



Gryphon Capital Income Trust

Product Disclosure Statement

4 November 2019

Gryphon Capital Income Trust

ARSN 623 308 850

Responsible Entity

One Managed Investment Funds Limited

ACN 117 400 987 AFSL 297042

Manager

Gryphon Capital Investments Pty Limited

ACN 167 850 535 AFSL 454552

Joint Arrangers and JLMs



Co Managers





Important Notice

The Gryphon Capital Income Trust ARSN 623 308 850 (Trust) is an Australian managed investment scheme registered with the Australian Securities and Investments Commission (ASIC).

This document is a product disclosure statement (PDS) for the purposes of Part 7.9 of the Corporations Act. This PDS is issued by the responsible entity of the Trust, One Managed Investment Funds Limited ACN 117 400 987 AFSL 297042 (Responsible Entity).

The Responsible Entity has appointed Gryphon Capital Investments Pty Limited ACN 167 850 535 AFSL 454552 (Manager) to provide investment and other services to the Trust pursuant to an Investment Management Agreement.

The Joint Arrangers will together manage the Offer on behalf of the Responsible Entity. The Joint Arrangers, Co-Managers and Brokers are entitled to fees from Gryphon Group in respect of the Offer (see Section 13). The Joint Arrangers are Morgans Financial Limited ABN 49 010 669 726 AFSL 235410 (Morgans) and National Australia Bank Limited ABN 12 004 044 937 AFSL 230686 (NAB).

The Joint Arrangers' function should not be considered to be an endorsement of the Offer nor a recommendation of the suitability of the Offer for any investor. The Joint Arrangers do not guarantee the success or performance of the Trust, the repayment of capital or the returns (if any) to be received by investors. The Joint Arrangers are not responsible for, and have not caused, the issue of this PDS.

The Co-Managers of the Offer are Bell Potter Securities Limited ABN 25 006 390 772 AFSL 243 480 (Bell Potter), Canaccord Genuity Patersons Limited ABN 69 008 896 311 AFSL 239 052 (Patersons), Crestone Wealth Management Limited ABN 50 005 311 937 AFSL 231127 (Crestone) and Ord Minnett Limited, ABN 86 002 733 048 AFSL 237121 (Ord Minnett).

The Joint Arrangers and Co-Managers and their respective related bodies corporate and affiliates and any of their respective officers, directors, employees, partners, advisers, contractors or agents (JACM Groups) are involved in, or in the provisions of, a wide range of financial services and businesses including (without limitation) securities trading and brokerage activities and providing retail banking, private banking, commercial and investment banking, investment management, corporate finance, credit and derivative, trading and research product and services, issuance arranging and distribution of, and the provision of advice in connection with, securities and other financial products, including (without limitation) to, or in connection with, persons directly or indirectly involved with the Trust or the Offer including (without limitation) investors in the Trust, the Responsible Entity, the Manager and their respective related bodies corporate and affiliates and their respective officers, directors, employees, partners, advisers, contractors and agents (Relevant Persons) out of which conflicting interests or duties may arise. In the ordinary course of these activities, each JACM Group may at any time hold long or short positions, and may trade or otherwise effect transactions, for its own account or the accounts of Relevant Persons including transactions involving or in connection with, any other Relevant Person, involving (without limitation) debt or equity securities, loans, financing arrangements, or other financial accommodation, financial products or services, in connection with, or which rely on the performance of obligations by, any Relevant Person.

PDS

This PDS is dated 4 November 2019 and was lodged with ASIC on that date.

Neither ASIC nor ASX (or their respective officers) take any responsibility for the contents of this PDS or the merits of the investment to which this PDS relates. New Units issued under this PDS will be issued by the Responsible Entity on the terms and conditions set out in this PDS.

Not investment advice

The information contained in this PDS is not financial product advice and has been prepared without taking into account your investment objectives, financial circumstances or particular needs.

Before deciding to invest in the Trust, you should read this PDS in its entirety. You should take into account all risk factors referred to in this PDS (including those in Section 8) and consider whether acquiring New Units represents an appropriate investment in view of your personal circumstances. You should carefully consider your particular investment objectives, financial circumstances and investment needs (including financial and taxation issues) and you should seek advice from your professional adviser before deciding whether to invest. You should consider the risk factors that could affect the financial performance of the Trust. There is no guarantee that the New Units offered under this PDS will provide a return on capital, lead to payment of distributions or that there will be any increase in the value of the New Units. If you wish to apply for New Units you must do so using the relevant Application Form.



Authorised information

No person is authorised to give any information or to make any representation in connection with the Offer, which is not contained in this PDS. Neither the Manager nor the Responsible Entity nor any other person associated with the Trust guarantees or warrants the future performance of the Trust, the return on an investment made under this PDS, the repayment of capital or the payment of distributions on the New Units. Any information or representation in relation to the Offer not contained in this PDS may not be relied on as having been authorised in connection with the Offer by the Responsible Entity, the Manager or any other person that may have liability for the content of this PDS.

No Offer where Offer would be illegal

This PDS does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the New Units in any jurisdiction outside Australia or New Zealand. The distribution of this PDS outside Australia or New Zealand may be restricted by law and persons who come into possession of this PDS outside Australia or New Zealand should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities law.

No cooling-off rights

Cooling-off rights do not apply to an investment in New Units pursuant to the Offer. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

Rights and obligations attached to the Units

New Units issued under the Offer will be fully paid and rank equally with existing Units from allotment, including in respect of distributions.

Details of the rights and obligations attached to all Units (including the New Units), and the material provisions of the Constitution, are summarised in Section 13.1. A copy of the Constitution is available, free of charge, on request from the Responsible Entity.

Electronic and printed PDS

This PDS will be available and may be viewed online at www.gcapinvest.com/gcit/overview. The information on the website does not form part of this PDS.

The Offer pursuant to this PDS is available to persons receiving a hard copy or electronic version of this PDS within Australia or New Zealand. The Responsible Entity is entitled to refuse an Application for New Units under this PDS if it believes the Applicant did not receive the Offer in Australia or New Zealand.

Applications for New Units may only be made on either a printed copy of the Application Form attached to or accompanying this PDS or via the electronic Application Form attached to the electronic version of this PDS, available on the Manager's website. New Units to which this PDS relates will only be issued on receipt of an Application Form (unless an Eligible Unitholder pays their Application Amount via BPAY® – see section 2.5) issued together with the PDS whether it will be by a printed copy or an electronic Application Form.

During the Offer Period, any person may obtain a paper copy of this PDS free of charge by contacting: the Unit Registry on 1300 737 760 (within Australia) or +61 2 9290 9600 (outside Australia) (between 8:30am to 5:00pm AEDT on a Business Day).

Disclaimer

No person is authorised by the Responsible Entity, the Manager or the Joint Arrangers to give any information or make any representation in connection with the Offer that is not contained in this PDS. Any information or representation that is not contained in this PDS may not be relied on as having been authorised by the Responsible Entity, the Manager, their directors or any other person in connection with the Offer. The Trust's business, financial condition, operations and prospects may have changed since the date of this PDS.

Certain statements in this PDS constitute forward looking statements. These forward-looking statements are identified by words such as 'aim', 'anticipate', 'assume', 'believes', 'could', 'expects', 'intends', 'may', 'plan', 'predict', 'potential', 'positioned', 'should', 'target', 'will', 'would', and other similar words that involve risks and uncertainties. Investors should note that these statements are inherently subject to uncertainties in that they may be affected by a variety of known and unknown risks, variables and other factors which could cause actual values or results, performance or achievements to differ materially from anticipated results, implied values, performance or achievements expressed, projected or implied in the statements.



These forward-looking statements are based on current expectations, estimates, and projections about the Trust's business and the industry in which the Trust invests and the beliefs and assumptions of the Manager and the Responsible Entity. These forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors that are in some cases beyond the Responsible Entity's and the Manager's control. As a result, any or all of the forward-looking statements in this PDS may turn out to be inaccurate. Factors that may cause such differences or make such statements inaccurate include, but are not limited to, the risk factors described in Section 8.

Potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on the forward-looking statements. The Responsible Entity and the Manager do not make any assurance, express or implied, in relation to whether any forward-looking statements will actually eventuate.

These forward-looking statements speak only as at the date of this PDS. Unless required by law, neither the Responsible Entity nor the Manager intends to publicly update or revise any forward-looking statements to reflect new information, future events or otherwise. They are provided as a general guide only and should not be relied on as an indication or guarantee of future performance. You should, however, review the factors and risks the Responsible Entity describes in the reports to be filed from time to time with ASX after the date of this PDS.

Some numerical figures in this PDS have been subject to rounding adjustments. Accordingly, numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that preceded them.

Updated information

Information in this PDS may need to be updated from time to time. Any updated information that is considered not materially adverse to investors will be made available on the website: www.gcapinvest.com/gcit/overview and the Manager will provide a copy of the updated information, free of charge to any investor who requests a copy by contacting the Unit Registry information hotline on 1300 737 760 (within Australia) or +61 2 9290 9600 (outside Australia) (between 8:30am to 5:00pm AEDT on a Business Day).

In accordance with its obligations under the Corporations Act, the Responsible Entity may issue a supplementary PDS to supplement any relevant information not disclosed in this PDS. You should read any supplementary disclosures made in conjunction with this PDS prior to making any investment decision.

Miscellaneous

Photographs and diagrams used in this PDS that do not have descriptions are for illustration only and should not be interpreted to mean that any person in them endorses this PDS or its contents or that the assets shown in them are owned by the Trust.

Certain terms and abbreviations in this PDS have defined meanings that are explained in the Glossary in Section 15 of this PDS.

Time

Unless otherwise stated or implied, references to time in this PDS are to Australian Eastern Daylight Time (AEDT). Any references to documents included on the Manager's website are provided for convenience only, and none of the documents or other information on the website is incorporated by reference into the PDS.



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Offer highlights

Key Offer Statistics

| | |
|--|---------------------------------------|
| Trust | Gryphon Capital Income Trust |
| ASX code | GCI |
| Entitlement Offer ratio | 1 New Unit for every 3 existing Units |
| Price per New Unit under the Offer | \$2.01 |
| Maximum number of New Units that may be issued under the Entitlement Offer | 51,531,691 |
| Maximum gross proceeds from the Offer ¹ | \$103,578,699 |

Further information about the Shortfall Offer and applying for New Units under the Shortfall Offer is set out in Section 2.6.

Important dates

| | |
|---|------------------------|
| Announcement of the Offer | 4 November 2019 |
| Units trade on an ex-Entitlement basis | 6 November 2019 |
| Record Date for Entitlement Offer (7.00pm) | 7 November 2019 |
| Dispatch PDS and Application Forms for the Offer | 12 November 2019 |
| Offer Opening Date | 12 November 2019 |
| Offer Closing Date (5.00pm) | 25 November 2019 |
| New Units – Entitlement Offer – quoted on ASX on a deferred settlement basis | 26 November 2019 |
| Results of the Entitlement Offer announced | 27 November 2019 |
| Issue of New Units and issue of Additional New Units under the Entitlement Offer | 2 December 2019 |
| Normal trading of New Units and Additional New Units issued under the Entitlement Offer expected to commence on ASX | 3 December 2019 |
| Results of the Shortfall Offer announced | 4 December 2019 |
| Issue of New Units under the Shortfall Offer | 9 December 2019 |
| Normal trading of New Units issued under the Shortfall Offer expected to commence on ASX | 10 December 2019 |

The above dates are subject to change and are indicative only. The Responsible Entity reserves the right to amend this indicative timetable subject to the Corporations Act and the Listing Rules. In particular, the Responsible Entity reserves the right to close the Offer early, extend the Offer Closing Date or accept late Applications without notifying any recipients of this PDS or any Applicant. Investors who wish to make an Application are encouraged to do so as soon as practicable after the Offer opens.

1. The Shortfall Offer, which will allow new Retail Investors and Institutional Investors to participate in the Offer, includes an invitation to apply for any New Units not subscribed for under the Entitlement Offer.



How can I obtain further information?

If you have any questions on how to do any of the following:

Take up New Units under the Entitlement Offer

- Eligible Unitholders participating in the Entitlement Offer in full or part.
- Eligible Unitholders participating in the Entitlement Offer in full and applying for Additional New Units.
- Payment of your Entitlement Application amount via BPAY®.
- Completion of your personalised Entitlement and Acceptance Form accompanying this PDS and paying the Application Monies.
- You have lost your Entitlement and Acceptance Form and would like a replacement form.

Refer to Section 2 of this PDS or call the applicable information number below.

Apply for New Units under the Shortfall Offer

- New investors applying for New Units under the Shortfall Offer.
- Completion of the Shortfall Offer Application Form and payment of the Application Monies.
- You have lost your Shortfall Offer Application Form and would like a replacement form.

Refer to Section 2 of this PDS or call your Broker for information.

Unit Registry: Boardroom Pty Limited
Registry information line
Monday to Friday 9.00am and 5.00pm (AEDT)
1300 737 760 (within Australia)
+ 61 2 9290 9600 (International)

Gryphon Website: www.gcapinvest.com/gcit/overview

Visit the Trust's website to view the latest Unit price, NTA per Unit, monthly Investment Updates, ASX Announcements, research reports including details on the Offer and the PDS.



Corporate directory

| | |
|------------------------------------|--|
| <i>Responsible Entity</i> | One Managed Investment Funds Limited ACN 117 400 987 Level 11, 20 Hunter Street Sydney NSW 2000 |
| <i>Manager</i> | Gryphon Capital Investments Pty Limited ACN 167 850 535 Level 1, 50 James Street Fortitude Valley Qld 4006 |
| <i>Joint Arrangers</i> | Morgans Financial Limited Level 29, 123 Eagle Street Brisbane QLD 4000 National Australia Bank Limited Level 25, 255 George St Sydney NSW 2000 |
| <i>Administrator</i> | Mainstream Fund Services Pty Ltd Level 1, 51-57 Pitt Street Sydney NSW 2000 |
| <i>Unit Registry</i> | Boardroom Pty Limited Grosvenor Place Level 12, 225 George Street Sydney NSW 2000 Telephone: 1300 737 760 (within Australia) Telephone: +612 9290 9600 (outside Australia) |
| <i>Investigating Accountant</i> | PricewaterhouseCoopers Securities Limited 480 Queen Street Brisbane QLD 4000 |
| <i>Solicitors to the Offer</i> | McMahon Clarke 62 Charlotte Street Brisbane Qld 4000 |
| <i>Manager's Corporate Advisor</i> | Seed Partnerships Pty Limited Level 10, 135 Macquarie Street Sydney NSW 2000 |



Letter to Investors

4 November 2019

Dear Investor,

We would like to thank you for the continued support of the Gryphon Capital Income Trust (ASX:GCI) (Trust) and are pleased to advise you of the opportunity to participate in the offer of New Units in the Trust (Offer).

The Trust completed an entitlement and shortfall offer and a subsequent private placement during August 2019. Gryphon were delighted with the overwhelmingly positive response to the capital raise, which raised in excess of \$122 million. Since its inception in May 2018, the Trust has raised a total of \$309.2m in capital which has been invested in eligible investments that meet the return and risk characteristics outlined in this PDS. Gryphon continues to work on a significant pipeline of eligible investments. As a result of these investment opportunities, the consistent performance of the Trust since listing, additional benefits to Unitholders of larger scale (see 'Purpose of the Offer' below for further details) and the ongoing demand for stable and predictable income, the Responsible Entity is now seeking to raise up to \$103.6 million for the Trust through the issue of New Units under the Offer at a price of \$2.01 per New Unit (Offer Price). The Offer comprises both an Entitlement Offer and a Shortfall Offer.

About the Trust

The Trust seeks to provide Unitholders with monthly income and capital preservation by investing in a portfolio of Australian debt securities including residential mortgage backed securities (RMBS) and asset backed securities (ABS). Since listing on ASX, the Trust has delivered Unitholders a stable Net Tangible Asset (NTA) backing and, from October 2018, regular monthly cash income above the Trust's Target Return². The Trust provides investors with a means of diversifying their income investments to a defensive fixed income asset class which has displayed little correlation to global equity market's volatility. Key benefits of investing in the Trust include:

- **Income** – monthly cash income with a Target Return of RBA Cash Rate plus 3.50% per annum, net of fees through the economic cycle. Investors should note the Target Return is not a forecast and is not guaranteed.
- **Diversification, low NTA volatility** – Fixed income is an important component of a balanced investment portfolio typically providing stable income with capital preservation. The Trust enables investors to diversify their income investments to a defensive asset class. The Trust's NTA since listing is evidence of the defensive characteristics and has displayed little correlation to equity markets.
- **Capital preservation** – The Trust's investments comprise an actively managed portfolio predominately comprised of securities that has the benefit of multiple layers of investor protections as set out in Section 4. The Manager's stress testing of each investment is consistent with the Trust's key objective of capital preservation.
- **Experienced Manager** – Gryphon's Investment Team has over 50 years of collective experience in successfully investing in RMBS and ABS. Gryphon has developed a robust investment process, which prior to the establishment of the Trust, had only been accessible by institutional clients.
- **Attractive structure** – The Trust structure allows Gryphon to invest a permanent and stable pool of capital, while also offering investors ASX liquidity. This allows Gryphon to make long term investment decisions without the need to source liquidity for potential investor redemptions, which may impact return.

Purpose of the Offer

The Offer is being undertaken in response to ongoing investor demand for stable and predictable income. Gryphon believes funds raised under the Offer and deployed in accordance with the Investment Strategy will achieve the following:

- (a) Additional scale to expand the Trust's participation in the RMBS/ABS market, thereby diversifying the Portfolio.
- (b) Expand the Trust's investor base, providing greater liquidity for Unitholders.
- (c) Reduce the operating costs of the Trust on a cost per Unit basis.

The Offer is not expected to impact the Trust's Target Return which remains unchanged or the Trust's ability to pay monthly distributions to Unitholders during the period it takes to fully invest the additional capital raised.

2. The Trust listed on ASX on 25 May 2018. The Original PDS advised investors there would be a "ramp up" period after listing, during which the Trust would become fully invested. From October 2018, the Trust has paid regular monthly cash distributions to investors at or above the Target Return.



About the Manager

Gryphon is a fixed income investment manager with significant experience in the Australian and international fixed income markets and currently manages in excess of A\$2.0 billion in assets. Further details of Gryphon are contained in Section 6.

How to participate as an Eligible Unitholder – Entitlement Offer

Under the Entitlement Offer, Eligible Unitholders are invited to apply for 1 New Unit at the Offer Price for every 3 existing Units held on the Record Date, being **7.00pm (AEDT) on Thursday, 7 November 2019**. Eligible Unitholders who take up their Entitlement in full may also apply for Additional New Units at the Offer Price in excess of their Entitlement (Oversubscription Facility) (see Section 2.4 for more details).

The Entitlement Offer closes at **5.00pm (AEDT) on Monday, 25 November 2019**.

If you take no action or your application is not supported by cleared funds, your Entitlement will lapse and you will not be issued New Units. Entitlements are non-renounceable and are not tradeable on ASX or otherwise transferable. Accordingly, if you do not take up all or part of your Entitlement, then your percentage voting interest in the Trust will be reduced as a result of your non-participation in the Entitlement Offer. If you do not take up your Entitlement in full, you will not receive any payment or value for that part of your Entitlement that you do not take up.

How to participate as a new investor – Shortfall Offer

Under the Shortfall Offer, any New Units not taken up by Eligible Unitholders under the Entitlement Offer (including the Oversubscription Facility) (Shortfall) will be offered to new investors at the Offer Price under this PDS (Shortfall Offer).

The offer of New Units under the Shortfall Offer will be made via Brokers only. There will be no general public offer of New Units under the Shortfall Offer. Details of eligibility to participate in, and apply for New Units under, the Shortfall Offer, are set out in Section 2.6.

The Shortfall Offer closes at **5.00pm (AEDT) on Monday, 25 November 2019**.

New Units issued under the Shortfall Offer will rank equally with existing Units, including in respect of entitlement to distributions.

Further details of the Shortfall Offer and how to invest are contained in Section 2.6.

Further information

This PDS contains important information regarding the Offer, the Trust and the Manager. I urge you to read it carefully and in its entirety, including Section 8, which sets out certain key risks associated with an investment in the Trust, and Section 7, which sets out the fees and other costs associated with investing in the Trust.

If you would like further information regarding the Offer please call the Unit Registry information line on 1300 737 760 (within Australia) or +61 2 9290 9600 (outside Australia) between 9am and 5pm (AEDT) Monday to Friday during the Offer Period, email info@gcapinvest.com or visit www.gcapinvest.com/gcit/overview.

For other questions, you should consult your Broker, solicitor, accountant, taxation adviser, financial adviser or other professional adviser without delay and before making an investment decision. You should be aware that the Responsible Entity and Gryphon have not had regard to your individual circumstances or needs, including your personal taxation or financial position, in sending this PDS and accompanying information to you. If you have any doubt about whether you should invest in the Offer, you should seek professional advice before making any investment decision. Please note that no cooling-off period applies in relation to the Offer (you cannot withdraw your application once it has been accepted).

If you are an Eligible Unitholder we thank you for your continued support. As a new investor, we look forward to welcoming you to the Gryphon Capital Income Trust.

Steven Fleming
Director, Gryphon Capital Investments Pty Limited



1. Offer summary

1.1 About the Gryphon Capital Income Trust

| Topic | Summary | For more information |
|--|---|----------------------|
| What is the Trust? | <p>The Trust is an Australian registered managed investment scheme under Chapter 5C of the Corporations Act. The Trust is listed on ASX (ASX code GCI).</p> <p>The Trust invests in a portfolio of Australian debt securities and asset backed securities (ABS), including residential mortgage backed securities (RMBS).</p> | Section 5 |
| Who is the Responsible Entity? | <p>One Managed Investment Funds Limited is the responsible entity of the Trust and is responsible for management of the operations of the Trust.</p> <p>While the Responsible Entity delegates investment management and administrative services to other entities, it retains ultimate responsibility for these functions. As such, the Constitution contains indemnity provisions covering the Responsible Entity for losses and liabilities incurred in connection with the operation of the Trust.</p> | Section 5.2 |
| Who is responsible for managing the affairs of the Trust? | <p>The Responsible Entity has appointed:</p> <ul style="list-style-type: none"> (a) Gryphon Capital Investments Pty Limited ACN 167 850 535 (Gryphon or Manager) as manager of the Trust under the Investment Management Agreement. (b) Mainstream Fund Services Pty Limited ACN 118 902 891 (Administrator) as Trust administrator. (c) Boardroom Pty Limited ACN 003 209 836 (Unit Registry) as registry provider to the Trust. | Sections 5.15 and 13 |
| Who is the Manager? | <p>Gryphon is the investment manager of the Trust.</p> <p>Gryphon is a specialist fixed income manager with significant experience in the Australian and international fixed income markets. Gryphon manages individual segregated accounts on behalf of institutional investors and the Trust on behalf of wholesale and retail investors seeking opportunities in fixed income credit markets including RMBS and ABS. Gryphon currently manages funds in excess of \$2.0 billion.</p> | Section 6 |
| Who is the Gryphon Investment Committee? | <p>The Gryphon Investment Committee comprises the Australian-based Gryphon Partners, Steven Fleming and Ashley Burtenshaw, who hold ultimate responsibility for the implementation of the Trust's Investment Strategy. The Gryphon Investment Committee has diverse experience in the international securitised fixed income markets.</p> <p>Steven Fleming has over 25 years' direct experience in investment and securitisation markets having held a variety of senior investment roles in London, New York and Australia.</p> <p>Ashley Burtenshaw has over 24 years' direct experience in investment markets having held a variety of senior investment and trading roles in London, Tokyo and Australia.</p> <p>The Gryphon Investment Committee is supported by members of the Gryphon Investment Team; a team of investment professionals who provide analytical and portfolio risk management support.</p> | Section 6.5 |



| Topic | Summary | For more information |
|--|---|---------------------------|
| <i>What experience does the Manager have?</i> | <p>Members of the Gryphon Investment Committee collectively have over 50 years' experience in the investment markets.</p> <p>In addition to managing the Trust, the Manager also manages segregated accounts valued at over \$1.7 billion on behalf of institutional investors which is invested in the RMBS and ABS markets.</p> | Section 6.5 |
| <i>What is the Trust's Investment Objective?</i> | <p>The Trust's Investment Objective is to provide monthly cash income and capital preservation at a portfolio level by investing in fixed income securities consisting of RMBS and ABS. However, neither the Responsible Entity nor the Manager guarantees the performance of the Trust. Investors' capital is not guaranteed. Like all investments, the investments comprising the Portfolio carry risks, and if these risks eventuate, you may lose some or all of your capital invested in the Trust.</p> | Section 5.5 |
| <i>What is the Trust's Investment Strategy?</i> | <p>The Investment Strategy reflects the key tenets of the Manager's investment philosophy of capital preservation and superior investment returns, given the associated risk.</p> <p>The Manager will continue to employ its investment selection processes, policies and risk protocols in applying the funds raised under the Offer to increase the scale and diversity of the Portfolio.</p> | Sections 5.5 and 5.16 |
| <i>What is the target Portfolio?</i> | <p>The Manager is responsible for the Portfolio construction. The Portfolio is constructed in accordance with the Investment Strategy and the Investment Guidelines and policies agreed with the Responsible Entity from time to time (as described in Section 5.6).</p> | Sections 5.6, 5.7 and 6.4 |
| <i>What is the Target Return?</i> | <p>Target Return of RBA Cash Rate plus 3.50% per annum net of fees through the economic cycle.</p> <p>Based on the RBA Cash Rate as at the date of this PDS, the Target Return is 4.25%, net of fees. The Target Return will rise or fall based on movements in the RBA Cash Rate.</p> <p>The Target Return is not a forecast and is not guaranteed. The actual total return may rise or fall based on, amongst other things, performance in the underlying Trust investments and movements in the RBA Cash Rate.</p> | Section 5.5 |
| <i>What returns have been generated by the Trust since the IPO?</i> | <p>The Trust listed on ASX on 25 May 2018, and since July 2018 has paid regular monthly distributions. Since October 2018, when the Portfolio was fully invested, distributions paid and declared by the Trust have exceeded the Target Return.³</p> <p>The first distribution was paid in July 2018 and distributions have been paid monthly since then, within six business days of the end of each month.</p> <p>The Responsible Entity intends to continue to pay distributions to Unitholders monthly. Distributions will be paid at the discretion of the Responsible Entity and may depend on a number of factors, including future earnings, capital requirements, financial conditions, future prospects and other factors the Responsible Entity deems relevant.</p> <p>The Responsible Entity may establish a distribution reinvestment plan, and if so, details will be provided to Unitholders.</p> | Section 5.5 |

