Gryphon Capital Income Trust
ARSN 623 308 850
Appendix 4E
For the year ended 30 June 2019

Details of Reporting Period

Current: Year ended 30 June 2019

Previous corresponding: Period 20 December 2017 to 30 June 2018

The Trust is a registered managed investment scheme that was constituted on 7 December 2017, registered on 20 December 2017, commenced operations on 21 May 2018 and its units commenced trading on the Australian Securities Exchange (ASX: GCI) on 25 May 2018.

The directors of One Managed Investment Funds Limited, the Responsible Entity of the Gryphon Capital Income Trust (the "Trust") announce the audited results of the Trust for the year ended 30 June 2019 as follows:

Results for announcement to the market

Extracted from financial statements for the year ended 30 June 2019.

	Movement	Movement %	$'000
Revenue for the year from ordinary activities	Up	1,523%	10,629
Profit/(loss) for the year	Up	1,858%	8,868
Total comprehensive income/(loss) for the year	Up	1,858%	8,868

Details of distributions

During the year, the directors declared monthly distributions totalling 9.63 cents per ordinary unit which amounted to $8,543,547.

Details of distribution reinvestment plan
N/A

Net Tangible Assets

	As at 30 June 2019	As at 30 June 2018
Total Net Tangible Assets attributable to unitholders ($'000)	187,496	175,350
Units on issue ('000)	93,561	87,650
Net Tangible Assets attributable to unitholders per unit ($)	2.00	2.00

Control gained or lost over entities during the year

The Trust did not gain or lose control over entities during the year.

Details of associates and joint venture entities

The Trust did not have any interest in associates and joint venture entities during the year.

Independent audit report

This report is based on the financial report which has been audited. All the documents comprise the information required by Listing Rule 4.3A.

Gryphon Capital Income Trust (GCI)

ARSN 623 308 850

Annual Report

For the year ended 30 June 2019

Gryphon Capital Income Trust (GCI)

ARSN 623 308 850

Annual Report

For the year ended 30 June 2019

Contents

The financial statements covers the Gryphon Capital Income Trust as an individual entity.

The Responsible Entity of the Gryphon Capital Income Trust is One Managed Investment Funds Limited (ABN 47 117 400 987, AFSL 297 042).

The Responsible Entity's registered office is:
Level 11, 20 Hunter Street
Sydney NSW 2000

Directors' report

The directors of One Managed Investment Funds Limited (ABN 47 117 400 987, AFSL 297 042) ("OMIFL" or the "Responsible Entity"), the responsible entity of the Gryphon Capital Income Trust ("the Trust"), present their report together with the financial statements of the Trust for the year ended 30 June 2019 and the auditor's report thereon.

Principal activities

The Trust is a registered managed investment scheme that was constituted on 7 December 2017, registered on 20 December 2017, commenced operations on 21 May 2018 and its units commenced trading on the Australian Securities Exchange (ASX: GCI) on 25 May 2018.

The Trust's investment strategy is to invest in a diversified portfolio of residential mortgage backed securities ("RMBS") and asset backed securities ("ABS") with Australian domiciled issuers in accordance with the Trust's investment guidelines and the provisions of the Trust's Constitution.

Gryphon Capital Investments Pty Ltd (AFSL 454 552) is the Investment Manager of the Trust ("Investment Manager").

The Trust did not have any employees during the year.

Directors and Senior Management

The following persons held office as directors and company secretaries of the Responsible Entity during the year and up to the date of this report:

Name	Title
Frank Tearle	Executive Director and Company Secretary
Sarah Wiesener	Executive Director (appointed as a director on 26 October 2018) and Company Secretary
Justin Epstein	Non-executive Director from 1 January 2019 (Executive Director to 31 December 2018)
Elizabeth Reddy	Non-executive Director (resigned on 26 October 2018)

Units on issue

Units on issue in the Trust at the end of the year are set out below:

	As at 30 June 2019 Units ('000)	As at 30 June 2018 Units ('000)
Units on issue	**93,561**	87,650

Review and result of operations

The Investment Manager has invested the Trust portfolio in assets consistent with the Trust's investment guidelines and the provisions of the Trust's Constitution. The Trust has continued to generate attractive and sustainable monthly income in excess of the target return of RBA Cash Rate + 3.50% p.a. (net of fees).

The performance of the Trust, as represented by the results of its operations, was as follows:

	Year ended 30 June 2019	For the period 20 December 2017 to 30 June 2018
Operating profit/(loss) for the year ($'000)	**8,868**	453
Distribution paid and payable ($'000)	**8,544**	403
Distribution (cents per unit)	**9.63**	0.46

Directors' report (continued)

Review and result of operations (continued)

During the year, the directors declared monthly distributions totalling 9.63 cents per ordinary unit which amounted to $8,543,547.

Significant changes in state of affairs

Due to ongoing strong investor demand for defensive assets with stable and predictable income, the Responsible Entity of the Trust undertook to raise additional capital to allow the Investment Manager to take advantage of investment opportunities and to provide additional benefits to the existing Unitholders as outlined below.

- On 2 May 2019, the Responsible Entity announced it had completed an $11.8 million private placement of units to wholesale investors (5,911,000 units at $2.00 per unit) using the Trust's placement capacity under the ASX Listing Rules.
- On 21 June 2019, the Responsible Entity announced a capital raise by way of an Entitlement Offer and Shortfall Offer ("Offer"), which closed on 25 July 2019 and was significantly over-subscribed and achieved its maximum potential raise of approximately $108 million.

The new capital raised provides the following benefits to existing Unitholders:

(a) Additional scale, allowing the Investment Manager to further diversify the portfolio;
(b) Expands the Trust's investor base, providing greater liquidity for Unitholders; and
(c) Reduces the operating costs of the Trust on a cost per unit basis.

New units issued under the Offer rank equally with existing units on issue.

In the opinion of the directors, there were no other significant changes in the state of affairs of the Trust that occurred during the financial year.

Events subsequent to reporting date

On 24 July 2019, the directors declared a distribution of 0.84 cents per ordinary unit which amounted to $785,912 and was paid on 8 August 2019.

On 29 July 2019, the Responsible Entity announced the successful completion of the Trust's Offer (details of which were announced to the market on 21 June 2019). The Offer was oversubscribed and achieved its maximum potential raise of approximately $108 million in total at an issue price of $2.00 per new fully paid ordinary unit ("New Unit") issued.

Approximately 54 million New Units were issued under the Offer, including 19 million New Units to existing eligible unitholders under the Entitlement Offer on 1 August 2019.

Approximately 35 million New Units were issued under the Shortfall Offer on 13 August 2019.

