Gryphon Capital Income Trust (GCI)
ARSN 623 308 850
Appendix 4E
For the year ended 30 June 2021

Details of Reporting Period

Current: Year ended 30 June 2021

Previous corresponding: Year ended 30 June 2020

GCI 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 2021 as follows:

Results for announcement to the market

Extracted from financial statements for the year ended 30 June 2021.

	Movement	Movement %	$'000
Revenue for the year from ordinary activities	**Up**	**76%**	**29,091**
Profit/(loss) for the year	**Up**	**91%**	**25,331**
Total comprehensive income/(loss) for the year	**Up**	**91%**	**25,331**

Details of distributions

During the year, monthly distributions totalling 9.08 cents per ordinary unit were paid which amounted to $18,716,310.

On 2 August 2021, a distribution of 0.77 cents per ordinary unit which amounted to $1,587,176 was approved and was paid on 9 August 2021.

Details of distribution reinvestment plan
N/A

Net Tangible Assets

	As at 30 June 2021	As at 30 June 2020
Total Net Tangible Assets attributable to unitholders ($'000)	**417,654**	411,039
Units on issue	**206,126,766**	206,126,766
Net Tangible Assets attributable to unitholders per unit ($)	**2.03**	1.99

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 2021

Gryphon Capital Income Trust (GCI)

ARSN 623 308 850

Annual Report

For the year ended 30 June 2021

Contents	**Page**

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 16, Governor Macquarie Tower
1 Farrer Place
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 ("GCI" or "the Trust"), present their report together with the financial statements of the Trust for the year ended 30 June 2021 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 and Company Secretary
Michael Sutherland	Executive Director

Units on issue

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

	As at 30 June 2021 Units	As at 30 June 2020 Units
Units on issue	**206,126,766**	206,126,766

Review and result of operations

May 2021 commemorated three years since GCI listed on the ASX and the Investment Manager is pleased to report that it has delivered on its three stated objectives for GCI investors, namely:

1. Sustainable monthly income
2. High risk-adjusted returns
3. Capital preservation

This demonstrates the Investment Manager's expertise in the RMBS and ABS asset classes and that the Trust has remained true to label since the Initial Public Offer ("IPO"). Reflecting on the last three years is useful because, in many ways, they could not have been more testing of the GCI (or any other) investment portfolio. We have seen periods of declining house prices in 2018, floods, bushfires and most recently the COVID-19 pandemic. The Investment Manager has advised the Responsible Entity that, over the past number of years, the Investment Manager has invested heavily in systems and data collection techniques, to give unique and market leading insights into the RMBS and ABS asset classes. This allowed the Investment Manager:

- to monitor house price declines and manage GCI's exposure, protecting investors from the worst hit regions and house types;
- to look at flood risk areas and bushfire statistics, proving valuable insight to the level of risk the individual loans underlying each investment was exposed to;
- to monitor borrower payment patterns to follow forbearance in full detail as the COVID-19 pandemic unfolded; and
- significantly de-risk the GCI portfolio while increasing returns to investors based on the strong comfort the Investment Manager derives from knowing so much about GCI's investments down to individual loan details.

Directors' report (continued)

GCI investors have received better returns for their money than originally expected at IPO. GCI has also delivered the high risk-adjusted returns promised to investors, consistently over its life. The Investment Manager takes the responsibility to preserve investors' capital very seriously and takes great comfort from the fact that the Trust's net tangible asset value has been stable since GCI's inception and performed particularly well through the various periods of stress mentioned earlier.

This is also a good time to discuss the next few years and what the Investment Manager is doing to ensure they continue to deliver on those core three objectives for investors. The Investment Manager's investment in systems continues as the world opens up more data to allow ongoing refinement to analytical capabilities. The Investment Manager has also increased the number and breadth of investor communications to make GCI and its risks as transparent as possible for investors. The Investment Manager's team has been stable but is expanding as it seeks and finds new talent to help improve their intellectual property and provide greater robustness to investors.

The investment challenges experienced in the recent past are not expected to let up in the near future. Among many things, the Investment Manager is keeping a watchful eye over the potential for inflation to impact investors. However, the Investment Manager is looking forward with great determination to continue delivering monthly income, high risk-adjusted returns and capital preservation for GCI investors for many years to come.

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

	Year ended 30 June 2021	Year ended 30 June 2020
Operating profit/(loss) for the year ($'000)	**25,331**	13,240
Distribution paid and payable ($'000)	**18,716**	15,344
Distribution (cents per unit)	**9.08**	8.65

During the year, monthly distributions totalling 9.08 cents per ordinary unit were paid which amounted to $18,716,310.

