



Pallas FM Trust

Performance Update — Q3 2021

30 September 2021
PFMT01

Key Metrics as at 30 September 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	6,379 Notes of \$10,000 each
Issue Limit	15,000 Notes of \$10,000 each
Issue Term	4 Years
Term to Maturity	39 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	\$63,790,000
Total Invested Amount	\$62,372,219
Total Cash Amount	\$1,417,781
Total Current SPV Investments	20
Average Portfolio LVR	64.3%
Average Portfolio LVR (FLCP)*	61.0%
Weighted Average Loan Maturity	7.6 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 September 2021, of the \$63.79 million raised in the Pallas FM Trust Bond Series A (**PFMT01**), \$62.37 million (98%) was invested across twenty SPV-first mortgage investments, specifically participations in the following Trusts:

Table 1

Investment	Amount (\$A)	Initial LVR	Effective LVR*
Botany Road Capital Trust	\$1,904,549	65%	0.0%
Edenholme RD FM Trust	\$2,787,189	59%	0.0%
8 River Terrace Capital Trust	\$1,875,000	62%	0.0%
10 Male Street FM Capital Trust	\$1,598,031	62%	0.0%
Benelong Crescent Capital Trust	\$212,452	65%	0.0%
54 Montclair Avenue FM Trust	\$3,840,888	64%	10.9%
Marmont FM Capital Trust	\$3,475,091	65%	5.3%
River Terrace Capital Trust	\$3,517,508	65%	6.1%
94 River Street Capital Trust	\$3,250,000	61%	1.1%
Toorak Ode FM Trust	\$416,368	65%	0.0%
Pallas House Melbourne Capital Trust	\$6,453,724	65%	32.9%
30 Love Street FM Trust	\$3,412,500	65%	4.2%
Bryant Drive FM Capital Trust	\$7,000,000	65%	35.4%
Dover Street FM Trust	\$6,434,000	65%	32.8%
Reeves Street FM Trust	\$3,412,500	65%	4.2%



Pallas FM Trust

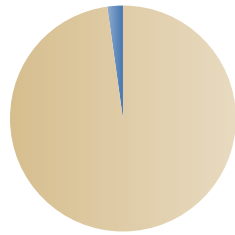
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8 Seaview Crescent FM Trust	\$2,029,919	65%	0.0%
Thomson Street FM Trust	\$1,960,000	65%	0.0%
Palmerston Crescent Capital Trust No.2	\$3,950,000	65%	12.5%
15A Mona Road FM Trust Class A	\$2,080,000	65%	0.0%
616 Smith Street Capital Trust	\$2,762,500	65%	0.0%
Total	\$62,372,219	64.3%	

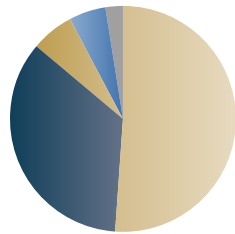
*The Effective LVR is calculated after applying the Investment Protection (IP) reserve to each loan balance.

Asset Diversification



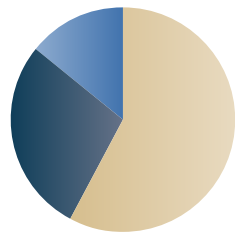
Portfolio Composition

- Funds Invested 97.8%
- Cash 2.2%



Investment Type Diversification

- Pre-Development 51.3%
- Construction Finance 35.0%
- Residual Stock 6.1%
- Investment 5.3%
- Cash 2.3%



Geographic Diversification

- Melbourne 57.9%
- Sydney 28.0%
- Brisbane 14.1%

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

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% of the total principal amount outstanding in respect of the Notes. Accordingly, as at 30 September 2021 the Pallas FM Trust held cash of \$3,189,500 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 twenty investments as at 30 September 2021, the highest Effective LVR was 35.4% and in the case of ten investments the Effective LVR was 0%.

As at the 30 September 2021, Pallas FM Trust held \$4.7 million of cash reserves, made up of \$3.2 million of monies held as IP Reserve, and \$1.4 million in uninvested funds.

Given the Issue Size has now exceeded \$50 million, but is below \$75 million, in accordance with the Information Memorandum dated 15 December 2020, the maximum single exposure of a qualifying loan as at 30 September 2021 is as follows:

- < 90 days (25% of Issue Size) \$15.95 million
- > 90 days (15% of Issue Size) \$9.57 million

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

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About the Investment Manager

Pallas Capital is an Australian commercial real estate financier and investment manager that has originated and managed in excess of \$1.21 billion investments since December 2016 across 176 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 \$790 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 \$423 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

pallascapital.com.au
[linkedin.com/company/pallascapital](https://www.linkedin.com/company/pallascapital)
+61 2 8188 1108

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INDEPENDENT VERIFICATION REPORT FOR QUARTER ENDING 30 September 2021

Commercial in Confidence



21 October 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 September 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 September 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 October 2021



COMPLIANCE CERTIFICATE FOR QUARTER ENDING 30 September 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 September 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 October 2021

Director: Dan Gallen

Date: 21 October 2021



**PALLAS
CAPITAL**