

GCIT Investment Highlights

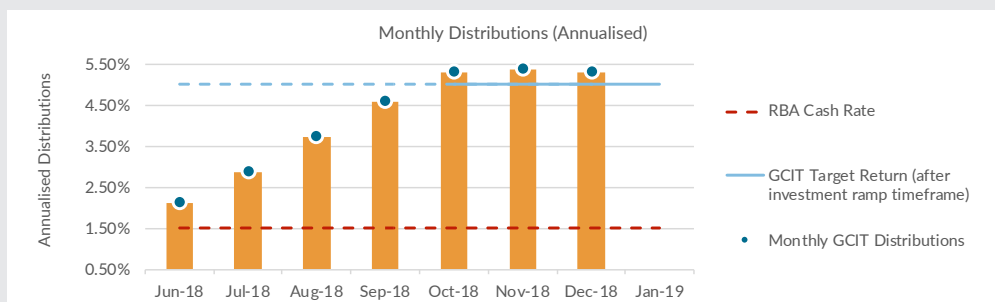
- Specialist Investment Manager with a proven track record of investment outperformance
- Target income return of RBA Cash +3.50% (net of fees), currently 5.00% p.a.
- Monthly distributions
- Key objective of the Fund being capital preservation
- Portfolio diversification – Australian ABS market is a large but specialist component of Australian Fixed Income and is dominated by institutional investors.

Investment Objective

GCIT is an ASX Listed Trust providing Unitholders with exposure to the Australian securitised fixed income market, a large market (>A\$100 billion) which is dominated by institutional investors. The investment objective of GCIT is to generate attractive risk adjusted returns principally through monthly income distributions with a low risk of capital loss at a portfolio level. Investors capital is not guaranteed.

GCIT Distribution

GCIT announced a 0.88 cents per unit distribution for the month of December 2018, representing an annualised distribution yield of 5.30%, delivering in excess of the Target return of RBA Cash +3.50% (5.00% net of fees).



Fund Performance as at 31 December 2018

	1 Mth	3 Mth	6 Mth	1 Yr	Incep (Ann) ¹
Net Return (%)	0.44	1.33	2.29	-	4.17
RBA Cash Rate (%)	0.13	0.38	0.76	-	1.50
Net Excess Return (%)	0.31	0.95	1.52	-	2.63
Distribution (%)	0.44	1.31	2.25	-	4.08
Distribution (¢/unit)	0.88	2.62	4.46	-	8.02

¹ Inception date – 21 May 2018

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

Market and GCIT Investment Activity

During December there were two noteworthy events in the Australian structured credit markets, namely NAB issuing a \$1.6 billion RMBS transaction and Standard & Poor's taking rating action including raising the ratings on 23 tranches of Australian RMBS.

On 14 December, NAB priced its 2nd RMBS transaction for 2018 with the timing (very late in the year) seemingly driven by offshore AAA investors. The NAB RMBS transaction was secured by a well diversified portfolio of almost 5,500 residential loans to Australian Prime residential borrowers with appealing portfolio attributes – average seasoning of 33 months, WA LVR of 57%, average current balance of \$297,000 and all loans > 80% LVR benefiting from mortgage insurance. Only 9% of the pool was <1 year seasoned. After completing our underwriting of the transaction, GCI invested across a number of the investment grade classes for the GCIT portfolio.

On 19 December, Standard & Poor's raised the ratings on 23 tranches of Australian RMBS including certain RMBS transactions only issued in 2017. The driver of this rating action was solid portfolio collateral quality (evidenced by average LTV ratios and loan seasoning) and stable borrower delinquency performance. S&P also lowered the ratings on 6 tranches of Australian RMBS (each from AA- to A+) so that these tranche ratings were consistent with the Lenders Mortgage Insurance provider to these transactions.

continued overleaf...

ABOUT THE MANAGER

Gryphon Capital Investments Pty Ltd ("Gryphon") is a specialist fixed income manager with significant experience in the Australian and Institutional fixed income markets. Gryphon manages individual segregated accounts on behalf of institutional investors and GCIT on behalf of wholesale and retail investors seeking opportunities in fixed income credit markets including RMBS and ABS. Gryphon currently manages funds in excess of \$1.9 billion.

GCIT SNAPSHOT

ASX Code	GCI
IPO Date	25 May 2018
Asset	Fixed Income, floating rate
ASX Price	\$2.01
NAV (Unit)	\$2.00
Market Cap	\$176.18m
Investment Management Fee ²	0.72%
Performance Fee	None
Distributions	Monthly
Unit Pricing	Weekly

² Includes GST, net of reduced input tax credits

GCIT CHARACTERISTICS³

Net Running Yield ⁴	5.81%
RBA Cash Rate	1.50%
Interest Rate Duration (yrs)	0.05 years
Credit Spread Duration (yrs)	2.3 years
Number of Bond Holdings	38
Number of Underlying Mortgage Loans	47,015

³ Annualised.