3. The Trust's Target Return is the RBA Cash Rate + 3.50% net of fees.



| Topic | Summary | For more information |
|---|---|----------------------|
| What are the key highlights of the Trust? | <p>The Trust provides investors with the following:</p> <p>(a) Monthly cash income Target Return of RBA Cash Rate plus 3.50% per annum net of fees through the economic cycle and intends to pay cash distributions monthly.</p> <p>(b) Capital preservation The Portfolio consists of an actively managed portfolio of assets which historically are capital stable.</p> <p>(c) Portfolio diversification</p> <ul style="list-style-type: none"> Fixed income is an important component of a balanced investment portfolio, offering more stable yields and capital preservation than other asset classes. Asset class diversification for investors by gaining exposure to a portfolio of RMBS and ABS. <p>(d) Manager</p> <ul style="list-style-type: none"> Specialist fund manager. Gryphon has significant experience in RMBS and ABS. Currently manages in excess of \$2.0 billion in assets. <p>(e) LIT structure benefits</p> <ul style="list-style-type: none"> A closed pool of capital enabling the Manager to make long term investments without the need to source liquidity for potential investor redemptions. <p>(f) Attractive fee structure</p> <ul style="list-style-type: none"> Base management fees comparable to fees charged to wholesale investors for similar products. No incentive or performance fees. Offer costs are not paid directly by the Trust so the NTA per New Unit is not expected to fall below the Offer Price when New Units are issued under the Offer on account of Offer costs. | |
| Does the Trust have any debt? | <p>The Trust does not have any debt.</p> <p>The Manager does not intend to use debt to enhance returns. The Trust's gearing policy limits debt to up to 25% of the Trust's NTA for short term purposes only. For example, the Manager does not intend to use debt unless it has also planned to raise new capital from the issue of new Units which will be used to repay any borrowings. The use of debt in this circumstance allows the Manager to secure investments prior to the settlement of the capital raising, thus minimising any dilution of returns to Unitholders.</p> | Section 5.17 |
| Does the Investment Strategy permit derivative investments? | Derivatives are only permitted for efficient portfolio management (e.g. hedging) and not for market speculative purposes in an attempt to increase returns. | Section 5.6 |
| Will capital raised under the Offer impact target Portfolio construction or Target Return? | <p>The Manager may take up to three months to fully invest the additional capital raised under the Offer in accordance with the Investment Strategy outlined in Sections 5.5 and 5.6. However, the pace of the Trust's additional capital deployment will depend on market conditions.</p> <p>Despite this, the Manager expects the Trust to maintain monthly distribution payments consistent with the Target Return.</p> | Section 5.7 |



| Topic | Summary | For more information |
|---|---|----------------------|
| <i>What fees will the Manager and the Responsible Entity receive?</i> | <p>The Manager is entitled to receive a management fee of 0.72% per annum of NTA of the Trust.</p> <p>The Responsible Entity receives a Responsible Entity fee of:</p> <ul style="list-style-type: none">(a) 0.06% per annum on the gross value of the Trust's assets (up to \$200 million)(b) 0.04% per annum on the gross value of the Trust's assets (from \$200 million to \$300 million), and(c) 0.02% per annum on the gross value of the Trust's assets (from \$300 million), <p>subject to a minimum monthly fee of \$5,425 and annual CPI increases.</p> <p>The Responsible Entity is entitled to receive a custody fee equal to 0.01% per annum on the gross value of the Trust's assets for performing custodial services on behalf of the Trust. This fee is subject to a minimum monthly fee of \$2,661 and annual CPI increases.</p> | Section 7 |
| <i>What is the expected NTA per Unit post completion of the Offer?</i> | <p>The Offer is not expected to have an impact on the NTA per Unit because upfront costs associated with the Offer will be funded by the Gryphon Group using the Manager Loan. The NTA is published daily on ASX.</p> | Section 10 and 13.4 |
| <i>What are the key terms of the Investment Management Agreement?</i> | <p>Under the Investment Management Agreement the Manager is responsible for managing the Portfolio in accordance with the Investment Objective, Investment Strategy, Investment Guidelines and Authorised Investments set out in this PDS.</p> <p>The Investment Management Agreement has an initial term of 10 years subject to an automatic extension. After the expiration of the initial term the Investment Management Agreement may be terminated by the Responsible Entity on three months' notice if an ordinary resolution of Unitholders is passed to terminate the Investment Management Agreement.</p> | Section 13.2 |
| <i>What is the purpose of the Manager Loan?</i> | <p>The Responsible Entity in its capacity as responsible entity for the Trust has provided an interest bearing working capital loan to GCM (Manager Loan). The Manager Loan has a term of 10 years, expiring on 21 May 2028 and at 30 September 2019 is for a total of \$8,060,256. GCM is required to pay principal and interest on the Manager Loan regularly throughout the term in accordance with an agreed amortisation schedule. The Manager Loan permits GCM to make further drawdowns from time to time, provided the drawdown does not mean the amount owing exceeds the amount agreed in the amortisation schedule.</p> <p>GCM will make a further drawdown of up to a maximum of 3% of the Offer proceeds, adjusted for the amortisation schedule applicable at the time of the drawdown (which will increase the Manager Loan by up to \$2.76 million if the Offer is fully subscribed). Funds drawn will be used by GCM to meet the costs of the Offer.</p> | Section 5.9 and 13.4 |
| <i>Who is the Custodian?</i> | <p>One Managed Investment Funds Limited acts as both responsible entity and custodian of the assets of the Trust.</p> | Section 5.14 |



| Topic | Summary | For more information |
|--|---|----------------------|
| <i>What is the difference between a listed investment company and a listed investment trust?</i> | Under a trust structure, all earnings are distributed to investors on a pre-tax basis. There are no franking credits for investors in a trust structure. This is similar to most managed fund or exchange traded fund structures. Under a company structure, as in a listed investment company, earnings would typically be taxed at the company tax rate and franking credits may be distributed to investors via dividends. | |
| <i>What are the key risks associated with an investment in the Trust?</i> | <p>There are a number of risks associated with investing in the Trust which are set out in detail in Section 8. They include the following:</p> <ul style="list-style-type: none"> (a) Manager risk – The Trust’s success is reliant upon the ability of the Manager to devise and maintain a portfolio that achieves the Investment Objective and Investment Strategy. (b) Availability of investments – There is no guarantee the Manager will continue to find sufficient investments for the Trust at suitable prices to deliver the Investment Objective. (c) Distribution risk – The Manager may make poor investment decisions which may result in the Trust’s return being inadequate to pay distributions to Unitholders. (d) Key man risk – The Responsible Entity has no right to terminate the Investment Management Agreement solely as a consequence of a change of control of the Manager or in the event of a material change to the composition of the Gryphon Investment Team. For example, the Responsible Entity cannot terminate the Investment Management Agreement if either Steven Fleming or Ashley Burtenshaw resigns from the Manager. (e) Market risk – The investments comprising the Portfolio are subject to market risk. Market risk is risk associated with changes in market prices or rates, including interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, national and international political circumstances. (f) Reinvestment risk – To achieve the Target Return over the long term the proceeds of securities held by the Trust that mature and are sold must be able to be reinvested in securities with a yield comparable to that of the Portfolio as a whole. This may not always be possible. (g) Value of RMBS/ABS – There are a number of factors which can affect the price of RMBS/ABS in which the Trust invests. For example, this can include changes in market perception of the assets underlying the security, the credit quality underlying the security and the creditworthiness of the issuer of the security. (h) Credit risk – There is a risk that a rating agency may assign incorrect or inappropriate credit ratings to issuers and the securities issued which may mean the underlying security is more likely to be subject to a default event than was anticipated. (i) Non-Investment Grade investments – The Trust will invest in high yield (namely non-Investment Grade) securities which have a higher risk of default than Investment Grade securities. (j) Hedging risk – The Manager intends to only use derivatives and other hedging techniques for risk management purposes. There is no perfect hedge for any investment, and a hedge may not perform its intended purpose of offsetting losses on an investment and, in certain circumstances, could increase such losses. | Section 8 |



| Topic | Summary | For more information |
|--|---|------------------------|
| | <p>(k) Liquidity risk – If a security cannot be bought or sold quickly enough to minimise potential loss, the value of the Portfolio may be adversely affected.</p> <p>(l) Unit trading price risk – Units may not trade on ASX at or near the stated underlying NTA per Unit.</p> <p>(m) Volatility of Units risk – Units when listed on ASX may be thinly or heavily traded, and could be volatile, irrespective of the value of the investments held by the Trust.</p> <p>(n) ASX liquidity risk – Units in the Trust are listed on ASX. Although liquidity is generally expected to exist in this secondary market, there are no guarantees that an active trading market with sufficient liquidity will be maintained.</p> <p>(o) ASX counterparty risk – ASX counterparty risk is the risk that when a Unitholder sells their Units on market they are relying on CHES, the central system for clearing and settling trades on ASX. There is also a risk that arises from Unitholders relying on the creditworthiness of their Broker.</p> <p>(p) Manager Loan risk – The Trust assets have been used to make the Manager Loan (and will be used to make any further advance under the Manager Loan) to GCM (an entity within the Gryphon Group). The term of the loan is 10 years expiring on 21 May 2028. GCM is required to repay the loan including interest from its own resources. If GCM fails to repay the Manager Loan for any reason, then the Trust will incur a loss.</p> <p>(q) Interest rate risk – The Manager will primarily invest the Trust in floating rate loans meaning that as the underlying base rate rises and falls, the relative attractiveness to other instruments may change.</p> <p>There is a strong correlation between the RBA Cash Rate and the base rates upon which the floating rate RMBS and ABS monthly interest rates are reset. It is possible for the RBA Cash Rate to become negative. Should this occur, the negative amount will be taken into account in calculating the Target Return and therefore Trust distributions.</p> | |
| <i>What is the financial position of the Trust?</i> | The general-purpose financial statements of the Trust for the year ended 30 June 2019 were audited by PwC and released to ASX on 23 August 2019. Historical Financial Information extracted from these statements is included in Section 10. Unaudited Pro Forma Financial Information to illustrate the impact of the Offer and other Pro Forma Adjustments (refer to section 10.2) is also included in Section 10. | Section 10 |
| <i>Does any related party have a significant interest in the Trust?</i> | The Manager or entities associated with the Manager may hold Units. | Sections 14.1 and 14.2 |
| <i>Information on the Constitution</i> | The Constitution is the document which governs the relationship between the Responsible Entity and Unitholders, the key terms of which are summarised in Section 13.1. | Section 13.1 |
| <i>What are the Trust's material contracts?</i> | In addition to the Investment Management Agreement, the Responsible Entity, on behalf of the Trust has entered into the Offer Management Agreement. For more information on these agreements please refer to Section 13. | Section 13 |



| Topic | Summary | For more information |
|---|--|------------------------|
| What is the Trust's valuation policy? | The Trust's valuation policy is set out in Section 5.11. The assets of the Trust are valued using market accepted practices to accurately and independently price all securities and other assets within the Portfolio. See Section 10.6 for details. | Sections 5.11 and 10.6 |
| What information is provided to the Unitholders? | The Responsible Entity provides Unitholders with information required under the Listing Rules including announcing the following on ASX: (a) The Trust's annual financial statements. (b) The Trust's half-yearly financial statements. (c) Any continuous disclosure notices required under the Corporations Act and the Listing Rules. The NTA per Unit is published on the Trust's website www.gcapinvest.com/gcit/overview and lodged with ASX on a daily basis. The Responsible Entity also releases reports to ASX on the activities of the Trust, the performance of the Portfolio and the Manager's investment outlook. These reports are available on the Trust's website www.gcapinvest.com/gcit/overview and announced to ASX. | |

1.2 About the Offer

| Topic | Summary | For more information |
|---|---|----------------------|
| Who is the issuer of New Units, Additional New Units and this PDS? | The Responsible Entity. | Section 5.2 |
| What is the purpose of the Offer? | Funds raised under the Offer will be used to undertake additional investments consistent with the Investment Strategy to continue to deliver the Investment Objective and Target Return. | Section 2.2 |
| What are the key benefits of the Offer? | The Manager believes the Offer will provide the following benefits: (a) Additional scale to expand the Trust's participation in the RMBS/ABS market, thereby diversifying the Portfolio. (b) Expand the Trust's investor base, providing greater liquidity for Unitholders. (c) Reduce the operating costs of the Trust on a cost per Unit basis. | Section 2.2 |
| What is the Entitlement Offer? | A pro rata, non-renounceable entitlement offer under which Eligible Unitholders are invited to apply for 1 New Unit for every 3 existing Units held on the Record Date at \$2.01 per New Unit to raise up to \$103,578,699. ⁴ Under the Entitlement Offer, Eligible Unitholders who take up their Entitlement in full may also apply for Additional New Units in excess of their Entitlements at the Offer Price (Oversubscription Facility). Any New Units not taken up by Eligible Unitholders under the Entitlement Offer and the Oversubscription Facility may be offered to new investors under the Shortfall Offer. | Section 2.4 |

4. Any New Units not subscribed for under the Entitlement Offer, will be offered to new Retail Investors and Institutional Investors under the Shortfall Offer. If the Entitlement Offer and Shortfall Offer are fully subscribed, then up to \$103,578,699 will be raised.



| Topic | Summary | For more information |
|---|---|----------------------|
| Who is an Eligible Unitholder? | To participate in the Entitlement Offer, Unitholders must: <ul style="list-style-type: none"> (a) be registered as the holder of Units at 7.00pm (AEDT) on the Record Date, and (b) have a registered address on the Trust's Unit register in Australia or New Zealand. | Section 2.4 |
| When does the Entitlement Offer open? | The Entitlement Offer opens on 12 November 2019. | Offer Highlights |
| When does the Entitlement Offer close? | The Entitlement Offer closes at 5.00pm (AEDT) on 25 November 2019. | Offer highlights |
| What is my Entitlement? | Your Entitlement is set out on your personalised Entitlement and Acceptance Form and has been calculated as 1 New Unit at the Offer Price for every 3 Units you hold as at the Record Date. | Section 2.4 |
| What can I do with my Entitlement? | <p>If you are an Eligible Unitholder, then you may do any one of the following in respect of your Entitlement:</p> <ul style="list-style-type: none"> • Take up all or part of your Entitlement (i.e. acquire up to 1 New Unit at the Offer Price for every 3 existing Units you hold as at the Record Date). • Do nothing, in which case your Entitlement will lapse, and you will not be issued New Units. <p>You should note that if you do not take up your Entitlement in full, then you will not receive any payment or value for that part of your Entitlement that you do not take up. Further, if you do not take up all or part of your Entitlement, then your percentage voting interest in the Trust will be reduced.</p> | Section 2.4 |
| Can I apply for New Units in excess of my Entitlement? | <p>If you are an Eligible Unitholder and you take up your Entitlement in full, then you may apply for Additional New Units in excess of your Entitlement via an oversubscription facility.</p> <p>Additional New Units have the same terms as New Units.</p> <p>Additional New Units will only be allocated to Eligible Unitholders if available. Allocations of Additional New Units will be determined by the Responsible Entity.</p> <p>Any Excess Amount paid by an Eligible Unitholder may be treated as an application to apply for as many Additional New Units as your Excess Amount will pay for in full, subject to any scale-back which may be implemented in respect of Additional New Units (see Section 2.11).</p> <p>No Additional New Units will be issued to an Eligible Unitholder which would otherwise result in them increasing their voting power in the Trust to 20 percent or more.</p> | Section 2.4 |
| Can I trade my Entitlement? | <p>Your Entitlement to participate in the Entitlement Offer is non-renounceable and cannot be traded on ASX or any other exchange, nor can it be privately transferred.</p> <p>Eligible Unitholders who do not take up their Entitlements in full will not receive any payment or value for those Entitlements they do not take up.</p> | Section 2.4 |



| Topic | Summary | For more information |
|---|--|-----------------------|
| <i>How can I apply under the Entitlement Offer?</i> | Instructions on how to apply are set out in Section 2.5. | Section 2.5 |
| <i>How much will I pay per New Unit?</i> | \$2.01 per New Unit. | Section 2.1 |
| <i>Can I withdraw my Application?</i> | <p>You cannot withdraw your Application once it has been accepted. Cooling-off rights do not apply to an investment in New Units or Additional New Units under the Offer.</p> <p>The Responsible Entity reserves the right to withdraw the Offer at any time before the issue of New Units or Additional New Units, in which case the Responsible Entity will refund any Application Monies already received in accordance with the Corporations Act. Interest will not be paid on returned Application Monies.</p> | Section 2.7 |
| <i>What is the Shortfall Offer?</i> | <p>Any New Units or Additional New Units not taken up by Eligible Unitholders under the Entitlement Offer or the Oversubscription Facility (Shortfall) will be offered to new investors under the Shortfall Offer.</p> <p>The Shortfall Offer is only available to Australian and New Zealand resident investors who have received an invitation from their Broker to participate. There is no general public offer of New Units under the Shortfall Offer.</p> <p>Further details of eligibility to participate in, and apply for New Units under, the Shortfall Offer are set out in Section 2.6.</p> | Section 2.6 |
| <i>What is the impact of the Offer on the Trust?</i> | <p>The effect of the Offer on the financial position of the Trust is detailed in Section 10.</p> <p>The Offer is not expected to have any material effect on control of the Trust.</p> | Section 10 |
| <i>When will I receive distributions on New Units?</i> | <p>New Units will be eligible for all distributions paid by the Trust following the relevant issue date (Entitlement Offer Issue Date or Shortfall Offer Issue Date).</p> <p>The first distribution which will be paid on New Units is expected to be declared at the end of December 2019 and paid in January 2020.</p> | Section 2.1 |
| <i>When will the New Units be issued?</i> | <p>The issue of New Units and Additional New Units under the Entitlement Offer is expected to occur on 2 December 2019.</p> <p>The issue of New Units under the Shortfall Offer is expected to occur on 9 December 2019.</p> | Section 2.9 |
| <i>What are the terms of the New Units?</i> | New Units and Additional New Units (if any) will rank equally with existing Units, including in respect of entitlement to distributions. | Sections 2.1 and 13.1 |
| <i>When will the New Units begin trading on ASX?</i> | <p>Normal trading of New Units and Additional New Units (if any) issued under the Entitlement Offer is expected to commence on ASX on 3 December 2019.</p> <p>Normal trading of New Units issued under the Shortfall Offer is expected to commence on ASX on 10 December 2019.</p> <p>It is the responsibility of successful Applicants to confirm their holdings of New Units before they trade them. If you attempt to sell Units before you have received your holding statement (see below), then you do so your own risk. This is the case even if you have been advised by your Broker or have phoned the Unit Registry.</p> | Section 2.10 |



| Topic | Summary | For more information |
|---|---|------------------------------|
| <i>When will Applicants know if their application has been successful?</i> | <p>Holding statements for the Entitlement Offer are expected to be dispatched on 3 December 2019.</p> <p>Holding statements for the Shortfall Offer are expected to be dispatched on 10 December 2019.</p> | Section 2.10 |
| <i>Who are the Joint Arrangers to the Offer?</i> | Morgans and NAB. | |
| <i>Is the Offer underwritten?</i> | The Offer is not underwritten. | Section 2.3 |
| <i>What are the fees and costs of the Offer?</i> | <p>The fees and costs of the Offer will be borne by Gryphon Group. Gryphon Group will pay:</p> <ul style="list-style-type: none"> (a) a joint lead arranger fee equal to 0.20% plus GST of the total amount raised under the Offer to the Joint Arrangers in equal proportions (b) a management fee equal to 0.75% plus GST of the total amount raised under the Offer (to the Joint Arrangers in equal proportions) (c) each Joint Arranger a selling fee of 1.25% plus GST of the amount raised from New Units which that Joint Arranger, its Brokers, co-managers and affiliates procures applications for under the Offer, and (d) to any other Broker to whom New Units have been allocated under the Entitlement Offer, a selling fee of 1.25% plus GST of the amount raised from the New Units which that broker has procured applications for under the Entitlement Offer. <p>There are other fees and costs associated with the Offer, including legal, advisory, accounting, taxation and quotation fees.</p> <p>The Offer has been structured to eliminate an immediate decline to the Trust's NTA as a result of the expenses incurred as part of the Offer. To achieve this, the Gryphon Group will pay the Offer costs and may elect to do so using the proceeds of the Manager Loan.</p> | Sections 13.3, 14.3 and 14.4 |
| <i>Is there a cooling-off period?</i> | No, a cooling-off period does not apply to the Offer. | |
| <i>How do Eligible Unitholders determine their Entitlement?</i> | Each Eligible Unitholder's personal entitlement under the Offer will be included in the personalised Entitlement Application Form which will accompany this PDS. | |



2. Details of the Offer

2.1 What is the Offer?

The Responsible Entity is offering New Units for subscription at an Offer Price of \$2.01 per New Unit to raise up to \$103,578,699.

The Offer comprises the following:

Entitlement Offer – a pro rata, non-renounceable entitlement offer under which Eligible Unitholders are invited to apply for 1 New Unit for every 3 existing Units held on the Record Date at \$2.01 per New Unit. The Entitlement Offer includes an Oversubscription Facility which provides Eligible Unitholders who take up their Entitlement in full the opportunity to apply for Additional New Units in excess of their Entitlements at the Offer Price; and

Shortfall Offer – an offer of New Units not subscribed for under the Entitlement Offer to Institutional and Retail Investors who have received an invitation from their Broker to participate under the Shortfall Offer at \$2.01 per New Unit.

All New Units issued under the Offer will rank equally with existing Units including full entitlement to distributions paid after the relevant issue date. The Responsible Entity is also offering Eligible Unitholders the opportunity to apply for Additional New Units under this PDS under the Oversubscription Facility.

2.2 Use of funds raised under the Offer

The Trust is seeking to raise new capital to undertake additional investments consistent with the Investment Strategy. The Offer is not expected to impact the Target Return nor the Trust's ability to pay monthly distributions to Unitholders during the period it takes to fully invest the additional capital raised. The Manager believes funds raised under the Offer and deployed in accordance with the Investment Strategy will achieve the following:

- (a) Additional scale to expand the Trust's participation in the RMBS/ABS market, thereby diversifying the Portfolio.
- (b) Expand the Trust's investor base, providing greater liquidity for Unitholders.
- (c) Reduce the operating costs of the Trust on a cost per Unit basis.

2.3 Is the Offer underwritten?

Neither the Entitlement Offer nor the Shortfall Offer are underwritten.

2.4 Entitlement Offer

The Entitlement Offer is a pro rata, non-renounceable offer of 1 New Unit for every 3 Units held by Eligible Unitholders on the Record Date at an offer price of \$2.01 per New Unit to raise up to \$103,578,699.

Eligible Unitholders

Not all Unitholders will be eligible to participate in the Entitlement Offer. To qualify to participate in the Entitlement Offer, a Unitholder must be an Eligible Unitholder. Eligible Unitholders are Unitholders that:

- are registered as the holder of Units at 7.00pm (AEDT) on the Record Date, and
- have a registered address on the Trust's register in Australia or New Zealand.

Unitholders who do not satisfy all of the above criteria are Ineligible Unitholders.



Ineligible Unitholders

- A Unitholder who does not satisfy the Eligible Unitholder criteria above will be classified as an Ineligible Unitholder and will not be invited to apply for New Units under the Entitlement Offer. The Responsible Entity has decided that it is unreasonable to make offers under the Entitlement Offer to Unitholders who have a registered address outside Australia or New Zealand, having regard to the number of Unitholders in those places, the number and value of the New Units that they would be offered and the cost of complying with the relevant legal and regulatory requirements in those places.

Ineligible Unitholders will be sent a letter confirming they will not be eligible to participate in the Entitlement Offer, in the form to be lodged with ASX on or about 12 November 2019.

Nominees, trustees and custodians

The Entitlement Offer is only being made to Eligible Unitholders. The Responsible Entity is not required to determine whether any registered holder is acting as a nominee, trustee or custodian or the identity or residence of any beneficial owners of Units (e.g. for the purposes of determining whether any such person is an Eligible Unitholder).

Eligible Unitholders who are nominees, trustees or custodians are advised to seek independent advice as to how to proceed.

Your Entitlement

The Entitlement of each Eligible Unitholder is set out on their personalised Entitlement and Acceptance Form that accompanies this PDS and has been calculated as 1 New Unit for every 3 existing Units held on the Record Date. Where an Eligible Unitholder has more than one registered holding of Units, they will be sent more than one personalised Entitlement and Acceptance Form and will have separate Entitlements for each separate holding.

New Units issued under the Entitlement Offer will be fully paid and rank equally with existing Units on issue, including in respect of entitlement to distributions.

If you decide to take up all or part of your Entitlement, or apply for Additional New Units:

- refer to the personalised Entitlement and Acceptance Form and apply for New Units (and Additional New Units, if applicable to you) in accordance with the instructions set out on the personalised Entitlement and Acceptance Form.

If you take no action or your application is not supported by any cleared funds:

- your Entitlement will lapse and you will not be issued with New Units.

If you do not take up your Entitlement in full you:

- will not receive any payment or value for that part of your Entitlement that you do not take up. Further, if you do not take up all or part of your Entitlement, then your percentage voting interest in the Trust will be reduced.

Oversubscription Facility

Eligible Unitholders who take up their Entitlement in full may also apply for Additional New Units in excess of their Entitlement at the Offer Price. Additional New Units will only be allocated to Eligible Unitholders if available.

Allocations of Additional New Units will be determined in the manner described in Section 2.11.

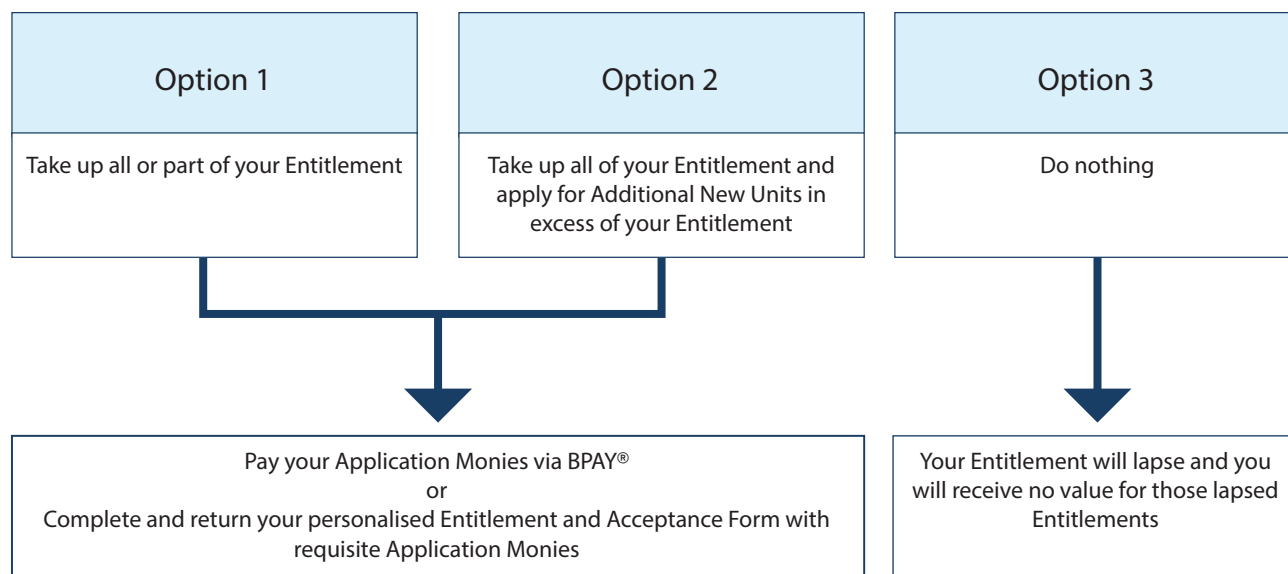
Any Excess Amount paid by you may be treated as an application to apply for as many Additional New Units as your Excess Amount will pay for in full, subject to any scale-back which may be implemented in respect of Additional New Units (See Section 2.11).

No Additional New Units will be issued to an Eligible Unitholder which will result in them increasing their voting power in the Trust to 20% or more.



Entitlement Offer options available

If you are an Eligible Unitholder, then you may do any one of the following:



The Entitlements of Eligible Unitholders who do not take up some or all of their Entitlements (and, in the case of Ineligible Unitholders, the Entitlements which would otherwise have been available to them), that are not taken up in the Oversubscription Facility will be offered for subscription to Retail investors and Institutional Investors under the Shortfall Offer (see Section 2.6).

Example: Entitlement Offer Options

The examples below are based on an Eligible Unitholder holding 12,000 Units on the Record Date.

Example 1 – Take up of Entitlement Offer in part and apply for (say) 2,000 New Units.

Example 2 – Take up of Entitlement Offer in full and apply for 4,000 New Units.

Example 3 – Take of up Entitlement Offer in full and apply for 1,500 Additional New Units (5,500 New Units in total).

Example 4 – Do nothing.

| Entitlement Offer Examples | Example 1 | Example 2 | Example 3 | Example 4 |
|--|-----------|-----------|-----------|-----------|
| Units Held in the Trust | 12,000 | 12,000 | 12,000 | 12,000 |
| Entitlement Offer ratio | 1 for 3 | 1 for 3 | 1 for 3 | 1 for 3 |
| Entitlement to New Units | 4,000 | 4,000 | 4,000 | 4,000 |
| New Units applied for | 2,000 | 4,000 | 4,000 | – |
| Additional New Units applied for | – | – | 1,500 | – |
| Offer Price per New Unit and Additional New Unit | \$2.01 | \$2.01 | \$2.01 | \$2.01 |
| Entitlement Offer application amount | \$4,020 | \$8,040 | \$11,055 | – |



2.5 How do I apply under the Entitlement Offer?

How to apply

If you decide to take up all or part of your Entitlement or take up all of your Entitlement and apply for Additional New Units in excess of your Entitlement, then you must:

1. pay your Application Monies via BPAY®, or
2. complete and return your personalised Entitlement and Acceptance Form accompanying this PDS with the requisite Application Monies, by following the instructions set out on the personalised Entitlement and Acceptance Form.
 - If paying by BPAY®:
 - a. you do not need to complete or return your personalised Entitlement and Acceptance Form
 - b. your Application Monies must be received no later than the close of the Entitlement Offer, being 5.00pm (AEDT) on 25 November 2019.
 - If paying via cheque, bank draft or money order you should mail your completed personalised Entitlement and Acceptance Form and Application Monies to:

Gryphon Capital Income Trust – Entitlement Offer

Boardroom Pty Limited

GPO Box 3993

Sydney NSW 2001

Telephone No. 1300 737 760 (within Australia) + 61 2 9290 9600 (International)

Facsimile No. 02 9279 0664

It is your responsibility to ensure your payment and Entitlement and Acceptance Form are received by the Unit Registry by no later than 5:00pm (AEDT) on 25 November 2019.

The Responsible Entity will:

- treat you as applying for as many New Units as your Application Monies will pay for in full up to your full Entitlement, and
- any amounts received in excess of your full Entitlement (Excess Amount) may be treated as an application for as many Additional New Units as your Excess Amount will pay for in full, subject to any scale-back which may be implemented in respect of Additional New Units in accordance with Section 2.11.

If you take up and pay for all or part of your Entitlement before the close of the Entitlement Offer, you will be:

- issued your New Units on 2 December 2019.

If you apply for Additional New Units in excess of your Entitlement, then you will be:

- issued Additional New Units on 2 December 2019, subject to:
 - Additional New Units being available from Eligible Unitholders who do not take up their full Entitlement (or, in the case of Ineligible Unitholders, the Entitlements which would otherwise have been available to them), and
 - any scale-back to your allocation of Additional New Units (see Section 2.11).

Other than to the extent that Additional New Units are allotted to you, any Excess Amount will be:

- refunded after the close of the Entitlement Offer on or around 2 December 2019
- refunds will be made by sending a cheque in the post to the address the Trust records on its Register for you, and
- no interest will be paid to Eligible Unitholders on any Application Monies received or returned (wholly or partially).

Entitlement and Acceptance Forms and Application Monies will not be accepted at the Responsible Entity's or the Manager's registered or corporate offices, or other offices of the Unit Registry.

No Additional New Units will be issued to an Eligible Unitholder which would otherwise result in them increasing their voting power in the Trust to 20% or more.

If you do nothing

If you take no action, then you will not be issued New Units and your Entitlement will lapse. Your Entitlement to participate in the Entitlement Offer is non-renounceable and cannot be traded on ASX or any other exchange, nor can it be privately transferred. Eligible Unitholders who do not take up their Entitlements in full will not receive any payment or value for those Entitlements they do not take up.



How to pay the Application Amount

Payment Option 1 – BPAY®

If you complete your Application by making a BPAY® payment:

- You do not need to complete or return your personalised Entitlement and Acceptance Form.
- If you do not pay an Application Amount covering your full Entitlement, then the Responsible Entity will deem you as partially taking up as many New Units as your Application Amount will pay for.
- If you pay an Application Amount exceeding the amount covering your full Entitlement, then the Responsible Entity will deem you as taking up your full Entitlement and also to have applied for as many Additional New Units as your excess amount will cover, subject to any scale-back.
- By completing a BPAY® payment, you acknowledge you are applying pursuant to the Entitlement Offer and you will be deemed to have made the declarations which are included on the Entitlement and Acceptance Form.

Using the personalised BPAY® details provided in your personalised Entitlement and Acceptance Form, you need to do the following:

- (a) Access your participating BPAY® financial institution either through telephone banking or internet banking.
- (b) Select BPAY® and follow the prompts.
- (c) Enter the biller code supplied.
- (d) Enter the unique CRN supplied for each Application.
- (e) Enter the total amount to be paid which corresponds to the number of New Units you wish to apply for under each Application. Note that your financial institution may apply limits on your use of BPAY®. You should enquire about the limits that apply in your own personal situation.
- (f) Record your BPAY® receipt number and date paid. Retain these details for your records.
- (g) BPAY® payments must be made from an Australian dollar account of an Australian financial institution. You will need to check with your financial institution in relation to their BPAY® closing times to ensure that your Application Amount will be received by 5:00pm (AEDT) on 25 November 2019 being the Offer Closing Date. If you do not make payment of the Application Amount, your Application will be incomplete and may not be accepted.

Should you choose to pay by BPAY®, it is your responsibility to ensure that your BPAY® payment is received by no later than 5.00 pm (AEDT) on 25 November 2019, being the Offer Closing Date. Your financial institution may implement earlier cut-off times with regard to electronic payments or impose a limit on the amount which you can transact on BPAY®, and policies with respect to processing BPAY® transactions may vary between financial institutions. The Responsible Entity accepts no responsibility for any failure to receive your Application Amount or payment by BPAY® before the cut-off time on the Offer Closing Date, arising as a result of, among other things, processing of payments by financial institutions.

Payment Option 2 – Cheque, Bank Draft or Money Order

If you apply using a paper Entitlement and Acceptance Form, then you must –

- Complete your Application Form, and
- pay your Application Amount by enclosing payment with your completed personalised Entitlement and Acceptance Form.
 - (a) Please also note the following: Only cheques or bank drafts in Australian dollars and drawn on a bank or financial institution in Australia will be accepted.
 - (b) Your cheque or bank draft must be made payable to “Gryphon Capital Income Trust– Entitlement Offer and crossed “Not Negotiable”.
 - (c) Please ensure that you submit the correct amount. Incorrect payments may result in your application being rejected.

If paying via cheque, bank draft or money order, your completed personalised Entitlement and Acceptance Form and Application Monies must be received by the Unit Registry no later than 5:00pm (AEDT) on 25 November 2019, at the following address:

Gryphon Capital Income Trust – Entitlement Offer

Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001

Telephone No. 1300 737 760 (within Australia) + 61 2 9290 9600 (International)
Facsimile No. 02 9279 0664

If you are paying by cheque, bank draft or money order, then it is your responsibility to ensure your payment is received in cleared funds at the above address by no later than 5:00pm (AEDT) on 25 November 2019, being the Offer Closing Date. Cash payments will not be accepted. Receipts for payment will not be issued.



