



### Investment Objective

Gryphon Capital Income Trust (GCI) set itself 3 strategic objectives at IPO:

1. Sustainable monthly cash income



2. Highest risk adjusted return

3. Capital Preservation

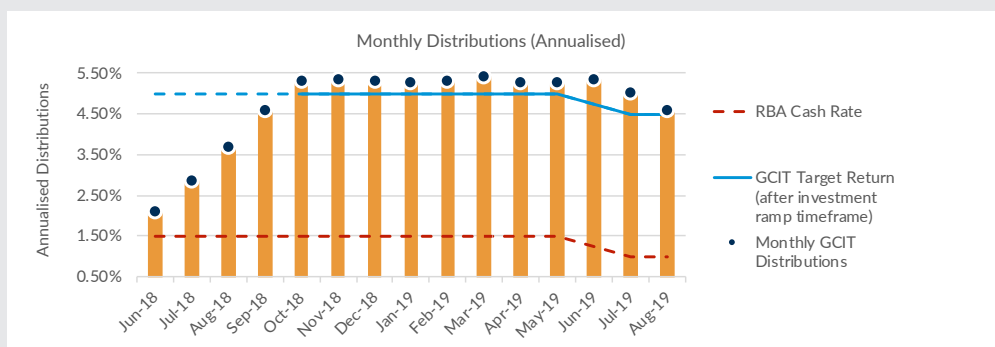
GCI continues to generate attractive and sustainable monthly income with highest risk adjusted returns through investments in a defensive asset class with a track record of low capital price volatility ensuring Capital Preservation.

### GCI Investment Highlights

<b>Income</b>	Sustainable monthly cash income, Distribution yield currently 4.61% <sup>4</sup> pa (net)
<b>Large, institutional fixed income market</b>	Australian ABS market > A\$110 billion is double the size of the corporate bond market
<b>Security, capital preservation</b>	Defensive asset class with a track record of low capital price volatility No investor has ever lost a \$ of principal investing in Australian RMBS
<b>Portfolio diversification</b>	Allows retail and SMSF investors to access a fixed income asset class that generally has only been available to institutional investors
<b>Investment Manager</b>	Exposure to a specialist investment manager with a proven track record of investment outperformance

### GCI Distribution

GCI announced a 0.77 cents per unit distribution for the month of August, generating a distribution yield of 4.61%<sup>4</sup> (net).



### Fund Performance as at 31 August 2019

	1 Mth	3 Mth	6 Mth	1 Yr	Incep (Ann) <sup>1</sup>
Net Return (%)	0.43	1.63	3.00	5.76	5.15
RBA Cash Rate (%)	0.08	0.28	0.66	1.41	1.43
Net Excess Return (%)	0.35	1.35	2.33	4.29	3.66
Distribution (%)	0.38	1.24	2.57	5.18	4.66
Distribution (¢/unit)	0.77	2.47	5.10	10.14	9.15

<sup>1</sup> Inception date – 21 May 2018

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

continued overleaf...

### ABOUT THE MANAGER

Gryphon Capital Investments Pty Ltd (“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 GCI 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.

### GCI SNAPSHOT

<b>ASX Code</b>	GCI
<b>IPO Date</b>	25 May 2018
<b>Asset</b>	Fixed Income, floating rate
<b>ASX Price</b>	\$2.06
<b>NAV (Unit)</b>	\$2.01
<b>Market Cap</b>	\$318.5m
<b>Investment Management Fee<sup>2</sup></b>	0.72%
<b>Performance Fee</b>	None
<b>Distributions</b>	Monthly
<b>Unit Pricing</b>	Daily

<sup>2</sup> Includes GST, net of reduced input tax credits

### GCI CHARACTERISTICS

<b>Distributions<sup>3</sup></b>	5.23%
<b>RBA Cash Rate<sup>4</sup></b>	1.00%
<b>Interest Rate Duration (yrs)</b>	0.04 years
<b>Credit Spread Duration (yrs)</b>	2.0 years
<b>Number of Bond Holdings</b>	63
<b>Number of Underlying Mortgage Loans</b>	108,237

<sup>3</sup> The annualised distributions (net of fees) post initial ramp-up period after listing – calculations from October 2018.

<sup>4</sup> Annualised.

### RESEARCH

**BondAdviser**

**INDEPENDENT INVESTMENT RESEARCH**



**Lonsec**

### WEBSITE

[www.gcapinvest.com/gcit/overview](http://www.gcapinvest.com/gcit/overview)



### Market and GCI Investment Activity

The recent Entitlement and Shortfall Offer and subsequent Placement were completed during August. Gryphon Capital was delighted with the overwhelmingly positive response received to the capital raise. Since the IPO in May 2018, Gryphon Capital has been laser focused on delivering on all of our IPO Targets and continue to work diligently identifying those investments which satisfy the return and risk characteristics outlined in the PDS.

