



# Pallas Warehouse Trust No.3

Performance Update — Q2 2024

30 June 2024  
PWT3

## Key Information & Service Providers

<b>Fund Product</b>	Pallas Warehouse Trust No.3 (PWT3)
<b>APIR Code</b>	PCF9185AU
<b>Net Return</b>	6.5% p.a. plus 1 month BBSW
<b>Total Investor Return</b> (BBSW as at 1 June 2024)	10.79% p.a. (incl. BBSW)
<b>Investment Type</b>	Unregistered Managed Investment Trust
<b>Start Date</b>	April 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)
<b>Fund Ratings</b>	4 Star Superior Rating SQM Research (SQM)
<b>Platform</b>	HUB24, Netwealth, Mason Stevens

## Investment Objective

To achieve returns of 6.5% p.a. plus BBSW (net of fees and expenses), and provide monthly cash income, capital preservation and portfolio diversification. The Pallas Warehouse Trust No.3 (PWT3) seeks to achieve the Investment Objective by building a portfolio that offers exposure to real estate loans secured by first mortgages, predominately located in Sydney, Melbourne and Brisbane metropolitan areas.

## Key Metrics as at 30 June 2024

Issue Limit	150 million units
Total Issue Size	\$165,209,328
Total Loan Investments	\$159,496,887
Total Cash	\$5,712,441
Investment Protection (IP)	\$5,000,000
Weighted Average Portfolio LVR	62.6%
Weighted Average Term to Maturity	10.88 (months)
Loans in Arrears > 90 Days	0
<b>SPV Lenders Portfolio</b>	
Total Investment	\$64,058,989
Percentage of Issue Size	38.8%
Total Current Loan Investments	15
Weighted Average Portfolio LVR	63.7%
Weighted Average Term to Maturity	12.82 (months)
<b>Pool Lenders Portfolio (Look Through)</b>	
<b>Pallas Funding Trust No.2 (PFT2)</b>	
Total Investment	\$26,367,523
Percentage of Issue Size	16.0%
Total Current Loan Investments	69
Weighted Average Portfolio LVR	62.1%
Weighted Average Term to Maturity	9.14 (months)
<b>Pallas Funding Trust NZ (PFTNZ)</b>	
Total Investment	\$58,939,682
Percentage of Issue Size	35.7%
Total Current Loan Investments	43
Weighted Average Portfolio LVR	62.0%
Weighted Average Term to Maturity	10.0 (months)
<b>Pallas NZ Senior Mortgage Fund</b>	
Total Investment	\$10,130,693
Percentage of Issue Size	6.13%
Total Current Loan Investments	2
Weighted Average Portfolio LVR	62.42%
Weighted Average Term to Maturity	15.2 (months)
<b>Total Pool Lender Portfolio</b>	<b>\$95,437,898</b>

## Fund Performance

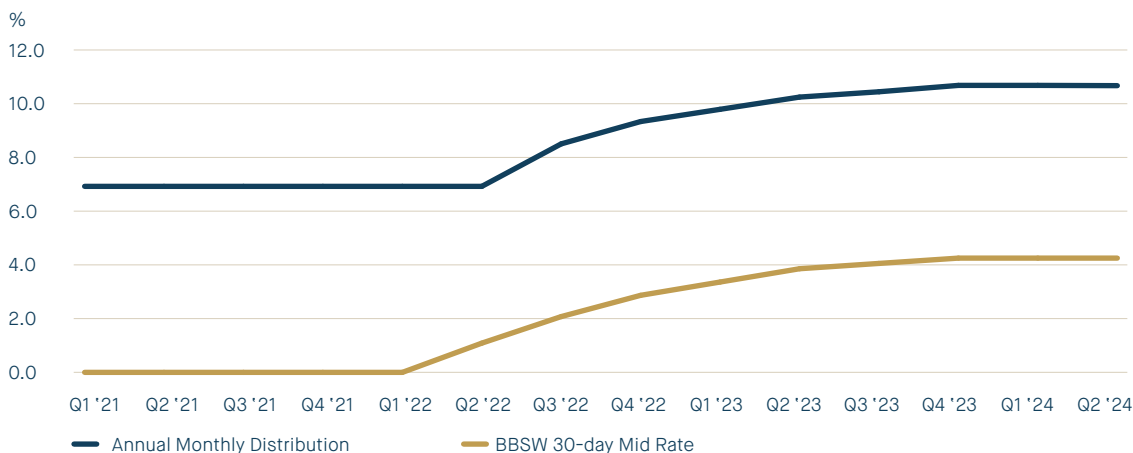
	1 Month	3 Months	6 Months	1 Year	Since Inception
Total Return p.a.	10.79%	10.80%	10.80%	10.72%	8.77%
Cents Per Unit	0.9	2.7	5.4	10.8	29.3



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### Distribution History



Source: Pallas Capital 2024.