2.6 Shortfall Offer

What is the Shortfall Offer?

The Responsible Entity intends to offer any New Units not taken up by Eligible Unitholders under the Entitlement Offer (including the Oversubscription Facility) (Shortfall) at the Offer Price under this PDS (Shortfall Offer) to new Retail and Institutional Investors.

Structure of the Shortfall Offer

The Shortfall Offer comprises the following key terms:

- It is only open to Australian and New Zealand resident investors who have received an invitation from their Broker to participate.
- No general public offer of New Units will be made under the Shortfall Offer.
- Members of the public wishing to apply for New Units under the Shortfall Offer must do so through a Broker with a firm allocation of New Units. You should contact your broker to determine if they have a firm allocation. If not, then please contact one of the Joint Arrangers named in this PDS.
- New Units issued pursuant to the Shortfall Offer will rank equally with the existing Units with effect from their date of issue.

Who can apply under the Shortfall Offer?

Who can apply under the Shortfall Offer?

- Investors who have been offered a firm allocation by a Broker will be eligible to participate in the Shortfall Offer in respect of that allocation. If you have not been invited but want to participate, then you should contact your Broker to determine if they have been given an allocation.

You may participate in the Shortfall Offer by:

- Completing the Shortfall Offer Application Form marked "Shortfall Offer" attached to this PDS, or
- the Application Form marked "Shortfall Offer" accompanying an electronic version of this PDS, and
- submitting the completed Shortfall Offer Application Form to your Broker together with your Application Amount by 5.00pm AEDT on 25 November 2019 being the Offer Closing Date, or
- otherwise in accordance with the instructions given to you by your Broker.

Applicants under the Shortfall Offer must not send their Shortfall Offer Application Form to the Unit Registry.

Applications under the Shortfall Offer must be sent to your Broker.

The minimum subscription amount under the Shortfall Offer is \$1,000 worth of New Units.

The Brokers may determine how they allocate New Units among their clients, and they (and not the Responsible Entity nor the Manager) will be responsible for ensuring that clients who have received an allocation from them receive the relevant New Units. Neither the Responsible Entity, the Manager nor the Unit Registry accept any responsibility for any acts or omissions by Brokers in connection with an Application, Shortfall Offer Application Form and Application Amount.

How to pay the Application Amount

- Applicants under the Shortfall Offer must pay their Application Monies in accordance with the instructions received from their Broker.

Please contact your Broker if you have any questions.



How to apply under the Shortfall Offer?

You should contact your Broker or call 1300 737 760 (within Australia), or + 61 2 9290 9600 (International) between 8.30am and 5.30pm (AEDT) Monday to Friday during the Offer Period to request a PDS and Shortfall Offer Application Form, or you can download a copy from the Trust's website www.gcapinvest/gcit/overview. Your Broker will act as your agent and it is your Broker's responsibility to ensure that your Shortfall Offer Application Form and Application Amount are received before 5.00 pm (AEDT) on 25 November 2019 being the Offer Closing Date.

If you are eligible to apply under the Shortfall Offer, then you should complete and lodge your Shortfall Offer Application Form with the Broker from whom you received your invitation to participate in the Shortfall Offer. Your Shortfall Offer Application Form must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the reverse of the Shortfall Offer Application Form. Applicants under the Shortfall Offer must not send their Shortfall Offer Application Form to the Unit Registry. By making an application for New Units under the Shortfall Offer, you declare that you were given access to this PDS, together with a Shortfall Offer Application Form. The Corporations Act prohibits any person from passing a Shortfall Offer Application Form to another person unless it is included in, or accompanied by, a copy of this PDS.

None of the parties named in this PDS are responsible for any acts or omissions of your Broker in connection with your Application. For example, any failure by your Broker to complete or submit your application or transfer your Application Amount within the required time frames. The Responsible Entity and the Unit Registry take no responsibility in respect of an Application Form or Application Amount which are delivered to your Broker in connection with your Application until such time as your Shortfall Offer Application Form and Application Amount are received by the Unit Registry.

2.7 No withdrawals of applications made under the Offer

You cannot withdraw your Application once it has been accepted. Cooling-off rights do not apply to an investment in New Units under the Offer.

The Responsible Entity reserves the right to withdraw the Offer at any time before the issue of New Units under the Offer, in which case the Responsible Entity will refund any Application Monies already received in accordance with the Corporations Act. No interest will be paid on any Application Monies received or returned (wholly or partially).

2.8 Confirmation of your application and managing your holding

A holding statement confirming your allocation under the Offer will be sent to you if your Application is successful. It is expected holding statements for New Units issued under the Entitlement Offer will be despatched by post on, or after 3 December 2019 and holding statements for New Units issued under the Shortfall Offer will be despatched by post on, or after 10 December 2019.

2.9 Issue of New Units and Additional New Units

New Units and Additional New Units issued under the Entitlement Offer are expected to be issued on or around 2 December 2019 and New Units issued under the Shortfall Offer are expected to be issued on or around 9 December 2019 (subject to variation at the discretion of the Responsible Entity). Fractional entitlements to New Units or Additional New Units (as the case may be) will be rounded down to the nearest whole number of New Units or Additional New Units (as the case may be).

2.10 ASX quotation

The Responsible Entity has applied to ASX for the grant of official quotation of the New Units to be issued under the Offer. It is expected that normal trading on ASX will commence in relation to the New Units to be issued under the Entitlement Offer on 3 December 2019 and under the Shortfall Offer on 10 December 2019. The Responsible Entity will have no responsibility and disclaims all liability (to the maximum extent permitted by law, including for negligence) to persons who trade New Units to be issued under the Offer before they are quoted on ASX or before they receive their holding statements which are expected to be despatched on or around 3 December 2019 (for the Entitlement Offer) and 10 December 2019 (for the Shortfall Offer).



2.11 Allocation policy

Oversubscription Facility

The allocation of Additional New Units available under the Oversubscription Facility will be determined by the Responsible Entity.

To the extent applications for Additional New Units exceed the number of Additional New Units available, an Eligible Unitholder's application for Additional New Units may be scaled back.

The Responsible Entity will determine the method and extent of the allocation of Additional New Units after considering a range of factors to ensure a fair and efficient allocation. Such factors include the following:

- The desired composition of the register, including the size and geographic spread of Unitholders.
- The size of a Unitholder's application under the Oversubscription Facility relative to their Entitlement.

The Responsible Entity in its sole and absolute discretion reserves the right to reject any Application or allocate a lesser number of Additional New Units than applied for. No interest will be paid on refunded Application Monies.

Certain Applications may be given preference in the allocation of Additional New Units.

Shortfall Offer

The allocation of New Units to Brokers in the Shortfall Offer will be determined by the Responsible Entity after considering a range of factors, including the following:

- The role played by the Broker in the Offer.
- The desired composition of the register, including the size and geographic spread of Unitholders.
- The timing and size of the bids received.
- The treatment of existing Unitholders.

Once an allocation is made to a Broker it will be a matter for the Broker as to how they allocate New Units among their clients.

The Responsible Entity has absolute discretion to determine the method and extent of the allocation of New Units.

The Responsible Entity in its sole and absolute discretion reserves the right to reject any Application or allocate a lesser number of New Units than applied for. No interest will be paid or refunded.

Certain Applications may be given preference in the allocation of New Units.

2.12 Warning Statement for New Zealand Investors

- (a) This offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act 2001 (Aust) and regulations made under that Act. In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conducts Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.
- (b) This offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 (Aust) and the regulations made under that Act set out how the offer must be made.
- (c) There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.
- (d) The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.
- (e) Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this offer. If you need to make a complaint about this offer, please contact the Financial Markets Authority, New Zealand (www.fma.govt.nz). The Australian and New Zealand regulators will work together to settle your complaint.
- (f) The taxation treatment of Australian financial products is not the same as for New Zealand financial products.
- (g) If you are uncertain about whether this investment is appropriate for you, then you should seek the advice of an appropriately qualified financial adviser.



Currency exchange risk

The offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

Dispute resolution process

The dispute resolution process described in this offer document is available only in Australia and is not available in New Zealand.

3. Purpose and effect of the Offer

3.1 Sources and uses of funds of the Offer

The Responsible Entity is seeking to raise up to \$103,578,699 under the Offer. The net proceeds raised from the Offer will be used by the Manager to undertake additional investments consistent with the Investment Strategy and we expect to continue to meet the Investment Objective and deliver the Target Return.

3.2 Capital structure

The Trust currently has 154,595,075 Units on issue. The Responsible Entity expects that up to 51,531,691 New Units will be issued under the Offer, assuming it is fully subscribed.

The table below shows the current capital structure of the Trust and the capital structure of the Trust on completion of the Offer, assuming maximum subscription under the Offer.

Table – Structure

| | Number of units | Percentage of post-Offer units |
|--|-----------------|--------------------------------|
| Units on issue as at the date of this PDS | 154,595,075 | 75.0% |
| Maximum number of New Units to be issued pursuant to the Entitlement Offer | 51,531,691 | 25.0% |
| Maximum total Units on issue immediately following completion of the Offer | 206,126,766 | 100% |

3.3 Potential impact of offer on control of the Trust

The maximum number of New Units which may be issued pursuant to the Entitlement Offer is 51,531,691. If the Entitlement Offer is not fully subscribed, then those New Units not taken up under the Entitlement Offer, will be offered to new Retail and Institutional Investors under the Shortfall Offer.

This equates to approximately 25.0 percent of all the issued Units in the Trust immediately following completion of the Offer.

The Offer is not expected to have any significant impact on the control of the Trust.



4. Overview of the fixed income market

4.1 What are Fixed Income Securities?

A fixed income security is a commitment by a borrower to pay an agreed rate of interest on the amount borrowed (principal) over a set period of time and, when that period ends, to repay the money in full. The lender or investor knows at the outset how much interest or income it can expect to receive over the life of the agreement. The interest on the debt may be paid during or at the end of the agreed period and may be either a floating rate or a fixed rate.

A bond is a fixed income security and comes in a number of forms.

A bond generally provides greater certainty as to the income stream and return of capital, as compared to other asset classes. For retirees or investors who require a predictable source of income, a bond's regular interest payments provide a level of comfort and security. Generally speaking, there is a trade-off between risk and return and this is why most fixed income instruments pay lower returns than listed equities and other riskier investments.

Within the fixed income asset class, different types of bonds pay different returns. The interest rate paid on bonds will be determined by a number of factors including the following:

- (a) *Term*: How long the capital is committed.
- (b) *Capital structure*: The priority of the bond in the capital structure and whether the bonds are secured against assets, unsecured or subordinated to other debt instruments (see Section 4.2).
- (c) *Credit assessment*: The credit assessment of the borrower to ensure it will have the ability to meet principal and interest repayments.

Fixed rate bonds pay a fixed rate of interest for the investment term. Floating rate securities pay a variable rate of interest. For example the interest rate payable might be set at an agreed margin over an agreed reference rate (eg. Bank bill rate). Floating rate bonds are less susceptible to capital appreciation and loss than fixed rate bonds because the interest rate paid to investors adjusts in line with changes in market interest rates.

The Trust will invest in floating rate RMBS and ABS which are secured bonds created through a process known as securitisation. RMBS, ABS and the securitisation process is summarised in Sections 4.4 to 4.11.

4.2 Capital Structure

The priority in the ranking of the capital structure of a fixed income security is a key determinant of whether the expected return adequately compensates the investor for the risk involved. Holders of fixed income securities have preferential treatment over equity holders for income distributions and capital returns in the event of insolvency. Fixed income is generally considered lower risk than hybrid securities or equity investments, as it tends to have a less volatile return profile. Secured debt generally has a lower risk than unsecured debt.

Secured debt is the first debt to be repaid in the event of a default and carries the highest ranking, above any other debt issued by a company. This debt is secured by the underlying assets and in the event that a borrower defaults, the holder of a secured bond has a first claim over the assets offered as security. Senior unsecured debt has no specific collateral backing from the borrower, however, it is prioritised ahead of other unsecured creditors to the residual assets. Subordinated debt holders stand behind the more senior debt holders in a default event, but ahead of convertible debt, hybrids and finally equity. The Trust invests in a portfolio of Australian RMBS and ABS. Not all RMBS and ABS carry the same risk.

4.3 AUD Fixed income securities and market

Fixed income securities are an important part of the Australian capital markets and a source of debt funding for the Australian economy including Government, financial institutions and corporate borrowers. For investors such as professional fund managers, superannuation funds and retail investors, fixed income securities or bonds provide a diversified and generally less volatile asset class (compared to other asset classes) within a diversified investment portfolio. Whilst a limited number of bonds are listed on ASX, many different types of fixed income securities are also issued as "Over the Counter" (OTC) securities and available only to professional or wholesale investors. Retail investors typically can only gain direct access to the benefits of many OTC securities by investing through a professional fixed income manager.

An important and growing segment of the wholesale fixed income market is ABS issued as a result of securitisation of underlying assets such as residential mortgages. Refer to Sections 4.4 to 4.11 for a summary of the securitisation process. Gaining exposure to this asset class therefore provides an opportunity for investors to further diversify their investment portfolio and gain exposure to a steady and reliable income stream.



4.4 Securitisation

Securitisation is the process of funding the purchase of a pool of assets by issuing bonds which are secured against the value of those underlying assets. Residential Mortgage Backed Securities (RMBS) and Asset Backed Securities (ABS) are both forms of this type of bond. Banks and other lenders (Originators) use securitisation to fund their lending activities. It is not new and has been a feature of the Australian financial landscape for over 30 years. As banking regulations have tightened, it has become a more important part of a bank's funding as regulatory changes make it less attractive for banks to keep loans on their balance sheet for their full life.

Investors are attracted to these bonds due to their diversification benefits and attractive returns. The underlying loan pools are highly diversified and consist of thousands of loans. Institutional investors select their bond investments based on the types of loans, bond rating and term.

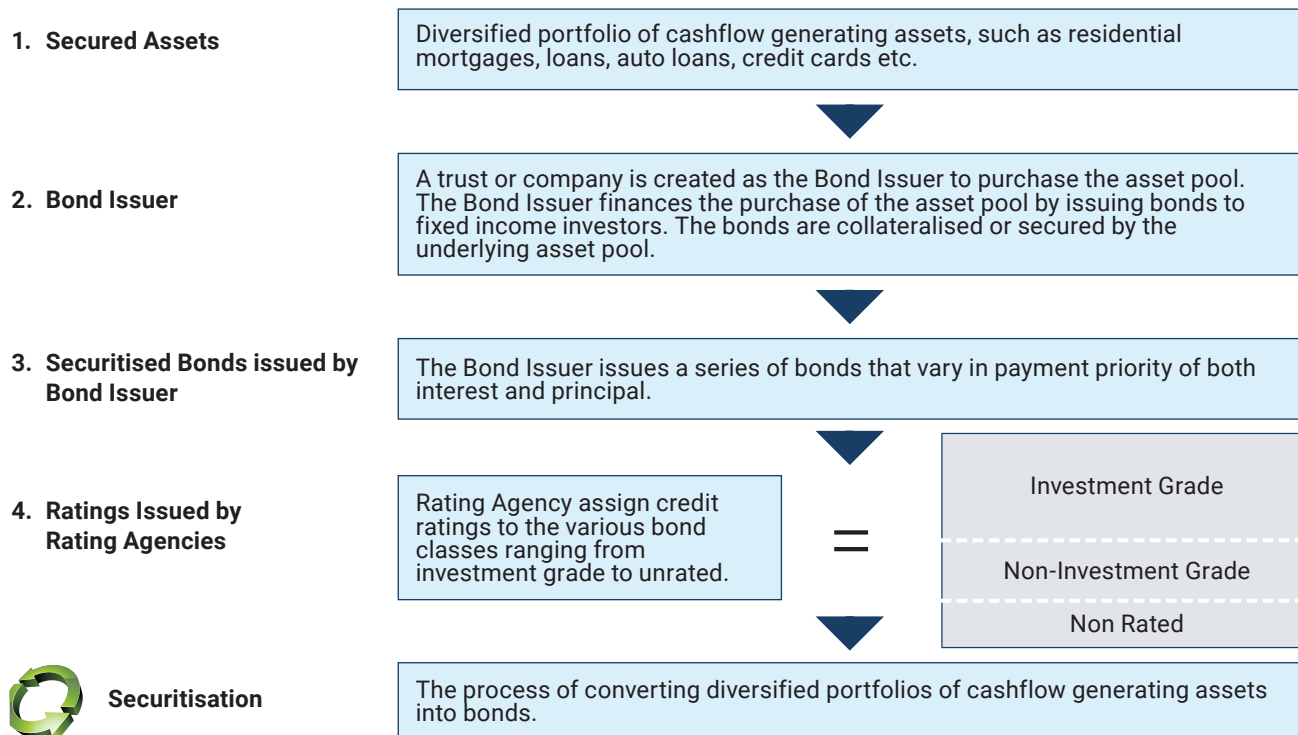
4.5 Asset Backed Securities

Asset backed securities are a type of fixed income security in which the interest payments are linked to and secured against the performance of an underlying pool of assets. In this style of bond the interest payments are serviced by the cash flows generated by a specific class of assets, such as home loans, finance leases or credit card payments. This is a form of finance known as securitisation. This compares to government or corporate bonds where interest payments are typically sourced from cash flows arising from tax revenues in the case of governments, and operating income in the case of companies. RMBS are a type of ABS where the pool of assets is exclusively loans which are secured against residential property.

RMBS and ABS are a large component of the Australian bond market with the main investors being institutional investors including banks, insurance companies and fund managers.

4.6 Securitisation process

Table 4.1: Securitisation process





4.7 Bond ratings

Unlike corporate bonds where a ratings agency might attribute a rating to a corporate bond based on the risk of payment default of the borrower, in fixed income RMBS/ABS all bonds issued in the securitisation process are secured against the same underlying pool of assets. Accordingly one of the primary drivers that determines the rating of a bond in that series is the priority (or order) of payment of interest and repayment of capital attributable to each bond issued in the structure.

Each ratings agency uses its own credit ratings for different tranches of RMBS/ABS bond issuance but each uses a similar approach in assigning such credit ratings. Below is an example of a typical prime RMBS securitisation offer. It demonstrates that each bond is paid different interest rates, reflecting its credit rating and priority of payment. Section 4.9 explains how the cash left after interest payments are made (excess interest) is used as a layer of protection for bond holders.

Table 4.2: Capital structure of a typical prime RMBS issue¹

| Credit rating ² | AUD issuance | Indicative interest rate ³ | Spread over floating benchmark | |
|----------------------------|----------------------|---------------------------------------|--------------------------------|----------------------------|
| AAA | 960,000,000 | 2.00% | 1.10% | |
| AA | 20,000,000 | 3.10% | 2.20% | |
| A | 9,500,000 | 3.60% | 2.70% | |
| BBB | 3,500,000 | 4.70% | 3.80% | Trust's target investments |
| BB | 3,500,000 | 6.70% | 5.80% | |
| Non-rated (NR) | 3,500,000 | 6.95% | 6.05% | |
| Total | 1,000,000,000 | | | |

1. Based on typical prime RMBS issue of \$1,000,000,000.

2. Each rating tranche may also include sub-sets within the rating class. For example, 'BBB' includes BBB+ and BBB- which is considered Investment Grade.

3. The rates disclosed in Table 4.2 are not a forecast nor an indication of future interest rate returns on a typical RMBS issue. The rates provide an indication of the coupon interest rates of each tranche for a typical prime RMBS issue as at the date of this PDS.

Source: Gryphon Group

Table 4.3: Capital structure of a typical ABS issue¹

| Credit rating ² | AUD issuance | Indicative interest rate ³ | Spread over floating benchmark | |
|----------------------------|--------------------|---------------------------------------|--------------------------------|----------------------------|
| AAA | 195,000,000 | 1.80% | 0.90% | |
| AA | 38,700,000 | 3.05% | 2.15% | |
| A | 22,800,000 | 3.50% | 2.60% | |
| BBB | 15,600,000 | 3.90% | 3.00% | Trust's target investments |
| BB | 16,800,000 | 6.30% | 5.40% | |
| Non-rated (NR) | 11,100,000 | | | |
| Total | 300,000,000 | | | |

1. Based on typical prime ABS issue of \$300,000,000.

2. Each rating tranche may also include sub-sets within the rating class. For example, 'BBB' includes BBB+ and BBB- which is considered Investment Grade.

3. The rates disclosed in Table 4.3 are not a forecast nor an indication of future interest rate returns on a typical ABS issue. The rates provide an indication of the coupon interest rates of each tranche for a typical ABS issue as at the date of this PDS.

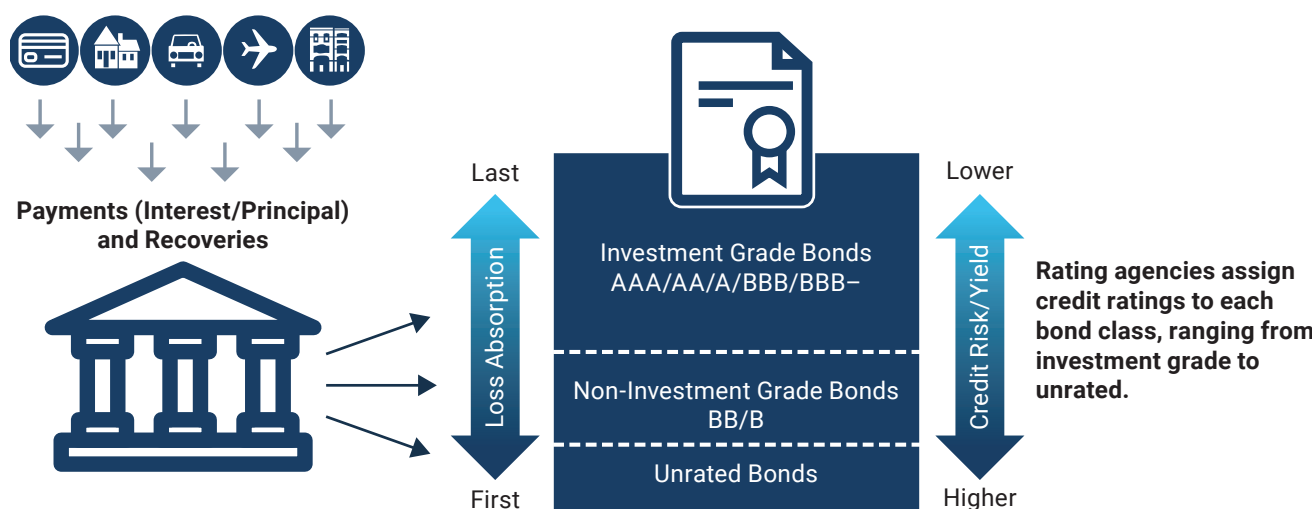
Source: Gryphon Group



4.8 Payment process

Each month the interest received from the pooled loans is paid to investors. Interest is paid first to those holding the highest rated bonds, until all accrued interest on those bonds is paid. Then interest is paid to holders of the next highest rated bonds and so on. The same thing occurs when principal payments (made by borrowers of the underlying loans) are received. The highest rated bonds are paid principal first and so on. Hence, a higher rated bond receives a lower rate of interest whereas a lower rated bond receives a higher rate of interest even though they are secured by the same pool of loans. In the event of a shortfall, investors in the lowest ranking bond class will be exposed to losses first, with any further losses impacting more senior classes in reverse order of payment priority. However, as noted in Section 4.9, there are a number of factors designed to limit the likelihood of any loss to investors.

Table 4.4: Payment process of bonds



4.9 What are the factors that protect bondholders against loss?

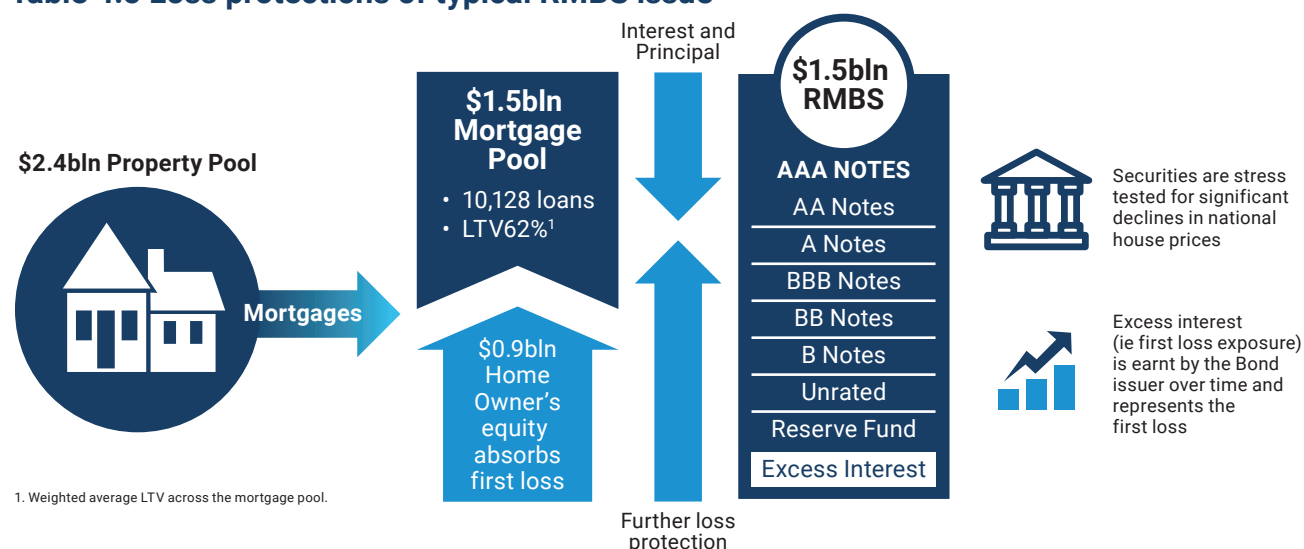
RMBS and ABS have a number of important structural protections (credit enhancements) that mitigate the risk of bondholders taking a principal loss. These credit enhancements include:

- **Equity:** If the underlying borrower defaults on their payment obligations, the servicer of the loan (e.g. bank) repossesses the asset and sells it to recover the outstanding loan amount. In the event of a default, the loss is therefore first absorbed by the borrower's equity in the underlying asset.
- **Lenders Mortgage Insurance (LMI):** For RMBS, LMI is often taken up to cover mortgages with a loan to value ratio (LTV) of greater than 80%. In the event of a default and after the sale of the secured asset, if the sale of the property was not sufficient to cover the principal amount outstanding on the loan (i.e. homeowner equity was zero), then the mortgage insurance provider will pay the loss amount to the lender (or issuer of the bond) subject to the terms of the insurance contract. This payment can then be used to protect bondholders if required.
- **Excess Interest:** The interest payments received from the pool of loans less the interest paid to fund payments owed to all bond holders is referred to as excess interest. This surplus represents the profit margin paid to the Originator (e.g. bank) on the assets sold under the securitisation process. The excess interest is paid throughout the life of the loan but is only received if the borrowers continue to pay their mortgage payments and bondholders are paid. In the event of a default, any losses that remain after first looking to the borrower's equity and any LMI paid, accrues against the excess spread (Originator profit) every month/quarter. This aligns the interests of the Originator with the bondholders.
- **Originator holds first-loss bonds:** For RMBS/ABS, the most junior tranche is often required to be held by the Originator. In the event of a default and after the sale of the secured asset, if the sale of the asset was not sufficient to cover the principal amount outstanding, then the Originator (e.g. bank) will incur the first loss. This means the Originator is incentivised to ensure bond holders receive the principal and interest payments in full.



Set out in Table 4.5 below is a diagram representing how the investor protections in a typical RMBS issue work in practice.

Table 4.5 Loss protections of typical RMBS issue



4.10 Historical Loss Performance of Australian Securitisations

Notwithstanding losses on underlying loans do occur, historically these losses have not flowed through to RMBS holders. The historical loss performance of the Australian securitisation market has been robust, with few losses flowing through to holders, since its origins. While the credit enhancements provide multiple layers of protection for bond holders against losses on the underlying loan assets, the absolute level of losses (before these protections) on loans in Australian RMBS has been extremely low compared to the large volume of loans that have been securitised.

Australian RMBS represents approximately 88% of the outstanding Australian securitised bond market (as at 31 December 2018). For prime RMBS, after the realisation of the home owners' equity, payouts from LMI and the securitisation's excess spread, as at 21 November 2018 there have been no losses ("charge offs") on any rated securitisation bonds (Source: Standard & Poors: An Overview of Australia's Housing Market and Residential Mortgage-Backed Securities 21 November 2018). It is important to note, historical loss performance of the Australian securitisation market is not necessarily indicative of future loss performance.

4.11 Issuers of Securitisation

In Australia, Originators that issue securitised product include major and regional banks, other deposit taking institutions and also non-bank financial institutions. All securitisations provide liquidity for the Originator of the assets but there are other motivations for Australian banks including a requirement to manage regulatory capital management and other funding requirements.

Some of Australia's largest financial institutions are users of the securitisation process described above as set out in Table 4.6 below.

Table 4.6: Major originators of securitisation in Australia

| Major Banks | Regional banks and other ADIs | Non-banks |
|-------------------|-------------------------------|-----------------------------|
| NAB | Suncorp | Pepper Money |
| Commonwealth Bank | Bendigo Bank | Liberty |
| ANZ | Macquarie | Resimac |
| Westpac | Bank of Queensland | Firstmac |
| | Me Bank | Flexigroup |
| | Heritage Bank | Latitude Financial Services |
| | AMP | |
| | CUA | |
| | MyState | |



5. About the Trust

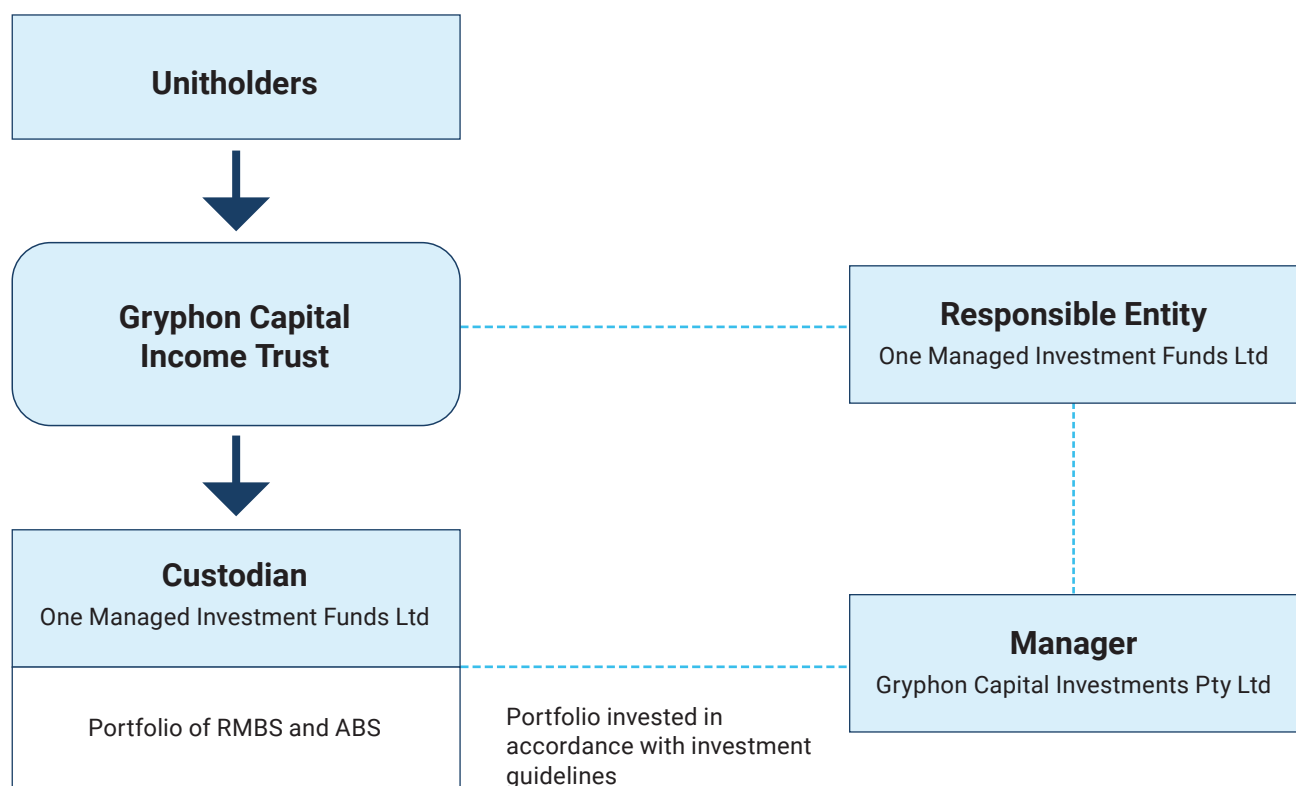
5.1 Overview

The Trust is structured as a managed investment scheme and is registered with ASIC under Chapter 5C of the Corporations Act. The Trust is listed on ASX (ASX code: GCI).