Due to the overwhelming response to the Offer, on 13 August 2019, the Responsible Entity announced a further placement of $14 million (7,017,075 units at $2.00 per unit) to wholesale investors, utilising the Trust's available placement capacity under the ASX Listing Rules.

The Trust's total issued capital as at 23 August 2019 is approximately $309 million.

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect:

(i) the operations of the Trust in future financial years, or
(ii) the results of those operations in future financial years, or
(iii) the state of affairs of the Trust in future financial years.

Directors' report (continued)

Likely developments and expected results of operations

The Trust will continue to be managed in accordance with its investment objectives and guidelines and the provisions of the Trust's Constitution.

The results of the Trust's operations will be affected by a number of factors, including the performance of investment markets in which the Trust invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Indemnification and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Trust in regards to the insurance cover provided to the officers of the Responsible Entity or the auditor of the Trust. So long as the officers of the Responsible Entity act in accordance with the Trust's Constitution and the Law, the officers remain indemnified out of the assets of the Trust against losses incurred while acting on behalf of the Trust.

Indemnification of auditor

The auditor of the Trust is not indemnified out of the assets of the Trust.

Fees paid to and interests held in the Trust by the Responsible Entity or its associates

Fees paid to the Responsible Entity and its associates out of the Trust property during the year are disclosed in Note 16 to the financial statements.

No fees were paid out of the Trust property to the directors of the Responsible Entity during the year.

The number of interests in the Trust held by the Responsible Entity or its associates as at the end of the financial year are disclosed in Note 16 to the financial statements.

Interests in the Trust

The movement in units on issue in the Trust during the year is disclosed in Note 8 to the financial statements.

The value of the Trust's assets and liabilities is disclosed in the statement of financial position and derived using the basis set out in Note 2 to the financial statements.

Environmental regulation

The operations of the Trust are not subject to any particular or significant environmental regulations under Commonwealth, State or Territory law.

Rounding of amounts

The Trust is an entity of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and in accordance with that instrument, amounts in the financial statements and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Comparatives

The Trust was registered on 20 December 2017 and commenced operations on 21 May 2018, hence comparatives for the statement of comprehensive income, statement of changes in equity and the statement of cash flows correspond to the period from 20 December 2017 to 30 June 2018. For the statement of financial position, the previous corresponding date is 30 June 2018.

Directors' report (continued)

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

This Directors' report is signed in accordance with a resolution of directors of One Managed Investment Funds Limited, the Responsible Entity.

Sarah Wiesener
Director
One Managed Investment Funds Limited

Sydney
23 August 2019

Auditor's Independence Declaration

As lead auditor for the audit of Gryphon Capital Income Trust for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

Ben Woodbridge
Partner
PricewaterhouseCoopers

Brisbane
23 August 2019

PricewaterhouseCoopers, ABN 52 780 433 757
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

Statement of comprehensive income

	Notes	Year ended 30 June 2019 $'000	For the period 20 December 2017 to 30 June 2018 $'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	5	**149**	(27)
Total net investment income		**10,629**	655
Expenses			
Responsible Entity fees	16(h)	**112**	12
Investment Management fees	16(h)	**1,274**	138
Administrative expenses		**205**	16
Other expenses		**170**	36
Total operating expenses		**1,761**	202
Operating profit/(loss) for the financial year	8	**8,868**	453
Other comprehensive income		**-**	-
Total comprehensive income/(loss) for the financial year		**8,868**	453
Earnings per unit for profit attributable to unitholders of the Trust			
Basic and diluted gain/(loss) per unit (cents)	10	**10.01**	0.52

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

	Notes	As at 30 June 2019 $'000	As at 30 June 2018 $'000
Assets			
Cash and cash equivalents	11	**1,596**	30,434
Other receivables	13	**568**	330
Financial assets at fair value through profit or loss	6	**181,486**	139,934
Loans at amortised cost	7,16(k)	**4,843**	5,259
Total assets		**188,493**	175,957
Liabilities			
Distributions payable	9	**805**	403
Payables	14	**192**	204
Total liabilities		**997**	607
Net assets attributable to unitholders - equity	8	**187,496**	175,350

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in equity

	Notes	Year ended 30 June 2019 $'000	For the period 20 December 2017 to 30 June 2018 $'000
Total equity at the beginning of the financial year		**175,350**	-
Comprehensive income for the financial year			
Profit/(loss) for the year		**8,868**	453
Total comprehensive income for the financial year		**8,868**	453
Transactions with unitholders			
Applications	8	**11,822**	175,300
Distributions to unitholders	8	**(8,544)**	(403)
Total transactions with unitholders		**3,278**	174,897
Total net assets attributable to unitholders - equity at the end of the financial year		**187,496**	175,350

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of cash flows

	Notes	Year ended 30 June 2019 $'000	For the period 20 December 2017 to 30 June 2018 $'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	12(a)	(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	12(b)	1,596	30,434
Non-cash financing and investing activities	12(c)	-	-

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

Contents

1 General information

The financial statements cover the Gryphon Capital Income Trust (the "Trust") as an individual entity. 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 the Australian Securities Exchange (ASX: GCI) on 25 May 2018. The Trust is domiciled in Australia.

The responsible entity of the Trust is One Managed Investment Funds Limited (ABN 47 117 400 987, AFSL 297 042) (the "Responsible Entity"). The Responsible Entity's registered office is Level 11, 20 Hunter Street, Sydney NSW 2000.

The investment manager of the Trust is Gryphon Capital Investments Pty Ltd (AFSL 454 552) (the "Investment Manager").

The custodian of the Trust is One Managed Investment Funds Limited.

The Trust's investment strategy is to invest in a diversified portfolio of residential mortgage backed securities ("RMBS") and asset backed securities ("ABS") with Australian domiciled issuers in accordance with the Trust's investment guidelines and the provisions of the Trust's Constitution.

The financial statements were authorised for issue by the directors of the Responsible Entity on the date the Directors' declaration was signed. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

The general purpose financial statements have been prepared in accordance with Australian Accounting Standards, and interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001* in Australia.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities, except where otherwise stated.

The financial statements are presented in Australian dollars, which is the Trust's functional currency.

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are generally expected to be recovered or settled within twelve months, except for investments in financial assets and net assets attributable to unitholders. The amount to be recovered or settled in relation to these balances remain subject to the performance of the Trust and its operations in accordance with the Constitution. Investors in the Trust have no rights to redeem and can only sell units on the ASX. However, the Responsible Entity may undertake a buy-back of units provided it complies with the *Corporations Act 2001* and ASX Listing Rules.