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 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.

The remainder of 2024 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 the 30 June 2024, the Pallas Warehouse Trust No.3 SPV Lender Portfolio was diversified across 15 first mortgages, with the top 10 investments representing 38% of the Total Issue Size as follows:

### Top 10 Holdings (SPV Lender Portfolio)

Investment	Amount	LVR	Exposure
Mascot, FM Construction	\$20,776,331	65.0%	12.6%
Double Bay, FM Construction	\$13,936,084	65.0%	8.4%
Clifton Hill, FM Pre-Development	\$6,705,000	65.0%	4.1%
Double Bay, FM Construction	\$6,273,734	65.0%	3.8%
Goulburn, FM Construction	\$4,089,561	59.1%	2.5%
Double Bay, FM Construction	\$3,996,000	50.0%	2.4%
Toorak, FM Construction	\$2,605,466	65.0%	1.6%
Double Bay, FM Investment	\$1,685,000	65.0%	1.0%
Richmond, FM Pre-Development	\$1,170,000	60.0%	0.7%
South Yarra, FM Construction	\$804,784	55.0%	0.5%
<b>Total</b>	<b>\$62,041,960</b>		<b>37.6%</b>



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As of 30 June 2024, PWT3 held \$5,712,441 as uninvested cash and \$5,000,000 (5.0% of Issue Size up to a maximum of \$5 million) as Investment Protection (IP).

After applying the IP mechanism to any given individual investment within the PWT3 SPV Lenders Portfolio, the effective LVR was 0% in 11 out of 15 positions (i.e. PWT3's position (at reporting date) in the individual loan was less than the IP amount).

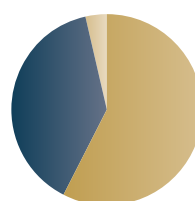
As part of the diversification strategy, PWT3 has made investments into two highly diversified, non-construction Pool Lenders in Australia and New Zealand, both with more stringent portfolio and loan eligibility criteria than the SPV Lender Portfolio.

Pallas Capital continues to remain satisfied with how the deployment of PWT3 funds are tracking, and in the performance with the underlying loans.

### Asset Diversification

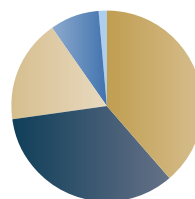
PWT3's Asset Diversification of the total portfolio includes Pool Lenders on a weighted average look through basis.

As at 30 June 2024, the Pallas Warehouse Trust No.3 portfolio was diversified across Loan Type and Location as follows:



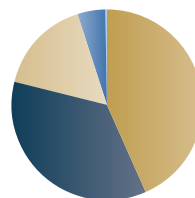
#### Portfolio Composition

Pool Lenders	57.8%
SPV Lenders	38.8%
Cash	3.4%



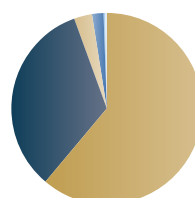
#### Portfolio Diversification\*

Investment	38.7%
Construction	34.2%
Pre-Development	17.3%
Residual Stock	8.5%
Vacant Land	1.2%



#### Geographic Diversification\*

NZ	43.3%
NSW	35.6%
VIC	16.2%
QLD	4.7%
TAS	0.1%



#### Security Property Type\*

Commercial	61.3%
Residential	33.5%
Industrial	2.9%
Vacant Land	1.9%
Mixed Use	0.3%
Development	0.2%



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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 \$4.5 billion across 650 transactions in the past seven years, with current Funds Under Management in excess of \$2 billion. With a flawless track record of capital preservation, Pallas Capital has returned over \$2.6 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, New Zealand

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

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## Compliance Certificate for Quarter Ending 30 June 2024

### Commercial in Confidence

To: Unitholders

Investment Memorandum – Pallas Warehouse Trust No.3

We refer to the Investment Memorandum dated October 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 Warehouse Trust No.3 (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 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 Warehouse Trust No.3**

Director: Patrick Keenan  
Date: 18 July 2024

Director: Dan Gallen  
Date: 18 July 2024



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