Significant changes in state of affairs

The Trust's total issued capital as at 30 June 2021 is approximately $413 million.

During the financial year, the COVID-19 pandemic has had a significant impact on the Australian economy, causing stress and volatility across financial and investment markets. However, during this period, the Trust's net tangible asset value has remained resilient, experiencing very little volatility. This is due to the Investment Manager's conservative positioning of the Trust's investments with robust bondholder protections that help insulate the investments from such market stresses.

In the opinion of the directors, there were no other significant changes in the state of affairs of the Trust that occurred during the year other than as disclosed in this report.

Events subsequent to reporting date

As part of its investment portfolio management, the Investment Manager undertakes in-depth surveillance and monitoring of each individual investment to ensure the assets are performing as expected and that the bondholder protections embedded in each investment continue to be robust. Despite the impact of the COVID-19 pandemic on the Australian economy, the Trust's investments as at the date of this report, have continued to perform as or better than expected, and have not shown any material deterioration in value from their 30 June 2021 stated fair values.

On 2 August 2021, a distribution of 0.77 cents per ordinary unit which amounted to $1,587,176 was approved and was paid on 9 August 2021.

On 5 August 2021, the Responsible Entity approved the Investment Manager's recommendations for minor modifications to the investment guidelines for the Trust in order to allow the Investment Manager the flexibility to participate in the anticipated growth in the ABS market in Australia.

On 9 August 2021, in response to identified investment opportunities and strong demand for investment in the Trust, and to provide additional benefits to the existing unitholders as outlined below, the Responsible Entity announced it was utilising its placement capacity to seek to raise up to an additional $62.1 million by issuing a maximum of 30,919,014 new units in the Trust at an issue price of $2.01.

Directors' report (continued)

The new capital raised will provide the following benefits to existing unitholders:

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

The new units to be issued under the placement will rank equally with existing ordinary units in the Trust with effect from their date of issue including in respect of entitlements to distributions. The new units are expected to be issued and allotted on 1 September 2021.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect:

- the operations of the Trust in future financial years, or
- the results of those operations in future financial years, or
- the state of affairs of the Trust in future financial years.

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 directors, officers and auditors

During or since the financial year, the Trust has not indemnified or made a relevant agreement to indemnify an officer of the Responsible Entity or auditor of the Trust or any related corporate body against a liability incurred by an officer of the Responsible Entity or auditor of the Trust. In addition, the Trust has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an officer of the Responsible Entity or auditor 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.

Directors' report (continued)

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.

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.

Frank Tearle
Director
One Managed Investment Funds Limited

Sydney
17 August 2021

Auditor's Independence Declaration

As lead auditor for the audit of Gryphon Capital Income Trust for the year ended 30 June 2021, 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.

Paul Collins
Partner
PricewaterhouseCoopers

Brisbane
17 August 2021

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Statement of comprehensive income

	Notes	Year ended 30 June 2021 $'000	Year ended 30 June 2020 $'000
Investment income			
Interest income from financial assets at fair value through profit or loss		**21,329**	17,961
Interest income from receivables/loans at amortised cost		**489**	679
Net gains/(losses) on financial assets at fair value through profit or loss	5	**7,273**	(2,138)
Total net investment income		**29,091**	16,502
Expenses			
Responsible Entity fees	16(h)	**191**	177
Investment Management fees	16(h)	**2,973**	2,553
Administrative expenses		**343**	317
Other expenses		**253**	215
Total operating expenses		**3,760**	3,262
Operating profit/(loss) for the financial year	8	**25,331**	13,240
Other comprehensive income		**-**	-
Total comprehensive income/(loss) for the financial year		**25,331**	13,240
Earnings per unit for profit attributable to unitholders of the Trust			
Basic and diluted earnings per unit (cents)	10	**12.29**	7.49

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

Statement of financial position

	Notes	As at 30 June 2021 $'000	As at 30 June 2020 $'000
Assets			
Cash and cash equivalents	11	**7,666**	15,120
Other receivables	13	**1,167**	1,072
Financial assets at fair value through profit or loss	6	**402,491**	386,601
Loans at amortised cost	7,16(k)	**8,932**	9,972
Total assets		**420,256**	412,765
Liabilities			
Distributions payable	9	**2,226**	1,381
Payables	14	**376**	345
Total liabilities		**2,602**	1,726
Net assets attributable to unitholders - equity	8	**417,654**	411,039