(i) Compliance with International Financial Reporting Standards (IFRS)

The financial statements of the Trust also comply with IFRS as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the Trust

Certain new accounting standards and interpretations have been published that are effective for the first time for the year beginning 1 July 2018. The directors' assessment of the impact of these new standards (to the extent relevant to the Trust) and interpretations is set out below:

- AASB 9 *Financial Instruments* (and applicable amendments)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and liabilities, and replaces the multiple classification and measurement models in AASB 139. Classification of a financial asset is driven by the entity's model for managing the financial asset and the contractual cash flow characteristics of the financial asset.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(ii) New and amended standards adopted by the Trust (continued)

- AASB 9 *Financial Instruments* (and applicable amendments) (continued)

A financial asset is measured 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 amount outstanding. A financial asset is measured 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.

All other financial assets must be recognised at fair value through profit or loss (FVTPL). An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

The Trust's other financial assets including the manager's loan which are held for collection will continue to be classified and measured at amortised cost. The derecognition requirements have remained unchanged from those previously stated in AASB 139 and the Trust does not apply hedge accounting.

Please refer to Note 2 (b) (v) for changes in accounting policies as a result of AASB 9.

The adoption of AASB 9 introduces a new expected credit loss (ECL) impairment model. There was no material impact on adoption from the application of the new impairment model.

- AASB 15 *Revenue from Contracts with Customers*

AASB 15 replaces AASB 118 *Revenue* which covers contracts for goods and services and AASB 111 *Construction Contracts* which covers construction contracts. AASB 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer, thus replacing the existing notion of risks and rewards.

The Trust's main sources of income are interest and gains on financial instruments through profit or loss at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the adoption of AASB 15 does not have any impact on the Trust's accounting policies or the amounts recognised in the financial statements.

(iii) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Trust.

(b) Financial instruments

(i) Classification

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

The Trust classifies its investments based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets.

Certain debt securities are held within a business model whose objective is achieved by collecting the contractual cash flows, which represent solely payments of principal and interest (SPPI), as well as selling them. Such debt securities are classified as fair value through other comprehensive income.

The remaining debt securities are classified at fair value through profit or loss on the basis their contractual cash flows do not represent SPPI.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

(i) Classification (continued)

The Trust's other financial assets including the manager's loan which are held for collection are classified at amortised cost.

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

(ii) 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 the fair value of the financial assets or financial liabilities from this date.

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

(iii) Measurement

At initial recognition, the Trust measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in the statement of comprehensive income.

Financial assets and liabilities

- Financial assets and liabilities at fair value through other comprehensive income

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 method.

Subsequent to initial recognition, 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. For further details on how the fair values of financial instruments are determined, please see Note 4 to the financial statements.

- Financial assets and liabilities at fair value through profit or loss

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

Subsequent to initial recognition, all financial assets and liabilities at fair value through profit or loss are 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 are presented in the statement of comprehensive income in the period in which they arise. For further details on how the fair values of financial instruments are determined, please see Note 4 to the financial statements.

Debt instruments

Loan assets (Manager loan) are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Trust shall measure the loss allowance on 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.

Subsequent measurement of debt instruments depends on the Trust's business model for managing the asset and cash flow characteristics of the asset. There are two measurement categories into which the Trust classifies its debt instruments.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

(iii) Measurement (continued)

- Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income (OCI), except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- Fair value through profit or loss (FVPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

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.

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Trust has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

As at the end of the reporting period, there are no financial assets or liabilities offset or with the right to offset in the statement of financial position.

(v) Accounting policies applied until 30 June 2018

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.

(i) 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 Investment Manager in accordance with the Trust's investment 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.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

(v) Accounting policies applied until 30 June 2018 (continued)

(ii) Measurement

- 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.

- 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 decreased 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 in Note 4.

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.

(c) Net assets attributable to unitholders - equity

Units in the Trust are listed on the ASX, traded by unitholders and are therefore classified as equity. The units can be traded on the ASX at any time for cash based on listed price. While a listed investment trust, liquidity is generally expected to exist in the secondary market (ASX), there are no guarantees that an active trading market with sufficient liquidity will be available.

Under AASB 132 Financial instruments: Presentation, puttable financial instruments are classified as equity where certain strict criteria are met. The Trust classifies the net assets attributable to unit holders 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.

2 Summary of significant accounting policies (continued)

(d) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, 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.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as trading of these securities represent the Trust's main income generating activity.

(e) Investment income

(i) Interest income

The Trust generates interest income from its investments in financial assets, loans, and cash investments. Interest income is recognised daily as it accrues, taking into account the actual interest rate on the financial asset and is recognised 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 method and includes interest from cash and cash equivalents. Interest from financial assets at fair value through profit or loss is determined based on the contractual coupon interest rate and includes interest from cash and cash equivalents.

(f) Expenses

All expenses are recognised in the statement of comprehensive income on an accruals basis.

(g) Income tax

Under current legislation, the Trust is not subject to income tax provided it attributes the entirety of its taxable income to its unitholders.

The Trust may distribute its distributable income, in accordance with the Trust's Constitution, to unitholders by cash or reinvestment. The distributions are recognised in the statement of changes in equity.

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

Realised net capital losses are not distributed to unitholders but are retained in the Trust to be offset against any realised capital gains in future years. If realised capital gains exceed realised capital losses, the excess will be classified within unitholders' equity.

(h) Distributions

The Trust may distribute its distributable income, in accordance with the Trust's Constitution, to unitholders by cash or reinvestment. The distributions are recognised in the statement of changes in equity.

(i) Other receivables

Receivables may include amounts for interest and trust distributions. Trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment in accordance with the policy set out in Note 2(e) above. Amounts are generally received within 30 days of being recorded as receivables.

(j) Payables

Payables include liabilities, accrued expenses owed by the Trust and any distributions declared which are unpaid as at the end of the reporting period.

A separate distribution payable is recognised in the statement of financial position.

(k) Applications and redemptions

The Trust is a closed-end vehicle in that there are no redemptions by unitholders. Instead, while the Trust is listed, unitholders wishing to exit their investment will be able to do so via the ASX.

2 Summary of significant accounting policies (continued)

(l) 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 reduced input tax credits 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.

(m) Use of estimates and judgment

The Trust makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to the accounting estimates are recognised prospectively.

The Trust's investments are fair valued using external valuation techniques which are validated and reviewed by the Responsible Entity in conjunction with the Investment Manager.

For certain other financial instruments, including other receivables and payables, the carrying amounts approximate fair value due to the short-term nature of these financial instruments.

The adoption of AASB 9 introduced a new expected credit loss (ECL) impairment model, which has not materially impacted the Trust. Please see Note 3 for more information on credit risk.

(n) Comparatives

The Trust was registered on 20 December 2017 and commenced operations on 21 May 2018, hence comparatives for the statement of comprehensive income, statement of changes in equity and the statement of cash flows correspond to the period from 20 December 2017 to 30 June 2018. For the statement of financial position, the previous corresponding date is 30 June 2018.

