



Pallas High Yield Fund No.1

Performance Update – Q4 2024

31 December 2024
PHYF1

Key Information & Service Providers

Fund Product	Pallas High Yield Fund (PHYF1)
Net Return	9.0% p.a. plus 1 month BBSW
Total Investor Return	13.31% p.a. (incl. BBSW) (BBSW as at 1 December 2024)
Investment Type	Unregistered Managed Investment Trust
Start Date	Mar-21
Term	Open-ended
Distributions	Monthly in arrears
Redemption Notice Period	Minimum 12 months
Withholding Tax	S.128F Compliant
Trustee	Pallas Funds Pty. Limited. (AFSL No. 473475)
Investment Manager	Pallas Capital Pty. Limited. (AFSL AR No. 1257625)

Investment Objective

To achieve returns of 9.0% p.a. plus BBSW (net of fees and expenses), and provide monthly cash income, capital preservation and portfolio diversification. Pallas High Yield Fund No.1 (PHYF1) seeks to achieve the Investment Objective by building a portfolio that offers exposure to real estate loans secured by first and second mortgages, predominately located in the Sydney, Melbourne and Brisbane metropolitan areas.

Key Metrics as at 31 December 2024

Issue Limit	100 million notes
Total Issue Size	\$28,537,705
Total Loan Investments	\$28,475,016
Total Cash	\$62,689
Total Current SPV Investments	26
Weighted Average Portfolio LVR	74.0%
Weighted Average Term to Maturity	9.20 (months)
Loans in Arrears > 90 Days	2

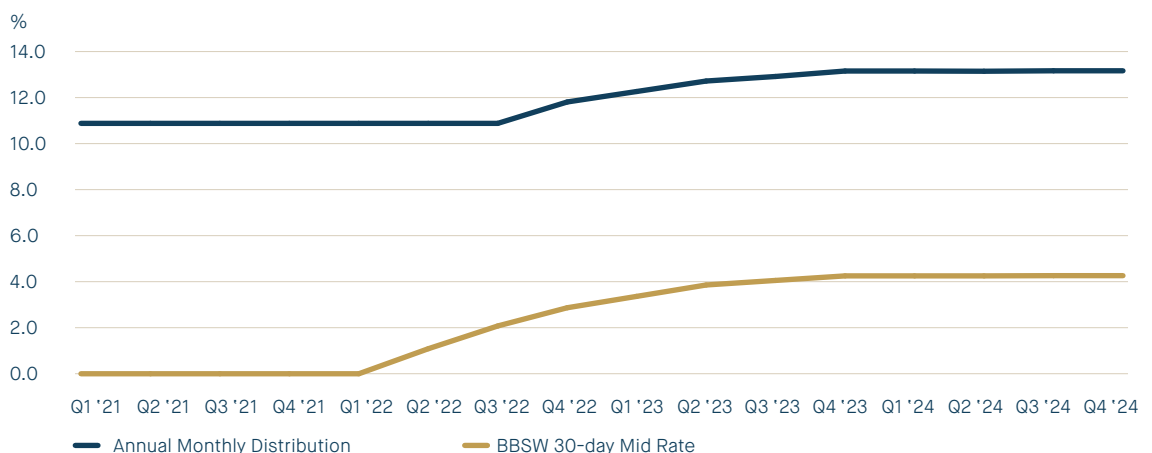
In respect of the loans currently in arrears > 90 days, we note as follows:

The two loans are secured by a registered first mortgage in Auckland, New Zealand. For one of the loans which the fund held 6% of the loan amount, the security property is expected to be under contract this month and settle at the end of March 2025, pending completion of the 30-day due diligence period that will be undertaken by the potential buyer. Regarding the second loan, the fund held 34% of the loan amount. Pallas is working with the sponsor as he explores refinance options. If a refinance is not successful, the property will likely be taken to market under a formal sales campaign in early 2025. The loan principal plus interest is expected to be repaid in full for both loans.

