



Pallas FM Trust

Performance Update — Q4 2021

31 December 2021
PFMT01

Key Metrics as at 31 December 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	6,743 Notes of \$10,000 each
Issue Limit	15,000 Notes of \$10,000 each
Issue Term	4 Years
Term to Maturity	36 months
Fungible	Yes
Fixed Coupon	7.50% 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	\$67,430,000
Total Invested Amount	\$66,447,865
Total Cash Amount	\$982,135
Total Current SPV Investments	20
Average Portfolio LVR	61.7%
Average Portfolio LVR (IP)*	58.1%
Weighted Average Loan Maturity	7.8 months
Investments in Arrears	NIL

*Including the Investment Protection (IP) mechanism when applied only once within the PFMT01 portfolio

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 31 December 2021, of the \$67.43 million raised in the Pallas FM Trust Bond Series A (PFMT01), \$66.45 million (99%) was invested across 20 SPV-first mortgage investments, specifically participations in the following Trusts:

Table 1

Investment	Amount (\$A)	Initial LVR	Effective LVR*
The Botany Road Capital Trust	\$7,500,000	63.4%	34.9%
Edenholme Rd FM Trust	\$3,977,089	59.0%	9.0%
54 Montclair Avenue FM Trust	\$3,492,227	64.0%	2.2%
8 and 9 Hillside Capital Trust	\$7,500,000	48.0%	26.4%
Marmont FM Capital Trust	\$3,141,139	65.0%	0.0%
River Terrace Capital Trust	\$4,292,798	65.0%	13.9%
94 River Street Capital Trust	\$3,250,000	61.3%	0.0%
Pallas House Melbourne Capital Trust	\$2,369,002	65.0%	0.0%
Reeves Street FM Trust	\$3,412,500	65.0%	0.8%
8 Seaview Crescent FM Trust	\$2,342,725	65.0%	0.0%
Thomson Street FM Trust	\$760,000	65.0%	0.0%
Palmerston Crescent Capital Trust No. 2	\$3,675,000	65.0%	5.4%
15A Mona Road FM Trust	\$2,080,000	65.0%	0.0%
376 Princes Highway FM Trust	\$1,500,000	65.0%	0.0%



Pallas FM Trust

Performance Update — Q4 2021

31 December 2021
PFMT01

Investment (Continued)	Amount (\$A)	Initial LVR	Effective LVR*
254 Hampshire Road Capital Trust	\$2,606,530	63.8%	0.0%
616 Smith Street Capital Trust	\$2,762,500	65.0%	0.0%
31 Leighton Place Capital Trust	\$777,684	65.0%	0.0%
15 Rosewood Avenue Capital Trust	\$3,317,500	65.0%	0.0%
Church Avenue FM Trust	\$5,500,000	58.7%	22.7%
1 Boyle St Capital Trust	\$2,191,171	65.0%	0.0%
Total	\$66,447,865	61.7%	

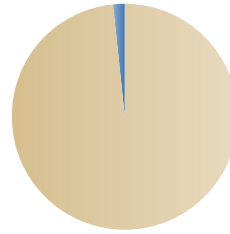
*The Effective LVR is calculated after applying the Investment Protection (IP) reserve to each loan balance.

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 31 December 2021 the Pallas FM Trust held cash of \$3,371,500 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 20 investments as at 31 December 2021, the highest Effective LVR was 34.9% and in the case of 12 investments the Effective LVR was 0%.

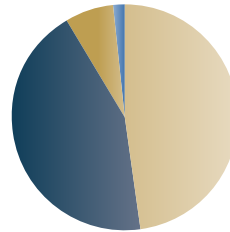
As at the 31 December 2021, Pallas FM Trust held \$4.4 million of cash reserves, made up of \$3.4 million of monies held as IP Reserve, and \$0.98 million in uninvested funds.

Asset Diversification



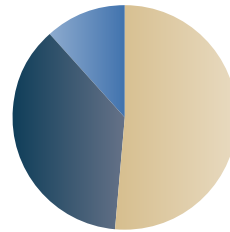
Portfolio Composition

Funds Invested 98.5%
Cash 1.5%



Investment Type Diversification

Pre-Development 47.8%
Construction Finance 43.8%
Residual Stock 6.9%
Cash 1.5%



Geographic Diversification

Sydney 51.4%
Melbourne 37.1%
Brisbane 11.5%

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

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 31 December 2021 is as follows:

- a) < 90 days (25% of Issue Size) \$16.86 million
- b) > 90 days (15% of Issue Size) \$10.11 million

As at 31 December 2021, the maximum single exposure on any loan was \$7.5 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.