One Managed Investment Funds Limited ACN 117 400 987 AFSL 297042 is the responsible entity and custodian of the Trust. The Responsible Entity has appointed Gryphon Capital Investments Pty Limited ACN 167 850 535 as manager of the Trust.

The Trust invests in a portfolio of Australian RMBS and ABS invested in accordance with the Investment Strategy and the Investment Guidelines as detailed below in Sections 5.5 and 5.6.

Table 5.1: Trust structure



5.2 About the Responsible Entity

One Managed Investment Funds Limited is the issuer of New Units and Additional New Units under this PDS and is the responsible entity and custodian of the Trust. The Responsible Entity is responsible for the overall corporate governance of the Trust. The Responsible Entity manages the Trust in accordance with its duties to Unitholders. The Responsible Entity is also subject to numerous duties under the Corporations Act, including duties to act honestly, exercise care and diligence and act in the best interests of Unitholders. Further details of the Constitution and the Responsible Entity's obligations are specified in Section 13.1.

Under the Corporations Act, a responsible entity is required to either have a board of directors, not less than half of which comprises external directors, or to appoint a compliance committee with a majority of external representation. One Managed Investment Funds Limited complies by having a compliance committee with a majority of external members.



The Responsible Entity's role includes the following:

- (a) Acting honestly and in the best interest of Unitholders and in doing so, exercising the degree of care and diligence that a reasonable person would exercise if they were in the Responsible Entity's position.
- (b) Monitoring the operations, financial position and performance of the Trust.
- (c) Overseeing the risk management and compliance of the Trust.
- (d) Ensuring the Constitution meets the requirements of the Corporations Act and that the Trust complies with the Constitution.
- (e) Ensuring the Trust's compliance plan meets the requirements of the Corporations Act and that the Trust complies with the compliance plan.

The Responsible Entity is a member of One Investment Group (OIG) which is an independent funds management business specialising in providing responsible entity, trustee, custody and administration services. OIG is responsible for in excess of 200 funds and \$25 billion in a wide range of underlying asset classes including infrastructure, real estate, equities, fixed income, private equity and fund of funds. OIG is not a fund manager and its clients include global and Australian listed companies, sovereign wealth funds, banks, insurance companies, pension funds, private equity firms and boutique managers.

Further information about the Board and the Responsible Entity's corporate governance framework and compliance with the ASX Principles is set out in Section 9.

To find out more:

Visit www.oneinvestment.com.au
Phone 02 8277 0000
Post PO Box R1471
Royal Exchange NSW 1225

5.3 Responsible Entity Board

As the Responsible Entity is a member of OIG, the Directors are appointed by OIG.

(a) Frank Tearle – Executive Director

Frank joined the Board in December 2008. Before founding OIG, Frank served in various roles at Allco Finance Group, including as head of business transition and operations, managing director of the Hong Kong office, director in the corporate finance team and general counsel.

He has been a non-executive director of the investment manager of a Singaporean listed property trust and an APRA regulated insurance company. He has more than 10 years' experience working in major law firms in Australia and the United Kingdom. Frank holds a Master of International Business Law from the University of Technology, Sydney and a Bachelor of Law (Honours) from the University of Leicester.

(b) Sarah Wiesener – Executive Director

Sarah joined the Board in October 2018 and is a lawyer with over 20 years' experience in the financial services arena across a range of roles, structures and asset classes. She has acted as company secretary to a number of listed property funds.

She has been head of compliance for a number of listed property funds, a member of investment committees and provided support to audit, risk, and compliance committees as well as remuneration and nomination committees.

Sarah holds a Bachelor of Laws from Bristol University (Honours), holds a current NSW practising certificate and is a chartered company secretary.

(c) Michael Sutherland – Executive Director

Michael joined the Board on 1 October 2019. He brings over 20 years' experience in the financial services industry including 12 years' experience in providing trustee, custody and administration services to the debt capital markets and funds management industry. Michael has been an executive director of responsible entities, ASX listed companies and has acted as a member of investment, product, risk, audit and compliance committees. Michael holds a Bachelor of Law from University of Technology Sydney and a Bachelor of Arts from Macquarie University.



Enforceable undertakings

On 13 February 2018 ASIC accepted an enforceable undertaking (EU) from Frank Tearle. The EU related to information allegedly withheld in relation to an AFSL application and required Frank to undertake not to perform the role of a responsible manager on an AFSL or be involved in the application for an AFSL for a specified period which has now expired. ASIC did not seek an EU from the Responsible Entity itself.

While Frank is a director of the Responsible Entity, he is not a responsible manager on the Responsible Entity's AFSL, and despite the allegations, there was no admission of a contravention by ASIC nor Frank.

Importantly, the EU did not concern the issue of financial assets, the operation of a registered managed investment scheme, nor the provision of financial services generally.

Further information about the EU is available on ASIC's website.

5.4 Custodian

The Responsible Entity performs self-custody in respect of the Trust's assets. The Responsible Entity may change the appointed custodian from time to time without notice to you. If the Responsible Entity appoints an external custodian, then the role of that custodian is limited to holding assets of the Trust and it has no supervisory role in relation to the operation of the Trust. The Custodian does not make investment decisions in respect of the assets held or manage those assets, and has no liability or responsibility to investors in the Trust.

5.5 Investment Objective and Target Return

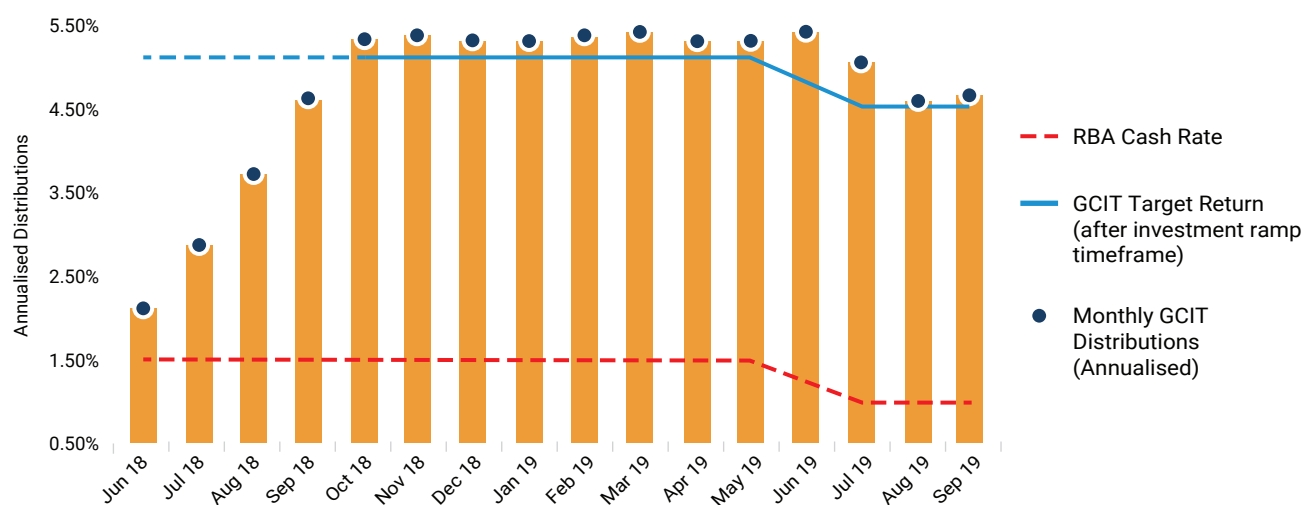
The Trust's Investment Objective is to provide monthly cash income and capital preservation at a portfolio level by investing in a portfolio of fixed income securities consisting of RMBS and ABS.

The Manager seeks to deliver the Target Return while seeking to preserve the Trust's capital. The Manager has developed a proprietary risk management framework which forms a fundamental part of its investment process. This investment process has been formed having regard to the Manager's investment philosophy which gives first priority to capital preservation before assessing the appropriate income return.

The Trust's Target Return is RBA Cash Rate plus 3.50% per annum net of fees through the economic cycle. Based on the RBA Cash Rate as at the date of this PDS of 0.75%, the Target Return is 4.25% per annum (net of fees). The Target Return will rise or fall based on movements in the RBA Cash Rate. The Trust distributions since the Trust was listed are illustrated in Table 5.2 and Table 5.3 below.

Table 5.2 illustrates the performance of the Trust against the Target Return by annualising each monthly distribution and comparing the performance for each month against the Trust's Target Return for that month based on the prevailing RBA Cash Rate in the relevant month. Table 5.3 shows actual Trust performance and Unitholder returns since inception.

Table 5.2: Historical Monthly Distributions (Annualised)



Source: Gryphon Group

**Table 5.3: Trust performance as at 30 September 2019**

| Performance | 1 Mth | 3 Mth | 6 Mth | 1 Yr | Since Inception ¹ |
|---------------------------|-------|-------|-------|-------|------------------------------|
| Net Return ² | 0.35% | 1.53% | 2.85% | 5.72% | 5.10% |
| RBA Cash Rate | 0.08% | 0.25% | 0.61% | 1.37% | 1.41% |
| Net Excess Return | 0.27% | 1.28% | 2.23% | 4.29% | 3.64% |
| Distribution ³ | 0.38% | 1.18% | 2.50% | 5.19% | 4.67% |
| Distribution (c/unit) | 0.76 | 2.37 | 4.96 | 10.16 | 9.16 |

Source: Gryphon Group

1. Annualised since inception date - 21 May 2018.

2. The daily compounded net return of the portfolio's NTA.

3. Actual distribution as a percent of NTA, assuming distribution reinvestment.

Note: Past performance is not a reliable indicator of future performance.

The actual total return of the Trust may rise or fall based on, amongst other things, performance in the underlying Trust investments and movements in the RBA Cash Rate. Investors should read Section 8 which sets out some of the key risks of an investment in the Trust. Investors should be aware that because the Trust is listed on ASX, the value of their holding on ASX may be greater or less than the value of the underlying portfolio of assets in the Trust and the investment performance of their Units different from that of the Trust's.

The Target Return is not a forecast and is not guaranteed. Investors should also note it may take some time following completion of the Offer until the Manager is able to deploy all of the funds raised under the Offer (which may be up to three months). However, the Manager does not expect this to affect the Trust's ability to continue to meet the Target Return.

5.6 Investment Guidelines and Authorised Investments

The Investment Guidelines are as follows:

(a) Jurisdiction

All Trust investments must be issued by an Australian domiciled issuer.

(b) Authorised Investments

The Trust investments may consist of the following:

- (i) Cash held in a bank or other ADI.
- (ii) Short term money market securities or cash equivalent.
- (iii) RMBS.
- (iv) Other ABS. That is, non-RMBS which may include securitisations backed by consumer loans, loans to SMEs, auto loans among others.
- (v) Manager Loan.

(c) Currency and security

All investments:

- (i) must be denominated or payable in Australian dollars or denominated in another currency but hedged back to Australian dollars, and
- (ii) other than the Manager Loan, must be fully secured by collateral domiciled in Australia.

**(d) Investment concentrations**

The Investment Guidelines require the Manager to prudently limit exposures to any individual asset class, issuers and transactions. To support this, the Manager has adopted the following investment restrictions for the Trust:

- (i) At least 50% of the Portfolio will be invested in assets with an Investment Grade Rating.
- (ii) At the time of investment, the maximum holding in any one security will not exceed 10% of the Trust's Portfolio.
- (iii) At the time of investment, the exposure to any one Originator must not exceed 30% of the Portfolio.
- (iv) All ABS investments must be rated or credit assessed by a Rating Agency.
- (v) Non-Investment Grade ABS must not exceed 15% of the Portfolio.
- (vi) Subject to the hedging guidelines set out in paragraph (e) below, a maximum of 20% of the Portfolio may be invested in assets denominated in foreign currencies.

The Manager will be generally guided by these investment concentrations when constructing the Portfolio.

If the Trust has commenced a process to undertake a further capital raise, then the Investment concentrations may be measured assuming the proposed capital raising is completed successfully. The Investment concentrations allow for flexibility throughout economic cycles and the active management process of the Manager. The Investment concentrations may be breached from time to time if the value of securities in the Portfolio changes or the Manager sells an asset. However, in those circumstances the Manager will attempt to re-balance the Portfolio within a reasonable timeframe.

(e) Hedging and derivatives

The Manager intends to only use derivatives and other hedging techniques for risk management purposes and not for market speculative purposes in an attempt to increase returns.

(f) Asset allocation

The Manager must ensure the portfolio complies with the following asset allocation:

| Asset | Allocation (%) |
|-------|----------------|
| Cash | 0-10 |
| RMBS | 70-100 |
| ABS | 0-30 |

The Investment Guidelines do not apply to the Manager Loan which is summarised in Section 13.4.

5.7 Portfolio construction

The Trust invests in a diversified portfolio of RMBS and ABS and other Authorised Investments. Once the Manager Loan is repaid the only investments in the Trust will be in RMBS and ABS.

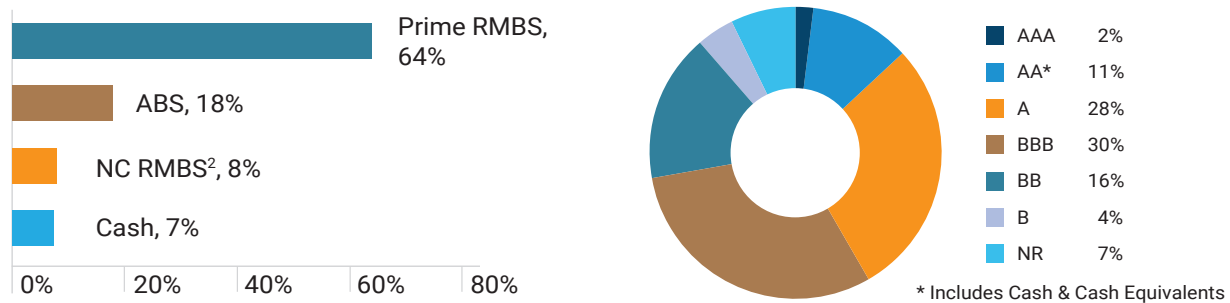
Unlike other more common fixed income investments such as government bonds, the Trust invests in RMBS and ABS. Before making an investment the Manager will often negotiate with an Originator to ensure that the terms of the bond issue meets its robust due diligence standards. This is one of the major reasons why Retail Investors have difficulty accessing the RMBS and ABS markets. The Manager anticipates it will take two-to-three months to deploy funds raised under the Offer. To ensure the Trust will earn income in the period the funds raised under the Offer are being deployed, immediately following the allotment of New Units, the Manager will invest the Offer proceeds in more readily available RMBS and ABS in order to ensure the Trust is earning income on the new funds deployed almost immediately. The Manager will then begin to transition those investments into higher income generating Authorised Investments as opportunities arise.

As explained in Section 4.7, the Manager invests in bonds of different ratings to achieve the Target Return. Bonds with a lower investment rating (and therefore a higher risk of default) typically receive a higher rate of interest, resulting in a higher return to the Trust. Conversely, bonds with a higher investment rating (and therefore a lower risk of default) typically receive a lower rate of interest, resulting in a lower return to the Trust. The Manager will endeavour to construct a Portfolio of Authorised Investments to maximise risk adjusted returns to the Trust.



Table 5.4 below shows the Trust's portfolio construction as at 30 September 2019 by asset type and by credit quality respectively.

Table 5.4: Trust's portfolio construction^{1,3}



Source: Gryphon Group

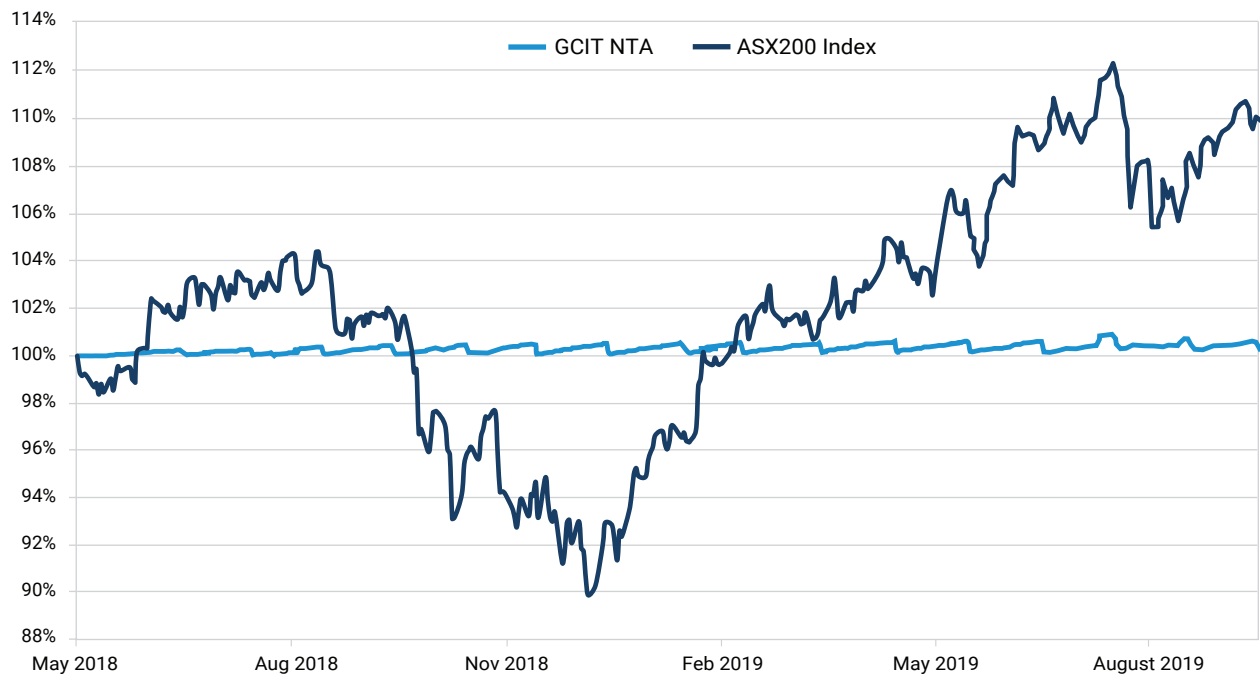
1. Portfolio construction as at 30 September 2019. Calculations exclude Manager Loan.
2. Means Non-conforming RMBS.
3. The portfolio has been actively traded since 30 September 2019. The current portfolio and the portfolio following the Offer may be materially different. This is not an example of the optimal portfolio construction, now or in the future.

5.8 Trust performance

(a) NTA

The Trust's NTA is calculated and published daily on ASX. This includes the bond portfolio that is independently priced daily by a third-party pricing provider. Notwithstanding the volatility in equity markets, the graph below evidences the stability of the Trust NTA since the Trust listed on ASX in May 2018.

Table 5.5: Historical movement in Trust NTA versus ASX Index¹



Source: Bloomberg, Gryphon Group

1. Illustrates movement in the Trust's NTA versus movement in ASX 200 Index from the Trust's inception to 30 September 2019.

**(b) Distributions**

The Trust listed on ASX on 25 May 2018, and since July 2018 until the date of this PDS has paid monthly distributions to Unitholders; from October 2018 when the Portfolio was fully invested, distributions paid and declared have exceeded the prevailing Target Return at the time of each distribution.

The first distribution was paid in July 2018 and distributions have been paid within six business days of the end of each month since then.

The Responsible Entity intends to continue to pay distributions to Unitholders monthly. Distributions will be paid at the discretion of the Responsible Entity and may depend on a number of factors, including future earnings, capital requirements, financial conditions, future prospects and other factors the Responsible Entity deems relevant.

5.9 Manager Loan

The Responsible Entity has provided a working capital loan to GCM from the Trust assets summarised in Section 13.4 (Manager Loan). The Manager Loan has an initial term of 10 years, expiring on 21 May 2028. Since the initial advance of \$5,259,000, GCM has made regular principal repayments, and made additional drawdowns of \$3,350,000 in August 2019 to meet the costs of the recent entitlement and shortfall offer and a subsequent private placement completed in August 2019. The Manager Loan permits GCM to make further drawdowns from time to time, provided the draw down does not mean the amount owing exceeds the amount agreed in the amortisation schedule. The principal outstanding as at 30 September 2019 is \$8,060,256, representing approximately 2.6% of the Trust's NTA.

GCM will make a further drawdown of the Manager Loan of up to a maximum of 3% of the Offer proceeds, adjusted for the amortisation schedule applicable at the time of the drawdown (which may increase the Manager Loan by up to \$2.76 million if the Offer is fully subscribed).

GCM is required to pay both principal and interest on the Manager Loan in regular instalments over the 10-year term of the loan, at an interest rate of 5% per annum. GCM may repay the Manager Loan early at its absolute discretion, and must repay the Manager Loan in full regardless of whether Gryphon remains the Manager of the Trust.

5.10 Distribution policy

New Units and Additional New Units (if any) will rank equally with all existing Units, including in respect of entitlement and distributions.

The Responsible Entity intends to pay distributions to Unitholders monthly. The annual distribution is expected to match income (net of fees and expenses) generated by the Trust. Distributions will be paid at the discretion of the Responsible Entity and may depend on a number of factors, including future earnings, capital requirements, financial conditions, future prospects and other factors the Responsible Entity deems relevant.

Distributions have been paid monthly since July 2018, following the listing of the Trust on ASX on 25 May 2018.

The Responsible Entity may establish a distribution reinvestment plan which will provide Unitholders the option to re-invest distributions. Details on any distribution reinvestment plan will be provided to Unitholders.

5.11 Valuation of assets

The Trust assets are valued on a regular basis using market pricing valuation provided by specialist independent market providers. Section 10.6 provides further details regarding the various methodologies that are used.

The NTA of the Trust is calculated daily and is available on the Trust's website and on ASX.

5.12 Trade allocation policy

The Manager is also the manager of other client accounts and applies the same investment process in managing each of these mandates as it applies to the Trust. The investment guidelines and permitted investments for each client account are tailored to meet the individual clients' risk constraints and investment goals. The Trust's Investment Guidelines are summarised in Section 5.6. In order to ensure neither the Trust nor any of the Manager's clients are disadvantaged the Manager has an allocation policy designed to allocate trades on a fair and equitable basis across the Manager's client portfolios and the Portfolio. The Manager's allocation policy is summarised below.



Where a trade idea results in a buy or sell order being aggregated and requires allocation between different client mandates (including the Trust), the Gryphon Investment Committee is responsible for allocating the order to each client mandate taking into consideration a range of different factors and most importantly while acting in good faith to ensure the allocation does not disadvantage any of the clients concerned. In determining such allocations, the Gryphon Investment Committee considers a variety of factors and principles, including, but not limited to, the following factors in respect of each client mandate:

- (a) Legal and regulatory restrictions affecting the potential allocation.
- (b) Investment objectives of the mandate.
- (c) Mandate target investment size.
- (d) Availability of capital.
- (e) Cash and liquidity available and future liquidity requirements.
- (f) Mandate investment restrictions and risk limits availability (i.e. rating, asset class, issuer, servicer, currency etc.).
- (g) The size and nature of the investment opportunity.
- (h) Investments will be rejected where allocation of an investment opportunity would be insufficient to make up a meaningful portion of an individual mandate's NTA.
- (i) Other investment opportunities that may be or become (i.e. may be in the investment pipeline) available to a mandate in the near term.
- (j) The need to rebalance positions held by any mandate due to capital inflows or withdrawals.
- (k) Anticipated volatility associated with the investment.
- (l) The avoidance of odd lots. That is, an allocation should not be so small as to create an investment which is too small to trade.
- (m) The liquidity of the investment opportunity.

The Gryphon Investment Committee will act in good faith to ensure all allocations are determined in a fair and equitable manner without favouring any particular client as well as ensuring all trades are consistent with the investment strategy of each mandate.

The Gryphon Investment Committee will support the above policy by adopting the following practices in determining and recording allocations between strategies and mandates:

- (a) Avoid "cherry-picking" or other undisclosed inequitable allocation practices.
- (b) Documenting allocations in a minute to the Gryphon Investment Committee paper which is prepared prior to trade execution.
- (c) Ensure that allocation methods and practices are consistent with investor disclosures.
- (d) Documenting and recording the basis for allocations including any post trade modifications and cancellations.

5.13 *Benefits of a closed ended trust structure*

A listed investment trust is referred to as a 'closed-end' vehicle because there are no redemptions available to investors. Instead, while the Trust is listed, Unitholders wishing to exit their investment will be able to do so by trading their investment on ASX.

Gryphon currently manages individually managed segregated accounts for institutional clients which are open-ended structures. In managing an open-ended structure, such as an unlisted fund, the cash flows and hence the Manager's investment decisions, are affected by applications and redemptions from investors. An open-ended entity may therefore be subject to cash outflows due to clients and investors redeeming their investment that may need to be funded by the Manager having to sell down portfolio positions.

Because the Trust is a closed-end vehicle the Manager's investment decisions will not be affected by considerations of cash reserves for the purpose of meeting redemption requests and the Manager will not be required to sell down positions in the Portfolio under disadvantageous market conditions for that purpose.

5.14 *Location and custody of assets*

All of the assets of the Trust are held by the Custodian who is responsible for holding the assets of the Trust on behalf of the Trust. At the date of this PDS the Responsible Entity is also the Custodian. All the assets of the Trust are located in Australia.



5.15 Administration and registry

The Responsible Entity outsources its investment valuation and accounting to Mainstream Fund Services Pty Limited. The Administrator incurs external costs on behalf of the Trust. These costs are included as an expense and are payable from the assets of the Trust. The Administrator values the Trust's investments daily and provides these calculations to the Manager. The Manager publishes the NTA per Unit on the Trust's website www.gcapinvest.com/gcit/overview and on ASX.

The Responsible Entity has appointed Boardroom Pty Limited to maintain the unit register for the Trust. The fees payable to the Unit Registry are also included as an expense and are payable from the assets of the Trust.

5.16 Changes to the Investment Strategy

It is not expected that the Manager will seek to change the Trust's Investment Objective or Investment Strategy. However, any such changes would require Responsible Entity approval, after consultation with the Manager, before they could be implemented. Unitholders will receive advice of any material changes via the Trust's website and ASX.

If the Trust ceases to comply with the approved Investment Objective or Investment Strategy, or any directions or instructions from the Responsible Entity, due to market movements, change in the nature of an investment or any other event outside the reasonable control of the Manager, then the Manager must use its reasonable endeavours to remedy the non-compliance within a reasonable period following the Manager becoming aware of the non-compliance, or longer period as permitted by the Responsible Entity.

5.17 Leverage

Financial leverage increases a Unitholder's exposure to an asset by applying borrowed funds in addition to the Trust's capital when making an investment. It is not anticipated that the Trust will have any long-term debt to increase the scale of the Trust's investments.

The Manager does not intend to use long-term debt to enhance returns. The Trust's gearing policy limits debt to up to 25% of the Trust's NTA and it is intended to be used for short term purposes only. For example, the Manager does not intend to use debt unless it has also planned to raise new capital from the issue of new Units which will be used to repay any borrowings. At the date of this PDS, the Trust has no short term debt.

5.18 Liquidity

While the Trust is listed on ASX, Units are not able to be redeemed. The Responsible Entity may undertake a buy-back of Units provided it complies with the Corporations Act and Listing Rules. However, Unitholders are able to sell their Units on ASX, subject to there being sufficient buyers of Units at a price that is satisfactory to the selling Unitholder, ASX being open for trading and the Units not being suspended from trading.

As at the date of this PDS, the Responsible Entity does not offer any liquidity to Unitholders.

5.19 Reports to Unitholders

The Trust is a disclosing entity and as such is required to meet the continuous disclosure requirements of the Corporations Act and Listing Rules. The Trust:

- (a) Prepares annual and half-yearly financial statements which will be announced on ASX.
- (b) Reports its NTA per Unit daily to ASX.
- (c) Notifies ASX of any information concerning the Trust of which it is, or becomes aware, which a reasonable person would expect to have a material effect on the price or value of Units, subject to any exceptions in the Listing Rules.

The Responsible Entity may also release to ASX (and the Manager place on the Trust's website) reports prepared by the Manager from time to time, to keep Unitholders informed about the current activities of the Trust, the performance of the Portfolio and the investment outlook.



6. About the Manager

6.1 The Manager

The Responsible Entity has appointed Gryphon Capital Investments Pty Limited ACN 167 850 535 AFSL 454552 as the Manager of the Portfolio under an Investment Management Agreement.

Gryphon is a specialist institutional fixed income fund manager based in Brisbane and London. Gryphon was founded in 2014 by Steven Fleming, Ashley Burtenshaw and Henry Cooke when the Gryphon team spun off from their former employer. As at the date of this PDS, Gryphon has circa \$2.0 billion in funds under management, which includes the Trust and bespoke mandates for institutional clients. Gryphon is a deep-credit, research driven, low volatility manager aiming to deliver strong and stable returns to their clients not constrained by conventional fixed income benchmarks.

The Manager is 100% privately owned by entities associated with the Gryphon Investment Team.

6.2 Role of the Manager

The Manager makes investment and divestment decisions for the Trust and implements the Investment Strategy on the terms and conditions set out in the Investment Management Agreement (a summary of which is set out in Section 13.2).

The Manager:

- (a) implements the Investment Strategy, including actively managing and supervising the Portfolio's investments
- (b) manages the Portfolio's exposure to RMBS and ABS, derivatives (if any) and cash
- (c) regularly updates the Responsible Entity regarding the Portfolio and provide all information necessary for the maintenance of the Trust's financial accounts to be completed, and
- (d) provides administrative support to assist and ensure the maintenance of the Trust's records, compliance with the Listing Rules and the Corporations Act.

6.3 Investment philosophy

Gryphon's investment style is a long-only, deep-credit, research-driven, macro-aware approach using top-down and bottom-up techniques to build portfolios of what it considers to be the best relative-value securities consistent with its client's individual investment parameters.