(o) Rounding of amounts

The Trust is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest thousand dollars unless otherwise indicated.

3 Financial risk management

The Trust's activities expose it to a variety of financial risks including market risk (including price risk and interest rate risk), credit risk and liquidity risk.

The Trust's overall risk management programme focuses on ensuring compliance with the Trust's investment guidelines. It also seeks to maximise the returns derived for the level of risk to which the Trust is exposed and seeks to minimise potential adverse effects on the Trust's financial performance. The Trust's policy allows it to use derivative financial instruments in managing its financial risks.

All securities investments present a risk of loss of capital. The maximum loss of capital on long RMBS and ABS is limited to the fair value of those positions. The maximum loss of capital on derivatives is limited to the notional contract values of those positions.

The investments of the Trust, and associated risks, are managed by the Investment Manager under an Investment Management Agreement ("IMA") approved by the Responsible Entity, and containing the investment strategy and guidelines of the Trust.

The Trust uses different methods to measure and manage different types of risk to which it is exposed. These methods are explained below.

3 Financial risk management (continued)

(a) Market risk

(i) Price risk

Price risk is the risk that the fair value of investments will change as a result of changes in market prices, whether those changes are caused by factors specific to the individual security or factors affecting all instruments in the market. Prices do not move significantly year to year due to the accessibility/popularity of ABS and RMBS for both 30 June 2018 and 30 June 2019.

The Investment Manager manages this risk through the daily review of the carrying value of each of the assets held by the Trust having regard to the market prices of similar assets being transacted in both the primary and secondary market for assets of similar credit quality, tenor and loan purpose. Any adjustment to the fair value of the investment is reflected through profit or loss.

(ii) Interest rate risk

Interest rate risk is the risk that a financial asset's value will fluctuate as a result of changes in market interest rates.

The Trust's assets are primarily invested in floating rate RMBS and ABS whose interest rates reset monthly. Absolute returns on floating rate RMBS and ABS therefore rise and fall largely in correlation with the RBA Cash Rate.

The table below summarises the Trust's exposure to interest rate risk at 30 June 2019.

As at 30 June 2019	**Floating interest rate $'000**	**Fixed interest $'000**	**Non-interest bearing $'000**	**Total $'000**
Financial Assets				
Cash and cash equivalents	1,596	-	-	1,596
Other receivables	-	-	568	568
Financial assets at fair value through profit or loss	181,486	-	-	181,486
Loans at amortised cost	-	4,843	-	4,843
Total assets	183,082	4,843	568	188,493
Financial Liabilities				
Distributions payable	-	-	(805)	(805)
Payables	-	-	(192)	(192)
Total liabitlities	-	-	(997)	(997)
Net exposure	183,082	4,843	(429)	187,496

As at 30 June 2018	Floating interest rate $'000	Fixed interest $'000	Non-interest bearing $'000	Total $'000
Financial Assets				
Cash and cash equivalents	30,434	-	-	30,434
Other receivables	-	-	330	330
Financial assets at fair value through profit or loss	139,934	-	-	139,934
Loans at amortised cost	-	5,259	-	5,259
Total assets	170,368	5,259	330	175,957
Financial Liabilities				
Distributions payable	-	-	(403)	(403)
Payables	-	-	(204)	(204)
Total liabitlities	-	-	(607)	(607)
Net exposure	170,368	5,259	(277)	175,350

3 Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

The table at Note 3(b) summarises the impact of an increase/(decrease) of interest rates on the Trust's operating profit and net assets attributable to unitholders through changes in fair value of changes in future cash flows. The analysis is based on the assumption that the interest rates changed by +/- 100 basis points from the year end rates with all other variables held constant.

(b) Summarised sensitivity analysis

The following table summarises the sensitivity of the Trust's operating profit and net assets attributable to unitholders to market risks. The reasonably possible movements in the risk variables have been determined based on the Investment Managers best estimate, having regard to a number of factors, including historical levels of changes in interest rates and the historical correlation of the Trust's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market movements resulting from changes in the performance of and/or correlation between the performances of the economies, markets and securities in which the Trust invests. As a result, historic variations in risk variables should not be used to predict future variances in the risk variables.

	Impact on operating profit/net assets attributable to unitholders	
	Interest rate risk	
	+100bps	-100bps
	$'000	$'000
As at 30 June 2019	**73**	**(73)**
As at 30 June 2018	61	(61)

(iii) Foreign exchange risk

The Trust has no foreign exchange exposure.

(c) Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts when they fall due. The Investment Manager manages credit risk by undertaking a detailed due diligence process prior to entering into transactions with counterparties and ongoing daily monitoring of the credit exposures.

The initial due diligence process is detailed in the investment process of the Investment Manager and addresses aspects relevant to an assessment of the credit risk and includes risk assessments of both a qualitative and quantitative nature.

The Investment Manager further seeks to mitigate credit risk by adhering to the investment parameters of the Trust which have been designed in a manner that seeks to mitigate credit risk by ensuring the portfolio is diversified.

The Investment Manager determines credit risk and measures expected credit losses for financial assets measured at amortised cost using probability of default, exposure at default and loss given default. The Investment Manager considers both historical analysis and forward looking information in determining any expected credit loss. The Investment Manager considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Trust.

3 Financial risk management (continued)

(c) Credit risk (continued)

(i) Debt Securities

The Trust invests in RMBS and ABS which may be rated or credit assessed by one or more of Standard & Poors, Moody's or FitchRatings. The Trust's investment guidelines require at least 50% of the financial assets to be rated investment grade (BBB - rating or higher).

An analysis of debt by rating is set out in the table below.

Rating	30 June 2019	%	30 June 2018	%
Residential Mortgage Backed Securities				
AAA	5,000		77,724	
A	47,079		18,704	
BBB	65,818		20,902	
Total Investment Grade	**117,897**	65%	117,330	84%
BB	41,059		19,001	
B	10,113		-	
NR	12,417		3,603	
Total Non-Investment Grade	**63,589**	35%	22,604	16%
Total	**181,486**		139,934	

(ii) Cash and cash equivalents

The exposure to credit risk for cash and cash equivalents is considered low as all counterparties are investment grade Australian Authorised Deposit Institutions and all funds are placed on an 'at call' basis.

(iiii) Manager Loan

The Trust's investment in the Manager Loan measured at amortised cost is considered to have low credit risk. On adoption of IFRS9, the loss allowance was not deemed material as it has a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term.

(iv) Other

The Trust is not materially exposed to credit risk on other financial assets.

