

GRYPHON

CAPITAL INCOME TRUST

ARSN 623 308 850

ASX RELEASE

4 September 2024

Gryphon Capital Income Trust (ASX: GCI) ('GCI or the Trust') Announces Update to GCI Investment Guidelines

Gryphon Capital Investments Pty Ltd ACN 167 850 535 (**Manager**) has recommended and the Responsible Entity, One Managed Investment Funds Limited ACN 117 400 987 has approved the Manager's recommendations for minor modifications to the Investment Guidelines for GCI.

Historically, the Australian securitisation market has been dominated by the issuance of Residential Mortgage-Backed Securities (**RMBS**) which represented approximately 85% of the total market with the issuance of Asset Back Securities (**ABS**), including Auto, Consumer and SME, representing the balance. This contrasts with international capital markets where ABS are a far more material component of the market. Prior to 2021, a principal reason for the limited domestic ABS issuance was that local banks had predominantly funded their auto loans and credit cards using their balance sheets, whereas international banks tend to use the securitisation markets for such funding.

This dynamic permanently altered in June 2021 when Westpac sold its auto finance business to a US alternative investment manager, among others, who established a non-bank auto financing platform, and who in 2024 is targeting to originate A\$4 billion+ of retail auto assets. The pipeline for securitisation remains robust in 2024 and although making up circa 30% of Q2 2024 total new issuances, the Q2 2024 ABS issuance represented close to 50% of issuance that falls within GCI's targeted investment universe, being mezzanine debt rated A, BBB and BB.

To keep GCI's investment guidelines consistent with the overall market dynamics, and to capitalise on the anticipated opportunities within the Australian ABS market, the Manager will be updating GCI's investment guidelines to provide the flexibility to further invest in ABS, supported by and subject to the Manager's robust due diligence and credit assessment process that it applies to all investments.

The current Investment Guidelines can be found in section 5.7 of the most recent Product Disclosure Statement (**PDS**), available at <https://www.gcapinvest.com/cmsb/media/current-product-disclosure-statement-gryphon-capital-income-trust.pdf>

Responsible Entity

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The Manager continues to evaluate a strong pipeline of potential investment opportunities which it expects will meet the investment objective of GCI as described in the PDS.

The Manager will begin applying the amended Investment Guidelines from 16 September 2024.

The updated Investment Guidelines for the Trust are detailed below (with changes shown in mark-up)

The Investment Guidelines are as follows:

(a) ***Jurisdiction***

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

(b) ***Authorised Investments***

The Trust investments may consist of the following:

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

(c) ***Currency and security***

All investments:

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

(d) ***Investment concentrations***

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

- (i) At least 50% of the Portfolio will be invested in assets with an Investment Grade rating.
- (ii) At the time of investment, the maximum holding in any one security will not exceed 10% of the Trust's Portfolio.
- (iii) At the time of investment, the exposure to any one Originator must not exceed 40% of the Portfolio.
- (iv) All ABS investments must be rated or credit assessed by a Rating Agency.
- (v) Non-Investment Grade ABS must not exceed ~~25%~~15% of the Portfolio.
- (vi) Subject to the hedging guidelines set out in paragraph (e) below, a maximum of 20% of the Portfolio may be invested in assets denominated in foreign currencies.

The Manager will be generally guided by these investment concentrations when constructing the Portfolio. There may be circumstances where due to market fluctuations and portfolio optimisation

considerations the make-up of the Portfolio will be outside the investment guidelines, but in those situations the Manager will take steps as soon as reasonably practicable to rebalance the Portfolio.

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

(e) ***Hedging and derivatives***

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

(f) ***Asset allocation***

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

Asset	Allocation (%)
Cash	0-20
RMBS	5060 -100
ABS	0- 5040

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

ASX release date: 21 August 2024

Authorised for release by One Managed Investment Funds Limited, the responsible entity of Gryphon Capital Income Trust.

One Managed Investment Funds Limited (ABN 47 117 400 987) (AFSL 297042) (OMIFL) is the responsible entity of the Gryphon Capital Income Trust (ARSN 623 308 850 ("Fund"). Information contained in this document was prepared by Gryphon Capital Investments Pty Ltd (ACN 167 850 535) (GCI). While neither OMIFL nor GCI has any reason to believe the information is inaccurate, the truth or accuracy of the information cannot be warranted or guaranteed. Before making any decision regarding the Fund, investors and potential investors should consider the Product Disclosure Statement (PDS) and other continuous disclosures available on the Australian Securities Exchange ("ASX") website (Disclosure Material). The Disclosure Material contains important information about investing in the Fund and it is important investors obtain and read the Disclosure Material before making a decision about whether to acquire, continue to hold or dispose of units in the Fund. This document contains general information only and is not intended to be financial product advice. It does not take into account any person's (or class of persons') investment objectives, financial situation or particular needs, and should not be used as the basis for making investment, financial or other decisions. Investors should also consult a licensed financial adviser before making an investment decision in relation to the Fund. This document may contain forward-looking statements based on current expectations, estimates, and projections about the Fund's business and the industry in which the Fund invests. Readers are cautioned not to place undue reliance on these forward-looking statements. Neither OMIFL nor GCI undertakes any obligation to revise any such forward-looking statements to reflect events and circumstances after the date of this publication. Past performance is not indicative of future performance. Neither OMIFL or GCI nor any other

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