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 2021 $'000**	Year ended 30 June 2020 $'000
Total equity at the beginning of the financial year		**411,039**	187,496
Comprehensive income for the financial year			
Profit/(loss) for the year		**25,331**	13,240
Total comprehensive income for the financial year		**25,331**	13,240
Transactions with unitholders			
Applications	8	**-**	225,647
Distributions to unitholders	8	**(18,716)**	(15,344)
Total transactions with unitholders		**(18,716)**	210,303
Total net assets attributable to unitholders - equity at the end of the financial year		**417,654**	411,039

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 2021 $'000	Year ended 30 June 2020 $'000
Cash flows from operating activities			
Interest income received from cash deposits and loans at amortised cost		**506**	651
Interest income from financial assets at fair value through profit or loss		**21,216**	17,526
Proceeds from sale of financial assets		**60,775**	69,870
Receipt of principal repayments on financial assets		**16,603**	11,123
Purchase of financial assets		**(85,995)**	(288,246)
Responsible Entity fees paid		**(191)**	(171)
Investment Management fees paid		**(2,968)**	(2,422)
Administrative expenses paid		**(326)**	(302)
Other expenses paid		**(243)**	(255)
Net cash inflow/(outflow) from operating activities	12(a)	**9,377**	(192,226)
Cash flows from investing activities			
Repayment/(issue) of loan		**1,040**	(5,129)
Net cash inflow/(outflow) from investing activities		**1,040**	(5,129)
Cash flows from financing activities			
Proceeds from applications by unitholders		**-**	225,647
Distributions paid to unitholders		**(17,871)**	(14,768)
Net cash (outflow)/inflow from financing activities		**(17,871)**	210,879
Net (decrease)/increase in cash and cash equivalents		**(7,454)**	13,524
Cash and cash equivalents at the beginning of the year		**15,120**	1,596
Cash and cash equivalents at the end of the year	12(b)	**7,666**	15,120
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 16, Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000.

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

There is no separate custodian of the Trust and One Managed Investment Funds Limited holds the Trust's assets.

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 financial statements are presented on a going concern basis.

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 Trust's 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

A number of new or amended standards became applicable for the current reporting period. The Trust did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

(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 July 2021, 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.

2 Summary of significant accounting policies (continued)

(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.

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.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

Debt instruments

Loan assets ("the 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.

- 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.

(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.

2 Summary of significant accounting policies (continued)

(c) Net assets attributable to unitholders - equity (continued)

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.

(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.

2 Summary of significant accounting policies (continued)

(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.

(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.

In accordance with AASB9, the Trust applies an expected credit loss (ECL) impairment model, which has not materially impacted the Trust. Please see Note 3 for more information on credit risk.

(n) 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 Investment Manager has deliberately positioned the Trust's investments with significant protections against market stress. The Investment Manager undertakes regular stress testing of the bondholder protections (using the APRA '1 in 200-year catastrophic event' scenario) and ongoing surveillance and monitoring of the investment's performance and underlying collateral, to ensure the continued robustness of these protections.

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

(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. Changes to the fair value of an investment will impact the Trust's net tangible asset value. The Investment Manager manages this risk through the daily review of the carrying value of each of the assets held by the Trust.

All Trust fixed income investments are independently priced on a daily basis by a leading third party security pricing provider. Australian fixed income securities, including RMBS and ABS, are largely traded 'over-the-counter' and are not priced or traded via an exchange. The market pricing for such securities is driven by observable secondary market trades or the pricing of comparable new issues. The COVID-19 pandemic has resulted in a reduction in the number of new issues and secondary trades. A lack of depth in available pricing data can result in increased volatility in a portfolio's marked value.

The Trust is an investor (not a trader), and as such, short-term fluctuations in bond values do not shape investment decisions nor does the Trust rely on short-term trading profits to meet its targeted investment returns. Additionally, unrealised gains and losses do not impact the Trust's ability to pay monthly distributions.

(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.

3 Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

The table below summarises the Trust's exposure to interest rate risk at 30 June 2021.

As at 30 June 2021	**Floating interest rate $'000**	**Fixed interest $'000**	**Non-interest bearing $'000**	**Total $'000**
Financial Assets				
Cash and cash equivalents	**7,666**	**-**	**-**	**7,666**
Other receivables	**-**	**-**	**1,167**	**1,167**
Financial assets at fair value through profit or loss	**402,491**	**-**	**-**	**402,491**
Loans at amortised cost	**-**	**8,932**	**-**	**8,932**
Total assets	**410,157**	**8,932**	**1,167**	**420,256**
Financial Liabilities				
Distributions payable	**-**	**-**	**(2,226)**	**(2,226)**
Payables	**-**	**-**	**(376)**	**(376)**
Total liabilities	**-**	**-**	**(2,602)**	**(2,602)**
Net exposure	**410,157**	**8,932**	**(1,435)**	**417,654**