(v) Maximum exposure to credit risk

The maximum exposure to credit risk before any credit enhancements at the end of each reporting period is the carrying amount of the financial assets. None of these assets are impaired nor past due but not impaired.

(d) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

3 Financial risk management (continued)

(d) Liquidity risk (continued)

The Investment Manager monitors the Trust's cash flow requirements and undertakes cash flow forecasts including capital budgeting on a daily basis. Cash flow reconciliations are undertaken daily to ensure all income and expenses are managed in accordance with contracted obligations.

(i) Maturities of non-derivative financial liabilities

The table below analyses the Trust's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

As at 30 June 2019	**Less than 1 month $'000**	**1 to 6 months $'000**	**6 to 12 months $'000**	**Over 12 months $'000**	**Total $'000**
Distributions payable	**805**	**-**	**-**	**-**	**805**
Payables	**192**	**-**	**-**	**-**	**192**
Contractual cash flows (excluding derivatives)	**997**	**-**	**-**	**-**	**997**

As at 30 June 2018	Less than 1 month $'000	1 to 6 months $'000	6 to 12 months $'000	Over 12 months $'000	Total $'000
Distributions payable	403	-	-	-	403
Payables	204	-	-	-	204
Contractual cash flows (excluding derivatives)	607	-	-	-	607

4 Fair value measurements

The Trust measures and recognises financial assets and liabilities at fair value through profit or loss on a recurring basis.

The Trust has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Observable prices from an independent pricing provider in markets which are not defined as active (level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The Trust values its investments in accordance with the accounting policies set out in Note 2 to the financial statements. The Trust's investments in RMBS and ABS are classified as financial assets and the Trust relies on daily security pricing provided by a specialist, independent fixed income pricing provider for the valuation of its financial assets.

(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.

4 Fair value measurements (continued)

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

RMBS and ABS 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.

Recognised fair value measurements
The tables below set out the Trust's financial assets measured at fair value according to the fair value hierarchy at 30 June 2019.

At 30 June 2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets at fair value through profit or loss				
Residential Mortgage Backed Securities and Asset backed Securities	-	181,486	-	181,486
Total financial assets at fair value through profit or loss	-	181,486	-	181,486
Total financial assets	-	181,486	-	181,486

At 30 June 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets at fair value through profit or loss				
Residential Mortgage Backed Securities and Asset backed Securities	-	139,934	-	139,934
Total financial assets at fair value through profit or loss	-	139,934	-	139,934
Total financial assets	-	139,934	-	139,934

5 Net gains/(losses) on financial instruments at fair value through profit or loss

	Year ended 30 June 2019 $'000	For the period 20 December 2017 to 30 June 2018 $'000
Financial assets		
Net gain/(loss) on financial assets as at fair value through profit or loss	149	(27)
Total net gains/(losses) on financial instruments at fair value through profit or loss	149	(27)

6 Financial assets at fair value through profit or loss

	As at 30 June 2019 $'000	As at 30 June 2018 $'000
Residential Mortgage Backed Securities and Asset Backed Securities	181,486	139,934
Total financial assets at fair value through profit or loss	181,486	139,934

7 Loans at amortised cost

	As at 30 June 2019 $'000	As at 30 June 2018 $'000
Loan to Gryphon Capital Management Pty Ltd	4,843	5,259
Total loans at amortised cost	**4,843**	5,259

Refer to Note 16(k) for further details of these loans.

8 Net assets attributable to unitholders - equity

Movements in number of units and net assets attributable to unitholders during the year were as follows:

	Year ended 30 June 2019 Units ('000)	$'000	For the period 20 December 2017 to 30 June 2018 Units ('000)	$'000
Opening balance	87,650	175,350	-	-
Applications	5,911	11,822	87,650	175,300
Distributions to unitholders	-	(8,544)	-	(403)
Profit/(loss) for the year	-	8,868	-	453
Closing balance	**93,561**	**187,496**	87,650	175,350

As stipulated within the Trust's Constitution, each unit represents a right to an individual interest in the Trust and does not extend to a right to the underlying assets of the Trust. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Trust.

Capital risk management

The Trust considers its net assets attributable to unitholders as capital. There is minimal capital risk movement as redemptions are not allowed back to the Trust.

9 Distributions to unitholders

The distributions were paid/payable as follows:

	Year ended 30 June 2019 $'000	Year ended 30 June 2019 Cents per unit	For the period 20 December 2017 to 30 June 2018 $'000	For the period 20 December 2017 to 30 June 2018 Cents per unit
Distributions				
31 July	421	0.48	-	-
31 August	543	0.62	-	-
30 September	650	0.74	-	-
31 October	771	0.88	-	-
30 November	754	0.86	-	-
31 December	771	0.88	-	-
31 January	771	0.88	-	-
28 February	701	0.80	-	-
31 March	789	0.90	-	-
30 April	745	0.85	-	-
31 May	823	0.88	-	-
30 June (payable)	805	0.86	403	0.46
Total distributions	**8,544**	**9.63**	403	0.46

During the year, the directors declared monthly distributions totalling 9.63 cents per ordinary unit which amounted to $8,543,547.

10 Earnings per unit

Earnings per unit amounts are calculated by dividing net profit/(loss) attributable to unitholders before distributions by the weighted average number of units outstanding during the year.

	Year ended 30 June 2019	For the period 20 December 2017 to 30 June 2018
Operating profit/(loss) attributable to unitholders ($'000)	**8,868**	453
Weighted average number of units on issue ('000)	**88,605**	87,650
Basic and diluted earnings per unit (cents)	**10.01**	0.52

11 Cash and cash equivalents

	As at 30 June 2019 $'000	As at 30 June 2018 $'000
Cash at bank	**996**	22,434
Cash equivalents	**600**	8,000
Total cash and cash equivalents	**1,596**	30,434

12 Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	Year ended 30 June 2019 $'000	For the period 20 December 2017 to 30 June 2018 $'000
(a) Reconciliation of operating profit to net cash inflow/(outflow) from operating activities		
Profit/(loss) for the year	**8,868**	453
Proceeds from sale of financial assets	**103,205**	-
Repayment of principal of financial assets	**5,712**	1,324
Purchase of financial assets	**(150,320)**	(141,285)
Net change in financial assets at fair value through profit or loss	**(149)**	27
Net change in receivables	**(238)**	(330)
Net change in accounts payable	**(12)**	204
Net cash outflow from operating activities	**(32,934)**	(139,607)

(b) Components of cash and cash equivalents

Cash as at the end of the financial year as shown in the statement of cash flows is reconciled to the statement of financial position as follows:

Cash and cash equivalents	**1,596**	30,434
	1,596	30,434

(c) Non-cash financing and investing activities

During the year, there were no non-cash financing and investing activities.