Fund Performance

	1 Month	3 Months	6 Months	1 Year	Since Inception
Total Return p.a.	13.31%	13.31%	13.31%	13.30%	12.11%
Cents Per Unit	1.13	3.35	6.71	13.34	46.52

Distribution History



Source: Pallas Capital 2024.
NB: In Q3 2022 the Fund converted from a fixed rate to fixed rate margin above BBSW.



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Investment Strategy

The Investment Manager continues to deploy the Fund into senior and mezzanine 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.

2025 is expected to provide continued 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.

Investment Activity

As at 31 December 2024, the Pallas High Yield Fund No.1 was diversified across 26 first and second mortgages, with the top 10 investments representing 70.5% of the Total Issue Size as follows:

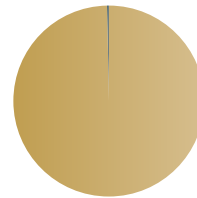
Top 10 Holdings (SPV Lender Portfolio)

Investment	Amount	LVR	Exposure
Double Bay, FM Construction	\$3,136,792	75.0%	11.0%
Oakville, SM Residual Stock	\$2,994,945	75.0%	10.5%
Sandringham, SM Construction	\$2,700,000	75.0%	9.5%
Elizabeth Bay, SM Pre-Development	\$2,517,446	75.0%	8.8%
Bronte, FM Construction	\$1,900,000	75.0%	6.7%
Richmond, SM Pre-Development	\$1,500,000	75.0%	5.3%
Wadalba, SM Vacant Land	\$1,410,000	65.0%	4.9%
Rose Bay, FM Pre-Development	\$1,400,000	75.0%	4.9%
Rockdale, SM Pre-Development	\$1,400,000	75.0%	4.9%
Zetland, FM Pre-Development	\$1,135,000	75.0%	4.0%
Total	\$20,094,183		70.5%

Pallas Capital continues to remain satisfied with how the deployment of PHYF1 funds are tracking, and in the performance with the underlying loans.

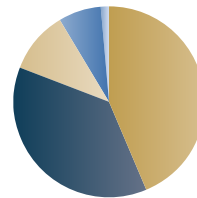
Asset Diversification

As at 31 December 2024, the Pallas High Yield Fund No.1 portfolio was diversified across Loan Type and Location as follows:



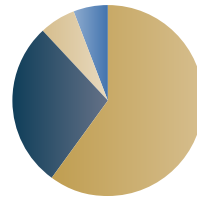
Portfolio Composition

Funds Invested	99.8%
Cash	0.2%



Portfolio Diversification*

Pre-Development	43.7%
Construction	37.3%
Residual Stock	10.5%
Vacant Land	7.2%
Investment	1.2%



Geographic Diversification*

NSW	60.1%
VIC	28.0%
NZ	6.1%
QLD	5.7%

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



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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 \$7 billion across 979 transactions in the past eight years, with current Funds Under Management in excess of \$2.6 billion. With a flawless track record of capital preservation, Pallas Capital has returned over \$4.4 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:

- Net Assets in excess of \$2.5 million, or
- 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 twelve (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 Office

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

Christchurch Office

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Compliance Certificate for Quarter Ending 31 December 2024

Commercial in Confidence

To: Noteholders

Investment Memorandum – Pallas High Yield Fund No.1

We refer to the Investment Memorandum dated November 2022 issued by Pallas Capital Pty. Limited (ACN 616 130 913) acting as the Corporate Authorised Representative (ASIC No. 001257625) of Pallas Funds Pty. Limited (ACN 604 352 347) as trustee of the Pallas High Yield Fund No.1 (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 2024, the Issuer hereby confirms that:

- a) the Issuer is in compliance with all obligations under the Transaction Documents referred to on page 9 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 High Yield Fund No.1

Director: Patrick Keenan
Date: 31 January 2025

Director: Dan Gallen
Date: 31 January 2025



**PALLAS
FUNDS**