⁴ The net cash income GCIT would earn over the next year, assuming reinvestment, based on existing core and liquidity portfolios and current market conditions if there were no changes to interest rates or GCIT portfolios. It is not an actual return.

RESEARCH

BondAdviser

INDEPENDENT
INVESTMENT RESEARCH

Lonsec

WEBSITE

www.gcapinvest.com/gcit/overview

Note that each of the downgraded RMBS transactions were issued in 2014 or earlier – so loan seasoning in isolation does not provide protection from deteriorating performance. In their commentary, S&P stated “Falling house prices and tighter lending conditions are currently dominating market headlines, but relatively stable economic growth and employment levels suggest the performance of our ratings should remain stable in the medium term for this sector.”

We have previously stated that a core objective of the Gryphon Capital Income Trust is constructing a resilient investment portfolio that provides stability and protection against broader market volatility. One of the facets of the Gryphon investment process is ensuring we underwrite transactions with a focus on rating stability. During 2018, the Gryphon managed accounts experienced 23 tranche upgrades by one of the Rating Agencies (representing approximately 19% of FUM), providing external validation of our management approach.

The Net running yield of the GCIT portfolio is greater than the Target return of RBA Cash +3.50% pa (5.00% net of fees) and importantly we have now delivered on all of our IPO Targets.

GCIT PARTIES

Responsible Entity

One Managed Investment Funds Limited
ACN 117 400 987 AFSL 297042

Manager

Gryphon Capital Investments Pty Ltd
ACN 167 850 535 AFSL 454552

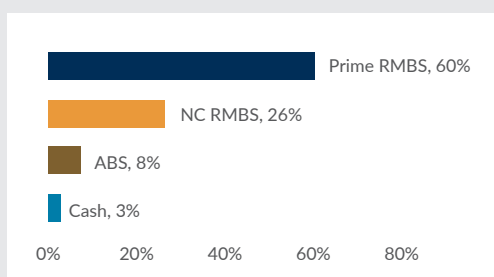
AVAILABLE PLATFORMS INCLUDE:

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

GCIT Portfolio Construction¹

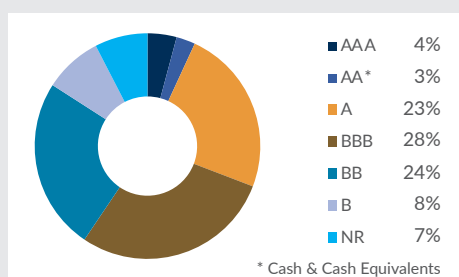
¹ Note as at 31 December 2018.

GCIT Sector Allocations²



² Excludes Manager Loan.

GCIT Rating Breakdown²



² Excludes Manager Loan.

FURTHER INFORMATION AND ENQUIRIES

Gryphon Capital Income Trust
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General

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Boardroom (Unit Registry)

Phone 1300 737 760

Email enquiries@boardroomlimited.com.au

GCIT Portfolio Underlying Mortgage Loan Statistics³

	Total	Prime	Non-conforming ⁴
No. of Underlying Loans	47,015	41,234	5,781
Weighted Average Underlying Loan Balance	\$514,792	\$485,331	\$583,708
Weighted Average LVR	67%	68%	66%
% Loans > \$1.5m Principal Balance	1.19%	0.59%	2.60%
Weighted Average Seasoning	20 months	21 months	16 months
Weighted Average Interest Rate	5.05%	4.59%	6.12%
Owner Occupied	62%	63%	60%
Interest Only	26%	27%	25%
90+ Days in Arrears as % of Loans	0.23%	0.15%	0.40%

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

⁴ Non-conforming loans are residential mortgage loans that would not typically qualify for a loan from a traditional prime lender and are generally not eligible to be covered by LMI. Borrowers may not qualify due to past credit events, non-standard income (self employed) or large loan size.

Net Returns (after fees) (%)

Fin. Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD
2018	-	-	-	-	-	-	-	-	-	-	0.01	0.23	0.24
2019	0.25	0.31	0.39	0.44	0.44	0.44	-	-	-	-	-	-	2.29

Distributions (cents/Unit)

Fin. Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD
2018	-	-	-	-	-	-	-	-	-	-	-	0.46	0.46
2019	0.48	0.62	0.74	0.88	0.86	0.88	-	-	-	-	-	-	4.46

Gryphon Capital Income Trust (GCIT)

ARSN 623 308 850

Investment Update as at 31 December 2018



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