13 Other receivables

	As at 30 June 2019 $'000	As at 30 June 2018 $'000
Interest receivable	510	328
GST receivable	28	2
Prepayments	30	-
Total other receivables	**568**	330

14 Payables

	As at 30 June 2019 $'000	As at 30 June 2018 $'000
Responsible Entity fees payable	10	12
Management fees payable	111	138
Administrative expenses payable	17	16
Other payables	54	38
Total payables	**192**	204

15 Remuneration of auditor

During the year the following fees were paid or payable for services provided by the auditor of the Trust:

	Year ended 30 June 2019 $	For the period 20 December 2017 to 30 June 2018 $
PricewaterhouseCoopers Australian Firm		
Audit and other assurance services		
Audit and review of financial statements	39,350	21,000
Total remuneration for audit and other assurance services	39,350	21,000
Non-audit services		
Tax compliance services	4,000	3,614
Total remuneration for non-audit services	4,000	3,614
Total remuneration of PricewaterhouseCoopers Australian Firm	**43,350**	24,614
Ernst & Young		
Audit and other assurance services		
Audit of compliance plan	3,400	3,300
Total remuneration for audit and other assurance services	3,400	3,300
Total remuneration of Ernst & Young	**3,400**	3,300

The auditor's remuneration is borne by the Trust. Fees are stated exclusive of GST.

16 Related party transactions

(a) Responsible Entity

The Responsible Entity of the Trust is One Managed Investment Funds Limited (ABN 47 117 400 987, AFSL 297 042). Accordingly, transactions with entities related to One Managed Investment Funds Limited are disclosed below.

16 Related party transactions (continued)

(b) Key management personnel

(i) Responsible Entity

Key management personnel of the Responsible Entity are:

Name	Title
Frank Tearle	Executive Director and Company Secretary
Sarah Wiesener	Executive Director (appointed as a director on 26 October 2018) and Company Secretary
Justin Epstein	Non-executive Director from 1 January 2019 (Executive Director to 31 December 2018)
Elizabeth Reddy	Non-executive Director (resigned on 26 October 2018)

(ii) Investment Manager

Key management personnel of the Investment Manager are:

Name	Title
Steven Fleming	Chief Executive Officer
Ashley Burtenshaw	Chief Investment Officer

(c) Transactions with key management personnel

There were no transactions with key management personnel during the reporting period.

(d) Key management personnel unit holdings

A related entity of Steven Fleming held 100,000 units (30 June 2018: 100,000 units) in the Trust as at 30 June 2019 and Ashley Burtenshaw held 100,000 units (30 June 2018: 100,000 units) in the Trust as at 30 June 2019.

(e) Key management personnel of the Responsible Entity and Investment Manager compensation

Payments made from the Trust to the Responsible Entity and the Investment Manager do not include any amounts directly attributable to key management personnel remuneration.

(f) Key management personnel loans

The Trust has not made, guaranteed or secured, directly or indirectly, any loans to key management personnel or their personally related entities at any time during the reporting year other than as disclosed in Note 16(k).

(g) Other transactions with the Trust

Apart from those details disclosed in this Note, no key management personnel have entered into a material contract with the Trust during the financial year and there were no material contracts involving key management personnel's interests existing at year end.

(h) Responsible Entity and Investment Manager's fees and other transactions

(i) Responsible Entity fee
This fee is charged by the Responsible Entity for managing the Trust and making it available to investors. It is calculated and accrued daily and paid monthly in arrears from the Trust's assets. The fee is calculated on the Trust's gross assets as follows:

- (i) 0.06% per annum up to $200million;
- (ii) 0.04% per annum from $200million to $300million;
- (iii) 0.02% per annum from $300million;

This fee is subject to a minimum monthly fee of $5,000. All minimum fees payable to the Responsible Entity are subject to annual CPI increases.

(ii) Management fee
The Investment Manager is entitled to receive a management fee at the rate of 0.70% p.a. of the Trust's net asset value. The management fee is calculated and accrued daily and paid monthly in arrears from the Trust's assets.

16 Related party transactions (continued)

(h) Responsible Entity and Investment Manager's fees and other transactions (continued)

(iii) Custodian fee
This fee is charged by the Responsible Entity for performing custodial services for the Trust. It is calculated and accrued daily and paid monthly in arrears from the Trust's assets. The fee is calculated at the rate of 0.01% p.a. of the Trust's gross assets (subject to a minimum monthly fee of $2,500 and annual CPI increases).

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the year and amounts payable at year end between the Trust, the Responsible Entity and the Investment Manager were as follows:

	Year ended 30 June 2019 $	For the period 20 December 2017 to 30 June 2018 $
Investment management fees for the year	**1,274,465**	137,976
Total fees payable to the Investment Manager at year end	**110,751**	137,976
Responsible Entity fees for the year	**111,831**	12,062
Custodian fees for the year	**31,342**	3,370
Total fees payable to the Responsible Entity at year end	**12,210**	15,432

(i) Related party unit holdings

Parties related to the Trust (including the Responsible Entity, its related parties and other schemes managed by the Responsible Entity and the Investment Manager) held no units in the Trust as at 30 June 2019 (30 June 2018: Nil).

(j) Investments in unlisted funds managed by the Responsible Entity

The Trust did not hold any investments in the Responsible Entity or its related parties during the year other than as set out below:

The Trust has invested in units valued at $600,000 (30 June 2018: $8,000,000) in One Cash Management Fund ("OCMF") as at 30 June 2019. The trustee of OCMF is One Investment Management Pty Ltd ("OIMPL"), an authorised representative of the Responsible Entity. OIMPL and the Responsible Entity are subsidiaries of One Investment Group. This investment has enabled the Trust to improve its return on cash held. The investment has been included in cash and cash equivalents as it is redeemable daily. The Trust received total distributions of $132,425 (30 June 2018: $975) from OCMF for the year ended 30 June 2019.

OIMPL charges a management fee to OCMF at a rate of 0.50% per annum on its net assets.

(k) Manager loan

The Manager loan is an unsecured loan advanced to Gryphon Capital Management Pty Ltd ("GCM") which is part of the Gryphon Group. GCM may use the Manager loan for working capital purposes, such as the provision of ongoing services to the Trust including but not limited to investor relations, capital management, to facilitate future fundraisings and pay costs of the offer of units in the Trust. 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 the Investment Manager remains the Manager of the Trust.

	As at 30 June 2019 $'000	As at 30 June 2018 $'000
Loan to Gryphon Capital Management Pty Ltd	**4,843**	5,259
Accrued interest on loan	**13**	30

17 Segment information

The Trust is organised into one main operating segment with only one key function, being the investment of funds predominantly in Australia.

