



Pallas FM Trust

Performance Update — Q4 2023

31 December 2023
PFMT

Key Information & Service Providers

Fund Product	Pallas FM Trust
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 Objective

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 Metrics as at 31 December 2023

Note Type	Fixed Rate Notes
ISIN	AU3CB0275915
Austraclear Series I.D.	PFMT01
Bloomberg	FIGI#BBG00YNB5ZY5 (BB#BN2156758)
Notes on Issue	10,628 Notes of \$10,000 each
Issue Limit	15,000 Notes of \$10,000 each
Issue Term	4 Years
Term to Maturity	12 months
Fungible	Yes
Fixed Coupon	7.5% p.a. paid quarterly in arrears
(Initial) Issue Date	21 December 2020
Maturity Date	31-Dec-24
Rating	N/A
Withholding Tax	S.128F Compliant
Underlying Portfolio	
Total Issue Size	\$106,280,000
Total Invested Amount	\$103,486,093
Total Cash Amount	\$2,793,907
Investment Protection (IP)	\$5,314,000
Total Current SPV Investments	23
Average Portfolio LVR	62.2%
Weighted Average Term to Maturity	6.8
Loans in Arrears > 90 Days	NIL

Investment Strategy

The Investment Manager continues to deploy the Fund into senior debt opportunities with a focus on metro locations along the Eastern Seaboard. The investment strategy remains unchanged with our focus on clear and achievable exit strategies and sound sponsor counterparties.

2024 is expected to provide strong lending conditions, particularly for construction loans as new residential developments commence to take advantage of expected tailwinds resulting from record immigration, record low residential vacancy rates, an expectation of a softening interest rate environment and a stabilisation of building costs.



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About Pallas Capital

Pallas Capital is an institutional debt and equity investment manager specialising in the finance of Australian and New Zealand Commercial Real Estate. The business was established in direct response to the growing lack of credit in the mid-range property market; a situation exacerbated by the absence of reputable, risk-adverse, non-bank lenders.

This has meant that private capital can increasingly access outsized returns relative to risk in an asset class not previously accessible.

With offices in Sydney, Melbourne, Brisbane and Auckland we have originated and managed more than \$3.8 billion across 554 transactions in the past seven years, with current Funds Under Management in excess of \$1.7 billion. With a flawless track record of capital preservation, Pallas Capital has returned over \$2.3 billion to investors with no loss of principal capital or interest on Pallas investments.

Who can Invest?

Pallas Capital products are only available to wholesale clients (including sophisticated and professional investors) within the meaning of Section 761G of the Corporations Act 2001 (Cth).

Typically, this may be satisfied by an Accountant's Certificate that certifies that the investor has:

- c) Net Assets in excess of \$2.5 million, or
- d) Gross Income in excess of \$250,000 p.a. for each of the preceding two financial years.

What Investments are Available?

Pallas Capital offers a range of options for investors seeking to invest beyond traditional asset classes and unlock differentiated opportunities through Australian Commercial Real Estate. These include:

- Diversified pooled first mortgage portfolio investments including the Pallas FM Trust Fixed Rate Bond;
- Bespoke first and second mortgage investments; and
- Preferred equity and ordinary equity investment offerings in real estate development projects.

What is the Investment Term?

Typically, loan participations and preference equity investments are between six months and two years in term. Ordinary equity investments may extend to three years. Diversified Funds, unless otherwise specified, are open-ended in nature.

Do the Investment Products Provide Liquidity or Distributions?

For debt investments, income is paid monthly or quarterly in arrears. For preference equity, income is generally paid quarterly and partly paid on final redemption. Ordinary equity returns are paid upon redemption or completion of the investment.

By virtue of the asset class and the structure of these products, these single asset investments are illiquid in nature and redemptions during the investment term are not possible. Liquidity profiles (redemption mechanisms) vary between the Diversified Fund products; typically ranging from three (3) months' to 12 months' written notice.

Sydney Office (HQ)

Pallas House Sydney, Level 5, 30-36 Bay St
Double Bay NSW 2028

Melbourne Office

Level 1, 67 Palmerston Crescent
South Melbourne VIC 3205

Brisbane Office

The Annex, Level 1, 12 Creek Street
Brisbane, QLD 4000

Auckland, New Zealand

Level 7, Suite 7.2, 1 Albert Street,
Auckland NZ 1010

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 31 December 2023



Commercial in Confidence

19 January 2024

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 30 September 2023 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 2023, 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.