Gryphon's investment strategies do not rely on 'timing' the market. Therefore, when making investment decisions, Gryphon's investment horizon and that of the Trust assumes the investment will be held until maturity, thus making capital preservation paramount especially through periods of economic turbulence. This philosophy is consistent with Gryphon's cognitive bias for long only investment strategies which are underpinned by its thorough and timely risk management systems. That said, Gryphon may still sell the Trust's investments before maturity where it believes it can reinvest capital more effectively elsewhere.

Gryphon believes the safest passage to long term success comes from the benefits of being a specialist investment manager. Gryphon's processes require it to establish the charter for each investment strategy in consultation with its clients and then not deviate from the strategy making sure there are no surprises and performance directly mirrors their client's objectives.

6.4 Investment process

Gryphon is a low volatility fixed income specialist manager which aims to deliver superior investment returns where the return outweighs the risk involved.

Gryphon's investment process can be broken down into four pillars.

(a) Idea generation

The Gryphon Investment Committee meets weekly to evaluate the Portfolio and to discuss the characteristics of assets that would best contribute to Portfolio composition. The Gryphon Investment Committee analyses the structure of the Portfolio and its exposure to market risks, credit rating profile, and collateral securing Portfolio investments, using a comprehensive proprietary database that accesses data fed directly from the Originator.



The Gryphon database stores data on each bond and the underlying collateral including the loan data on each individual loan at origination of the securitisation. The data and Gryphon database is updated frequently during the term of the investment. The Gryphon database stores detailed information on 364,387 residential loans and 1,404 Australian RMBS securities as at 30 September 2019. The database includes up to 47 fields of information in respect of each of the 364,387 loans. The Manager believes this data gives Gryphon a rich source of information about the performance of the collateral supporting its investments and provides it with a competitive advantage over its peers in assessing and pricing risk in the RMBS markets in which it invests.

This data is overlaid with analysis of the surrounding macroeconomic environment, such as current versus historical pricing of RMBS investments and ABS investments, pricing of comparable asset classes, portfolio concentration (e.g. for RMBS the geographic concentration or concentration of interest only loans versus principal and interest loans), changes in the regulatory landscape, supply and demand equation, and composition of the existing Portfolio to identify themes and associated investment opportunities. The Gryphon Investment Committee does not seek to maximise Portfolio yield by simply investing in higher yielding/lower credit quality bonds, despite those being within the investment mandate of the Portfolio, but seeks to maximise the risk adjusted return to the Portfolio.

(b) Security selection and research

After identifying investment opportunities, the Gryphon Investment Committee engages the research team to conduct a thorough credit analysis for each opportunity. This process involves the research team obtaining the data file from each Originator which contains a summary term sheet for the securitisation, an information memorandum and, for RMBS, the loan by loan data.

The Gryphon Investment Team then completes a detailed assessment which includes:

- Credit report – This involves a complete summary of the proposed investment. This report evaluates the individual bonds which make up the securitisation, the parties to the transaction and identifies any high level risks, and for RMBS, a detailed loan-by-loan analysis.
- Deal modelling – For RMBS, a detailed model including analysis of investment protections (eg excess spread (refer to Section 4.9) and an analysis of the likelihood of possible rating agency upgrade/downgrade of bonds (which can lead to a price increase/decrease in the bond).
- Security analysis – A detailed analysis of the total collateral (or security) to enable the Gryphon Investment Team to make an assessment of the risk of the collateral pool to determine whether the collateral is flawed. For example, a collateral pool might be flawed if the average LTV of the collateral pool is achieved by combining a blend of low LTV loans (lower risk) and high LTV loans (higher risk)). Another example could include a higher proportion of self-employed borrowers with large loan balance and high LTV. For RMBS, the Gryphon Investment Team will generally conduct a review of all 'large loans' (typically in excess of \$700,000) in the portfolio.

Following the detailed assessment, the Gryphon Investment Team then stress tests the investment opportunity. For RMBS, the Gryphon Investment Team developed a stress testing methodology based on APRA Prudential Standard GPS 116 which tests for "a catastrophic event" with a "0.5 percent probability of occurrence". The test prescribes a probability of default and loss arising from default that must be applied to every loan within the loan pool. The Gryphon Investment Team obtain loan level data and so are able to apply these prescribed losses to each loan and then aggregate them to obtain a projected loss at the loan pool level under 'catastrophic stress'. The Gryphon Investment Team's stress testing also involves stressing the timing of the collateral losses by upfronting them over the first 3 years.

It is worth noting that in conducting its stress testing the Gryphon Investment Team applies the following additional even more conservative measures:

- Due to the recent falls in house prices, the Gryphon Investment Team have incorporated changes in house prices based on Australia Bureau of Statistics house price indices which generates an even more robust test.
- An important RMBS investor protection against collateral losses is LMI, yet the Gryphon Investment Team assume nil recovery under any LMI policy.

For any investment (including non-rated investments) to be included in the Portfolio it must pass the Gryphon Investment Team's stress testing procedure. Non-rated investments typically benefit from all of the protections afforded to rated investments except for bond subordination (that is, non-rated investments are lower ranking than more senior securities (see Section 4.7)), and therefore a potential non-rated investment would typically only pass the stress test if it exhibited stressed collateral losses that were very low by comparison to other potential investment opportunities, which in turn requires it to have much stronger collateral.



For ABS, the stressed default rate is set to a multiple of standard deviations above the observed historic mean default rate, and stressed recovery rate set to a multiple of standard deviations below the observed historic mean recovery rate – and these combine together to generate the worst case loss scenario. In order for the investment to be considered suitable by the Gryphon Investment Committee and proceed to the execution phase of the investment process, the strength and size of the protections must satisfy a multiple of the worst case loss scenarios.

(c) Portfolio construction

Portfolio construction brings together the best ideas formulated by the Gryphon Investment Committee and then researched by the Gryphon Investment Team to deliver the optimal Portfolio composition for the agreed risk budget. Not all investments that pass the security selection process will enter the Portfolio owing to the proactive management of risk building up in the Portfolio. The Portfolio is constructed with consideration of the following principles and having regard to the investment mandate:

- Diversification across the Portfolio.
- Correlation to traditional asset classes such as listed equities to ensure the Portfolio provides appropriate diversification.
- Relative value between existing holdings and those available in the investible universe which may lead to rebalancing of the Portfolio by selling investments the Gryphon Investment Team consider are overvalued and acquiring investments they consider are better value.
- Analysis of the credit quality of any counterparty to a securitisation such as LMI providers.
- Drivers of mortgage performance such as an analysis of historical trends in the speed of borrower repayments which can create an early sell or buy signal for the Gryphon Investment Team.

(d) Portfolio management

The Gryphon Investment Team regularly receives updated data on all loans within a RMBS collateral pool. These provide dynamic reporting on the current status of each loan within the collateral pool. For example, the reports will identify whether an individual residential borrower is current or delinquent, the loan amount outstanding, and if the borrower has repaid or refinanced. The Gryphon Investment Team tracks the performance of delinquent residential loans over time which allows the Manager to determine if the collateral pool is deteriorating or borrowers are remedying any delinquency quickly. This can provide the Manager with an early buy or sell signal on an investment.

This surveillance and monitoring provides in-depth risk reporting of each individual investment within the Portfolio. For RMBS, this includes projecting the likelihood of any rating upgrades or downgrades, assessing 'actual excess spread' to 'projected excess spread' (refer to Section 4.9) which is a good indicator of the safety margin which exists before any bond holders will suffer a loss. For ABS, this includes the collateral mix as it evolves over time. Finally the performance attribution of each individual RMBS and ABS investment in the Portfolio is assessed allowing the Gryphon Investment Committee to understand precisely how the returns were generated.

6.5 The Manager's Team

(a) Overview

The Gryphon Investment Committee comprises Steven Fleming and Ashley Burtenshaw and is responsible for all investment decisions concerning assets of each investment strategy Gryphon manages, including the Trust. Each investment decision requires the consensus of both members of the Gryphon Investment Committee.

The Gryphon Investment Committee is supported by members of the Gryphon Investment Team. The principals of the Gryphon Investment Team have broad and deep investment experience of securitisation markets across jurisdictions and asset classes. The principals have a collective 50 years' experience in financial markets having worked in Australia, London, New York and Tokyo in funds management and investment banking including securitisation structuring, origination and fixed income trading. The principals have witnessed multiple market cycles.

The Responsible Entity is able to draw upon and benefit from the depth and breadth of experience in the construction and maintenance of the Portfolio.

The Manager considers that each member of the Gryphon Investment Team will be available to devote the amount of time required for the Manager to properly perform its function in construction and managing the Portfolio in accordance with the Investment Management Agreement.

There have been no adverse regulatory findings against the Manager or any member of the Gryphon Investment Team in any jurisdiction in which they have operated.



(b) Gryphon Investment Team – Key Persons

Steven Fleming

Steven is a founding partner of Gryphon where he acts as the Chief Executive Officer (CEO). As CEO, he is responsible for the firm's business strategy, risk management, operational oversight and is a member of the Gryphon Investment Committee.

Steven has more than 25 years' experience across a broad range of areas, including debt capital markets, securitisation, funds management and structured finance.

Before co-founding Gryphon, Steven spent five years at Threadneedle Investments as the Australian co-head responsible for managing the firm's global ABS portfolios. Prior to this Steven held several key roles specialising in structured finance and securitisation which included, co-head of the Babcock and Brown Capital Markets Group, Director commercial property financing in Nomura's New York office and Associate Director in Nomura's Principal Finance Group based in London. Steven began his career with Price Waterhouse in Sydney.

Steven qualified as a Chartered Accountant in Australia in 1994 and holds a Masters of Economics from Macquarie University, a Bachelor of Commerce from the University of Queensland, is a member of the Australian Institute of Company Directors.

Ashley Burtenshaw

Ashley is a founding partner of Gryphon where he acts as the Chief Investment Officer (CIO). As CIO, Ashley is responsible for the firm's investments, portfolio management and is a member of the Gryphon Investment Committee.

Ashley has over 24 years' experience in financial markets that spans across a broad range of areas, including securitisation in debt capital markets, fixed income trading and funds management.

Before co-founding Gryphon, Ashley spent five years at Threadneedle Investments as the Australian co-head responsible for managing the firm's Global ABS portfolios. Prior to this he worked as a director, fixed income at Credit Suisse First Boston and as a senior ABS portfolio manager at Babcock and Brown. Ashley began his career as fixed income trader with Nomura in the London and Tokyo offices.

Ashley holds a Bachelor of Science, major in Mathematics from Queensland University of Technology.

Shane Stanton

Shane joined Gryphon in 2014 as a portfolio analyst. As an experienced analyst, Shane is responsible for developing Gryphon's portfolio and risk management tools. Shane provides day-to-day portfolio support to the Gryphon Investment Committee.

Shane has more than 13 years' experience in credit markets, including securitisation, derivatives, funds management and structured finance.

Before joining Gryphon, Shane spent four years at Threadneedle Investments as a quantitative analyst in the firm's ABS team. Prior to this Shane held several key positions specialising in structured products which included a structured products distribution role at Barclays Capital and a quantitative role in the aviation team at Allco Finance Group. Shane began his career by winning a cadetship to the Australian Bureau of Statistics in 2004.

Shane holds a Masters in Applied Finance from Macquarie University, and a 1st Class Honours degree in Science (Adv Mathematics) from Sydney University.

Sergey Podzorov

Sergey joined Gryphon in 2014 as a portfolio analyst. As an experienced programmer and developer, Sergey is responsible for building and maintaining the firm's portfolio applications which assist the team with market pricing, compliance, risk and portfolio management.

Sergey has over 25 years' experience in financial markets, in areas including securitisation, structured finance and funds management.

Before joining Gryphon, Sergey spent five years at Threadneedle Investments as a database programmer in the firm's ABS team. Prior to this Sergey held several key system development positions at Babcock and Brown, CBA and Credit Suisse First Boston. Sergey began his career working in a scientific research role for an academic institution in Moscow.

Sergey holds a Master of Science and a Ph.D. from the Moscow Institute of Physics and Technology.



Vijay Singh

Vijay joined Gryphon in 2019 as a Portfolio Analyst. Vijay is responsible for maintaining and developing Gryphon's portfolio applications which include portfolio models, attribution systems, analytics and risk models.

Vijay has more than 5 years' experience in Long Term Funding within Treasury, including RMBS Securitisation, ABS Securitisation and Covered Bonds. Before joining Gryphon, Vijay spent 1 year at the Bank of Queensland as a Market Risk Analyst in the firm's Non-Traded Market Risk team. Prior to this Vijay worked at Bank of Queensland as a Senior Securitisation Analyst in the Treasury Team.

Vijay holds a Bachelor of Commerce from Griffith University.

(c) Gryphon Operations – Key People

Michael Groom

Michael joined Gryphon in 2014 as the head of operations. Michael is responsible for the firm's financial affairs, as well as managing Gryphon's operational compliance and company practices.

Michael has more than 21 years' experience in financial markets, including equities, securitisation, derivatives, funds management and structured finance.

Before joining Gryphon, Michael spent five years at Threadneedle Investments as the Australian head of operations. Prior to this Michael spent several years in Brisbane, Sydney and London holding key accounting and middle office positions specialising in equities, fixed income, structured products and infrastructure which included managing the middle office of the Babcock and Brown Capital Markets Group. Michael began his career in Brisbane with Pembroke Josephson and Wright.

Michael holds a Bachelor of Business major in Accounting from Queensland University of Technology and is a qualified CPA.

Emmanuel Tumini

Emmanuel joined Gryphon in 2018 as a Fund Analyst. He is responsible for the day to day administration of the Trust and providing financial and analytical support.

Emmanuel has more than 20 years' experience in banking and finance, with exposure to retail, commercial and treasury products.

Before joining Gryphon, Emmanuel spent three years as a Director of Property Management, responsible for the property management division of a real estate company. Prior to that, he spent six years at Suncorp Bank as the Bank Pricing Manager. Emmanuel has also worked in London in senior positions for large global financial institutions, including as Head of Finance (Africa region) for Standard Chartered Bank. Emmanuel began his career in Brisbane working for KPMG Peat Marwick.

Emmanuel holds a Bachelor of Commerce from the University of Queensland and is a qualified Chartered Accountant.



7. Fees and other costs

7.1 Consumer advisory warning

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your account balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features, such as superior investment performance, or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund manager or your financial adviser.

TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the **Australian Securities and Investments Commission (ASIC)** website (www.moneysmart.gov.au) has a managed funds fee calculator to help you check out different fee options.

7.2 What are the fees and costs of the Trust?

This section shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment, or from the Trust assets as a whole. The fees and costs in the tables are inclusive of the net effect of GST (i.e. inclusive of GST and net of any input tax credit, or reduced input tax credit, as applicable) and where applicable have been rounded to two decimal places.

Taxes are set out in Section 11.

You should read all the information about fees and costs because it is important to understand their impact on your investment.

| Type of fee or cost | Amount | How and when paid |
|--|--------|-------------------|
| Fees when your money moves in or out of the Trust | | |
| Establishment fee The fee to open your investment | Nil | Not applicable |
| Contribution fee The fee on each amount contributed to your investment | Nil | Not applicable |
| Withdrawal fee The fee on each amount you take out of your investment | Nil | Not applicable |
| Exit fee The fee to close your investment | Nil | Not applicable |



| Type of fee or cost | Amount | How and when paid |
|---|--|---|
| Management costs¹ – <i>The fees and costs of managing your investment</i> | | |
| | Management fee: 0.72% per annum of the Net Tangible Assets. ² | Calculated and accrued daily and paid to the Manager monthly in arrears out of the Trust's assets. |
| | Responsible Entity fee: Between 0.055% and 0.046% per annum of the gross value of the Trust's assets. ³ Subject to minimum monthly fee of \$5,425. ⁴ | Calculated and accrued daily and paid to the Responsible Entity monthly in arrears out of the Trust's assets. |
| | Custody fee: Approximately 0.01% per annum of the gross value of the Trust's assets. ³ Subject to a minimum monthly fee of \$2,661. ⁴ | Calculated and accrued daily and paid to the Responsible Entity monthly in arrears out of the Trust's assets. |
| | Expenses: Between 0.14% and 0.12% per annum of the gross value of the Trust's assets. ³ | Expenses are generally paid as incurred, or reimbursed to the Responsible Entity or the Manager (as applicable) from the assets of the Trust. |

Service fees

| | | |
|---|-----|----------------|
| Switching fee The fee for changing investment options | Nil | Not applicable |
|---|-----|----------------|

1. The figures in this table use current Trust expenditure history to project the Responsible Entity's reasonable estimate at the date of this PDS of the costs that will apply on a typical ongoing basis.
2. The amount of this fee can be negotiated with Institutional Investors. For more information, please refer to section 7.4 below.
3. Based on the Trust having NTA of between \$309.2 million and \$412.8 million.
4. Subject to annual CPI increases.

7.3 Example of annual fees and costs

The following table gives an example of how the fees and costs applicable to Units in the Trust can affect your investment over a one-year period. You should use this table to compare this product with other managed investment products.

| Example | Balance of \$50,000 | |
|--------------------------|---|---|
| Contribution Fees | Nil | You will not be charged contribution fees. |
| Plus Management Costs | 0.92% per annum. ¹ | For every \$50,000 you have invested in the Trust you will be charged \$461 each year. ¹ |
| Equals Cost of the Trust | If you had an investment of \$50,000 in the Trust, you would be charged fees of \$461.¹ | |
| | What it costs Institutional Investors will depend on the fees they negotiate. | |

1. Based on the Trust having Net Tangible Assets of \$309.2 million. If the Trust has higher Net Tangible Assets, then this amount would be lower. For example, if the Offer is fully subscribed and the Trust has Net Tangible Assets of \$412.8 million, then the Management Costs would be 0.89% per annum and each year you would be charged \$445 for every \$50,000 you have invested in the Trust.



7.4 Additional explanation of fees and costs

(a) Management costs

Management costs are comprised of fees payable to the Responsible Entity and the Manager, as well as expenses.

(b) Management fee

The Manager is entitled to receive a management fee of 0.72% of the Trust's NTA for acting as investment manager of the Trust.

The management fee is calculated and accrued daily and paid monthly in arrears from the Trust's assets.

(c) Responsible Entity fee

The Responsible Entity is entitled to receive the following fee for acting as responsible entity of the Trust:

- (i) 0.06% per annum on the gross value of the Trust's assets (up to \$200 million);
- (ii) 0.04% per annum on the gross value of the Trust's assets (from \$200 million to \$300 million); and
- (iii) 0.02% per annum on the gross value of the Trust's assets (from \$300 million).

For example:

- (iv) If the gross value of the Trust's assets is \$200 million, then the Responsible Entity is entitled to receive \$120,000 per annum ($\$200 \text{ million} \times 0.06\%$).
- (v) If the gross value of the Trust's assets is \$300 million, then the Responsible Entity is entitled to receive a fee of \$160,000 per annum ($(\$200 \text{ million} \times 0.06\%) + (\$100 \text{ million} \times 0.04\%)$).
- (vi) If the gross value of the Trust's assets is \$350 million, then the Responsible Entity is entitled to receive a fee of \$170,000 per annum ($(\$200 \text{ million} \times 0.06\%) + (\$100 \text{ million} \times 0.04\%) + (\$50 \text{ million} \times 0.02\%)$).

This fee is calculated and accrued daily and paid to the Responsible Entity monthly in arrears from the Trust's assets.

This fee is subject to a minimum monthly fee of \$5,425. All minimum fees payable to the Responsible Entity are subject to annual CPI increases.

(d) Custody fee

The Responsible Entity is entitled to receive a custody fee equal to 0.01% of the gross value of the Trust's assets for performing custodial services for the Trust.

This fee is calculated and accrued daily and paid monthly in arrears from the Trust's assets.

This fee is subject to a minimum monthly fee of \$2,661 and annual CPI increases.

(e) Expenses

Expenses means the following:

- (i) Administrator fees.
- (ii) Unit Registry fees.
- (iii) ASX and ASIC fees.
- (iv) Accounting and audit fees of the Trust.
- (v) Research fees.

Expenses are generally paid from the Trust's assets when incurred, or reimbursed from the Trust's assets to the Responsible Entity or the Manager (as the case may be). On some occasions the Responsible Entity may also incur abnormal or infrequent expenses such as costs associated with any meetings of Unitholders, costs of litigation to protect investors' rights, costs to defend claims in relation to the Trust, legal fees, once off or non "business as usual" fees, and termination and wind up costs. No estimate has been made in respect of abnormal expenses.

(f) Transactional and operational costs

The Responsible Entity estimates the Trust will not incur any additional transactional or operational costs. Unitholders will be advised of any changes which may take the form of a notice on the Responsible Entity's website.



(g) Goods and services tax

Unless otherwise stated, all fees set out in this section are inclusive of the net effect of GST. This includes GST, net of input tax credits or reduced input tax credits as applicable. The Trust may not be entitled to claim a full input tax credit in all instances. Further information on the tax implications associated with an investment in the Trust is set out in Section 11.

(h) Waiver or deferral of fees

The Responsible Entity and the Manager may, in their discretion, accept lower fees and expenses than they are entitled to receive, or may defer payment of those fees and expenses for any time. If payment is deferred, then the fee will accrue until paid.

(i) Maximum fees

The Constitution allows the Responsible Entity to charge the following maximum fees:

- (i) An ongoing responsible entity fee of 2.1% per annum of the gross value of the Trust's assets.
- (ii) A custody fee of 1% per annum of the gross value of the Trust's assets.

The Responsible Entity may change the fees without consent of the Unitholders provided it first obtains the written consent of the Manager and the fees remain below the maximum fee. The Responsible Entity will provide at least 30 days' notice if it intends to increase the fees in those circumstances.

(j) Contingent fees

- (i) The Constitution allows the Responsible Entity to charge a removal fee equal to the balance of the responsible entity fee plus the balance of the custody fee the Responsible Entity would have received had it remained the responsible entity of the Trust for four years from the issue of the first Unit under the Original PDS if:
 - the Responsible Entity is removed as responsible entity of the Trust within four years of the issue of the first Unit under the Original PDS, other than for gross negligence or for a breach of a fiduciary duty to Unitholders which causes them substantial loss, or
 - the Responsible Entity retires as responsible entity of the Trust within four years of the issue of the first Unit under the Original PDS at the request of the Manager in accordance with the Investment Management Agreement.
- (ii) The Investment Management Agreement allows the Manager to charge the following fees if the Responsible Entity terminates the Investment Management Agreement without cause:
 - A fee equal to the aggregate management fee paid to the Manager in the 12-month period up to the date of termination.
 - If the Trust's name has not been changed within 90 days of the date of termination, a licence fee equal to 1.0% per annum of the net value of the Portfolio for so long as the Trust's name includes the word "Gryphon".

(k) Institutional Investors

The Manager may negotiate with Institutional Investors on an individual basis, in relation to rebates on fees in circumstances permitted by the Corporations Act or applicable relief granted by ASIC. In the event rebates are offered, they will be paid by the Manager and therefore will not affect the fees paid by, or any distributions to, other Unitholders.

(l) Other expenses and benefits

When permitted by law the Responsible Entity or the Manager may receive and retain other monetary and non-monetary benefits from third party service providers engaged to provide services to the Trust (such as brokers), including capital introduction services, contributions to marketing campaigns, fee rebates, invitations to events, travel expenses, research and data services, provision of software and/or computer hardware and other information technology related services. These benefits are received pursuant to the appointment of the third party service provider and all such appointments are only made where the Responsible Entity and/or the Manager considers there is a benefit to the Trust for making such appointment and that the quality of the service being provided to the Trust is of a quality that the Responsible Entity and/or the Manager considers is equal to or better than industry standard. Service providers of the Trust may also receive benefits from their own service providers and counter-parties.

You may request particulars of any benefits payable to the Responsible Entity or the Manager in respect of a particular product or service, however, the Responsible Entity will not account to Unitholders for any amounts or benefits received and retained, if in its reasonable opinion, it is not possible to quantify in dollar terms the extent of any such monetary and/or non-monetary benefits.



8. Risks

8.1 Overview

An investment in the Trust carries risk. Risks can be categorised as being specific to the Trust, broader risks which affect the Trust and general risks associated with investing in the fixed income market. Many of these risks are outside the control of the Responsible Entity, the Manager and their respective directors and officers. Consequently, the New Units offered under this PDS carry no guarantee in respect of profitability, distributions or return of capital. Neither the Responsible Entity, the Manager nor their directors nor any party associated with the preparation of this PDS warrants that the Investment Objective will be achieved.

In addition, to the extent that statements in this PDS constitute forward-looking statements, these statements involve known and unknown risks, uncertainties and other factors that may cause the Trust's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by forward-looking statements. Although the Responsible Entity and the Manager each believe the expectations reflected in any forward-looking statements are reasonable, neither can guarantee future results, levels of activity, performance or achievements, or that historic results will be repeated.

Investors should consider whether the New Units offered by this PDS are a suitable investment, having regard to their own individual investment objectives, financial circumstances and the risk factors set out below.

The list below highlights the more significant and material risks; however, the list may not be exhaustive. Other less significant or less probable factors may also impact the Trust's financial performance, financial position or cash flow. Should any or all of these risk factors materialise, the value of Units may be adversely affected.

Investors should read this PDS in its entirety and consider the following risk factors and, if necessary, consult their accountant, financial adviser, stockbroker, lawyer or other professional adviser prior to making an investment in the Trust.

Investments are subject to many risks, not all of which can be predicted or foreseen. Some of the more significant risks associated with investing in the Trust, more properly described below, include:

- (a) risks relating to the Investment Strategy and Manager;
- (b) risks relating to the Trust;
- (c) risks relating to the Trust's investments; and
- (d) risks relating to the Units being listed on ASX.

The risks in this section are not an exhaustive list.

8.2 Significant risks relating to the Investment Strategy and the Manager

The historic performance of the Trust cannot be relied on as a guide to future performance of the Trust. The Investment Strategy adopted by the Manager on behalf of the Trust includes inherent risks. These include, but are not limited to the following:

- (a) The Trust's success and profitability is reliant upon the ability of the Manager to devise and maintain a portfolio that achieves the Investment Objective and Investment Strategy.
- (b) The ability of the Manager to continue to manage the Portfolio in accordance with this PDS, its mandate and the law which may be compromised by such events as the loss of its AFSL or registrations.
- (c) The Portfolio may not be as diversified as other listed investment entities.

There is no guarantee the Investment Strategy will be managed successfully or will meet its Investment Objective. Failure to do so could negatively impact the performance of the Trust. The Investment Management Agreement has an initial term of 10 years, effective from the Trust's inception date. Even if the Manager fails to achieve the Target Returns, it may be difficult to remove the Manager.

The Manager may not manage the Portfolio in a manner that consistently meets the Investment Objective over time. In addition, the Manager may cease to manage the Portfolio, requiring the Responsible Entity to find an alternative replacement manager, and this may affect the Trust's success and profitability.



Further, the Responsible Entity has no right to terminate the Investment Management Agreement in the event of a change of control of the Manager or in the event of a material change to the composition of the Gryphon Investment Team. For example, the Responsible Entity cannot terminate the Investment Management Agreement if either Steven Fleming or Ashley Burtenshaw resigns from the Manager. The risk of these events is mitigated by the Manager being wholly owned by the partners of the Manager such that the interests of the Manager are aligned with the Trust.

If the Manager ceases to manage the Trust and the Investment Management Agreement is terminated, termination fees may be payable by the Trust (see Section 13.2 for details) and the Responsible Entity will need to identify and engage a suitably qualified and experienced manager to manage the Trust and continue to implement the Investment Strategy.

8.3 Significant risks relating to the Trust

(a) No guarantee the Manager will find suitably priced investments

The Manager intends that, subject to market conditions, the Trust will be substantially invested or committed in accordance with its Investment Strategy in respect of the additional funds raised under the Offer within two-to-three months of the Offer Closing Date. There is no guarantee that the Manager will find sufficient investments for the Trust at suitable prices to deliver the Investment Objective.

(b) Service provider risk

The operation of the Trust relies on the successful performance of the Responsible Entity's contracts with service providers. Refer to Section 13 for details on the material agreements.

The Trust could be exposed to the risk of loss if a counterparty does not meet its obligations, including due to insolvency, financial distress or a dispute over the terms of the contract or the termination of any of the material agreements and there can be no assurance that the Responsible Entity would be successful in enforcing its contractual rights. In the case of a counterparty default, the Trust may also be exposed to adverse market movements while the Responsible Entity sources replacement service providers.

(c) Distribution risk

Distributions will be paid at the discretion of the Responsible Entity. The Responsible Entity's ability to pay a distribution from the Trust is contingent on the income the Trust receives from its investments. No guarantee can be given concerning the future earnings of the Trust, the earnings or capital appreciation of the Portfolio or the return of your investment. The Manager may make poor investment decisions which may result in the Trust's return being inadequate to pay distributions to Unitholders.

(d) Potential conflict of interest

The Manager also acts as manager of segregated accounts on behalf of institutional clients which have similar investment objectives to the Trust. It is therefore possible the Manager may manage segregated accounts on behalf of clients which invest in the same investments as the Trust. Neither the Manager nor any person associated with the Offer is under any obligation to offer investment opportunities to the Trust. While the Manager has implemented policies and procedures to identify and mitigate conflicts of interest, it is possible the Manager may, in the course of its business, have potential conflicts of interest which may not be managed effectively and may be detrimental to the Trust and its Unitholders. The Manager has developed an allocation policy (see Section 5.12) to provide reasonable assurance that investments will be allocated appropriately and fairly among its clients.

(e) Regulatory approvals

All regulatory approvals for the continued operation of the Trust, including licenses or exemptions from licensing for the Manager have been obtained and neither the Responsible Entity nor the Manager are aware of any circumstances which might give rise to the cancellation or suspension of any of those approvals. If any of the approvals are cancelled or suspended, then the Trust may be adversely affected.

8.4 Significant risks relating to the Trust's investments

The following risks relate to an investment in the Trust and may impact the performance of the Trust:

(a) Market risk

The underlying investments comprised in the Portfolio are subject to market risk. The Trust is therefore at risk that market events may affect performance and in particular may affect the value of the Trust's investments. Market risk is risk associated with changes in market prices or rates, including interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, national and international political circumstances. While the Trust, through its investments, holds a portfolio of assets, any of these factors including specific market events, such as the global financial crisis and levels of sovereign debt, may be materially detrimental to the performance of the Trust's investments.

**(b) Reinvestment risk**

A key determinant of an investment's yield is the price at which an investment is purchased and, therefore, when the market price of securities increases, the yield of the security if it were purchased on that day decreases. As such, the overall yield of the Portfolio, and therefore the level of distributions payable to Unitholders, would fall to the extent that the market prices of securities generally rise and the proceeds of securities held by the Trust that mature or are sold are not able to be reinvested in securities with a yield comparable to that of the Portfolio as a whole.