18 Events occurring after the reporting period

On 24 July 2019, the directors declared a distribution of 0.84 cents per ordinary unit which amounted to $785,912 and was paid on 8 August 2019.

On 29 July 2019, the Responsible Entity announced the successful completion of the Trust's Offer (details of which were announced to the market on 21 June 2019). The Offer was oversubscribed and achieved its maximum potential raise of approximately $108 million in total at an issue price of $2.00 per new fully paid ordinary unit ("New Unit") issued.

Approximately 54 million New Units were issued under the Offer, including 19 million New Units to existing eligible unitholders under the Entitlement Offer on 1 August 2019.

Approximately 35 million New Units were issued under the Shortfall Offer on 13 August 2019.

Due to the overwhelming response to the Offer, on 13 August 2019, the Responsible Entity announced a further placement of $14 million (7,017,075 units at $2.00 per unit) to wholesale investors, utilising the Trust's available placement capacity under the ASX Listing Rules.

The Trust's total issued capital as at 23 August 2019 is approximately $309 million.

No other significant events have occurred since the reporting period which would impact on the financial position of the Trust disclosed in the statement of financial position as at 30 June 2019 or on the results and cash flows of the Trust for the year ended on that date.

19 Contingent assets and liabilities and commitments

There are no other outstanding contingent assets and liabilities or commitments as at 30 June 2019 and 30 June 2018.

Directors' declaration

In the opinion of the directors of One Managed Investment Funds Limited, the Responsible Entity of Gryphon Capital Income Trust:

(a) the financial statements and notes set out on pages 7 to 29 are in accordance with the *Corporations Act 2001,* including:

  (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

  (ii) giving a true and fair view of the Trust's financial position as at 30 June 2019 and of its performance for the year ended on that date, as represented by the results of its operations and cash flows;

(b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable;

(c) Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors.

Sarah Wiesener
Director
One Managed Investment Funds Limited

Sydney
23 August 2019

Independent auditor's report

To the unitholders of Gryphon Capital Income Trust

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Gryphon Capital Income Trust (the Trust) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Trust's financial position as at 30 June 2019 and of its' financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the statement of financial position as at 30 June 2019
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the declaration of the directors of the Responsible Entity.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

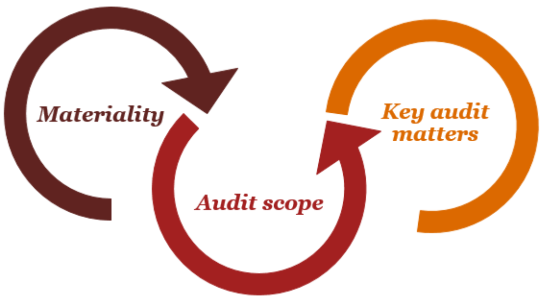
Independence

We are independent of the Trust in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Trust, its accounting processes and controls and the industry in which it operates.



Materiality	***Audit scope***	***Key audit matters***
• For the purpose of our audit we used overall materiality of $1,874,000, which represents approximately 1% of the Trust's net assets. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose net assets as the benchmark because, in our view, it is the metric against which the performance of the Trust is most commonly measured and is a generally accepted benchmark in the managed fund industry. • We used a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.	• Our audit focused on where the Trust made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • Our audit approach reflects the nature of the investments held by the Trust and the consideration of the work undertaken by third party service providers. The key service providers relevant to our audit is the administrator who maintains the accounting records of the Trust and the custodian who provides custodian services for the investments.	• Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: – Valuation and existence of financial assets at fair value through profit and loss • These are further described in the *Key audit matters* section of our report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current year. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	***How our audit addressed the key audit matter***
Valuation and existence of financial assets at fair value through profit and loss *(Refer to note 6) $181,486,000* At 30 June 2019, investments in financial assets were comprised primarily of investments in residential mortgage backed securities and asset backed securities. The existence and valuation of financial assets was a key audit matter because financial assets represent the principal element of the statement of financial position in the financial statements, accounting for approximately 96% of net assets. A discrepancy in the valuation or existence of investments could cause the net assets attributable to unitholders to be materially misstated which could also impact the Trust's performance as the valuation of financial assets is the main driver of movements in the statement of comprehensive income of the Trust.	***Valuation procedures*** We, along with PwC Valuation experts, assessed the valuation techniques, methodology and assumptions applied against general market practice. For a selection of individual investments, we also compared the Trust's calculations to our own calculated expectations as determined by independently applying the valuation methodology. We obtained observable market price data for a sample of investments and compared this to the prices used by the Trust to value those investments at period end. We obtained the most the most recent internal controls report on fund administration services issued by Mainstream Fund Services Pty Limited, the provider of administrator services, which sets out the controls in place at that service organisation. This report includes an independent audit opinion over the design and operating effectiveness of those controls. We assessed the report by: • obtaining an understanding of the control objectives and associated control activities; • evaluating the tests undertaken by the auditor; and evaluating the results of these tests and the conclusions formed by the auditor on the design; and operational effectiveness of controls to the extent relevant to our audit of the Trust. ***Existence procedures*** All the investments are held at the custodian. We obtained a confirmation from the custodian of the investment holdings at year end and reconciled the investment holdings per the custodian confirmation with the holdings per the Trust's accounting records.

Other information

The directors of the Responsible Entity are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors of the Responsible Entity for the financial report

The directors of the Responsible Entity of the Trust are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors of the Responsible Entity determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors of the Responsible Entity are responsible for assessing the ability of the Trust to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Responsible Entity either intends to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

PricewaterhouseCoopers

Ben Woodbridge
Partner

Brisbane
23 August 2019

Gryphon Capital Income Trust
ARSN 623 308 850

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report is as follows. The information is current as at 20 August 2019 unless otherwise indicated.

A. Distribution of Units

There were 154,595,075 ordinary units held by 4,374 unitholders.

The number of unitholders, by size of holding are:

	No Of Holders	Total Units	Percentage
1 - 1,000	64	26,491	0.02%
1,001 - 5,000	610	2,459,840	1.59%
5,001 - 10,000	828	6,904,797	4.47%
10,001 - 100,000	2,727	82,974,428	53.67%
100,001 and over	145	62,229,519	40.25%
	4,374	154,595,075	100%

There were no unmarketable parcels of units.