As at 30 June 2020	Floating interest rate $'000	Fixed interest $'000	Non-interest bearing $'000	Total $'000
Financial Assets				
Cash and cash equivalents	15,120	-	-	15,120
Other receivables	-	-	1,072	1,072
Financial assets at fair value through profit or loss	386,601	-	-	386,601
Loans at amortised cost	-	9,972	-	9,972
Total assets	401,721	9,972	1,072	412,765
Financial Liabilities				
Distributions payable	-	-	(1,381)	(1,381)
Payables	-	-	(345)	(345)
Total liabilities	-	-	(1,726)	(1,726)
Net exposure	401,721	9,972	(654)	411,039

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 Manager's 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.

3 Financial risk management (continued)

(b) Summarised sensitivity analysis (continued)

	Impact on operating profit/net assets attributable to unitholders Interest rate risk	
	+100bps	**-100bps**
	$'000	**$'000**
As at 30 June 2021	**(236)**	**239**
As at 30 June 2020	(133)	133

(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.

(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 Fitch Ratings or an independent, third party consultant that applies credit rating criteria consistent with the credit rating criteria of Standard & Poors, Moodys or Fitch Ratings. 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 2021**	**%**	30 June 2020	%
Asset Backed Securities				
AAA	3,020		2,948	
AA	6,474		10,233	
A	99,834		104,834	
BBB	138,706		137,670	
Total Investment Grade	**248,034**	62%	255,685	66%
BB	113,533		80,788	
B	6,928		15,324	
NR	33,996		34,804	
Total Non-Investment Grade	**154,457**	38%	130,916	34%
Total	**402,491**		386,601	

3 Financial risk management (continued)

(c) Credit risk (continued)

(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. The loss allowance on the Manager Loan is 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.

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.

The key aspects of liquidity management for the Trust are:

- It is a closed-end fund so it does not require liquidity to fund unitholder redemptions
- Unitholder distributions and Trust expenses are funded out of interest income
- The Trust receives monthly interest on its investment portfolio
- RMBS and ABS investments have structural protections to reduce liquidity risk for investors

(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 2021	**Less than 1 month $'000**	**1 to 6 months $'000**	**6 to 12 months $'000**	**Over 12 months $'000**	**Total $'000**
Distributions payable	**2,226**	**-**	**-**	**-**	**2,226**
Payables	**376**	**-**	**-**	**-**	**376**
Contractual cash flows (excluding derivatives)	**2,602**	**-**	**-**	**-**	**2,602**

3 Financial risk management (continued)

(d) Liquidity risk (continued)

(i) Maturities of non-derivative financial liabilities (continued)

As at 30 June 2020	Less than 1 month $'000	1 to 6 months $'000	6 to 12 months $'000	Over 12 months $'000	Total $'000
Distributions payable	1,381	-	-	-	1,381
Payables	345	-	-	-	345
Contractual cash flows (excluding derivatives)	1,726	-	-	-	1,726

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.

(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.

4 Fair value measurements (continued)

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

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 2021	**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	**-**	**402,491**	**-**	**402,491**
Total financial assets at fair value through profit or loss	**-**	**402,491**	**-**	**402,491**
Total financial assets	**-**	**402,491**	**-**	**402,491**

At 30 June 2020	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	-	386,601	-	386,601
Total financial assets at fair value through profit or loss	-	386,601	-	386,601
Total financial assets	-	386,601	-	386,601

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

	Year ended 30 June 2021 $'000	Year ended 30 June 2020 $'000
Financial assets		
Net gain/(loss) on financial assets as at fair value through profit or loss	**7,273**	(2,138)
Total net gains/(losses) on financial assets at fair value through profit or loss	**7,273**	(2,138)

6 Financial assets at fair value through profit or loss

	As at 30 June 2021 $'000	As at 30 June 2020 $'000
Residential mortgage backed securities and asset backed securities	**402,491**	386,601
Total financial assets at fair value through profit or loss	**402,491**	386,601

7 Loans at amortised cost

	As at 30 June 2021 $'000	As at 30 June 2020 $'000
Loan to Gryphon Capital Management Pty Ltd	**8,932**	9,972
Total loans at amortised cost	**8,932**	9,972

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 2021		Year ended 30 June 2020	
	Units	**$'000**	Units	$'000
Opening balance	**206,126,766**	**411,039**	93,561,000	187,496
Applications	**-**	**-**	112,565,766	225,647
Distributions to unitholders	**-**	**(18,716)**	-	(15,344)
Profit/(loss) for the year	**-**	**25,331**	-	13,240
Closing balance	**206,126,766**	**417,654**	206,126,766	411,039

