



30 June 2025  
PHYF2

# Pallas High Yield Fund No.2

Performance Update — Q2 2025

## Key Information & Service Providers

<b>Fund Product</b>	Pallas High Yield Fund No.2 (PHYF2)
<b>Net Return</b>	9.0% p.a. plus 1 month BBSW
<b>Total Investor Return</b> (BBSW as at 1 June 2025)	12.75% p.a. (incl. BBSW)
<b>Investment Type</b>	Unregistered Managed Investment Trust
<b>Start Date</b>	September 2021
<b>Term</b>	Open-ended
<b>Distributions</b>	Monthly in arrears
<b>Redemption Notice Period</b>	Minimum 12 months
<b>Trustee</b>	Pallas Funds Pty. Limited. (AFSL No. 473475)
<b>Investment Manager</b>	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. The Pallas High Yield Fund No.2 (PHYF2) seeks to achieve the Investment Objective through maintaining a portfolio that offers look-through exposure to real estate loans secured by first and second mortgages, predominately located in Sydney, Melbourne and Brisbane metropolitan areas, as well as New Zealand.

## Key Metrics as at 30 June 2025

Total Issue Size	\$169,192,079
Total Investments	\$162,322,135
Total Cash	\$6,869,944
Weighted Average Portfolio LVR	72.8%
Weighted Average Term to Maturity	6.87 (months)
Total Loan Investments (Look Through)	99
Loans in Arrears > 90 Days	4
<b>SPV Lender Portfolio</b>	
Total Investment	\$137,529,346
Percentage of Issue Size	81.3%
Total Current Loan Investments	53
Weighted Average Portfolio LVR	73.7%
Weighted Average Term to Maturity	6.74 (months)
<b>Pool Lender Portfolio (Look Through)</b>	
<b>Pallas Warehouse Trust No.3</b>	
Total Investment	\$5,000,000
Percentage of Issue Size	3.0%
Total Current Loan Investments	36
Weighted Average Portfolio LVR	63.8%
Weighted Average Term to Maturity	8.151 (months)
<b>Pallas High Yield Mortgage Fund (NZ)</b>	
Total Investment	\$19,792,789
Percentage of Issue Size	11.7%
Total Current Loan Investments	10
Weighted Average Portfolio LVR	68.50%
Weighted Average Term to Maturity	7.47 (months)
<b>Total Pool Lender Portfolio</b>	<b>\$24,792,789</b>



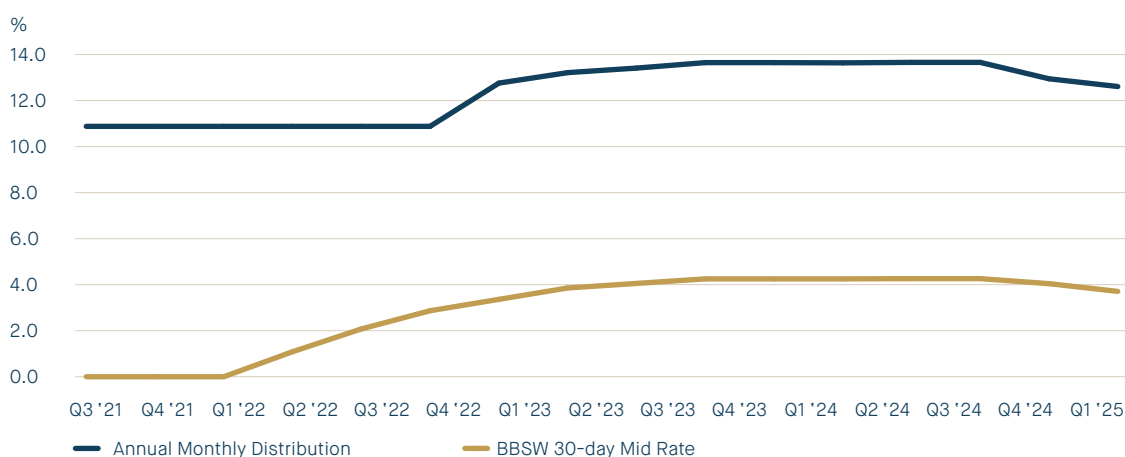
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### Fund Performance

	1 Month	3 Months	6 Months	1 Year	Since Inception
Total Return p.a.	12.75%	12.88%	13.21%	13.51%	12.66%
Cents Per Unit	1.048	3.212	6.552	13.513	47.5

### Distribution History



Source: Pallas Capital 2025.

NB: In Q3 2022 the Fund converted from a fixed rate to fixed rate margin above BBSW

### Investment Strategy

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

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 30 June 2025, the Pallas High Yield Fund No.2 SPV Lender Portfolio was diversified across 53 first and second mortgages, with the Top 10 investments representing 48.2% of the Total Issue Size as shown on the table to the right.

### Top 10 Holdings (SPV Lender Portfolio)

Investment	Amount	LVR	Exposure
Construction, FM Double Bay	\$18,419,453	75.0%	10.9%
Investment, SM Darling Point	\$9,200,000	75.0%	5.4%
Investment, SM Point Piper	\$9,086,250	75.0%	5.4%
Construction, FM Double Bay	\$8,307,849	75.0%	4.9%
Pre-Development, SM Elizabeth Bay	\$6,980,000	73.7%	4.1%
Construction, SM Double Bay	\$6,502,059	75.0%	3.8%
Pre-Development, FM Woollahra	\$6,100,000	75.0%	3.6%
Construction, SM Forster	\$5,818,996	75.0%	3.4%
Construction, SM Mascot	\$5,683,118	73.5%	3.4%
Pre-Development, FM Rose Bay	\$5,610,000	75.0%	3.3%
<b>Total</b>	<b>\$81,707,725</b>		<b>48.2%</b>



# Pallas High Yield Fund No.2

## Performance Update — Q2 2025

As part of the diversification strategy, PHYF2 has made investments into two Pool Lenders across Australia and New Zealand, one of which is first mortgage loan investments only.