B. 20 largest unitholders

The names of the 20 largest unitholders are:

	Unitholder	No. of Units	Percentage
1	Perpetual Corporate Trust Limited <Ln A/C>	15,500,000	10.03%
2	Navigator Australia Ltd <MLC Investment Sett A/C>	5,493,189	3.55%
3	BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd DRP	4,580,138	2.96%
4	HSBC Custody Nominees (Australia) Limited	2,876,957	1.86%
5	Shorebrook Pty Ltd	2,250,000	1.46%
6	J P Morgan Nominees Australia Pty Limited	1,245,036	0.81%
7	Australian Executor Trustees Limited <No 1 Account>	799,865	0.52%
8	The Corporation Of The Trustees Of The Order Of The Sisters Of Mercy In QLD <Congregation A/C>	750,000	0.49%
9	Skunky Investments Pty Ltd <PM Rafter Family A/C>	750,000	0.49%
10	A&M Forestieri Holdings Pty Ltd	750,000	0.49%
11	Sargon CT Pty Ltd (ECT Cap Stbl Fnd)	720,867	0.47%
12	Geat Incorporated <Geat-Preservation Fund A/C>	663,276	0.43%
13	Bcitf (QLD) <Strategic Reserve A/C>	562,500	0.36%
14	Salad Communications Pty Ltd <Gregor Family A/C>	504,867	0.33%
15	The Corp Of The Trustees Of The Order Of The Sisters Of The Perpetual Adoration Of The Blessed Sacrament	500,000	0.32%
16	Kuzen Pty Ltd <Gunluk A/C>	500,000	0.32%
17	Hamilton Lighting Investment Pty Ltd	500,000	0.32%
18	Netwealth Investments Limited <Wrap Services A/C>	490,144	0.32%
19	Mr Royce Aloysius Allan & Mrs Valerie Florence Bennett <Val Bennett Super Fund A/C>	481,000	0.31%
20	Mr Robert Bryan	475,000	0.31%

C. Substantial unitholders

There are no substantial unitholders who have notified the Trust in accordance with section 671B of the Corporations Act 2001.

D. Voting rights

All units issued are fully paid. The voting rights attaching to each fully paid unit are:

(i) on a show of hands each unitholder has one vote; and

(ii) on a poll, each unitholder has one vote for each dollar of the value of the total interests they have in the Trust.

E. Buy-back

There is no current on-market buy-back of units in the Trust.

Gryphon Capital Income Trust
ARSN 623 308 850

ASX ADDITIONAL INFORMATION

F. Investments held at 30 June 2019

Security Code	Security Name	Current Face Value $'000	Fair Value $'000
AU3FN0041455	FMACB FMWH-8 AB	5,000	5,000
AU3FN0039780	FMACB FMFT-2 DR	4,000	4,004
AU3FN0039798	FMACB FMFT-2 E	1,000	1,001
AU3FN0043121	FMACB 2018-2 C	2,000	2,001
AU3FN0033932	FMACB 2016-4PP C	3,000	3,051
AU3FN0038824	FMACB FMWH-4 DR	4,500	4,504
AU3FN0033965	FMACB 2016-4PP F	4,100	4,176
AU3FN0038832	FMACB FMWH-4 E	1,500	1,502
AU3FN0026415	HARVE 2015-1 C	1,272	1,300
AU3FN0035671	HARVE 2017-1 C	500	509
AU3FN0048591	KINGF 2019-1 D	1,500	1,499
AU3FN0048609	KINGF 2019-1 E	1,500	1,499
AU3FN0042958	LBRTY WH-1 B	10,000	10,000
AU3FN0042974	LBRTY WH-1 C	16,100	16,101
AU3FN0043006	LBRTY WH-1 D	17,000	17,001
AU3FN0039301	MEDL 2017-2 D	2,000	2,011
AU3FN0040663	NRMBS 2018-1 D	3,250	3,247
AU3FN0044111	NRMBS 2018-2 C	3,000	3,007
AU3FN0044129	NRMBS 2018-2 D	1,000	1,000
AU3FN0043469	PEPAU 21X E	4,000	4,030
AU3FN0042560	PEPAU 2018-1 D	2,000	2,006
AU3FN0042586	PEPAU 2018-1 E	2,000	2,011
AU3FN0044210	PEPAU WH-2 C	8,925	8,925
AU3FN0044236	PEPAU WH-2 E	2,590	2,590
AU3FN0044228	PEPAU WH-2 D	5,280	5,280
AU3FN0043477	PEPAU 21X F	3,838	3,855
AU3FN0042651	REDS 2018-1 C	5,400	5,407
AU3FN0042669	REDS 2018-1 D	2,800	2,807
AU3FN0044715	REDZE 2018-1 D	500	501
AU3FN0044731	REDZE 2018-1 F	680	682
AU3FN0044723	REDZE 2018-1 E	1,500	1,505
AU3FN0043626	RESI 2018-1NCX C	2,500	2,503
AU3FN0043634	RESI 2018-1NCX D	5,190	5,209
AU3FN0043659	RESI 2018-1NCX F	2,982	2,986
AU3FN0046017	RESI TRIOMPHE WH6 C	8,300	8,300
AU3FN0046025	RESI TRIOMPHE WH6 D	4,700	4,700
AU3FN0046033	RESI TRIOMPHE WH6 E	3,000	3,000
AU3FN0043840	SMHL 2018-2 D	1,500	1,503
AU3FN0043857	SMHL 2018-2 E	3,500	3,519
AU3FN0048112	SMHL 2019-1PP C	11,000	11,001
AU3FN0048518	SMHL 2019-1 D	1,900	1,901
AU3FN0048120	SMHL 2019-1PP D	5,900	5,900
AU3FN0048526	SMHL 2019-1 E	630	631
AU3FN0048138	SMHL 2019-1PP E	3,600	3,600
AU3FN0048534	SMHL 2019-1 F	620	621
AU3FN0048146	SMHL 2019-1PP F	3,600	3,600
AU3FN0048385	TORR 2019-1 E	500	500
		181,157	**181,486**

Management fees have been reported in Note 16 to the financial statements.

G. Transactions in securities

There were a total of 73 transactions in securities during the year ended 30 June 2019. Total brokerage paid by the Trust on those transactions was nil.

Gryphon Capital Income Trust
Directory

Directors:	Frank Tearle Sarah Wiesener Justin Epstein
Company Secretaries:	Sarah Wiesener Frank Tearle
Investment Manager:	Gryphon Capital Investments Pty Ltd
Auditor:	PriceWaterhouseCoopers 480 Queen Street BRISBANE QLD 4000
Country of Registration:	Australia
Responsible Entity:	One Managed Investment Funds Limited
Registered Office:	Level 11, 20 Hunter Street SYDNEY NSW 2000 Ph: 612 8277 0000
Unit Registry:	Boardroom Pty Limited Grosvenor Place Level 12, 225 George Street SYDNEY NSW 2000 Ph: 1300 737 760
ASX Code :	GCI
ARSN:	623 308 850
Website:	http://www.gcapinvest.com/gcit/overview
Corporate Governance Statement:	http://www.gcapinvest.com/gcit/document-archive