(c) Asset backed securities

The value of an RMBS and ABS can be affected by a number of factors, including:

- (i) changes in the market's perception of the underlying assets backing the security (for example, RMBS are particularly at risk from a decline in the housing market)
- (ii) economic and political factors such as interest rates and levels of unemployment and taxation which can have an impact on the arrears, foreclosures and losses incurred with respect to the pool of assets backing the security
- (iii) changes in the market's perception of the adequacy of credit support built into the security's structure to protect against losses caused by arrears and foreclosures
- (iv) changes in the perceived creditworthiness of the originator, of the underlying security or any other third parties to the transaction, and
- (v) the speed at which mortgages or loans within the pool are repaid by the underlying borrowers (whether voluntary or due to arrears or foreclosures).

At times of rapid changes in market conditions it may be difficult to value certain RMBS and ABS and values may fluctuate considerably, with market prices quickly becoming out of date and not reflecting the value which would be realised on a sale of the relevant investments in such market conditions. The value of the Portfolio will be determined regularly based on prices at which its investments trade in the wholesale market and, accordingly, falls in the market price will result in a corresponding fall in the Trust's NTA and the Units.

ABSs that are not backed by mortgages present certain risks that are not presented by mortgage-backed securities (or RMBS). Primarily, these securities may not have the benefit of the same security interest in the related collateral. Credit card receivables, for example, are generally unsecured. Therefore, there is a possibility that recoveries on defaulted collateral may not, in some cases, be available to support payments on these securities. However, all ABS have other investor protections which may not be present in RMBS and which make investing in an ABS with the same credit rating a comparable risk to investing in RMBS.

Some RMBS and ABS structures contain derivatives and other exposures to third parties that may impact on the credit performance or rating of any given security and a default by such a counterparty or change in the value of the derivative contract may increase the risk of loss given a default of the RMBS/ABS which may impact the Trust's NTA and returns to Unitholders.

The investment characteristics of RMBS and ABS differ from traditional debt securities. Among the major differences are that interest and principal payments are made more frequently, very often monthly or quarterly, and that principal may be prepaid at any time because the underlying loans are often capable of being prepaid at any time.

(d) Due diligence process

The due diligence process the Manager undertakes in connection with its investments may not reveal all facts that may be relevant in connection with an investment. Before making investments, the Manager conducts due diligence to the extent it deems reasonable and appropriate based on the applicable facts and circumstances. The objective of the due diligence process is to identify attractive investment opportunities. When conducting due diligence, the Manager evaluates a number of important issues, which may include business, financial, tax, accounting, environmental, regulatory and legal issues in determining whether or not to proceed with an investment.

Nevertheless, when conducting due diligence and making an assessment regarding an investment, the Manager is required to rely on resources available to it, including information provided by internationally recognised rating agencies and other independent sources including issuers, originators and investment bank analysts. The due diligence process may at times rely on limited or incomplete information. Accordingly, the Manager cannot guarantee the due diligence investigation it carries out with respect to any investment opportunity will reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity.

Any failure by the Manager to identify relevant facts through the due diligence process may cause it to make inappropriate investment decisions, which could have a material adverse effect on the Trust's profitability, NTA and Unit price.



(e) Credit risk

The Trust may invest in ABSs comprising debt securities issued by companies, trusts or other investment vehicles which, compared to bonds issued or guaranteed by governments, are generally exposed to greater risk of default in the repayment of the capital provided to the issuer or interest payments due to the Trust. The amount of credit risk is usually measured by the issuer's credit rating which is assigned by one or more internationally recognised rating agencies. This does not amount to a guarantee of the issuer's creditworthiness but is intended to be an indicator of the rating agencies' opinion of the likelihood of default. Securities which have a lower credit rating are generally considered to have a higher credit risk and a greater probability of default than more highly rated securities. There is a risk that an internationally recognised rating agency may assign incorrect or inappropriate credit ratings to issuers. Issuers often issue securities which are ranked in order of seniority which, in the event of default, would be reflected in the priority in which investors might be paid back.

The level of defaults in the Portfolio and the losses suffered on such defaults may increase in the event of adverse financial or credit market conditions. In the event of a default under an ABS, the Trust's right to recover under the ABSs will depend on the ability of the Responsible Entity to exercise any rights that it has against the issuer.

(f) Non-Investment Grade Eligible Investments

The Trust may invest in high yield RMBS and ABS that are rated less than Investment Grade. High yield RMBS and ABS have an increased risk of capital erosion due to a higher probability of default by the issuer. Changing market conditions and interest rate levels can also have a larger impact on the values of high yielding RMBS and ABS.

(g) Valuation risk

ABSs will be valued in accordance with the Trust's valuation policy which includes wherever possible using independent security pricing sourced from third parties. However, estimates of the fair value of such securities are inherently difficult to establish and are the subject of substantial uncertainty.

(h) Hedging risk

The Manager intends to only use derivatives and other hedging techniques for risk management purposes and not for market speculative purposes in an attempt to increase returns.

Should the Manager elect for the Trust to enter into hedging arrangements to protect against currency or interest rate risk the use of instruments to hedge a portfolio carries certain risks, including the risk that losses on a hedge position will reduce the Trust's earnings and funds available for distribution to investors and that such losses may exceed the amount invested in such hedging instruments.

There is no perfect hedge for any investment, and a hedge may not perform its intended purpose of offsetting losses on an investment and, in certain circumstances, could increase such losses. The Trust may also be exposed to the risk that the counterparties with which the Trust trades may cease making markets and quoting prices in such instruments, which may render the Trust unable to enter into an offsetting transaction with respect to an open position. Although the Manager will select the counterparties with which it enters into hedging arrangements with due skill and care, the residual risk that the counterparty may default on its obligations remains.

Derivatives (including but not limited to foreign exchange forwards, currency derivatives and swaps) are highly specialised instruments that require investment techniques and risk analyses different from those associated with debt securities. The use of a derivative requires an understanding not only of the underlying instrument but also of the derivative itself. In particular, the use and complexity of derivatives require the maintenance of adequate controls to monitor the transactions entered into and the ability to assess the risk that a derivative transaction adds to a portfolio. There can be no guarantee or assurance that the use of derivatives will assist in meeting the Investment Objective.

(i) Default and counterparty risk

The Manager may elect for the Trust to enter into over-the-counter derivative contracts and accordingly will be exposed to the risk that the counterparties to such contracts may, in an insolvency or similar event, be unable to meet their contractual obligations under the contracts. If a counterparty is unable to meet its contractual obligations under a derivative contract, then the Trust may incur a loss and this would have an adverse effect on the value of the Trust.

(j) Manager Loan

GCM, as counterparty to the Manager Loan, may not be able to meet its contractual obligations under the Manager Loan. The Manager Loan is an unsecured loan, which means the Trust's right to recover the loan will rank behind the secured creditors of GCM. If GCM is unable to meet its contractual obligations under the Manager Loan, then the Trust may incur a loss and this would have an adverse effect on the value of the Trust.



(k) Economic conditions

Changes in underlying economic conditions including, for example, interest rates, rates of inflation, industry conditions, house prices, unemployment, competition, political and diplomatic events and trends, tax laws and other factors can substantially and adversely or favourably affect the Trust's prospects and the value of the Portfolio and the Units.

(l) Investment risk

The value of an investment in the Trust and/or the Trust's investments may fall over the short or long term for a number of reasons, including the risks set out in this Section 8, which means that you may receive less than your original investment when you sell your Units. The price of individual financial instruments may fluctuate or underperform other asset classes over time. An investor is exposed to these risks through the life of their holding of Units and through the Trust's investment strategies and policies.

(m) Interest rate risk

The Manager will primarily invest the Trust in floating rate loans meaning that as the underlying base rate rises and falls, the relative attractiveness to other instruments may change.

There is a strong correlation between the RBA Cash Rate and the base rates upon which the floating rate RMBS and ABS monthly interest rates are reset. Absolute returns on floating rate RMBS and ABS therefore rise and fall largely in correlation with the RBA Cash Rate.

It is possible for the RBA Cash Rate to become negative. Should this occur, the negative amount will be taken into account in calculating the Target Return and therefore Trust distributions.

(n) Liquidity risk

The Trust is exposed to liquidity risk in relation to the investments within its Portfolio. If a security cannot be bought or sold quickly enough to minimise potential loss, the value of the Portfolio may be adversely affected. The Trust's investments are not liquid securities and the ability of the Manager to dispose of an investment will depend on the market liquidity prevailing at that time.

(o) Leverage risk

The Manager does not intend to use long-term debt to enhance returns but may use debt in limited circumstances (see Section 5.17). For example, the Manager does not intend to use debt unless it has also planned to raise new capital from the issue of new Units which will be used to repay any borrowings. If a proposed capital raise is not successful, then any leverage can magnify the gains and losses achieved in the Portfolio.

8.5 Significant risks associating with the Units being listed on ASX

Investors should be aware there are a number of specific risks associated with Units being listed on ASX. These risks include:

(a) Unit trading price

The trading price of any listed security may change, related to performance and matters inherent to the investment performance of the securities, but also due to external factors such as market sentiment, or a range of other factors including the presence of larger buying or selling interest in the Units.

Therefore, Unitholders should expect that for periods of time, sometimes extended periods, the Units may trade below the stated underlying NTA per Unit.

(b) Volatility of units

Units when listed on ASX may be thinly or heavily traded, and could be very volatile, irrespective of any changes in the underlying value of the investments held by the Trust. Units may also trade at a discount or premium to the NTA per Unit. There can be no guarantee that the total number of buyers multiplied by the number of Units that each buyer wants to buy at any point in time in the market will match or exceed the total number of sellers multiplied by the number of Units each seller wants to sell, or that Unitholders will be able to buy or sell Units for a price which they or the Responsible Entity believe fairly reflects the value of their Units. In addition, the NTA per Unit will fluctuate with changes in the value of the underlying investments held by the Trust.



(c) **ASX liquidity risk**

Units in the Trust are listed on ASX. Although liquidity is generally expected to exist in this secondary market, there are no guarantees that an active trading market with sufficient liquidity will develop, or should it develop after listing, that such a secondary market will sustain a price representative of the NTA per Unit. As a listed investment trust, there is no regular redemption facility for Units. That is, if a Unitholder no longer wishes to be invested in the Trust with respect to some or all of their Units, they will not have the ability to simply redeem their Units. They will be required to sell their Units on ASX. Whilst a listed investment trust can make a withdrawal offer from time to time, it is not the current intention of the Responsible Entity to do so.

(d) **ASX counterparty risk**

ASX counterparty risk is the risk that when a Unitholder sells their Units on market they are relying on CHES, the central system for clearing and settling trades on ASX, to ensure they receive their settlement proceeds as well as the risk that arises as a result of Unitholders relying on the creditworthiness of their broker when making trades on ASX.

8.6 Other risk factors

(a) **Litigation risks**

From time to time, the Responsible Entity may be involved in litigation. This litigation may include, but is not limited to, contractual claims. If a claim is pursued against the Responsible Entity, the litigation may adversely impact on the profits and financial performance of the Trust. Any claim, whether successful or not, may adversely impact on the Trust's Unit price and/or the return on your investment.

(b) **Cyber risk**

There is a risk of fraud, data loss, business disruption or damage to the information of the Trust or registry provider or to investors' personal information as a result of a threat or failure to protect this information or data.

(c) **General risks**

The performance and profitability of the Trust may be affected by many factors including the fact that the value of the Portfolio may vary over time. This may result in either an increase or decrease in the value of Units and ultimately the value of your investment, which may result in the loss of income and the principal you initially invested.

Other factors which may impact on the value of the Units include asset risk, concentration risk, credit risk, counter-party risk, Manager risk, risks pertaining to the engagement of the Manager, the ability of the Manager to invest in appropriate investments which will meet the Investment Objective.

The Responsible Entity, the Manager and the Joint Arrangers to the Offer do not guarantee the return of capital, any rate of return in terms of income or capital or the investment performance of the Trust.

(d) **Timeframe for investment**

Investors are strongly advised to regard any investment in the Trust as a medium-term proposition (one year or more) and to be aware that, as with any investment, substantial fluctuations in the value of their investment may occur over that period and beyond.

In addition, the above list of risk factors ought not to be taken as exhaustive of the risks faced by the Trust or by investors in the Trust. The above factors, and others not specifically referred to above, may in future materially affect the financial performance of the Trust and the value of the Units. Therefore, there is no guarantee with respect to the payment of distributions, returns of capital or the market value of the Units.

(e) **Unitholder dilution**

If you are an Eligible Unitholder and you allow your Entitlement to lapse, then you will not realise any value for your Entitlement and your percentage holding in the Trust will be diluted.



9. Management and governance

9.1 Corporate governance framework

The Responsible Entity is responsible for the protection of Unitholders' interests and overall corporate governance of the Trust. The Responsible Entity manages the Trust in accordance with its duties to Unitholders. The Responsible Entity is also subject to numerous duties under the Corporations Act, including duties to act honestly, exercise care and diligence and act in the best interest of Unitholders. To this end the Board has adopted what it believes to be appropriate corporate governance policies and practices having regard to the nature, scale and complexity of its activities and the Trust.

The Board conducts itself in accordance with the ASX Principles as they apply to externally managed listed entities. The Board reviews the corporate governance policies and practices relevant to the Trust on an on-going basis to ensure they meet the ASX Principles where appropriate given the nature scale and complexity of the Responsible Entity and the Trust.

Annually the Responsible Entity will provide details on how it has met the ASX Principles in accordance with the requirements of the Listing Rules.

9.2 Corporate governance principles and policy

Principle 1: Lay solid foundations for management and oversight.

The Responsible Entity is an independent responsible entity. This means, in respect of the Portfolio, many of the functions traditionally performed by an entity's management are instead performed by the Manager. The Responsible Entity monitors the performance of the Manager in much the same way as an independent board monitors performance of management of the entity they are appointed to.

The roles and responsibilities of the Responsible Entity and the Manager in connection with the Trust are set out in the Constitution and the Investment Management Agreement respectively and details of these documents are set out in Section 13.

The Responsible Entity has a board charter supported by policies and procedures that set out the respective roles and responsibilities of management and the Board, including those matters expressly reserved to the Board and those delegated to management.

Principle 2: Structure the Board to add value

All of the Responsible Entity's directors are executive directors and are independent of the Manager which has day-to-day control of the Portfolio. One of the directors has been a director for more than 10 years, one director for more than one year and the third director for less than one year as at the date of this PDS. The Board comprises 30 percent female representation.

Principle 3: Act Ethically and Responsibly

OIG has a code of conduct that applies to its directors, senior executives and employees. This code of conduct is supported by other OIG policies including OIG's conflicts of interest policy. The code of conduct acknowledges the importance for all employees of OIG to maintain high moral and ethical standards. The code of conduct is not intended to be exhaustive and does not anticipate every situation which may morally or ethically compromise an employee or OIG. In this regard OIG expects its employees to use their common sense and sound judgement and to ask when they are not sure. Standards OIG employees are expected to adhere to include:

(a) Act ethically and responsibly

- (i) To act honestly and in good faith at all times with high standards of personal integrity.
- (ii) To respect the rights of, and obligations owed to, Unitholders, clients, other employees, tenants, suppliers, outsource providers and the community at large.

(b) Conflicts of interest

- (i) To act in the best interests of Unitholders and, if there is a conflict between Unitholders' interests and the interests of the Responsible Entity, give priority to the relevant Unitholders' interests.
- (ii) Not to make improper use of their position as an OIG staff member to gain, directly or indirectly an advantage for themselves or for any person or to cause detriment to Unitholders.



- (iii) To avoid any conflicts between the OIG staff member's personal interests (including the interests of any family member) and the interests of any OIG entity, the OIG generally and where relevant, Unitholders. This includes avoiding any perceived conflicts of interests.
- (iv) Not to take advantage of property, confidential information or position, or opportunity arising from any of these, for personal gain or to compete with OIG.

(c) Compliance

- (i) To take all reasonable steps to ensure that OIG complies with all laws and regulations that apply to it and its operations.
- (ii) To report to OIG's compliance officer or compliance committee any breach of law, the constitutions of any scheme, or the compliance plans of any scheme.
- (iii) In addition to any of the duties set out above to generally uphold the fiduciary responsibilities OIG staff owe to Unitholders.
- (iv) Comply with the spirit, as well as the letter, of the law and with the principles of the code of conduct.

(d) Bribery and corruption

OIG prohibits employees from engaging in any form of bribery or corruption. Accordingly, OIG will not provide or receive anything of value specifically with the expectation of receiving a favourable decision or special treatment. This applies to OIG's dealings with other businesses and governments (whether local, state, federal or international). OIG staff must not offer, give, authorise, request or receive "bribes", "secret commissions" "facilitation payments" or "kickbacks" in the form of money, gifts, preference, privilege or anything of value that alters or is intended to alter the behaviour of the recipient.

(e) Investigation of Improper or Unethical Practices (Whistleblower)

OIG has adopted a Whistleblower policy that meets the requirements of the new Whistleblower provisions under the Corporations Act. For example, protection will be provided to eligible Whistleblowers for the disclosure of information made to an eligible recipient and where –

- (1) the disclosure is to ASIC (or, if relevant APRA), or
- (2) the discloser has reasonable grounds to suspect concerns misconduct or an improper state of affairs or circumstances in relation to the OIG or a group entity including –
 - conduct that amounts to an offence or contravention of relevant law, or
 - conduct that represents a danger to the public or financial system which would include –
 - misconduct by OIG officers and employees or an improper state of affairs brought about by or contributed to by them; and
 - information regarding emerging forms of misconduct not covered under existing law such as exploitation of a loophole in the law that creates vulnerability in a government program.

All OIG staff are encouraged to bring these matters to the attention of an executive director, a member of the compliance committee or an auditor. The recipient must then take any action they consider appropriate in the circumstances including investigating the alleged misconduct themselves or appointing a third-party investigator.

OIG confirms that eligible Whistleblowers will be protected including through the following measures:

- the person's identity will not be revealed without their consent (unless disclosure is required by law);
- ensuring that no employee who is an eligible Whistleblower and not personally involved in the matters the subject of the disclosures, is subject to any personal disadvantage resulting from the disclosure including:
 - termination of employment
 - demotion, or
 - any form of harassment, bullying or discrimination.

Principle 4: Safeguard integrity in corporate reporting

The Board does not have an audit committee with the full board considering all financial reporting for the Trust. The Responsible Entity has appointed the Administrator and has delegated to the Administrator the responsibility for preparing all financial reporting for the Trust. The Board obtains appropriate representations from OIG management and where necessary the Manager and Administrator as to record keeping, risk management and the compliance with accounting standards of the financial statements.



Principle 5: Make timely disclosures

The Responsible Entity has a written policy for complying with its continuous disclosure obligations to ensure the market is made aware of any information the Responsible Entity becomes aware of that it considers a reasonable person would expect to have a material impact on the price or value of the Units. The policy is available on the Trust's website www.gcainvest.com/gcit/overview and can be obtained free of charge by contacting the Responsible Entity.

Principle 6: Respect the rights of security holders

Through the Unit Registry the Responsible Entity gives Unitholders the option to receive communications from the Responsible Entity and the Manager electronically. The Manager's website is the main tool for communicating information about the Trust and Unitholders are encouraged to check it regularly.

Principle 7: Recognise and manage risk

Both the Responsible Entity and the Manager have risk management systems designed to manage the risks inherent in the areas of the Trust's management they are responsible for. However, neither entity has a dedicated risk management committee nor internal audit function. The Responsible Entity has a compliance committee which is responsible for the oversight of the Responsible Entity's policies and procedures that cause it to meet its obligations under the financial services laws.

Neither the Responsible Entity nor the Manager consider the Trust has any material exposure to economic, environmental or social sustainability risks.

Principle 8: Remunerate fairly and responsibly

The fees payable to the Responsible Entity and the Manager are fully disclosed in Section 7.

No director or employee of the Responsible Entity is directly remunerated from the Trust or in connection with the Trust's performance. The Responsible Entity receives management fees from the Trust based on the size of the value of the gross assets of the Trust (subject to certain minimums being achieved). Directors and staff are remunerated from this. No director or staff member receives bonus payments based on the performance of the Trust.

9.3 Securities trading policy

The Responsible Entity has a securities trading policy which it seeks to restrict the dealing in certain financial products (including Units) by its directors and staff.

This policy is designed to provide protection to the Responsible Entity, its directors and staff by restricting dealings in financial products during certain times, or when individuals are in possession of certain types of information. It is also designed to preserve the reputation of the Responsible Entity, its directors and staff in public markets.

The policy provides that relevant persons must not deal in the Units:

- (a) when they are in possession of inside information
- (b) on a short-term trading basis, or
- (c) outside a permitted period (except in exceptional circumstances).

Otherwise trading will only be allowed during a permitted period after first obtaining pre-clearance.

The Manager has adopted a securities dealing policy on similar terms to the above for its directors and employees to ensure that public confidence is maintained in the reputation of the Trust and the Manager and to assist in maintaining market confidence in the integrity of dealings in the Units.

9.4 Compliance plan

The Responsible Entity has a compliance plan for the Trust lodged with ASIC. The compliance plan describes the procedures used by the Responsible Entity to comply with the Corporations Act, the Constitution and the Listing Rules. The matters covered in detail in the compliance plan include:

- (a) promotion of the Trust and respective disclosures
- (b) information technology
- (c) the Constitution
- (d) AFSL requirements
- (e) corporate governance and compliance agents and external service providers



- (f) education, training and recruitment
- (g) complaints handling
- (h) record keeping
- (i) custody
- (j) investment management
- (k) fees and Trust performance
- (l) investment risks
- (m) valuation of Trust assets, and
- (n) applications, redemptions and distributions.

An audit of the compliance plan is carried out on an annual basis by the compliance plan auditor and an audit report is lodged with ASIC providing an opinion on whether the Responsible Entity has complied with the compliance plan throughout the year and if the compliance plan continues to comply with the requirements of the Corporations Act and other relevant laws.

Copies of the compliance plan are available, free of charge, on request from the Responsible Entity.

10. Financial information

10.1 Introduction

The Trust was constituted on 7 December 2017, registered on 20 December 2017, commenced operations on 21 May 2018 and its Units commenced trading on ASX (ASX:GCI) on 25 May 2018. Below is a brief outline of some key events since the Trust listed on ASX:

| KEY MILESTONE | Units issued | Capital Raised | Cumulative capital raised |
|---------------------------------------|--------------------|----------------|---------------------------|
| Capital raising | | | |
| Funds Raised in IPO | 87,650,000 | \$175,300,000 | \$175,300,000 |
| Private placement (3 May 2019) | 5,911,000 | \$11,822,000 | \$187,122,000 |
| Entitlement offer (1 August 2019) | 18,837,196 | \$37,674,392 | \$224,796,392 |
| Shortfall offer (13 August 2019) | 35,179,804 | \$70,359,608 | \$295,156,000 |
| Private placement (20 August 2019) | 7,017,075 | \$14,034,150 | \$309,190,150 |
| Totals as at 30 September 2019 | 154,595,075 | | \$309,190,150 |

Distributions¹

Since the IPO until the date of this PDS, the Trust has paid monthly distributions to Unitholders; from October 2018 when the Portfolio was fully invested, distributions paid have exceeded the Target Return.

1. Distributions are paid during the month following the distribution period. The Trust's Target Return as at the date of this PDS is 4.25%.

The financial information in this Section (**Financial Information**) comprises the following:

- **Historical Financial Information** of the Trust:
 - (a) Historical Statement of Comprehensive Income for the seven months from establishment to 30 June 2018 and the 12 months ended 30 June 2019 (refer Section 10.1).
 - (b) Historical Statement of Cash Flows for the seven months from establishment to 30 June 2018 and for the 12 months ended 30 June 2019 (refer Section 10.1).
 - (c) Historical Statement of Financial Position as at 30 June 2019 (refer Section 10.2).



- **Pro Forma Historical Financial Information** of the Trust, each reflecting the impact of the Offer and other Pro Forma Adjustments as outlined in Section 10.2:
 - (a) Pro Forma Historical Statement of Financial Position as at 30 June 2019.
 - (b) Pro Forma Capital Structure as at 30 June 2019 (see Section 10.3).
 - (c) Pro Forma Historical cash and cash equivalents as at 30 June 2019 (see Section 10.4).
 - (d) Pro Forma Historical Manager Loan receivable as at 30 June 2019 (see Section 10.5).

The Historical Financial Information has been extracted from the audited general purpose financial statements of the Trust for the year ended 30 June 2019, which were audited by PricewaterhouseCoopers who issued an unqualified opinion.

The Pro Forma Historical Financial Information has been derived from the audited general-purpose financial statements of the Trust for the year ended 30 June 2019, and adjusted to reflect the Pro Forma Adjustments outlined in Section 10.2.

The Pro Forma Historical Financial Information should be read together with –

- the assumptions underlying their preparation as set out in Section 10.2
- the risk factors set out in Section 8
- the report by PwC Securities Limited in its capacity as Investigating Accountant as set out in Section 12
- the significant accounting policies set out in Section 10.6, and
- other information contained in the PDS.

Except as otherwise noted, the Financial Information has been prepared in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards (AASBs), although it is presented in an abbreviated form insofar as it does not include all the disclosures, statements and comparative information required by AASBs applicable to annual financial reports prepared in accordance with the Corporations Act.

All amounts disclosed in this Section are presented in Australian dollars.

HISTORICAL STATEMENT OF COMPREHENSIVE INCOME

| | Year ended 30 June 2019 | For the period 20 December 2017 to 30 June 2018 |
|--|----------------------------|--|
| | (\$'000) | (\$'000) |
| Investment Income | | |
| Interest income from financial assets at fair value through profit or loss | 10,018 | 526 |
| Interest income from receivables/loans at amortised cost | 462 | 156 |
| Net gains / (losses) on financial instruments at fair value through profit or loss | 149 | (27) |
| Total net investment income | 10,629 | 655 |
| Expenses | | |
| Responsible Entity fees | 112 | 12 |
| Investment Management fees | 1,274 | 138 |
| Administrative expenses | 205 | 16 |
| Other expenses | 170 | 36 |
| Total operating expenses | 1,761 | 202 |
| Operating profit/(loss) for the half-year | 8,868 | 453 |
| Other comprehensive income | – | – |
| Total comprehensive income/(loss) for the half-year | 8,868 | 453 |

**HISTORICAL STATEMENT OF CASH FLOWS**

| | Year ended 30 June 2019 | For the period 20 December 2017 to 30 June 2018 |
|--|----------------------------|--|
| | (\$'000) | (\$'000) |
| Cash flows from operating activities | | |
| Interest income received from cash deposits and loans at amortised cost | 475 | 126 |
| Interest income from financial assets at fair value through profit or loss | 9,823 | 228 |
| Proceeds from sale of financial assets | 103,205 | – |
| Receipt of principal repayments on financial assets | 5,712 | 1,324 |
| Purchase of financial assets | (150,320) | (141,285) |
| Responsible Entity fees paid | (114) | – |
| Investment Management fees paid | (1,301) | – |
| Administrative expenses paid | (204) | – |
| Other expenses paid | (210) | – |
| Net cash outflow from operating activities | (32,934) | (139,607) |
| Cash flows from investing activities | | |
| (Issue)/Repayment of Loan | 416 | (5,259) |
| Net cash inflow/(outflow) from investing activities | 416 | (5,259) |
| Cash flows from financing activities | | |
| Proceeds from applications by unitholders | 11,822 | 175,300 |
| Distributions paid to unitholders | (8,142) | – |
| Net cash inflow from financing activities | 3,680 | 175,300 |
| Net (decrease)/increase in cash and cash equivalents | (28,838) | 30,434 |
| Cash and cash equivalents at the beginning of the year | 30,434 | – |
| Cash and cash equivalents at the end of the year | 1,596 | 30,434 |
| Non-cash financing and investing activities | – | – |

10.2 Pro Forma Historical Statement of Financial Position

The Pro Forma Historical Statement of Financial Position set out below has been prepared to illustrate the financial position of the Trust as at 30 June 2019 adjusted for the following Pro Forma Adjustments:

- (a) the \$108.0m entitlement and shortfall offer completed by the Trust on 13 August 2019, the subsequent \$14.0m private placement completed on 20 August 2019 (August Offer) and associated drawdowns of the Manager Loan, as though it had completed on 30 June 2019, and
- (b) the Offer as though the Offer had been completed on 30 June 2019, either –
 - (i) assuming a subscription amount of \$51.8m (subscriptions for 25.8 million New Units by Applicants under this PDS at the Offer Price of \$2.01 per New Unit) and associated draw down of the Manager Loan (Subscription), or
 - (ii) assuming a subscription amount of \$103.6m (subscriptions for 51.5 million New Units by Applicants under this PDS at the Offer Price of \$2.01 per New Unit) and associated drawdown of the Manager Loan (Maximum Subscription).



The Pro Forma Historical Statement of Financial Position is intended to be illustrative only and will not reflect the actual position and balances as at the date of this PDS or at the completion of the Offer.

| | Historical Statement of Financial Position | | Pro Forma Historical Statement of Financial Position | |
|--|--|----------------------------|---|---|
| | As at 30 June 2019 | August Offer (\$122.1M) | Subscription (\$51.8M) & August Offer (\$122.1M) | Maximum Subscription (\$103.6M) & August Offer (\$122.1M) |
| | (\$'000) | (\$'000) | (\$'000) | (\$'000) |
| ASSETS | | | | |
| Cash and cash equivalents | 1,596 | 120,314 | 170,726 | 221,137 |
| Other receivables | 568 | 568 | 568 | 568 |
| Financial assets at fair value through profit or loss | 181,486 | 181,486 | 181,486 | 181,486 |
| Loans at amortised cost ¹ | 4,843 | 8,193 | 9,571 | 10,949 |
| Total Assets | 188,493 | 310,561 | 362,351 | 414,140 |
| LIABILITIES | | | | |
| Distribution payable | 805 | 805 | 805 | 805 |
| Payables | 192 | 192 | 192 | 192 |
| Total Liabilities | 997 | 997 | 997 | 997 |
| Net Assets attributable to unitholders – equity | 187,496 | 309,564 | 361,354 | 413,143 |

Notes:

- Expenses of the Offer are to be paid by Gryphon Group. The Responsible Entity has agreed to further advance an amount of up to a maximum of 3% of the Offer proceeds adjusted for the amortisation schedule applicable at the time of the drawdown. Funds drawn will be used by GCM to meet the costs of the Offer. Refer to Sections 10.4 and 10.5 for further information.

