20 April 2022

Key Information Document

This document provides the investor with key information about this investment product to help understand the nature, risks, costs, potential gains, and losses of the product and to help the investor compare it with other products. It is not marketing material.

7.5% Fixed Rate Bond

Issuer: Pallas FM Trust	www.pallascapital.com.au	✆ 02 8188 1108 for more information
ABE GAI: PAL1AUF0750241231	**ISIN**: AU3CB0275915	

1. The nature of this product

Type:

This product is a note paying a fixed rate of interest of 7.5% per annum over a 4 year term.

Objectives:

To provide investors with a fixed return by way of a coupon paid quarterly in arrears. The coupon and principal invested is not guaranteed however a Investment Protection facility provides limited protection against loss of the principle amount invested. Further information is provided below in Section 2 'Risks and Return'. Proceeds from the note issue will fund a loan warehouse. Loans, with terms up to 24 months are property related and can be investment, construction, or residual stock loans, secured by registered first mortgages. The Issuer's obligation to pay coupons to note holders will be funded from the interest paid by borrowers on the loans.

Early Redemption:

The Issuer has the right, subject to notification being provided, to redeem all or some of the notes at their outstanding principal amount including any accrued interest.

Subscription Period	n/a	Settlement Currency	Australian Dollars
Minimum Investment	A$10,000 (1 note)	Issue Date	21 December 2020
Initial fixing date	n/a	Last trading Day	n/a
First trade date	n/a	Maturity Date	31/12/2024
Final fixing date	n/a	Denomination per note	A$10,000
Issue price	10,000	Initial fixing level	n/a
Final Fixing level	n/a	Coupon Rate	7.5%
Settlement Type	Delivery versus payment through Australian Bond Exchange	Quoting in consideration of accrued interest	No – clean price but investor pays accrued interest when purchasing the product

Coupon Payment Date	Coupon Amount per Note[1]	Early Redemption Notice Date	Early Redemption Date
31 March 2021	A$226.03		
30 June 2021	A$187.50		
30 September 2021	A$187.50		
31 December 2021	A$187.50	At least 30 days notice to be provided	At any time on or after 1 July 2021: **Call Premium per Note** 1/07/2021 to 31/06/2022: $300 1/07/2022 to 31/06/2023: $200 1/07/2023 to 31/06/2024: $100
31 March 2022	A$187.50		
30 June 2022	A$187.50		
30 September 2022	A$187.50		
31 December 2022	A$187.50		
31 March 2023	A$187.50		
30 June 2023	A$187.50		
30 September 2023	A$187.50		
31 December 2023	A$187.50		
31 March 2024	A$187.50		
30 June 2024	A$187.50		
30 September 2024	A$187.50		
30 November 2024	A$187.50		

[1] pro-rata if applicable

Intended investor

The notes are intended for professional investors. They will be available for purchase by retail investors after 21 December 2021.

2. Risks and Return

Risk Indicator

1	2	**3**	4	5

Low Risk ← → High Risk

The risk indicator assumes the investor keeps the product until the maturity date. The actual risk can vary significantly if the investor sells out of the notes prior to maturity and the investor might receive less than the original amount invested. The investor may be unable to sell prior to maturity.

The sur lose money because of movements in the markets or because the Issuer is not able to pay the investor. We have classified this product as 3 out of 5, which is a medium risk class. This rates the potential losses from future performance at a medium level, and poor property market conditions could impact the capacity of the Issuer to pay investors in the product. This product has limited protection of the amount invested through an Investment Protection (**IP**) facility. Investors could lose a significant percentage of their investment. The prefunded (cash and/or Bank Guarantee) IP provides cover up to 5% of the face value of the notes on issue.

For detailed information about all risks please refer to the risk sections of the legal documentation as specified in the section 'Other relevant information' below.

Performance Scenarios

Investment A$ 100,000			
Scenario		**Loss**	**Held to Maturity**
Best Case Scenario	No loan loss or early redemption	n/a	A$130,000, 7.5% p.a.
Moderate Scenario	**Loan loss equal to 25% of notes on issue**	**20% loss of principle**	**A$110,000, 2.5% p.a.**
Unfavourable Scenario	**Loan loss equal to 50% of notes on issue**	**40% loss of principle**	**A$90,000, -2.5% p.a.**
Extreme Stress Scenario	**Loan loss equal to 100% of notes on issue**	**80% loss of principle,50% coupons (fail after 2 years)**	**A$35,000, -32.5%**

This table shows the money the investor could get back and annual return under four simple hypothetical scenarios, assuming that the investor invests A$100,000. The investor can compare them with scenarios of other products. The examples presented are an estimate of future performance based on hypothetical scenarios and an assumption of 4 loans that the warehouse has made. What the investor gets back will vary depending on how long the investor keeps the notes, and the number and value of losses (net of security) incurred on loans by the warehouse. The stress scenario illustrates what the investor might get back in extreme market circumstances where 100% of loans default, the net loss after IP is 80% and the Issuer defaults on its coupon payments after 2 years.

The Issuer has a zero loss experience since inception across 66 transactions worth A$350 million.

3. What happens if the Issuer cannot pay?

The investor is exposed to the risk that the Issuer might be unable to fulfil its obligations in respect of the product e.g. inability to pay due to non-performance of its loan portfolio. In the event of the default of the Issuer, note holders have the power to direct the Security Trustee to take all action necessary to ensure the obligations or the Issuer are met. This includes liquidating assets held as security against loans and drawing against the IP facility. Ultimately, if all of the loans made by the warehouse fail and the assets securing the loans have zero realisable value, investors will recover a small percentage of the amount invested through the IP facility, although the exact loss will depend on the number of loans and value of losses.

4. What are the costs

The investor will pay its broker's normal commission (up to 1% commission plus GST on the purchase value of the trade (contract value plus accrued interest) if purchased directly through the Australian Bond Exchange). There are no other fees charged by the Australian Bond Exchange associated with a holding in this product. If the investor wishes to sell the product prior to maturity, they will pay their brokers' normal commission.

5. How long should an investor hold the product and can they exit the investment early?

Recommended holding period: It is recommended that the investor holds the product until 30 November 2024 (maturity). The objective of the product is to provide the investor with the investment profile described above in Section 1 'The Nature of this product'. This will only be achieved if the product is held until maturity. There are no possibilities to take the investor's money out early other than to sell the product through the Australian Bond Exchange where the product is listed. The price at which the investor may sell the product will depend on the market parameters prevailing at the time, which could put the invested amount at risk. In unusual market situations, or in the event of technical faults/disruptions, a purchase and/or sale of the product can be temporarily hindered or may not be possible at all.

6. How can the Investor complain

Refer to complaint handling arrangements detailed in Australian Bond Exchange's Financial Services Guide.

7. Other relevant information

Any additional documentation in relation to the product and in particular the simplified Investment Memorandum are published on the website: www.pallascapital.com.au. In order to obtain more detailed information – and in particular details of the structure of and risks associated with an investment in the product – the investor should read these documents. Furthermore, Australian Bond Exchange created this KID after having made certain assumptions and exercised certain discretion with respect to calculations of key figures and performance scenarios and will reassess and adapt its assumptions as it deems appropriate from time to time.