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 following distributions were paid/payable during the year:

	Year ended 30 June 2021		Year ended 30 June 2020	
	$'000	**Cents per unit**	$'000	Cents per unit
Distributions				
31 July	**1,484**	**0.72**	786	0.84
31 August	**1,484**	**0.72**	1,190	0.77
30 September	**1,464**	**0.71**	1,175	0.76
31 October	**1,525**	**0.74**	1,175	0.76
30 November	**1,464**	**0.71**	1,082	0.70
31 December	**1,484**	**0.72**	1,505	0.73
31 January	**1,546**	**0.75**	1,505	0.73
28 February	**1,401**	**0.68**	1,402	0.68
31 March	**1,546**	**0.75**	1,463	0.71
30 April	**1,505**	**0.73**	1,340	0.65
31 May	**1,587**	**0.77**	1,340	0.65
30 June (payable)	**2,226**	**1.08**	1,381	0.67
Total distributions	**18,716**	**9.08**	15,344	8.65

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 2021	Year ended 30 June 2020
Operating profit/(loss) attributable to unitholders ($'000)	**25,331**	13,240
Weighted average number of units on issue	**206,126,766**	176,829,574
Basic and diluted earnings per unit (cents)	**12.29**	7.49

11 Cash and cash equivalents

	As at 30 June 2021 $'000	As at 30 June 2020 $'000
Cash at bank	**7,666**	1,920
Cash equivalents	**-**	13,200
Total cash and cash equivalents	**7,666**	15,120

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

	Year ended 30 June 2021 $'000	Year ended 30 June 2020 $'000
(a) Reconciliation of operating profit to net cash inflow/(outflow) from operating activities		
Profit/(loss) for the year	**25,331**	13,240
Proceeds from sale of financial assets	**60,775**	69,870
Repayment of principal of financial assets	**16,603**	11,123
Purchase of financial assets	**(85,995)**	(288,246)
Net change in financial assets at fair value through profit or loss	**(7,273)**	2,138
Net change in receivables	**(95)**	(504)
Net change in accounts payable	**31**	153
Net cash inflow/(outflow) from operating activities	**9,377**	(192,226)
(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	**7,666**	15,120
	7,666	15,120

(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 2021 $'000	As at 30 June 2020 $'000
Interest receivable	**1,069**	973
GST receivable	**63**	63
Prepayments	**35**	36
Total other receivables	**1,167**	1,072

14 Payables

	As at 30 June 2021 $'000	As at 30 June 2020 $'000
Responsible Entity fees payable	**16**	16
Management fees payable	**247**	242
Administrative expenses payable	**49**	32
Other payables	**64**	55
Total payables	**376**	345

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 2021 $	Year ended 30 June 2020 $
PricewaterhouseCoopers Australian Firm		
Audit and other assurance services		
Audit and review of financial statements	**49,875**	48,455
Total remuneration for audit and other assurance services	**49,875**	48,455
Non-audit services		
Tax compliance services	**4,000**	4,000
Total remuneration for non-audit services	**4,000**	4,000
Total remuneration of PricewaterhouseCoopers Australian Firm	**53,875**	52,455
Ernst & Young		
Audit and other assurance services		
Audit of compliance plan	**4,000**	3,500
Total remuneration for audit and other assurance services	**4,000**	3,500
Total remuneration of Ernst & Young	**4,000**	3,500

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.

(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 and Company Secretary
Michael Sutherland	Executive Director

(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 180,000 units (30 June 2020: 180,000 units) in the Trust as at 30 June 2021 and Ashley Burtenshaw held 100,000 units (30 June 2020: 100,000 units) in the Trust as at 30 June 2021.

(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.

16 Related party transactions (continued)

(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.

(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 2021 $	Year ended 30 June 2020 $
Investment management fees for the year	**2,972,943**	2,552,921
Total fees payable to the Investment Manager at year end	**246,891**	242,004
Responsible Entity fees for the year	**191,408**	176,670
Custodian fees for the year	**42,547**	37,538
Total fees payable to the Responsible Entity at year end	**18,311**	18,138

(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 2021 (30 June 2020: 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 invested in units valued at $nil (30 June 2020: $13,200,000) in One Cash Management Fund ("OCMF") as at 30 June 2021. 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 earned total distributions of $13,341 (30 June 2020: $126,417) from OCMF for the year ended 30 June 2021.