Pallas Capital continues to remain satisfied with the deployment of Fund capital, and the performance of the underlying loans, which includes related party lending exposures.

With respect to the four loans currently in arrears > 90 days, we note the following:

Two loans are secured by a registered first and second mortgage in VIC, Australia to the same sponsor. For both loans, the exit strategy is to sell the property 'as is'. Talks are advanced with a purchaser, and it is expected that an unconditional sale contract will be signed in Q3.

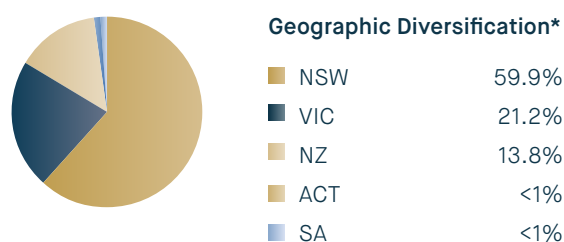
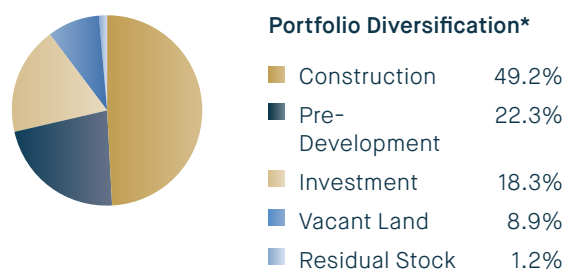
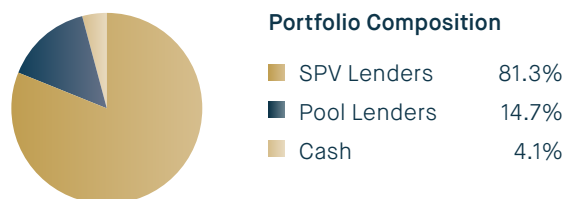
Regarding the third loan, receivers were appointed over the Borrower in February 2025. The exit strategy is to sell the property 'as is' unless the Borrower can present the lender with an unconditional offer to refinance.

Regarding the fourth loan, it is secured by a registered first and second mortgage in Wellington, New Zealand. Receivers were appointed over the Borrower in June 2025. The exit strategy is to secure a lessee and take the property to market as an investment or alternatively sell the property 'as is' with vacant possession.

### Asset Diversification

PHYF2's Asset Diversification of the total portfolio includes Pool Lenders on a weighted average look through basis.

As at 30 June 2025, the Pallas High Yield Fund No.2 portfolio was diversified across Loan Type and Location as follows:



\*Based on deployed funds only.  
Excludes any cash position of Fund  
Rounded to nearest decimal



# Pallas High Yield Fund No.2

## Performance Update — Q2 2025

### 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, Adelaide and Auckland we have originated and managed more than \$8.3 billion across over 1,000 transactions in the past eight years, with current Funds Under Management in excess of \$3.0 billion.

With a demonstrable track record of capital preservation, Pallas Capital has returned over \$5.3 billion to investors with no loss of principal capital or interest on Pallas investments.

### What Investments are Available?

Pallas Capital offers a range of options beyond traditional asset classes that provide differentiated opportunities through Australian Commercial Real Estate.

These include offers bespoke single asset, diversified fund opportunities and separate managed account strategies for wholesale and institutional investors, across the capital stack, which broadly align to investor preferences for liquidity, yield or a combination of both:

- Single asset, Australian & NZ commercial real estate (finance) structured as:
- Ordinary Equity & Preferred Equity;
- Registered First mortgages (investment, specialised assets, land acquisition, pre-development, or construction);
- Second mortgages (registered and unregistered);
- Unlisted, diversified portfolios of Australian & NZ real estate debt or equity products, with and without liquidity and/or income.

### Who can Invest?

Pallas Capital products are only available to wholesale clients 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 is the Investment Term or Liquidity Profile?

Typically, investments with look-through exposure to senior or junior debt (loan) participations and/or preference equity investments vary between six months and two years in investment tenor.

Ordinary equity investments may extend to three years. Diversified Funds, unless otherwise specified, are open-ended in nature (and are subject to varying redemption notice periods).

By virtue of the asset class and the structure of these products, 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.

### Do the Investment Products provide Income?

Typically, investments with look-through exposure to senior or junior debt (loan) participations, income (distributions or interest) is paid monthly or quarterly in arrears.

Investments with look-through exposure to preference equity investments, income is generally paid monthly or quarterly and/or (partly-paid) upon final redemption. Ordinary equity returns are paid upon redemption or completion of the underlying investment.

### Enquiries

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+61 2 8188 1108

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# Pallas High Yield Fund No.2

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## Compliance Certificate for Quarter Ending 30 June 2025

### Commercial in Confidence

To: Unitholders

### Investment Memorandum – Pallas High Yield Fund No.2

We refer to the Investment Memorandum dated November 2024 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.2 (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 30 June 2025, the Issuer hereby confirms that:

- a) the Issuer is in compliance with all obligations under the Transaction Documents referred to on page 7 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.2**

Director: Patrick Keenan  
Date: 31 July 2025

Director: Dan Gallen  
Date: 31 July 2025



**PALLAS  
FUNDS**