Gryphon Capital indicated in the recent capital raising that it may take up to three months to fully invest the additional capital raised however principally due to our forward planning and ability to source eligible investments we are confident that the Trust will be fully invested well within this timeframe. As at the end of August, Gryphon Capital was able to invest approximately 70% of the new capital raised and has identified and is currently underwriting investments for the remaining funds.

During the month there were three RMBS transactions for a total of \$2.25 billion including one which was backed entirely by investment home loans to non-Australian residents. Additionally, Zip (of the 'Own it now Pay later' fame) issued a \$500 million ABS transaction secured by buy-now-pay-later receivables. The Gryphon Capital investment process requires an extensive historical data set in order to arrive at a conviction surrounding the probabilities of the future performance of the assets securing the transaction. Without access to the required historical data, even if higher nominal returns are being offered, Gryphon Capital does not invest. Our investment focus is solely on delivering the highest risk-adjusted returns and because of this lack of historical data on the Zip ABS and the non-resident RMBS, we declined to invest in either of these transactions.

We did invest in a non-bank issued RMBS transaction which was secured by a well-diversified pool of 2,700 residential home loans to Australian Prime residential borrowers with appealing portfolio (and risk) attributes – average seasoning 32 months, wgt avg current LVR 66%, average current loan balance of approx. \$370,000 and all loans > 80% LVR benefiting from mortgage insurance.

We continue to see an interesting pipeline of opportunities for the Trust.

### GCI PARTIES

#### Responsible Entity

One Managed Investment Funds Limited  
ACN 117 400 987 AFSL 297042

#### Manager

Gryphon Capital Investments Pty Ltd  
ACN 167 850 535 AFSL 454552

### AVAILABLE PLATFORMS INCLUDE:

Asgard	BT Panorama
BT Super Wrap	BT Wrap
First Wrap	HUB24
Macquarie Wrap	Mason Stevens
MLC	Navigator
Netwealth	North

### FURTHER INFORMATION AND ENQUIRIES

Gryphon Capital Income Trust  
[www.gcainvest.com/gcit/overview](http://www.gcainvest.com/gcit/overview)

#### General

Email [info@gcainvest.com](mailto:info@gcainvest.com)

#### Boardroom (Unit Registry)

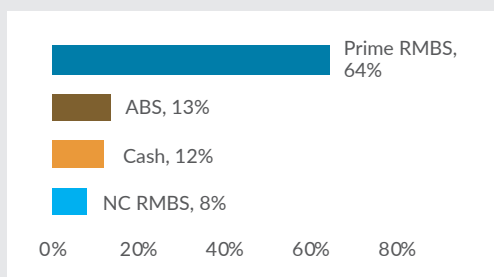
Phone 1300 737 760

Email [enquiries@boardroomlimited.com.au](mailto:enquiries@boardroomlimited.com.au)

### GCI Portfolio Construction<sup>1</sup>

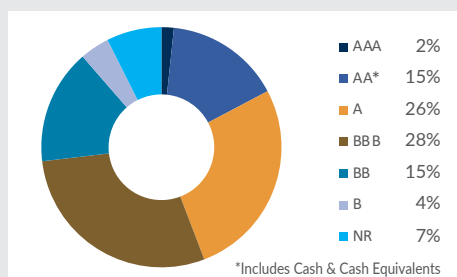
<sup>1</sup> Note as at 31 August 2019.

#### GCI Sector Allocations<sup>2</sup>



<sup>2</sup> Excludes Manager Loan.

#### GCI Rating Breakdown<sup>2</sup>



<sup>2</sup> Excludes Manager Loan.

### GCI Portfolio Underlying Mortgage Loan Statistics<sup>3</sup>

	Total	Prime	Non-conforming <sup>4</sup>
No. of Underlying Loans	108,237	91,993	16,244
Weighted Average Underlying Loan Balance	\$449,729	\$439,060	\$482,041
Weighted Average LVR	64%	64%	64%
Weighted Average Seasoning	29 months	31 months	21 months
Weighted Average Interest Rate	4.69%	4.08%	6.52%
Owner Occupied	59%	65%	44%
Interest Only	28%	28%	29%
90+ Days in Arrears as % of Loans	0.35%	0.22%	0.74%
% Loans > \$1.5m Balance	0.80%	0.45%	1.88%

<sup>3</sup> Please note that although the values in this Investment Report are accurate portfolio statistics, the return and performance of actual credit instruments invested in are assessed individually.

<sup>4</sup> 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 (self employed) or large loan size.



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