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

16 Related party transactions (continued)

(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 Manager 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 2021 $'000	As at 30 June 2020 $'000
Loan to Gryphon Capital Management Pty Ltd	**8,932**	9,972
Accrued interest on loan	**27**	29
Interest received	**474**	431

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 2 August 2021, a distribution of 0.77 cents per ordinary unit which amounted to $1,587,176 was approved and was paid on 9 August 2021.

On 5 August 2021, the Responsible Entity approved the Investment Manager’s recommendations for minor modifications to the investment guidelines for the Trust in order to allow the Investment Manager the flexibility to participate in the anticipated growth in the ABS market in Australia.

On 9 August 2021, in response to identified investment opportunities and strong demand for investment in the Trust, and to provide additional benefits to the existing unitholders as outlined below, the Responsible Entity announced it was utilising its placement capacity to seek to raise up to an additional $62.1 million by issuing a maximum of 30,919,014 new units in the Trust at an issue price of $2.01.

The new capital raised will provide the following benefits to existing unitholders:

- Additional scale, allowing the Investment Manager to further diversify the portfolio;
- Expands the Trust’s investor base, providing greater liquidity for unitholders; and
- Reduces the operating costs of the Trust on a cost per unit basis.

The new units to be issued under the placement will rank equally with existing ordinary units in the Trust with effect from their date of issue including in respect of entitlements to distributions. The new units are expected to be issued and allotted on 1 September 2021.

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 2021 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 2021 and 30 June 2020.

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 28 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 2021 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.

Frank Tearle

Frank Tearle
Director
One Managed Investment Funds Limited

Sydney
17 August 2021

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 2021 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 2021
- 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 significant accounting policies and other explanatory information
- the directors' declaration.

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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (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
• For the purpose of our audit we used overall materiality of \$4.176 million, 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 because, in our view, it is the benchmark against which the performance of the Trust is most commonly measured. • We utilised 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 are the administrator who maintains the accounting records of the Trust and the custodian who provides custodian services for the Trust's investments.

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 period. 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. We communicated the key audit matters to the Board.

Key audit matter	*How our audit addressed the key audit matter*
Valuation and existence of financial assets at fair value through profit or loss *(Refer to note 6) $402,491,000* Investments in financial assets were comprised of investments in residential mortgage backed securities and asset backed securities. The valuation and existence of financial assets was a key audit matter because financial assets represent the principal element of the statement of financial position in the Trust's financial statements, accounting for approximately 96% of net assets. A misstatement 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 and existence 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 sample of individual investments, we recalculated the year end valuation. We obtained observable market price data for a sample of investments and compared this to the prices recorded by the Trust to value those investments at year end. We obtained confirmation from the external valuation expert engaged by the Trust, of the value of the Trust's investment portfolio at year end. We obtained the most recent internal controls report on fund administration services issued by 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, 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*** The Trust's investments are held by a custodian. We obtained an independent confirmation of investment holdings at year end and compared 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 2021 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 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 intend 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: https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

PricewaterhouseCoopers

Paul Collins
Partner

Brisbane
17 August 2021

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 6 August 2021 unless otherwise indicated.

A. Distribution of units

There were 206,126,766 ordinary units held by 6,011 unitholders.

The number of unitholders, by size of holding are:

	No Of Holders	Total Units	Percentage
1 - 1,000	114	50,295	0.02%
1,001 - 5,000	730	2,807,839	1.36%
5,001 - 10,000	1,227	9,977,824	4.84%
10,001 - 100,000	3,759	110,487,127	53.60%
100,001 and over	181	82,803,681	40.17%
	6,011	**206,126,766**	**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>	13,384,152	6.49%
2	BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd <DRP A/C>	12,438,692	6.03%
3	HSBC Custody Nominees (Australia) Limited	8,184,416	3.97%
4	Navigator Australia Ltd <MLC Investment Sett A/C>	4,429,685	2.15%
5	Australian Executor Trustees Limited <No 1 Account>	3,310,141	1.61%
6	Netwealth Investments Limited <Wrap Services A/C>	1,592,219	0.77%
7	Elizikat Investments Pty Ltd <Doughan Investment A/C>	1,261,633	0.61%
8	Geat Incorporated <Geat-Preservation Fund A/C>	1,026,606	0.50%
9	The Corporation Of The Trustees Of The Order Of The Sisters Of Mercy In QLD <Congregation A/C>	998,756	0.48%
10	Bcitf (QLD) <Strategic Reserve A/C>	983,893	0.48%
11	J P Morgan Nominees Australia Pty Limited	818,673	0.40%
12	Netwealth Investments Limited <Super Services A/C>	813,056	0.39%
13	Skunky Investments Pty Ltd <PM Rafter Family A/C>	750,000	0.36%
14	A&M Forestieri Holdings Pty Ltd	750,000	0.36%
15	Certane Ct Pty Ltd <ECT Cap Stbl Fnd>	746,495	0.36%
16	Mr Richard James Clamp & Mrs Karen Harvene Clamp <Clamp Family A/C>	706,945	0.34%
17	BNP Paribas Nominees Pty Ltd <IB AU Noms Retail Client DRP>	603,692	0.29%
18	Moneybourne Pty Ltd <Logan Family A/c>	526,650	0.26%
19	Sisters Of The Perpetual Adoration Of The Blessed Sacrament Ltd <Perpetual Adoration A/C>	500,000	0.24%
20	Mercy Partners <The Nudgee A/C>	499,378	0.24%