DISCLAIMER: Pallas Capital Pty. Limited (ACN 616 130 913) ("Pallas"), as Authorised Representative No. 001257625 of Pallas Funds Pty. Limited (ACN 604 352 347), the holder of AFS Licence No. 473475. The information contained in this Investor Update Document ("Document"), as prepared by Pallas, is for information purposes only and should be read in that context. The information contained in this Document is not investment or financial product advice and is not intended to be used as the basis for making an investment decision. This Document is not, and does not constitute, an offer to sell or the solicitation, invitation or recommendation to purchase any securities and neither this Document nor anything contained in it forms the basis of any contract or commitment. This Document is strictly confidential and is intended for the exclusive benefit of the intended recipient. It may not be reproduced, disseminated, quoted or referred to, in whole or in part, without the express consent of Pallas. No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this Document. To the maximum extent permitted by law, none of Pallas, its related bodies corporate, shareholders or respective directors, officers, employees, agents or advisors, nor any other person accepts any liability, including, without limitation, any liability arising out of fault or negligence for any loss arising from the use of information contained in this Document. This Document may include "forward-looking statements". Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Pallas and its officers, employees, agents or associates that may cause actual results to differ materially from those expressed or implied in such statement. Actual results, performance or achievements may vary materially from any projections and forward looking statements and the assumptions on which those statements are based. Pallas assumes no obligation to update such information. The opinions, advice, recommendations and other information contained in this Document, whether express or implied, are published or made by Pallas, and by its officers and employees in good faith in relation to the facts known to it at the time of preparation. To the maximum extent permitted by law, Pallas will not be liable in any way for any loss or damage suffered by you through use or reliance on this information. You may use this information in this Document for your own personal use, but you must not (without Pallas' consent) alter, reproduce or distribute any part of this publication, transmit it to any other person or incorporate the information into any other document. All amounts are in Australian Dollars unless otherwise specified.



Pallas FM Trust

Performance Update — Q4 2021

31 December 2021
PFMT01



About the Investment Manager

Pallas Capital is an Australian commercial real estate financier and investment manager that has originated and managed in excess of A\$1,439 million of investments across 210 transactions since December 2016.

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 A\$880 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 A\$558 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.

Sydney

Pallas House, Level 5, 33-36 Bay Street
Double Bay NSW 2028

Melbourne

Level 7, 9-11 Cremorne Street
Cremorne VIC 3121

pallascapital.com.au

[linkedin.com/company/pallascapital](https://www.linkedin.com/company/pallascapital)

+61 2 8188 1108

DISCLAIMER: Pallas Capital Pty. Limited (ACN 616 130 913) ("Pallas"), as Authorised Representative No. 001257625 of Pallas Funds Pty. Limited (ACN 604 352 347), the holder of AFS Licence No. 473475. The information contained in this Investor Update Document ("Document"), as prepared by Pallas, is for information purposes only and should be read in that context. The information contained in this Document is not investment or financial product advice and is not intended to be used as the basis for making an investment decision. This Document is not, and does not constitute, an offer to sell or the solicitation, invitation or recommendation to purchase any securities and neither this Document nor anything contained in it forms the basis of any contract or commitment. This Document is strictly confidential and is intended for the exclusive benefit of the intended recipient. It may not be reproduced, disseminated, quoted or referred to, in whole or in part, without the express consent of Pallas. No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this Document. To the maximum extent permitted by law, none of Pallas, its related bodies corporate, shareholders or respective directors, officers, employees, agents or advisors, nor any other person accepts any liability, including, without limitation, any liability arising out of fault or negligence for any loss arising from the use of information contained in this Document. This Document may include "forward-looking statements". Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Pallas and its officers, employees, agents or associates that may cause actual results to differ materially from those expressed or implied in such statement. Actual results, performance or achievements may vary materially from any projections and forward looking statements and the assumptions on which those statements are based. Pallas assumes no obligation to update such information. The opinions, advice, recommendations and other information contained in this Document, whether express or implied, are published or made by Pallas, and by its officers and employees in good faith in relation to the facts known to it at the time of preparation. To the maximum extent permitted by law, Pallas will not be liable in any way for any loss or damage suffered by you through use or reliance on this information. You may use this information in this Document for your own personal use, but you must not (without Pallas' consent) alter, reproduce or distribute any part of this publication, transmit it to any other person or incorporate the information into any other document. All amounts are in Australian Dollars unless otherwise specified.



Pallas FM Trust

Performance Update — Q4 2021

31 December 2021
PFMT01

INDEPENDENT VERIFICATION REPORT FOR QUARTER ENDING 31 December 2021

Commercial in Confidence



19 January 2022

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 Security Services Pty Limited (ACN 609 790 758) 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 December 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 December 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.

(Continued Over Page)



Pallas FM Trust

Performance Update — Q4 2021

31 December 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 Security Services Pty Limited
(ACN 609 790 758)

Position: Authorised Officer

Date: 19 January 2022



COMPLIANCE CERTIFICATE FOR QUARTER ENDING 31 December 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 31 December 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: 19 January 2022

Director: Dan Gallen

Date: 19 January 2022



**PALLAS
CAPITAL**