10.3 Capital structure

Set out below is the Pro Forma capital structure of the Trust to illustrate the August Offer and the Offer under the different indicated subscription amounts, as though these events had completed on 30 June 2019.

| | As at 30 June 2019 (Units) | August Offer (61.0M Units) | Subscription (25.8M) & August Offer (61.0M) (Units) | Maximum Subscription (51.5M) & August Offer (61.0M) (Units) |
|---|----------------------------------|-------------------------------|---|--|
| As at 30 June 2019 | 93,561,000 | 93,561,000 | 93,561,000 | 93,561,000 |
| Pro Forma Adjustment – August Offer | - | 61,034,075 | 61,034,075 | 61,034,075 |
| Pro Forma Adjustment – Estimated Unit allotment from Offer | - | - | 25,765,846 | 51,531,691 |
| Pro Forma Balance | 93,561,000 | 154,595,075 | 180,360,921 | 206,126,766 |
| NTA per Unit | \$2.00 | \$2.00 | \$2.01 | \$2.01 |



10.4 Cash and cash equivalents

Set out below is a reconciliation of the Pro Forma cash and cash equivalents balance of the Trust to illustrate the August Offer and the Offer under the different indicated subscription amounts, as though these events had completed on 30 June 2019.

| | As at 30 June 2019 | August Offer (\$122.1M) | Subscription (\$51.8M) & August Offer (\$122.1M) | Maximum Subscription (\$103.6M) & August Offer (\$122.1M) |
|--|-----------------------|----------------------------|---|---|
| | (\$'000) | (\$'000) | (\$'000) | (\$'000) |
| As at 30 June 2019 | 1,596 | 1,596 | 1,596 | 1,596 |
| Pro Forma Adjustment – August Offer | - | 122,068 | 122,068 | 122,068 |
| Pro Forma Adjustment – Estimated cash from Offer | - | - | 51,789 | 103,579 |
| Pro Forma Adjustment – Manager Loan drawdown | - | (3,350) | (4,728) | (6,106) |
| Pro Forma Balance | 1,596 | 120,314 | 170,726 | 221,137 |

10.5 Manager Loan receivable

Set out below is a reconciliation of the Pro Forma Manager Loan receivable balance of the Trust to illustrate the August Offer and the Offer under the different indicated subscription amounts, as though these events had completed on 30 June 2019.

| | As at 30 June 2019 | August Offer (\$122.1M) | Subscription (\$51.8M) & August Offer (\$122.1M) | Maximum Subscription (\$103.6M) & August Offer (\$122.1M) |
|--|-----------------------|----------------------------|---|---|
| | (\$'000) | (\$'000) | (\$'000) | (\$'000) |
| As at 30 June 2019 | 4,843 | 4,843 | 4,843 | 4,843 |
| Pro Forma Adjustment – Manager Loan drawdown under August Offer ¹ | - | 3,350 | 3,350 | 3,350 |
| Pro Forma Adjustment – Manager Loan drawdown under Offer ² | - | - | 1,378 | 2,756 |
| Pro Forma Balance | 4,843 | 8,193 | 9,571 | 10,949 |

Notes:

1. Reflects the drawdown in conjunction with the August Offer and is shown before any subsequent interest or principal repayments.
2. Reflects the initial drawdown under the current Offer as described in Section 13.4.

10.6 Significant accounting policies

A summary of significant accounting policies that have been adopted in the preparation of the unaudited Pro Forma Historical Financial Information set out in Section 10.2, and which were adopted in the preparation of the financial statements of the Trust for the twelve months ending 30 June 2019, is set out as follows.

The unaudited Pro Forma Historical Financial Information has been prepared in accordance with Australian Accounting Standards and interpretations and other authoritative pronouncements of the Australian Accounting Standards Board (AASB), and the Corporations Act 2001 in Australia.

Australian Accounting Standards set out an accounting framework that the AASB have concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the unaudited pro forma statements of financial position and notes also comply with the recognition and measurement requirements of International Financial Reporting Standards.



The Financial Information presented in this PDS is presented in an abbreviated form and does not contain all of the presentation and disclosures that are usually provided in an annual report prepared in accordance with Australian Accounting Standards. The unaudited pro forma statements of financial position have been prepared on the basis of assumptions outlined in this Section 10.6.

All amounts disclosed in this Section are presented in Australian dollars.

Basis of measurement

The Pro Forma Historical Financial Information has been prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

Functional and Presentation Currency

The Pro Forma Historical Financial Information is presented in Australian dollars, which is the Trust's functional currency.

Use of Estimates and Judgements

The preparation of the Pro Forma Historical Financial Information requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Financial Instruments

Classification and Measurement

The classification, measurement and derecognition of financial instruments is determined by the accounting standard AASB 9 Financial Instruments and is driven by the Trust's business model for managing the financial assets and the contractual cash flow characteristics of the financial instruments.

In accordance with AASB 9, the Trust's investments are categorised in one of the three categories: amortised cost, fair value through other comprehensive income and fair value through profit or loss.

Amortised cost

A financial asset is classified at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument represent solely payments of principal and interest (SPPI) on the principal outstanding. This would cover other receivables which are included in receivables within the statement of financial position.

Loan assets at amortised cost (Manager Loan)

Loan assets consist of the Manager Loan which is held for collection of contractual cash flows and the contractual cash flows under the instrument represent solely payments of principal and interest (SPPI) on the principal outstanding.

Loan assets are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost. At each reporting date, the Trust measures the loss allowance on receivables and loans at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Trust shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.



The amount of the impairment loss is recognised in profit or loss within other expenses. When a loan receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

Financial instruments at fair value through other comprehensive income

A financial asset or liability is classified at fair value through other comprehensive income (FVOCI) if the objective of the business model is achieved by both collecting the contractual cash flows, which represent SPPI, and selling the financial asset.

At initial recognition, the Trust measures a financial asset at its fair value. Transaction costs of financial assets carried at fair value through other comprehensive income are amortised in the statement of comprehensive income using the effective interest rate.

Subsequent to initial recognition, all financial assets and liabilities through comprehensive income are measured at fair value. Gains and losses arising from changes in the fair value of 'financial assets or liabilities at fair value through other comprehensive income' category are recognised in the other comprehensive income in the period in which they arise, and they are reclassified to profit or loss when they are derecognised.

Financial instruments at fair value through profit or loss

A financial asset or liability is classified at fair value through profit or loss if their contractual cash flows do not represent SPPI.

At initial recognition, the Trust measures a financial instrument at fair value through profit or loss at its fair value. Transaction costs of financial assets and liabilities at fair value through profit or loss are expensed in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income within net gains/(losses) on financial instruments at fair value through profit or loss in the period in which they arise.

Other financial assets and liabilities

Management considers that the carrying amount of cash and cash equivalents and other receivables approximate fair value.

Other financial liabilities are initially measured at fair value and subsequently at amortised cost.

Recognition/Derecognition

The Trust recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

Financial assets are derecognised when the right to receive cash flows from the investments has expired or the Trust has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligation under the liabilities are discharged, cancelled or expired.

Fair value measurement principles

Assets measured at fair value are classified, into three levels using a fair value hierarchy that reflects the significance of the inputs used in making the measurements, as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

(a) Fair value in an active market (Level 1)

The fair value of financial assets and liabilities traded in active markets is based on last traded prices at the end of the reporting period without any deduction for estimated future selling costs. For the majority of financial assets and liabilities, information provided by the quoted market independent pricing services is relied upon for valuation.



A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. An active market is a market in which transactions for the financial asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

(b) Fair value in an inactive or unquoted market (Level 2 and Level 3)

RMBS and ABS securities are issued to and invested by institutional investors over the counter and are not listed on any exchange. Although all financial assets invested in by the Trust are priced daily using mid-market prices provided by a specialist, independent fixed income pricing provider, it is deemed that transactions are not conducted with sufficient frequency for these financial assets to be classified as fair value in an active market (Level 1).

The Trust relies on information provided by independent pricing services for the valuation of its Level 2 investments.

The Trust does not have any Level 3 assets.

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

Accounting policies applied until 30 June 2018

(a) **Financial Instruments**

The Trust has applied AASB 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Trust's previous accounting policy.

(b) **Classification**

Until 30 June 2018, the Trust's investments were categorised as fair value through profit or loss in accordance with AASB 139 Financial Instruments: Recognition and Measurement, which is comprised of financial instruments designated as at fair value through profit or loss upon initial recognition.

All financial assets held in the Trust were managed by the Manager in accordance with the Trust's guidelines.

Financial instruments designated at fair value through profit or loss upon initial recognition. These include investments in RMBS and ABS with Australian domiciled issuers.

(c) **Measurement**

(i) Financial assets and liabilities at fair value through profit or loss

- At initial recognition, the Trust measured a financial asset at its fair value. Transaction costs of financial assets carried at fair value through profit or loss were expensed in the statement of comprehensive income.
- Subsequent to initial recognition, all financial assets and liabilities at fair value through profit or loss were measured at fair value. Gains and losses arising from changes in the fair value of 'financial assets or liabilities at fair value through profit or loss' category were presented in the statement of comprehensive income in the period in which they arose.

(ii) Loan and receivables (Manager Loan)

- Loan assets (Manager Loan) were measured initially at fair value plus transaction costs and subsequently amortised using the effective interest rate method, less impairment losses if any. Such assets were reviewed at the end of each reporting period to determine whether there was objective evidence of impairment.
- If evidence of impairment existed, an impairment loss was recognised in the statement of comprehensive income as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.
- If in a subsequent period the amount of an impairment loss previously recognised on a financial asset carried at amortised cost decrease and the decrease could be linked objectively to an event occurring after the write-down, the write-down was reversed through the statement of comprehensive income.
- Details on how the fair value of financial instruments is determined are disclosed above.

**(d) Impairment**

The Trust assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets were impaired.

Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Investment Income

Interest income is generated from cash and cash equivalents, investments in financial assets, loans and cash investments, and is recognised daily as it accrues, taking into account the actual interest rate on the financial assets and is included in the statement of comprehensive income.

Interest income from financial assets at amortised cost is recognised on a time-proportionate basis using the effective interest rate method. Interest from financial assets at fair value through profit or loss is determined based on the contractual coupon interest rate.

Realised and unrealised gains and losses arising from changes in fair values are included in the statement of comprehensive income in the period in which they arise.

Expenses

All expenses, including Manager's fees, are recognised in the statement of comprehensive income on an accruals basis.

Applications and redemptions

The Trust is a closed-end vehicle because there are no redemptions available to Unitholders. Instead, while the Trust is listed on ASX, Unitholders wishing to exit their investment will be able to do so via selling their Units on ASX.

Income Tax

Under current legislation, the Trust is not subject to income tax provided it attributes the entirety of its net (tax) income to Unitholders.

The Trust may distribute its distributable income, in accordance with the Constitution, to Unitholders by cash which may be reinvested. The distributions are recognised in the statement of changes in equity.

Financial instruments held at fair value may include unrealised gains. Should such a gain be realised, that portion of the gain that is subject to income tax will be attributed to Unitholders so that the Trust is not subject to income tax.

Realised tax losses are not distributed to Unitholders but are retained in the Trust to be offset against any realised gains in future years.

Distributions

The Trust may distribute its distributable income, in accordance with the Trust's Constitution, to Unitholders by cash which may be reinvested. The distributions are recognised in the statement of changes in equity.

Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Trust by third parties such as audit fees, custodial services and investment management fees have been passed onto the Trust. The Trust qualifies for RITC at a rate of at least 55% hence investment management fees, custodial fees and other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position. Cash flows relating to GST are included in the statement of cash flows on a gross basis. Accounts payable are inclusive of GST.



Units

Under AASB 132 Financial instruments: Presentation, the Trust classifies the net assets attributable to Unitholders as equity as they satisfy the following criteria:

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Trust's liquidation;
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical;
- the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Trust, and it is not a contract settled in the Trust's own equity instruments; and
- the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

11. Taxation

11.1 Australian Taxation Implications

The comments in this Section 11 are based on the *Income Tax Assessment Act 1936*, the *Income Tax Assessment Act 1997*, *Taxation Administration Act 1953*, *A New Tax System (Goods and Services Tax) Act 1999* and the relevant stamp duties legislation as at the date of this PDS.

The following information summarises some of the Australian taxation issues you may wish to consider before making an investment in the Trust and assumes that you hold your investment in the Trust on capital account and are not considered to be carrying on a business of investing, trading in investments, or investing for the purpose of profit making by sale. The information should be used as a guide only and does not constitute professional tax advice as individual circumstances may differ.

This summary is based on the taxation laws as at the date of this PDS. Investing in a registered managed investment scheme is likely to have tax consequences. However, it is noted that taxation laws can change at any time, which may have adverse taxation consequences for Unitholders concerned. It is recommended that Unitholders seek their own professional advice, specific to their own circumstances, of the taxation implications of investing in the Trust.

11.2 Australian Taxation Treatment of the Trust

(a) General

The Trust currently qualifies as a Managed Investment Trust (MIT) as defined in the income tax law, and an irrevocable choice has been made by the Trust to elect into the Attribution Managed Investment Trust (AMIT) taxation regime with effect from 7 December 2017 (the date the Trust was established). It is intended for the Trust to continue to qualify as a MIT and an AMIT.

The AMIT provisions are an elective income tax regime for qualifying MITs that provide for flow-through taxation to Unitholders. The Trust or the trustee of the Trust should not be subject to tax on the net (tax) income of the Trust for the relevant year. Rather, the Unitholders should be subject to tax on their share of the net (tax) income of the Trust for the relevant year. The share is determined based on the attribution of the different income characters by the Trust to the Unitholders.

(b) Attribution Managed Investment Trusts

As the Responsible Entity for the Trust has made an irrevocable election to apply the new AMIT provisions, the following will apply in respect of the Trust:

(i) Fair and reasonable attribution

Each year, the Trust's determined trust components of assessable income, exempt income, non-assessable non-exempt income and tax offsets (i.e. credits) will be attributed to Unitholders on a "fair and reasonable" basis, having regard to their income and capital entitlements in accordance with the Trust's constituent documents.



(ii) *AMMA Statement*

The amounts attributed to Unitholders each year will be disclosed in an AMIT Member Annual Statement (AMMA Statement). This statement will be provided to Unitholders no later than three months after the end of the relevant income year.

The amounts attributed to Unitholders from the Trust as disclosed in the AMMA Statement should be taken into account in their taxable income calculation for the relevant year of income.

The amounts attributed to Unitholders should retain the character they had in the Trust for Australian income tax purposes.

(iii) *Unders or overs adjustments*

Where the Trust's determined trust components for a year are revised in a subsequent year (e.g. due to actual amounts differing to the estimates of income, gains / losses or expenses), then unders and overs may arise. Unders and overs can generally be carried forward and adjusted in the year of discovery.

(iv) *Cost base adjustments*

Where the cash distribution made is less than (or more than) taxable components attributed to Unitholders in respect of an income year, then the cost base of a Unitholder's units may be increased (or decreased). Details of net annual tax cost base adjustments will be included in a Unitholder's AMMA Statement for the relevant income year.

(v) *Public trading trust rules*

The Trust does not intend to derive income other than from an "eligible investment business". Accordingly, it should not be subject to tax as a public trading trust. Further, the Responsible Entity will seek to ensure it does not control entities that carry on trading activities.

(vi) *Losses*

In the case where the Trust makes a tax loss for Australian tax purposes, the Trust cannot distribute the tax losses to Unitholders. However, the tax loss may be carried forward by the Trust for offset against net tax income of the Trust in subsequent years, subject to satisfaction of any loss utilisation rules that may be applicable for the relevant period.

(vi) *Taxation of Financial Arrangements (TOFA)*

The TOFA rules apply to financial arrangements held by the Trust when calculating its assessable income. Broadly, the TOFA rules may impact the timing of the recognition of gains and losses in the Trust for tax purposes and should generally also treat relevant gains and losses as being on revenue account. On the basis that the Trust will not make any tax timing elections pursuant to the TOFA rules, the income and gains from financial arrangements should be determined on a compounding accruals basis or realisation basis, depending on whether the returns are sufficiently certain.

Given the Trust primarily invests in underlying financial instruments and debt arrangements, the assessable components distributed or attributed from the Trust should primarily be in the form of interest income and revenue gains from financial arrangements.

11.3 Australian Taxation of Australian Resident Unitholders

(a) **Distributions – AMIT**

The AMIT provisions require the determined trust components of the Trust, including assessable components, to be attributed to Unitholders on a fair and reasonable basis, having regard to their income and capital entitlements in accordance with the constituent documents. The Responsible Entity will seek to attribute taxable components having regard to the Units held by Unitholders, entitlements to income and capital, as well as cash distributions made to such Unitholders during the relevant period. Under the AMIT provisions, a Unitholder may be taxable on their share of the Trust's net (tax) income prior to receiving distributions from the Trust.

(b) **Capital gains**

Given the Trust primarily invests in underlying financial instruments and debt arrangements, a Unitholder's share of the net (tax) income of the Trust should generally not include any amount of capital gains.

(c) **Non-assessable distribution payments – AMIT**

Under the AMIT provisions, a Unitholder's cost base in their Units held is increased where taxable components are allocated to them. The cost base is decreased where cash distribution entitlements are made to the Unitholder in respect of their Units, irrespective of whether the amounts distributed are classified as income or capital.



The net annual tax cost base adjustment amount will be detailed in an AMMA tax statement, which will be sent annually to Unitholders within three months after the end of the relevant income year.

(d) Disposal of Units by Australian resident Unitholders

If an Australian resident Unitholder transfers or redeems their units in the Trust, this will constitute a disposal for tax purposes.

Where a Unitholder holds their Units in the Trust on capital account, a capital gain or loss on the disposal may arise and each Unitholder should calculate their capital gain or loss according to their own particular facts and circumstances. A capital gain is made from the disposal or redemption where the capital proceeds from the disposal or redemption of Units are greater than the cost base of the relevant Unit. A capital loss is made from the disposal or redemption where the capital proceeds from the disposal or redemption of Units are less than the reduced cost base of the Units. In order to determine their capital gain or capital loss position from the disposal or redemption of any Units, Unitholders will need to adjust the tax cost of each Unit in the Trust for any non-assessable distributions or distribution shortfall amounts in respect of that Unit. Note, a discount may be available for certain Unitholders in calculating their net capital gain. Such a discount is available on capital gains made on Units (after the application of capital losses) where the Units have been held for at least 12 months. The discount is 50% for Australian resident individuals and trusts, and 33.33% for complying superannuation funds.

Any capital losses arising from the disposal of the investment may be used to offset other capital gains the Unitholder may have made. Net capital losses may be carried forward for offset against capital gains of subsequent years subject to the satisfaction of any loss utilisation rules but may not be offset against revenue income.

(e) Goods and Services Tax (GST)

The Trust is registered for GST. The acquisition and disposal of units in the Trust by Unitholders should not be subject to GST. Similarly, the distributions paid by the Trust should not be subject to GST. GST is payable on some ongoing expenses, however the Trust may be able to claim a reduced input tax credit (RITC) on some of the GST paid, depending on the precise nature of the expenses incurred. All fees and expenses are quoted inclusive of GST.

(f) Duty

The issue or redemption of Units should not attract any duty. Unitholders should confirm the duty consequences of transferring units with their taxation adviser.

(g) Tax File Number (TFN) and Australian Business Number (ABN)

As the Trust will be an investment body for income tax purposes, the Trust will be required to obtain a TFN or ABN in certain cases from its Unitholders.

It is not compulsory for a Unitholder to quote their TFN or ABN. If a Unitholder is making this investment in the course of a business or enterprise, the Unitholder may quote an ABN instead of a TFN. Failure by a Unitholder to quote an ABN or TFN or claim an exemption may cause the Responsible Entity to withhold tax at the top marginal rate, plus levies, on gross payments including distributions of income to the Unitholder. The Unitholder may be able to claim a credit in their tax return for any TFN or ABN tax withheld. Collection of TFNs is permitted under taxation and privacy legislation.

(h) Annual Investment Income Report (AIIR)

The Responsible Entity is required to lodge annually an AIIR for the Trust to the ATO containing Unitholder identity details and investment income paid to Unitholders for the relevant financial year.



11.4 Taxation Implications for New Zealand resident Unitholders

The Trust will be a foreign investment fund (FIF) for New Zealand tax purposes. Therefore, New Zealand tax resident Unitholders (each a “New Zealand Unitholder”) will need to apply the FIF rules to establish the New Zealand tax treatment that will apply to the Units they hold. The FIF rules should not apply to a New Zealand Unitholder that is a natural person or an eligible trust, where the total cost of all FIF interests held by the New Zealand Unitholder is NZ\$50,000 or less (in which case the income from the investment would be subject to the ordinary New Zealand tax rules, unless the Unitholder chooses to return income on the investment under the FIF rules).

If a New Zealand Unitholder’s Units are an “attributing interest” under the FIF rules, then the Unitholder will be required to pay New Zealand tax. FIF income or loss from an investment in a FIF is required to be calculated using one of five prescribed calculation methods. Restrictions may apply to limit the adoption of some of the calculation methods. The fair dividend rate (FDR) method is the default method used to calculate FIF income or loss, provided it is practical to use it and it is not prohibited for the particular FIF interest. Under the FDR method, FIF income is calculated at 5% of the market value of the FIF interest at the start of a tax year. In addition, FIF income is also required to be calculated in respect of any Units purchased and sold within the year, known as “quick sale adjustment”.

Effectively, under the FDR method the Unitholder will be taxed on the unrealised gains they are deemed (under the FIF rules) to have obtained over the period they hold the Units, with realised gains arising on the disposal of Units acquired in the same year also being taxed (i.e. the quick sale adjustment). Any realised amounts they actually receive in relation to their Units (including ongoing distributions and proceeds from the sale of their Units) will not be separately taxed.

For many New Zealand Unitholders their Units are likely to be an attributing interest for the purposes of the FIF rules. There are, however, various legislative exclusions where FIF interests are expressly excluded from being attributing interests under the FIF rules. New Zealand Unitholders will need to consider these exclusions carefully. Different tax rules will apply if a New Zealand Unitholder’s Units are not an attributing interest.

If a New Zealand Unitholder’s Units are not an attributing interest under the FIF rules, the Unitholder will be taxed on a realisation basis. Any ongoing distributions they receive in relation to their Units will generally be taxable as dividends when they are received and any tax withheld on the dividend should be available as a tax credit for the NZ Unitholders.

However, as New Zealand does not have a formal capital gains tax, any amounts a New Zealand Unitholder receives from disposing of their Units will generally not be subject to New Zealand income tax unless the Unitholder holds their Units on “revenue account”. A New Zealand Unitholder will hold their Units on revenue account if they hold their Units as part of a share dealing business, the Units were acquired with a dominant purpose of disposal, or the Units are being disposed of as part of a profit-making undertaking or scheme.

New Zealand resident Unitholders will not be subject to Australian CGT on a capital gain (or loss) on the disposal of Units in the Trust unless:

- The New Zealand resident holds at least 10% of the Units in the Trust or has held at least 10% for at least 12 months in the prior two years; and
- Broadly, 50% or more of the Trust’s assets (by market value) are represented by “taxable Australian real property”.

Amounts attributed to New Zealand resident Unitholders from the Trust may be subject to Australian withholding tax.

New Zealand Unitholders should seek their own professional advice regarding the taxation implications of investing in the Trust.



12. Investigating Accountant's Report



The Directors
One Managed Investment Funds Limited
as responsible entity for the
Gryphon Capital Income Trust
Level 11, 20 Hunter Street
SYDNEY NSW 2000

1 November 2019

Dear Directors

Investigating Accountant's Report

Independent Limited Assurance Report on Gryphon Capital Income Trust's historical and pro forma historical financial information and Financial Services Guide

We have been engaged by One Managed Investment Funds Limited (the **Company** or you) in its capacity as responsible entity of the Gryphon Capital Income Trust (**Trust**) to report on the historical financial information and pro forma historical financial information of the Trust for the periods ended 30 June 2018 and 30 June 2019 for inclusion in the Product Disclosure Statement (**Offer Document** or **PDS**) dated on or about 4 November 2019 and relating to the pro-rata, non-renounceable entitlement offer of fully paid units in the Trust to existing unitholders, as well as an offer to new retail unitholders (**Offer**).

Expressions and terms defined in the PDS have the same meaning in this report.

The nature of this report is such that it can only be issued by an entity which holds an Australian financial services licence under the Corporations Act 2001. PricewaterhouseCoopers Securities Ltd, which is wholly owned by PricewaterhouseCoopers holds the appropriate Australian financial services licence under the Corporations Act 2001. This report is both an Investigating Accountant's Report, the scope of which is set out below, and a Financial Services Guide, as attached at Appendix A.

Background

The Trust was established on 7 December 2017 and has been listed on the ASX since 25 May 2018. As at the date of this Report, the Trust has 154,595,075 Units on issue. As at 30 June 2019 the net assets of the Trust were \$187,496,000.

Scope

Historical Financial Information

You have requested PricewaterhouseCoopers Securities Ltd to review the following historical financial information of the Trust included in the PDS (**Historical Financial Information**):

PricewaterhouseCoopers Securities Ltd, ACN 003 311 617, ABN 54 003 311 617, Holder of Australian Financial Services Licence No 244572
480 Queen Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001
T: +61 7 3257 5000, F: +61 7 3257 5999, www.pwc.com.au



- Historical Statement of Comprehensive Income for the 7 months from date of registration to 30 June 2018 and the 12 months ended 30 June 2019 (refer Section 10.1);
- Historical Statement of Cash Flows for the 7 months from date of registration to 30 June 2018 and the 12 months ended 30 June 2019 (refer Section 10.1);
- Historical Statement of Financial Position as at 30 June 2019 (refer Section 10.2);

The Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Trust's adopted accounting policies. The Historical Financial Information has been extracted from the financial reports of the Trust for the periods ended 30 June 2018 and 30 June 2019, which were audited by PricewaterhouseCoopers in accordance with the Australian Auditing Standards. PricewaterhouseCoopers issued an unmodified audit opinion on the financial report.

The Historical Financial Information is presented in the PDS in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

Pro Forma historical financial information

You have requested PricewaterhouseCoopers Securities Ltd to review the following pro forma historical financial information of the Trust included in the PDS (**Pro Forma Historical Financial Information**):

- Pro Forma Historical Statement of Financial Position as at 30 June 2019 (refer Section 10.2), including the supporting note disclosures contained in Sections 10.3, 10.4 and 10.5.

The Pro Forma Historical Financial Information has been derived from the Historical Financial Information of the Trust, after adjusting for the effects of Pro Forma Adjustments described in section 10.2 of the PDS. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards and the Trust's adopted accounting policies applied to the Historical Financial Information and the event(s) or transaction(s) to which the Pro Forma Adjustments relate, as described in section 10.2 of the PDS, as if those event(s) or transaction(s) had occurred as at the date of the Historical Financial Information. Due to its nature, the Pro Forma Historical Financial Information does not represent the Trust's actual or prospective financial position.

Directors' responsibility

The directors of the Responsible Entity of the Trust are responsible for the preparation of the Historical Financial Information and Pro Forma Historical Financial Information, including its basis of preparation and the selection and determination of Pro Forma Adjustments made to the Historical Financial Information and included in the Pro Forma Historical Financial Information. This includes responsibility for its compliance with applicable laws and regulations and for such internal controls as the directors determine are necessary to enable the preparation of historical financial information and pro forma historical financial information that are free from material misstatement.

***Our responsibility***

Our responsibility is to express a limited assurance conclusion on the financial information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

Conclusions***Historical financial information***

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information of the Trust, as described in section 10 of the PDS, and comprising:

- Historical Statement of Comprehensive Income for the 7 months from date of registration to 30 June 2018 and the 12 months ended 30 June 2019 (refer Section 10.1);
- Historical Statement of Cash Flows for the 7 months from date of registration to 30 June 2018 and the 12 months ended 30 June 2019 (refer Section 10.1); and
- Historical Statement of Financial Position as at 30 June 2019 (refer Section 10.2);

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 10 of the PDS being the recognition and measurement principles contained in Australian Accounting Standards and the Trust's adopted accounting policies.

Pro Forma historical financial information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information of the Trust as described in section 10 of the PDS, and comprising the:

- Pro Forma Historical Statement of Financial Position as at 30 June 2019 (refer Section 10.2), including the supporting note disclosures contained in Sections 10.3, 10.4 and 10.5.

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 10 of the PDS being the recognition and measurement principles contained in Australian Accounting Standards and the Trust's adopted accounting policies applied to the Historical Financial Information and the event(s) or transaction(s) to which the pro forma adjustments relate, as



described in section 10.2 of the PDS, as if those event(s) or transaction(s) had occurred as at the date of the Historical Financial Information.

Notice to investors outside Australia and New Zealand

Under the terms of our engagement this report has been prepared solely to comply with Australian Auditing Standards applicable to review engagements.

This report does not constitute an offer to sell, or a solicitation of an offer to buy, any securities. We do not hold any financial services licence or other licence outside Australia. We are not recommending or making any representation as to suitability of any investment to any person.

Restriction on Use

Without modifying our conclusions, we draw attention to section 10 of the PDS, which describes the purpose of the financial information, being for inclusion in the PDS. As a result, the financial information may not be suitable for use for another purpose.

Consent

PricewaterhouseCoopers Securities Ltd has consented to the inclusion of this assurance report in the public document in the form and context in which it is included.

Liability

The liability of PricewaterhouseCoopers Securities Ltd is limited to the inclusion of this report in the PDS. PricewaterhouseCoopers Securities Ltd makes no representation regarding, and has no liability for, any other statements or other material in, or omissions from the PDS.

Independence or Disclosure of Interest

PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of this Offer other than the preparation of this report and participation in due diligence procedures for which normal professional fees will be received.

Financial Services Guide

We have included our Financial Services Guide as Appendix A to our report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our report.

Yours faithfully

Fiona Lowes
Authorised Representative of
PricewaterhouseCoopers Securities Ltd



Appendix A – Financial Services Guide

PRICEWATERHOUSECOOPERS SECURITIES LTD FINANCIAL SERVICES GUIDE

This Financial Services Guide is dated 1 November 2019

1. About us

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence no 244572) (**PwC Securities Ltd**) has been engaged by One Managed Investment Funds Limited to provide a report in the form of an Investigating Accountant's Report in relation to the historical and pro forma historical financial information (the **Report**) for inclusion in the PDS dated on or about 4 November 2019.

You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

2. This Financial Services Guide

This Financial Services Guide ("**FSG**") is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about PwC Securities Ltd generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

3. Financial services we are licensed to provide

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds, and deposit products.

4. General financial product advice

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.



5. Fees, commissions and other benefits we may receive

PwC Securities Ltd charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages PwC Securities Ltd to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this Report our fees are charged on a time and materials basis and are estimated at \$40,000 (excluding GST).

Directors or employees of PwC Securities Ltd, PricewaterhouseCoopers, or other associated entities, may receive partnership distributions, salary or wages from PricewaterhouseCoopers.

6. Associations with issuers of financial products

PwC Securities Ltd and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, PricewaterhouseCoopers may be the auditor of, or provide financial services to, the issuer of a financial product and PwC Securities Ltd may provide financial services to the issuer of a financial product in the ordinary course of its business. PricewaterhouseCoopers is currently the auditor of the Gryphon Capital Income Trust.

7. Complaints

If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.

If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Australian Financial Complaints Authority (“AFCA”), an external complaints resolution service. AFCA can be contacted by calling 1800 931 678. You will not be charged for using the AFCA service.

8. Contact Details

PwC Securities Ltd can be contacted by sending a letter to the following address:

*Fiona Lowes
480 Queen St, Brisbane QLD 4000*



13. Material contracts

13.1 Constitution

The Trust has been registered by ASIC as a managed investment scheme pursuant to Chapter 5C of the Corporations Act. The rights and obligations of both the Responsible Entity and Unitholders are determined by the Constitution and the Corporations Act, together with any relief issued by ASIC and the general law relating to trusts. If you invest in the Trust, then you agree to be bound by the terms of the Constitution. The Constitution is a lengthy and complex document. Set out below is a brief summary, however investors should confirm all information by reference to the Constitution itself, a copy of which is available free of charge from the Responsible Entity. Investors are advised to seek advice from a legal or financial adviser and obtain a copy of the Constitution.

(a) Units

The beneficial interest in the Trust is divided into Units. A Unit confers on the Unitholder an undivided beneficial interest in the Trust as a whole, subject to trust liabilities. No single Unitholder has a claim on any specific asset of the Trust. A Unitholder holds a Unit subject to the rights and obligations attaching to that Unit. Units may be issued at a price determined by the Responsible Entity, subject to the provisions of the Corporations Act and any ASIC relief.

