

# Pallas FM Trust | Bond Series No. A



## Key Bond Parameters & Terms

Issue Date	November 2020
Type	Fixed Rates Notes OTC Trade via PM
Aggregate Issue Size	Up to \$A100m; initial issue c.\$30m
Maturity Date	November 2024
Interest Rate	7.50% per annum payable quarterly in arrears from (and including) the Issue Date until (but excluding) the Maturity Date.
Fixed Coupon Amount	To, and including, the Maturity Date, A\$187.25 per A\$10,000 in principal amount of each Note per each Interest Payment Date.
Denomination	A\$10,000 per Note on the Issue Date
Minimum parcel size on initial issue	A\$10,000
Fungible	Yes. Initial issue/tranche may be 'tapped'
Day Count Fraction	RBA Bond Basis
Pallas co-investment	At any given time, an amount in AUD equivalent to 5% of face value of issued Bonds (and comprising cash and/or bank guarantee) will be held as a 'First Loss Capital Protection' reserve buffer should the Issuer be required to draw upon it in order to meet its financial obligations to Noteholders.
Issuer Call	Applicable. The Issuer may redeem all or some of the Notes at their outstanding principal amount and any interest accrued to (but excluding) the applicable early redemption date.
ISIN	TBA upon issuance of first tranche
Reporting	Quarterly reports on Warehouse portfolio
Eligible investors	Wholesale investors via PA
Withholding Tax	It is intended that the Notes will be offered in a manner that complies with the "public offer test" set out in section 128F of the Income Tax Assessment Act 1936 of Australia'

## Key Bond Service Providers

Issuer	Pallas Funds Pty. Limited (ACN 604 352 347) as trustee of the Pallas FM Trust
Placement Manager (PM)	Australian Bond Exchange Pty Limited, ABN 73 605 038 935, AFSL 484453
Registrar	AMAL Trustees Pty Ltd (ACN 609 737 064)
Issuing & Paying Agent	AMAL Trustees Pty Ltd (ACN 609 737 064)
Calculation Agent	AMAL Trustees Pty Ltd (ACN 609 737 064)
Security Trustee	AMAL Security Services Pty Ltd (ACN 609 790 758)
Arranger	Pallas Capital Pty. Limited (ACN 616 130 913). The Arranger holds all of the units in Pallas FM Trust.
Clearing System	Austraclear System

## Indicative Warehouse Composition



Get in touch if you have any questions

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# Pallas FM Trust | Bond Series No. A



Pallas FM Trust's Bond Series No. A pertains to a 7.5% p.a. fixed rate, 4-year bond issuance, cleared through Austraclear and underpinned by registered first mortgage securities over Australian commercial real estate assets.

## Bond Issue Objective

- To fund a warehouse facility that will comprise a diversified portfolio of registered first mortgage loans only, providing quarterly income secured by well-located residential and commercial land, construction and investment assets

## Investment Thesis

Real estate debt market dislocation continues to provide a significant non-bank lending & mis-pricing opportunity – owing to the structural dislocation in global credit markets, and continued government regulatory pressure (Basel III & IV) to reduce bank property exposures, the increasing funding gap for Real Estate Credit available for private capital participation continues to validate itself as a sensible and defensive High Yield Fixed Income Investment profile.

Sustainable demand for well located residential and commercial assets in lifestyle locations – continued long term population growth and strong occupier demand for undersupplied new built form and repositioned residential and commercial real estate assets underpin the excellent risk-adjusted returns provided by non-bank structured finance and lending.

Limited current and forecast supply of well-located assets strengthen loan exit and return of investor capital – despite strong demand from occupiers such as down-sizers, first home buyers or tenants looking for creative or new format work space, well-located assets remained undersupplied and require structured financing to meet occupier demand.

## Bond Issue Strategy

Pallas Capital's specialist real estate credit team provides structured, alternative funding solutions that calibrate excellent risk-adjusted returns and attractive income yields, where underlying demand fundamentals remain sound and real estate is in limited supply.

- Pallas Capital has an established track record of operating a series of Warehouse Trusts (equiv. IRR of 8.24%) that reflect this investment thesis. (Information available upon request). The warehouse trust facility will have a focus on Sydney, Melbourne and Brisbane, and include a small allocation to other states & regional areas – all underpinned by strong demand fundamentals in lifestyle locations with identifiable risks that are easily mitigated for.
- The geographic focus will be consistent with the Manager's current approach for asset selection being walkability, lifestyle and ability to invest in quality, appropriately priced assets within existing thriving communities
- The strategy will be executed using Pallas's specialist investment management platform operations in:
  - Origination;
  - Credit Underwriting & Due-Diligence;
  - Investment & Development Management; and
  - Investment Realisation.

## Pallas Capital - Investment Manager & Arranger

Pallas Capital is a specialist commercial real estate financier and investment manager and a wholly owned subsidiary of Pallas Group. Established in 2016, Pallas specialises in the provision of structured debt and equity products to well-seasoned Australian real estate asset owners and developers, providing excellent risk adjusted returns to its investor base. Pallas Capital employs 18 dedicated real estate professional staff across its Sydney and Melbourne offices.

Pallas has an impeccable track record providing in excess of A\$415m total investments since inception across 73 debt and equity transactions (55 debt) and a range of real estate sectors, currently totalling in excess of A\$260million in single asset and diversified trusts Funds Under Management (FUM) as at 30 September 2020. Of those 73 transactions, 39 are first mortgages that have delivered an average net return of 9.4% pa.

## Bond Warehouse Trust Management Team

**Dan Gallen – Executive Director, CIO & Fund Portfolio Manager**



Dan has over 17 years experience comprising real estate debt advisory, lending and principal investing across the eastern seaboard in all major real estate asset classes. This breadth of experience brings a well-rounded and practical approach to analysing and managing real estate debt, development transactions and portfolio management. This includes 10 years at Balmain where Dan wrote and managed in excess of \$2bn worth of real estate loans under management.

**Stephen Lawrence – Executive Director, Lending & Origination**



Steve Lawrence is responsible for Pallas Capital's loan origination. Steve is an industry veteran of 42 years working in debt markets. He has worked in the banking industry since 1978 and has held senior operational and lending roles in large organisations in London, Sydney and Melbourne, including more recently 13 years at La Trobe Financial, and prior to that Reliance Bank (UK), Prudential Assurance Co. (UK), Australian Bank, and Overseas Chinese Banking Corporation (OCBC), among others. Steve has 26 years of specific residential and commercial real estate credit and origination experience.

**Cameron Dunn – Portfolio Asset Manager**



Cameron is an experienced Credit Asset Management Executive with a demonstrated history in numerous roles in both bank and non-bank finance houses including roles at Balmain, AMAL and NAB, Commonwealth Bank and Macquarie Group over 19 years. Skilled in all facets of Valuation, Property and Development Finance, Cameron brings a well-seasoned skill set of Loan Management and Asset Recovery to the Fund portfolio. Cameron is a well-regarded real estate property lending professional with a Bachelor's Degree focused in Financial Economics.

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