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.

ASX ADDITIONAL INFORMATION

E. Buy-back

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

F. Investments held at 30 June 2021

Security Code	Security Name	Current Face Value $'000	Fair Value $'000
AU3FN0026415	Harvey Trust 2015-1 C	812	843
AU3FN0035671	Harvey Trust Series 2017-1 C Mtge	446	1,735
AU3FN0035994	MEDL 2017-1 C	1,665	463
AU3FN0037362	Resimac Premier Series 2017-2 E Mtge	1,850	1,896
AU3FN0038725	RESI 2017-1NC G	6,000	6,024
AU3FN0038816	FMACB FMFT-4 CR	11,000	11,002
AU3FN0038824	FirstMac Mortgage Funding Trust No.4 ANZ	8,000	8,005
AU3FN0038832	Firstmac Mortgage Funding Trust No 4 ANZ	4,000	4,002
AU3FN0039293	Medallion Trust Series 2017-2 Class C Mt	5,182	5,348
AU3FN0039301	MEDL 2017-2 D Mtge	3,298	3,456
AU3FN0039772	FMACB FMFT-2 CR	15,000	15,005
AU3FN0039780	FMACB FMFT-2 D Mtg	8,000	8,006
AU3FN0039798	FMACB FMFT-2 E Mtg	5,000	5,003
AU3FN0040267	RESI 2017-3 E Mtge	4,283	4,431
AU3FN0040663	NRMBS 2018-1 D Mtge	3,098	3,214
AU3FN0042321	RESI 2018-1X E Mtge	2,850	2,962
AU3FN0042669	REDS Trust 2018-1 Class D Mtge	2,443	2,511
AU3FN0042958	Liberty Warehouse Trust No.1 Class B Mtg	13,300	13,298
AU3FN0042974	Liberty Warehouse Trust No.1 Class C Mtg	21,400	21,395
AU3FN0043006	Liberty Warehouse Trust No.1 Class D Mtg	22,600	22,593
AU3FN0043535	LBRTY 2018-1SME Trust Class E	3,249	3,327
AU3FN0043840	SMHL 2018-2 D Mtge	1,081	1,105
AU3FN0043857	SMHL 2018-2 E Mtge	2,523	2,572
AU3FN0044111	National RMBS 2018-2 Class C	5,500	5,713
AU3FN0044129	National RMBS 2018-2 Class D	3,250	3,404
AU3FN0044210	Pepper Prime Mortgage Wharehouse tRust	14,600	14,597
AU3FN0044228	Pepper Prime Mortgage Wharehouse Trust N	8,200	8,197
AU3FN0046017	RESIMAC TRIOMPHE TRUST No 6 Class C	8,300	8,300
AU3FN0046025	RESIMAC TRIOMPHE TRUST No 6 Class D	4,700	4,700
AU3FN0046033	RESIMAC TRIOMPHE TRUST No 6 Class E	3,000	3,000
AU3FN0047239	RESI 2019-1 F	3,000	3,133
AU3FN0048112	SMHL 2019-1 C Mtge	15,600	15,606
AU3FN0048120	SMHL 2019-1 D Mtge	6,100	6,101
AU3FN0048138	SMHL 2019-1 E Mtge	3,700	3,701
AU3FN0048146	SMHL 2019-1 F Mtge	5,700	5,702
AU3FN0048385	TORR 2019-1 E Mtg 12/09/2050	500	516
AU3FN0048518	SMHL 2019-1 D Mtg 15/07/2051	1,900	1,957
AU3FN0048526	SMHL 2019-1 E Mtg 15/07/2051	630	635
AU3FN0048534	SMHL 2019-1 F Mtg 15/07/2051	620	634
AU3FN0048591	KINGF 2019-1 D Mtg 19/05/2050	1,500	1,586
AU3FN0048609	KINGF 2019-1 E Mtg 19/05/2050	1,500	1,531
AU3FN0049441	RESI 2019-2X D Mtge	2,475	2,545
AU3FN0049458	RESI 2019-2X E Mtge	1,350	1,395
AU3FN0049466	RESI 2019-2X F Mtge	935	958
AU3FN0050654	AFG 2019-2 D Mtge	1,000	1,027
AU3FN0050662	AFG 2019-2 E Mtge	810	836
AU3FN0050795	LBRTY 2019-1SME D	3,000	3,062
AU3FN0050803	LBRTY 2019-1SME E	5,500	5,748
AU3FN0050811	LBRTY 2019-1SME F	6,500	6,611
AU3FN0050894	Resimac 2019-1NC E Mtge	2,000	2,061

