  
Double Bay NSW 2028

### Melbourne

L4 412 St Kilda Road  
Melbourne VIC 3004

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# Pallas FM Trust

Performance Update — Q2 2021

30 June 2021  
PFMT1

## INDEPENDENT VERIFICATION REPORT FOR QUARTER ENDING 30 June 2021

Commercial in Confidence



21 July 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 30 June 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 30 June 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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# Pallas FM Trust

Performance Update — Q2 2021

30 June 2021  
PFMT01

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 July 2021



## COMPLIANCE CERTIFICATE FOR QUARTER ENDING 30 June 2021

**Commercial in Confidence**

TO: Noteholders

### Investment Memorandum – Pallas FM 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 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 30 June 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 July 2021

Director: Dan Gallen

Date: 21 July 2021



**PALLAS  
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