



Pallas FM Trust

Performance Update — Q1 2022

31 March 2022
PFMT

Key Metrics as at 31 March 2022

Bond	
Note Type	Fixed Rate Notes
ISIN	AU3CB0275915
Austraclear Series I.D.	PFMT01
Common Code	225828130
Bloomberg	FIGI#BBG00YNB5ZY5 (BB#BN2156758)
Notes on Issue	9,246 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	\$92,460,000
Total Invested Amount	\$80,934,372
Total Cash Amount	\$11,525,628
Investment Protection (IP)	\$4,623,000
Total Current SPV Investments	23
Average Portfolio LVR	61.8%
Average Portfolio LVR (IP)*	57.7%
Weighted Average Loan Maturity	9.2 months
Investments in Arrears	1

¹ Including Investment Protection (IP) mechanism when applied only once within the PFMT portfolio.

² In respect to the loan in arrears, the security property has been sold with settlement to occur in June 2022. The net sales proceeds will repay the loan and all outstanding interest in full. In the interim, Pallas Capital is making required interest payments.

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 March 2022, of the \$91.5 million raised in the Pallas FM Trust Bond Series A (PFMT), \$80.9 million (88.4%) was invested across 23 SPV-first mortgage investments, specifically participations in the following Trusts:

Table 1

Investment	Amount (\$A)	Initial LVR
54 Montclair Avenue FM Trust	\$3,413,559	64.0%
Marmont FM Capital Trust	\$3,141,139	65.0%
94 River Street Capital Trust	\$3,250,000	61.3%
34 Oxford Street Capital Trust	\$6,198,728	65.0%
Pallas House Melbourne Capital Trust	\$3,226,825	65.0%
Chambers Street FM Capital Trust Class A	\$1,441,815	55.0%
Palmerston Crescent Capital Trust No.2	\$2,975,000	65.0%
10 Male Street FM Capital Trust	\$1,403,823	62.5%
254 Hampshire Road Capital Trust	\$4,094,461	65.0%
376 Princes Highway FM Trust	\$1,208,672	65.0%
616 Smith Street Capital Trust Class A	\$2,762,500	65.0%
8 Seaview Crescent FM Trust	\$2,013,854	64.8%



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Investment (Continued)	Amount (\$A)	Initial LVR
The 8 and 9 Hillside Capital Trust (OCT 2022)	\$9,246,000	48.0%
1 Boyle Street Capital Trust	\$1,964,068	65.0%
31 Leighton Place Capital Trust	\$385,006	65.0%
Southern Parkway FM Trust	\$30,685	65.0%
15 Rosewood Avenue Capital Trust (DEC 2022)	\$29,500	65.0%
Church Avenue FM Trust	\$9,246,000	60.0%
Guilfoyle Avenue FM Trust Class A	\$3,421,837	65.0%
Dover Street FM Trust No.2 Class A	\$13,671,000	65.0%
Megan Crescent Capital Trust	\$1,896,714	55.0%
Thomson Street FM No.2 Trust Class A	\$5,079,412	65.0%
41 Crane Road FM Unit Trust	\$833,774	65.0%
Total	\$80,934,372	61.8%

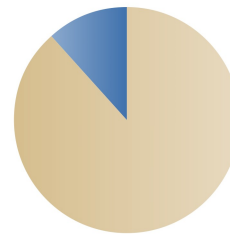
*The Effective LVR is calculated after applying the Investment Protection (IP) reserve to each loan balance.

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 5.0% of the total principal amount outstanding in respect of the Notes. Accordingly, as at 31 March 2022 the Pallas FM Trust held cash of \$4,623,000 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 23 investments as at 31 March 2022, the highest Effective LVR was 43.0% and in the case of 18 investments the Effective LVR was 0%.

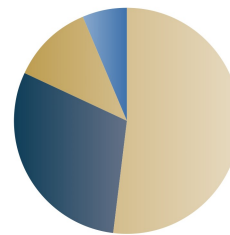
As at the 31 March 2022, Pallas FM Trust held \$16.14 million of cash reserves, made up of \$4.62 million of monies held as IP Reserve, and \$11.52 million in uninvested funds.

Asset Diversification



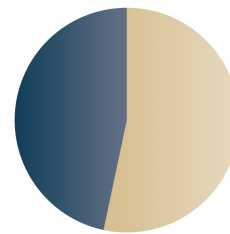
Portfolio Composition

■ Funds Invested 88.4%
■ Cash 11.6%



Investment Type Diversification

■ Construction 52.0%
■ Pre-Development 30.1%
■ Cash 11.6%
■ Residual Stock 6.3%



Geographic Diversification

■ VIC 53.5%
■ NSW 46.4%

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

Given the Issue Size has now exceeded \$75 million, in accordance with the Information Memorandum dated 15 December 2020, the maximum single exposure of a qualifying loan as at 31 March 2022 is as follows:

- < 90 days (15% of Issue Size) \$13.73 million
- > 90 days (10% of Issue Size) \$9.15 million

As at 31 March 2022, the maximum single exposure on any loan was \$13.7 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 A\$1.74 billion of investments across 241 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\$1.07 billion.

Pallas Capital has a flawless 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\$669 million to investors with no loss of capital or interest on Pallas investments.

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

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Double Bay NSW 2028

Melbourne

Level 7, 9-11 Cremorne Street
Cremorne VIC 3121

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INDEPENDENT VERIFICATION REPORT FOR QUARTER ENDING 31 March 2022

Commercial in Confidence



21 April 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 March 2022 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 2022, 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 Security Services Pty Limited
(ACN 609 790 758)

Position: Authorised Officer

Date: 21 April 2022



COMPLIANCE CERTIFICATE FOR QUARTER ENDING 31 March 2022

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 March 2022, 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 2022

Director: Dan Gallen

Date: 21 April 2022



**PALLAS
CAPITAL**