F. Investments held at 30 June 2021 (continued)

Security Code	Security Name	Current Face Value $'000	Fair Value $'000
AU3FN0050902	Resimac 2019-1NC F Mtge	1,148	1,165
AU3FN0051264	TORR 2019-2 E Mtge15/05/2051	3,500	3,606
AU3FN0051991	FMACB 2019-4 D	2,200	2,275
AU3FN0052007	FMACB 2019-4 E	3,410	3,557
AU3FN0052056	AFG WH10-1 D	6,400	6,400
AU3FN0052064	AFG WH10-1 E	4,400	4,400
AU3FN0052155	RESI 2019-2C AB	3,000	3,021
AU3FN0052163	RESI 2019-2C B	750	760
AU3FN0052171	RESI 2019-2C C	625	637
AU3FN0052189	RESI 2019-2C D	275	275
AU3FN0052197	RESI 2019-2C E	150	150
AU3FN0052205	RESI 2019-2C F	100	102
AU3FN0052213	RESI 2019-2C G	105	107
AU3FN0053195	Liberty 2020-1 Class D	5,465	5,673
AU3FN0053203	Liberty 2020-1 Class E	6,148	6,418
AU3FN0053500	PEPAU 26 D Mtge	4,500	4,829
AU3FN0053682	FMACB 2020-1 D	2,500	2,719
AU3FN0053807	Harvey Warehouse Trust Mtge C2	2,500	2,500
AU3FN0054235	Resimac 2020-2 D	3,000	3,094
AU3FN0054516	Liberty 2020-2 Class D	2,400	2,473
AU3FN0054524	Liberty 2020-2 Class E	3,000	3,116
AU3FN0054979	AFG 2020-1 D Mtge	2,000	2,062
AU3FN0054987	AFG 2020-1 E Mtge	2,660	2,759
AU3FN0055653	Lion Trust 2020-1 E Mtge	2,000	2,056
AU3FN0055661	Lion Trust 2020-1 F Mtge	2,250	2,311
AU3FN0055778	LBRTY 2020-1 SME E	4,000	4,239
AU3FN0056503	AFG Trust 2020-1NC Class D Mtge	1,500	1,559
AU3FN0056511	AFG 2020-1NC E Mtge	972	1,070
AU3FN0057600	RESI 2020-3 E Mtge	1,750	1,835
AU3FN0057618	Resimac 2020-3 F Mtge	1,000	1,032
AU3FN0058020	Resimac WH-1 D Mtge	12,000	12,000
AU3FN0058038	Resimac WH-1 E Mtge	9,000	9,000
AU3FN0058335	PEPAU 2021-1 F Mtge	2,000	2,061
AU3FN0058582	FMACB 2021-1PP E	4,100	4,415
AU3FN0058673	FMACB WH15 D Mtge	4,000	4,000
AU3FN0058681	FMACB WH15 E Mtge	2,500	2,500
AU3FN0058780	THINK W05 D	4,400	4,400
AU3FN0058798	THINK W05 E	3,520	3,520
AU3FN0059796	RESI WH-1NC D Mtge	11,700	11,700
AU3FN0059804	RESI WH-1NC E Mtge	7,500	7,500
AU3FN0060059	RESI 2021-1NC E Mtge	2,370	2,456
AU3FN0060067	RESI 2021-1NC F Mtge	1,245	1,287
		396,993	**402,491**

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

G. Transactions in securities

There were a total of 49 transactions in securities during the year ended 30 June 2021. Total brokerage paid by the Trust on those transactions was nil.

Gryphon Capital Income Trust
Directory

Directors:	Frank Tearle Sarah Wiesener Michael Sutherland
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 16, Governor Macquarie Tower 1 Farrer Place 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:	https://gcapinvest.com/our-lit/
Corporate Governance Statement:	https://gcapinvest.com/our-lit/#document-library