The Constitution gives a power to the Responsible Entity to issue new Units, subject to the terms and conditions of the Constitution, including by placement, rights offers, unit purchase plan or distribution reinvestment plan. The Responsible Entity is exercising this power to make the Offer under this PDS.

(b) No redemption of Units

While the Trust is listed on ASX, Units are not able to be redeemed. However, the Responsible Entity may, at its discretion, elect to buy back Units subject to the requirements of the Corporations Act and Listing Rules. Any Units which are the subject of a buy back will be immediately cancelled as required by the Corporations Act.

(c) Liability of Unitholders

The liability of each Unitholder is limited to its invested equity in the Trust. Unitholders are not required to indemnify the Responsible Entity or a creditor of the Responsible Entity against any liability in respect of the Trust, however, this type of provision has not been tested by the courts.

(d) Powers of the Responsible Entity

The Responsible Entity has all the powers in respect of the Trust it is possible under the law to confer on a natural person or corporation as though it was the absolute and beneficial owner of the assets of the Trust acting in its personal capacity. These include the power to invest in any property (whether real or personal) located in any jurisdiction, to borrow or raise money, grant a security interest over the Trust assets, enter into underwriting arrangements, to give guarantees and incur liabilities and obligations of any kind. The Responsible Entity may also authorise any person to act as its agent or delegate.

(e) Responsible Entity remuneration and recovery of expenses

The Constitution makes provision for the maximum fees payable to the Responsible Entity (see Section 7.4(i)). However, the Responsible Entity has agreed to charge the fees set out in Section 7.4(c) and 7.4(d). The Responsible Entity may (only with the written consent of the Manager) change the fees without consent of the Unitholders provided the fees remain below the maximum fee. The Responsible Entity will provide at least 30 days' notice if it intends to increase the fees in those circumstances. In addition, all costs, charges, expenses and outgoings reasonably and properly incurred by the Responsible Entity in the proper performance of its duties may be payable or reimbursable out of the Trust assets (see Section 7.4(e)).

(f) Responsible Entity's liability

Except in the case of fraud, negligence or breach of trust, the Responsible Entity is indemnified out of the Trust assets for any liability (including tax liability) properly incurred by it or through any agent, manager, adviser or delegate in relation to the Trust. This indemnity is in addition to any indemnity under law.

(g) Small holdings

In certain circumstances, the Responsible Entity may sell any Units held by a Unitholder which comprise less than the minimum balance provided in the Constitution and the Listing Rules.

(h) Meetings

The Constitution includes provisions which regulate the calling, holding and voting at meetings of Unitholders. The Constitution includes provision for the Responsible Entity to permit 'direct voting' (or electronic voting) at its discretion. It also confirms the quorum for a meeting is two Unitholders who hold or represent at least 20 percent of the Units in issue.



13.2 Investment Management Agreement

(a) Services

The Manager agrees to invest and manage the Portfolio in accordance with the Investment Objective, Investment Strategy and the terms of the Investment Management Agreement. The Manager agrees to provide other ancillary services, including (without limitation) the following:

- (i) Assist and co-ordinate advice for the benefit of the Trust.
- (ii) Keep proper records and books of account in relation to the Portfolio.
- (iii) Provide all necessary information in relation to the Portfolio to assist the Responsible Entity in preparation of reports.
- (iv) Provide all necessary information to assist in the calculation of income distributions from the Trust, payment of taxes and the Trust's fees and expenses.
- (v) Provide all necessary information and assistance to service providers appointed by the Responsible Entity in connection with preparing periodic statements, valuations of the Portfolio and other matters in relation to the administration of the Trust.
- (vi) Promote and market the Trust.
- (vii) Assist the Responsible Entity with drafting announcements required to ensure the Responsible Entity complies with its obligations under the Listing Rules.

(b) Manager term and termination rights

The initial term is 10 years (expires May 2028) with automatic extensions such that there is always at least 10 years remaining unless terminated earlier in accordance with its terms.

The Investment Management Agreement gives the Responsible Entity certain termination rights including if:

- (i) the Manager becomes insolvent;
- (ii) the Manager breaches its obligations under the Investment Management Agreement in a material respect and such breach cannot be rectified or is not remedied within 14 days after receiving notice of that breach;
- (iii) the Manager ceases to carry on business;
- (iv) the Manager no longer holds an AFSL which permits it to act as an investment manager;
- (v) the Investment Manager sells or transfers all or part of its business other than to a related party or a party other than an appropriately experienced professional investment manager without the prior consent of the Responsible Entity; or
- (vi) the Manager Loan is terminated prior to repayment of the Manager Loan (for example, GCM defaults in repayment of the loan).

The Responsible Entity may also terminate the Investment Management Agreement without cause following the initial 10 year term on three months' notice if Unitholders pass an ordinary resolution directing the Responsible Entity to terminate the Manager's appointment.

The Responsible Entity agrees it will not call a meeting of Unitholders to consider an ordinary resolution to terminate the Investment Management Agreement unless it has received written notice from Unitholders representing no less than 5 percent of Units on issue.

If the Responsible Entity terminates the Investment Management Agreement without cause, then it must pay to the Manager a fee equal to the aggregate management fee paid to the Manager in the 12-month period up to the date of termination. Furthermore, subject to the consent of the Responsible Entity (not to be unreasonably withheld), the Manager may appoint a replacement manager within the three month notice period provided the nominated replacement:

- (i) holds an AFSL with appropriate authorisations; and
- (ii) is an established investment manager with a substantially similar level of expertise that has demonstrated an ability to professionally and competently perform duties required by the Investment Management Agreement.

The Manager may at any time give notice in writing to the Responsible Entity terminating the Investment Management Agreement to take effect 3 months after the date of the notice.

Following termination, the Responsible Entity must take all reasonable steps to facilitate the transfer of the Portfolio from the Manager.



(c) Exclusivity

The Manager is appointed on an exclusive basis and the Responsible Entity agrees not to appoint another party to manage the Trust during the term of the Investment Management Agreement.

The Manager may from time-to-time perform similar investment and management services for itself and other persons similar to the services performed for the Trust, provided the Manager does not prejudice or otherwise derogate its responsibilities.

(d) Fees

The Manager is entitled to receive a management fee calculated as a percentage of the Net Tangible Assets of the Trust. The management fee is calculated and accrued daily and paid monthly in arrears from the Trust's assets. See Section 7 for further information about fees and costs.

If the Investment Management Agreement is terminated by the Responsible Entity, then the Responsible Entity must, within 90 days, cause the name of the Trust to be changed to a name that does not imply an association with the Gryphon Group or its business.

If the Trust's name has not been changed within 90 days of the date of termination, then the Manager will grant a licence to use the "Gryphon" name for so long as the Trust's name includes the word "Gryphon" in return for a licence fee equal to 1.0% per annum of the net value of the Portfolio.

(e) Amendment

The Investment Management Agreement may be amended by the written agreement of the Responsible Entity and the Manager.

(f) Powers and discretions

Subject to the Corporations Act, the Listing Rules and any guidelines issued by the Responsible Entity from time-to-time, the Manager has the powers necessary to invest money in or available to the Trust, and make, hold, realise and dispose of investments in the Portfolio, on behalf of the Trust.

(g) Delegation

The Manager must not delegate any of its duties, responsibilities, functions and powers, or appoint any other person to perform the services listed in Section 13.2(a) without the prior written consent of the Responsible Entity.

(h) Management of potential conflicts

The Manager will manage all conflicts in accordance with its conflicts of interest policy, described in Section 14.2.

(i) Other material terms

(i) *Manager indemnity*

The Responsible Entity indemnifies the Manager against any liabilities incurred by the Manager arising out of, or in connection with the Manager or any of its officers or agents properly acting under the Investment Management Agreement except to the extent that any liability is caused by the negligence, fraud, default or dishonesty of the Manager or any of its officers, employees or agents or the Manager's breach of the Investment Management Agreement, the Manager's failure to meet the prescribed standard of care or any act or omission of the Manager or any of its officers, employees or agents that causes the Responsible Entity to be liable to Unitholders for which the Responsible Entity has no right of indemnity from the Trust.

(ii) *Responsible Entity indemnity*

The Manager indemnifies and holds harmless the Responsible Entity, both as responsible entity of the Trust and personally, and any of its officers, employees or agents against any liabilities reasonably incurred by the Responsible Entity and the Trust arising out of, or in connection with, any negligence, fraud, default or dishonesty of the Manager or any of its officers, employees or agents, the Manager's breach of the Investment Management Agreement or failure to meet the prescribed standard of care, the Responsible Entity properly performing its obligations under the Investment Management Agreement or any act or omission of the Manager or any of its officers, employees or agents that causes the Responsible Entity to be liable to Unitholders for which the Responsible Entity has no right of indemnity from the Trust.



13.3 Offer Management Agreement

The Responsible Entity, Manager and GCM have entered into the Offer Management Agreement with the Joint Arrangers under which the Joint Arrangers have been appointed to arrange, manage and act as sole bookrunner to the Offer. A summary of the key terms of the offer management agreement are set out below.

(a) Fees and expenses

Gryphon Group will pay:

- (i) the Joint Arrangers a joint lead arranger fee equal to 0.20% plus GST of the total amount raised under the Offer;
- (ii) the Joint Arrangers a management fee equal to 0.75% plus GST of the total amount raised under the Offer; and
- (iii) each Joint Arranger a selling fee of 1.25% plus GST of the amount raised from the New Units which that Joint Arranger, its Brokers, co-managers and affiliates has procured applications for under the Offer.
- (iv) to any other broker to whom New Units have been allocated under the Entitlement Offer, a selling fee of 1.25% plus GST of the amount raised from the New Units which that broker has procured applications for under the Entitlement Offer.

The Joint Arrangers are also entitled to be reimbursed for all reasonable expenses incurred in connection with the Offer Management Agreement, this PDS and the Offer.

(b) Indemnity

The Responsible Entity and the Manager jointly and severally indemnify the Joint Arrangers, their Related Bodies Corporate, and the directors, employees, agents and advisers of the Joint Arrangers and their Related Bodies Corporate (Indemnified Parties) against any liabilities they incur in relation to the Offer, this PDS or the Offer Management Agreement, except to the extent that such liability arises out of, or in connection with an Indemnified Party's fraud, wilful misconduct or gross negligence.

(c) Warranties and representations

The Offer Management Agreement contains customary warranties and representations to be provided by the Responsible Entity, the Manager and the Joint Arrangers, such as having the necessary corporate power and authority to enter into the agreement. The Responsible Entity and the Manager provide additional representations and warranties, including that this PDS complies with the requirements of the Corporations Act and the Listing Rules.

(d) Termination

The Offer Management Agreement contains a number of customary and usual events under which the agreement may be terminated, including any non-compliance of any aspect of the Offer in respect of the Corporations Act or the Listing Rules, or a member of the Gryphon Investment Team is removed or replaced.

13.4 Manager Loan

A portion of the funds raised from the Offer will be invested in the Manager Loan. The Manager Loan is an arm's length unsecured loan advanced to GCM which is part of the Gryphon Group. GCM may use the funds advanced to it under the Manager Loan as working capital. For example, these funds may be used to provide ongoing services to the Trust including but not limited to investor relations, capital management, to facilitate future fundraisings and to fund the costs of the Offer.

GCM is required to pay principal and interest on the Manager Loan regularly throughout the term in accordance with an agreed amortisation schedule.

The Manager Loan permits GCM to make further drawdowns from time to time, provided the drawdown does not mean the amount owing exceeds the amount agreed in the amortisation schedule. GCM will make a further drawdown of the Manager Loan of up to a maximum of 3% of the Offer proceeds, adjusted for the amortisation schedule applicable at the time of the drawdown (which may increase the Manager Loan by up to \$2.756 million if the Offer is fully subscribed) with the intention of removing any immediate decline on the NTA per Unit as a result of the offer costs. Funds drawn will be used by GCM to meet the costs of the Offer.



The following is a summary of the key details of the Manager Loan. The precise amount will not be known until after the Offer is finalised.

| | |
|----------------------|---|
| Loan amount | The outstanding balance of the Manager Loan as at 30 September 2019 is \$8,060,256. Following completion of the Offer, the Manager Loan may be increased by an amount up to a maximum of 3% of the proceeds of the Offer, adjusted for the amortisation schedule applicable at the time of the drawdown (equating to a maximum of \$2,755,608 if the Offer is fully subscribed). See Section 10. |
| Interest rate | 5% per annum, payable monthly in arrears. If the borrower is in default, then the interest rate is 7% per annum. |
| Term | 10 years from initial drawdown. The Manager Loan is repayable in full on 21 May 2028. |
| Principal repayments | Repayable monthly in instalments during the term of the loan such that the loan is fully amortised within the Term in accordance with an agreed amortisation schedule. The borrower may repay principal early in full or in part without penalty. Principal payments made in advance may be redrawn provided the draw down does not mean the amount owing exceeds the amount agreed in the amortisation schedule. |
| Security | The Manager Loan is unsecured. This means it will rank behind any secured debt of GCM. |

GCM is liable to repay the Manager Loan, even if Gryphon Capital Investments Pty Limited is removed as investment manager of the Trust.

14. Additional information

14.1 Disclosure of interests

Other than as set out in this PDS, there are no existing agreements or arrangements and there are no currently proposed transactions in which the Responsible Entity was, or is to be, a participant, and in which any related party had or will have a direct or indirect material interest. The Investment Management Agreement and other material contracts have been entered into on arm's length terms between the Responsible Entity and the Manager.

14.2 Conflicts of interests and related party transactions

The Responsible Entity and the Manager may from time-to-time face conflicts between their duties to the Trust as the responsible entity or the manager, their duties to other funds they manage (if applicable) and their own interests. For example, the Manager currently holds mandates for institutional clients to invest funds held in separately managed accounts. It is possible some of the mandates for institutional clients will be similar to the investment mandate of the Trust. The Manager has developed an allocation policy (see Section 5.12) and a conflict of interest policy to provide reasonable assurance that investments will be allocated appropriately and fairly among its clients.

The Responsible Entity and Manager each maintain and comply with a written policy on related party transactions, including the assessment and approval processes for such transactions and arrangements to manage conflicts of interest. The policy ensures that any actual or potential conflicts of interest are identified and appropriately dealt with.

The Responsible Entity and Manager may from time-to-time enter into other transactions with related entities. All transactions will be effected at market rates or at no charge, and in accordance with the Corporations Act. By investing in the Trust, to the maximum extent permitted by law, Unitholders will be deemed to have acknowledged the existence of such actual and potential conflicts of interest and to have waived any claim with respect to the existence of any such conflict of interest.



14.3 Interests of experts and advisers

Except as disclosed in this PDS, no amounts of any kind have been paid or agreed to be paid to any expert, stockbroker, promoter or any other person named in this PDS as performing a function in a professional capacity in connection with the preparation and distribution of the PDS, or to any firm in which any of those persons is or was a partner or to any company in which any of those persons is or was associated, for services rendered by that person in connection with the formation or promotion of the Trust or the Offer under this PDS.

- (a) PwC Securities Limited – has prepared the Investigating Accountant's Report on the Historical and Pro Forma Historical Financial Information in Section 10. In respect of these services, the Manager will pay approximately \$40,000 (plus GST and disbursements) to PwC Securities Limited.
- (b) PricewaterhouseCoopers (tax division) – has reviewed section 11 of this PDS, which sets out a general description of the Australian income tax, Goods and Services Tax (GST) and stamp duty implications for Australian investors and New Zealand income tax implications for New Zealand investors of the Offer. In respect of these services, the Manager will pay approximately \$6,000 (plus GST and disbursements) to PricewaterhouseCoopers.
- (c) Morgans and NAB have been appointed as the Joint Arrangers to the offer. In accordance with the Offer Management Agreement, the Gryphon Group will pay the following:
 - (i) an arranger fee equal to 0.20% plus GST of the total amount raised under the Offer (paid to the Joint Arrangers in equal proportions);
 - (ii) a management fee equal to 0.75% plus GST of the total amount raised under the Offer (paid to the Joint Arrangers in equal proportions); and
 - (iii) each Joint Arranger a selling fee of 1.25% plus GST of the amount raised from the New Units which that Joint Arranger, its Brokers, co-managers and affiliates has procured applications for under the Offer.
- (d) McMahon Clarke – has acted as the Trust's legal advisers and in that capacity has been involved in undertaking due diligence enquiries for the preparation of this PDS and providing legal advice to the Trust in relation to the Offer.

14.4 Offer expenses

The Gryphon Group will pay the costs and expenses associated with the Offer.

The total estimated costs and expenses in connection with the Offer (including advisory, legal, accounting, tax, listing and administrative fees) are estimated to be \$3 million inclusive of GST.

14.5 Consents

Each of the parties referred below has given and not, before lodgement of this PDS with ASIC, withdrawn its written consent to the inclusion of the statements in this PDS made in the capacity specified below in the form and content in which the statements appear:

- (a) Gryphon Capital Investments Pty Limited – the Manager of the Trust.
- (b) Mainstream Fund Services Pty Limited – Administrator for the Trust.
- (c) Boardroom Pty Limited – Unit registry.
- (d) PwC Securities Limited – Investigating Accountant.
- (e) PricewaterhouseCoopers – Auditors of the Trust.
- (f) McMahon Clarke – solicitor to the Offer.
- (g) Morgans Financial Limited – Joint Arranger to the Offer.
- (h) National Australia Bank Limited – Joint Arranger to the Offer.
- (i) Bell Potter Securities Limited – Co-Manager to the Offer.
- (j) Canaccord Genuity Patersons Limited – Co-Manager to the Offer.
- (k) Crestone Wealth Management Limited – Co-Manager to the Offer.
- (l) Ord Minnett Limited – Co-Manager to the Offer.

Each of the Joint Arrangers and Co-Managers has consented to being named as specified above, but do not make any statement in this PDS, nor is any statement in this PDS based on any statement by that Joint Arranger or Co-Manager.



The Joint Arrangers and the Co-Managers have not authorised, permitted or caused the issue or lodgement, submission, dispatch or provision of this PDS and there is no statement in this PDS which is based on any statement made by any of them or by any of their respective affiliates, officers or employees. None of the Joint Arrangers, the Co-Managers or their respective affiliates, officers, employees, partners, advisers, contractors or agents warrants or guarantees the future performance of the Trust, the repayment of capital or any return on any investment made pursuant to this PDS.

To the maximum extent permitted by law, the Joint Arrangers, the Co-Managers and each of their respective affiliates, officers, employees, partners, advisers, contractors and agents expressly disclaim all liabilities in respect of, make no representations regarding, and take no responsibility for, any part of this PDS other than references to their respective names and make no representation or warranty as to the currency, accuracy, reliability or completeness of this PDS.

14.6 Legal proceedings

As at the date of this PDS the Trust is not engaged in any litigation, and as far as the Responsible Entity is aware, no litigation involving the Trust is pending or threatened.

14.7 Environmental and ethical considerations

Whilst the Responsible Entity and Manager each intend to conduct their affairs in an ethical and sound manner, the Trust's investment criteria does not include giving additional weight to labour standards, environmental, social or ethical considerations when making or realising an investment of the Trust.

14.8 Complaints handling

The Responsible Entity takes complaints seriously and aims to resolve all complaints as quickly as possible. In the first instance, if you have a complaint, then you should notify the Responsible Entity immediately using the following contact details:

Address Level 11, 20, Hunter Street
Sydney NSW 2000
Post Complaints Officer
PO Box R1471
Royal Exchange NSW 1225
Phone 02 8277 0000
Email complaints@oneasset.com.au

Once the Responsible Entity receives a complaint, the Responsible Entity will acknowledge it as soon as practicable and investigate the complaint with a view to resolving it and responding as soon as possible.

If you are a Retail Investor and not satisfied with the Responsible Entity's response, then you can refer your complaint to the Australian Financial Complaints Authority, an external complaints handling body of which the Responsible Entity is a member. The role of this body is to provide you a free and independent assessment of your complaint. The Australian Financial Complaints Authority can be contacted as follows:

Post Australian Financial Complaints Authority
GPO Box 3
Melbourne VIC 3001
Phone 1800 931 678
Fax +61 3 9613 6399
Email info@afca.org.au



14.9 Your Privacy

In applying to invest and completing an Application Form, you are providing the Unit Registry, Administrator and the Responsible Entity with certain personal details (your name, address, etc.). In applying under the Offer via a Broker, your information will also be provided to the Joint Arrangers who will hold this information on behalf of the Responsible Entity and Administrator. The Unit Registry, Administrator and the Responsible Entity use this information to establish and manage that investment for you.

The Responsible Entity and the Manager may also use your personal information to tell you about other products and services offered by the Responsible Entity or the Manager or other related bodies corporate.

Under the Privacy Act 1988 (Cth), you can access personal information about you that is held by, or on behalf of, the Responsible Entity or the Manager ('us') except in limited circumstances. Please let us know if you think the information is inaccurate, incomplete, or out of date. You can also tell us by written communication, at any time, not to pass-on your personal information.

If you do not provide your contact details and other information, then your Application Form may not be able to be processed.

Under various laws and regulatory requirements, we may have to pass-on certain information to other organisations, such as the ATO, or AUSTRAC.

By applying to invest, you give us permission to pass-on information we hold about you to other companies which are involved in helping us administer the Trust, or where they require it for the purposes of compliance with FATCA and CRS.

A copy of the Responsible Entity's Privacy Policy and the APP is available on the Responsible Entity's website www.oneinvestment.com.au or by contacting the Responsible Entity on 02 8277 0000.

14.10 Foreign tax compliance disclosure

The Foreign Account Tax Compliance Act (FATCA) is United States (US) legislation that enables the US Internal Revenue Service to identify and collect tax from US residents that invest in assets through non-US entities. The OECD Common Reporting Standards for Automatic Exchange of Financial Account Information (CRS) is a similar global regime aimed at collecting and reporting on an investor's tax status. If you are a foreign resident for tax purposes, then you should note the Trust will comply with its FATCA and CRS obligations by collecting, retaining and reporting about certain investors to the ATO.

14.11 Indemnity

The Responsible Entity is indemnified out of the Trust against all liabilities incurred by it in properly performing or exercising any of its powers in the proper performance of its duties in relation to the Trust. This indemnity includes any liability incurred as a result of any act or omission of a delegate or agent appointed by the Responsible Entity. Subject to the law, the Responsible entity may retain or pay out from the assets of the Trust any sum necessary to effect such an indemnity.



15. Glossary

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| \$ | Australian dollars. All amounts in this PDS are in Australian dollars unless otherwise stated. |
| ABS | Asset backed security. |
| ADI | Authorised deposit-taking institution. |
| Additional New Units | New Units applied for by an Eligible Unitholder in excess of their Entitlement under the Oversubscription Facility. |
| Administrator | Mainstream Fund Services Pty Limited ACN 118 902 891 AFSL 303 253. |
| AEDT | Australian Eastern Daylight Saving Time. |
| AFSL | Australian financial services licence. |
| APP | Australian Privacy Principles. |
| Applicant | A person who submits a valid Application Form and required Application Amount pursuant to this PDS and who has an Australian or New Zealand residential address. |
| Application | An application for New Units and Additional New Units under this PDS. |
| Application Amount or Application Monies | Money submitted by Applicants under the Offer in cleared funds. |
| Application Form | The Entitlement and Acceptance Form/or the Shortfall Offer Application Form attached to or accompanying or provided with this PDS for investors to apply for New Units under the Offer. |
| APRA | The Australian Prudential Regulation Authority. |
| ASIC | Australian Securities and Investments Commission. |
| ASX | ASX Limited ABN 98 008 624 691 or the market it operates (Australian Securities Exchange), as the context requires. |
| ASX Principles | The ASX Corporate Governance Principles and Recommendations 4th Edition (2019) of the ASX Corporate Governance Council as at the date of this PDS. |
| ATO | Australian Taxation Office. |
| August Offer | The \$108.0m entitlement and shortfall offer completed by the Trust on 13 August 2019 and the subsequent \$14.0m private placement completed on 20 August 2019. |
| AUSTRAC | The Australian Transaction Reports and Analysis Centre. |
| Authorised Investment | An investment in which the Trust may invest as described in Section 5.6. |
| Board | The board of directors of the Responsible Entity. |
| Broker | Any ASX participating organisation selected by the Joint Arrangers in consultation with the Responsible Entity and the Manager to act as a broker to the Offer. |
| Business Day | A day, other than a Saturday, Sunday or public holiday on which Australian banks are open for business in Sydney, Australia. |
| CHESS | Clearing House Sub-register System which is the Australian settlement system for equities and other issued products traded on ASX. |



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| Constitution | The constitution of the Trust as amended from time to time. |
| Corporations Act | The Corporations Act 2001 (Cth) for the time being in force together with the regulations. |
| CPI | Consumer Price (All Groups) Index. |
| CRS | Common Reporting Standard. |
| Custodian | One Managed Investment Funds Limited ACN 117 400 987 AFSL 297042. |
| Eligible Unitholder | Has the meaning given to that term in Section 2.4. |
| Entitlement | The number of New Units each Eligible Unitholder is invited to apply for under the Entitlement Offer as designated on their personalised Entitlement and Acceptance Form. |
| Entitlement and Acceptance Form | The personalised form for participation in the Entitlement Offer provided to Eligible Unitholders. |
| Entitlement Offer | The pro rata non-renounceable entitlement offer under which Eligible Unitholders are invited to apply for 1 New Unit for every 3 existing Units held on the Record Date at \$2.01 per New Unit to raise up to \$103,578,699. |
| Entitlement Offer Issue Date | The date on which the Units are issued under the Entitlement Offer, which is expected to be 2 December 2019. |
| Excess Amount | Any monies that an Eligible Unitholder pays above the full amount of Application Monies for its whole Entitlement. |
| FATCA | U.S. income tax laws commonly referred to as the Foreign Account Tax Compliance Act. |
| GCM | Gryphon Capital Management Pty Limited ACN 168 316 103. |
| Gryphon Investment Committee | Steven Fleming and Ashley Burtenshaw. |
| Gryphon Investment Team | Steven Fleming, Ashley Burtenshaw, Shane Stanton, Sergey Podzorov and Vijay Singh. |
| Gryphon Group | Gryphon Capital Partners Pty Limited ACN 167 843 129 or one of its Related Bodies Corporate. |
| GST | Goods and Services Tax. |
| Ineligible Unitholder | A Unitholder who is not an Eligible Unitholder. |
| Institutional Investors | An Applicant to whom offers or invitations in respect of New Units can be made without the need for a product disclosure statement under the Corporations Act. |
| Investigating Accountant | PwC Securities Limited. |
| Investigating Accountant's Report | The report by the Investigating Accountant in Section 12. |
| Investment Grade | A BBB- rating or higher provided by a Rating Agency. |
| Investment Guidelines | The investment guidelines of the Trust as set out in Section 5.6. |
| Investment Management Agreement | The agreement between the Trust and the Manager, a summary of which is included in Section 13.2. |
| Investment Objective | The objectives that the Trust seeks to achieve through its investments, as set out in Section 5.5. |
| Investment Strategy | The investment strategy of the Trust, as set out in Section 5. |



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| IPO | The initial public offering of Units in the Trust under which the Trust listed on ASX. |
| Joint Arrangers | Morgans and NAB. |
| Listing Rules | The official Listing Rules of ASX as amended or waived from time to time. |
| LMI | Lenders mortgage insurance. See Section 4.9. |
| LTV | Loan to value which is a measure of the size of the principal outstanding on the loan relative to the value of the underlying security supporting the loan. |
| Manager or Gryphon | Gryphon Capital Investments Pty Limited ACN 167 850 535 AFSL 454552. |
| Manager Loan | A loan provided by the Trust to GCM the terms of which are summarised at Section 13.4. |
| Morgans | Morgans Financial Limited ABN 49 010 669 726 AFSL 235410. |
| NAB | National Australia Bank Limited ABN 12 004 044 937 AFSL 230686. |
| Net Tangible Asset Backing or NTA | The value of the Trust's total assets reduced by the Trust's intangible assets and the Trust's total liabilities, which includes declared but unpaid distributions and unpaid management fees earned, as calculated in accordance with the Listing Rules. |
| New Units | A Unit offered and issued under the Offer. |
| Non-Conforming RMBS | Non-Conforming loans are residential mortgage loans that would not typically qualify for a loan from a traditional prime lender and are generally not eligible to be covered by LMI. Borrowers may not qualify due to past credit events, non-standard income or large loan size. |
| Offer | The Entitlement Offer and the Shortfall Offer. |
| Offer Closing Date | The date the Offer closes, being 25 November 2019, or such other date as determined by the Responsible Entity in its discretion. |
| Offer Management Agreement | An agreement between the Responsible Entity, the Manager and the Joint Arrangers, which is summarised in Section 13.3. |
| Offer Period | The period during which investors may subscribe for New Units and Additional New Units under the Offer. |
| Offer Price | \$2.01 per New Unit. |
| OIG | The One Investment Group of companies. |
| Opening Date | The date the Offer opens, which is 12 November 2019. |
| Original PDS | The product disclosure statement dated 6 March 2018 and supplementary product disclosure statement dated 30 April 2018 issued as part of the IPO. |
| Originator | In respect of a securitisation, the originator is the party who originally held the assets which form the collateral (or security) for the bond issue. |
| Oversubscription Facility | The facility by which Eligible Unitholders who take up their Entitlement in full may also apply for Additional New Units in excess of their Entitlements at the Offer Price. |
| PDS | This product disclosure statement dated 4 November for the Offer. |
| Portfolio | The portfolio of investments of the Trust from time to time. |
| PricewaterhouseCoopers or PwC | PricewaterhouseCoopers Australia ABN 52 780 433 757 |



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| PwC Securities Limited | PricewaterhouseCoopers Securities Limited ABN 54 003 311 617. |
| Rating Agency | Standard & Poors, Moodys, FitchRatings or an independent, third party consultant that applies credit rating criteria consistent with the credit rating criteria of Standard & Poors, Moodys or FitchRatings. |
| RBA Cash Rate | The interest rate which banks pay to borrow funds from other banks in the money market on an overnight basis as published by the Reserve Bank of Australia. |
| Record Date | 7.00 pm (AEDT) on 7 November 2019. |
| Related Body Corporate | Has the meaning given to that term in the Corporations Act. |
| Responsible Entity | One Managed Investment Funds Limited ACN 117 400 987 AFSL 297042. |
| Retail Investor | An Applicant who is not an Institutional Investor. |
| RITC | Reduced input tax credits. |
| RMBS | Residential mortgaged backed security. |
| Shortfall | Any New Units or Additional New Units not taken up by Eligible Unitholders under the Entitlement Offer or the Oversubscription Facility. |
| Shortfall Offer | The shortfall offer described in Section 2.6. |
| Shortfall Offer Issue Date | The date on which New Units are issued under the Shortfall Offer, which is expected to be 9 December 2019. |
| Target Return | RBA Cash Rate plus 3.50% per annum net of fees, through the economic cycle. |
| TFN | Tax file number. |
| Trust | The Gryphon Capital Income Trust ARSN 623 308 850. |
| Unit | An ordinary unit in the Trust. |
| Unitholder | A registered holder of a Unit. |
| Unit Registry | Boardroom Pty Limited ACN 003 209 836. |

