



# Product Review

## Gryphon Capital Income Trust

ISSUE DATE 03-08-2018

### About this Review

ASSET CLASS REVIEWED	FIXED INTEREST
SECTOR REVIEWED	ALTERNATIVE INCOME HIGH
SUB SECTOR REVIEWED	LIT
TOTAL COMPANIES RATED	2

### About this Trust

ASIC RG240 CLASSIFIED	NO
LIT REVIEWED	GRYPHON CAPITAL INCOME TRUST
ASX CODE	GCI
PDS OBJECTIVE	PROVIDE MONTHLY CASH INCOME & CAPITAL PRESERVATION AT A PORTFOLIO LEVEL BY INVESTING IN A PORTFOLIO OF FIXED INCOME SECURITIES INCL RMBS & ABS
INTERNAL OBJECTIVE	TARGET YIELD OF RBA CASH RATE +3.50% PA (NET) THROUGH THE ECONOMIC CYCLE
DISTRIBUTION POLICY	MONTHLY DISTRIBUTION
MANAGEMENT COSTS	(0.96%-0.86% P.A. NAV)
RESPONSIBLE ENTITY	ONE MANAGED INVESTMENT FUNDS LTD

### Market data

MARKET CAPITALISATION	\$175M
UNITS ON ISSUE	88M
UNIT PRICE (1-8-2018)	\$2.00
52 WEEK HIGH/LOW UNIT PRICE	\$2.01 / \$1.98
NAV (20-7-2018)	\$2.00
52 WEEK HIGH/LOW NAV	\$2.00 / \$2.00
UNIT PRICE PREM/(DISC) TO NAV	-0.19%

### About the Fund Manager

FUND MANAGER	GRYPHON CAPITAL INVESTMENTS PTY LTD
OWNERSHIP	100% GRYPHON CAPITAL PARTNERS PTY LTD
ASSETS MANAGED IN THIS SECTOR	\$1.97BN (30-06-2018)
YEARS MANAGING THIS ASSET CLASS	24

### Investment Team

PORTFOLIO MANAGER	STEVEN FLEMING, ASHLEY BURTENSHAW
INVESTMENT TEAM SIZE	4
INVESTMENT TEAM TURNOVER	NIL
STRUCTURE / LOCATION	BRISBANE

### Investment process

STYLE/ASSETS	INCOME/RMBS & ABS
BENCHMARK	RBA CASH RATE
TYPICAL NUMBER OF POSITIONS	40
SINGLE BORROWER LIMIT	10%
LEVERAGE	MAX 25% NAV (FOR USE IN FUTURE CAPITAL RAISES, SHORT TERM PURPOSES ONLY)
DERIVATIVES	YES
CURRENCY	100% HEDGED

### Trust rating history

AUGUST 2018	INVESTMENT GRADE
MAY 2018	INVESTMENT GRADE

### What this Rating means

The 'Investment Grade' rating indicates that Lonsec has conviction the financial product can generate risk adjusted returns in line with relevant objectives. However, if applicable, Lonsec believes the financial product has fewer competitive advantages than its peers.

### Scope of this rating

- Lonsec has used its Managed Funds research process in forming an opinion on this Listed Investment Trust's (LIT or Trust) ability to meet its stated investment objectives. The extent of any 'point-in-time' divergence between GCI's unit price and its underlying Net Asset Value (NAV) per unit is not part of the ratings consideration.
- Lonsec does consider whether structural or management issues could potentially lead to a LIT trading at a significant discount to its NAV over an extended period of time without any recourse for unitholders. This aspect forms part of the wider qualitative and quantitative assessment that Lonsec undertakes when assessing the relative investment merits of a LIT.

### Strengths

- The two Portfolio Managers have deep and long standing experience in securitised markets.
- Disciplined, repeatable investment process.
- Risk management is embedded in the portfolio construction process.

### Weaknesses

- The investment team size is small and investing in an asset class which requires large volumes of data to be sourced, cleaned and analysed on an ongoing basis. Consequently, there is heightened key person risk as each of Fleming, Burtenshaw and Stanton bring a targeted skill set.
- The proprietary models used in the analysis process have not been audited by an external party.
- The Trust's assets are vulnerable to the negative impacts of a rising rate environment with significant exposure to the Australian residential housing market.

We strongly recommend that potential investors read the product disclosure statement or investment statement. Lonsec Research Pty Ltd ABN 11 151 658 561 AFSL No. 421445. This information must be read in conjunction with the warning, disclaimer and disclosure at the end of this document. This report supersedes all prior reports.

ANALYST: JUDE MCDONNELL | APPROVED BY: SHENG TAN

# Gryphon Capital Income Trust

ISSUE DATE 03-08-2018

## Trust Risk Characteristics

	LOW	MODERATE	HIGH
BUSINESS SUSTAINABILITY RISK			●
CAPITAL VOLATILITY			●
CREDIT RISK			●
FOREIGN CURRENCY EXPOSURE		●	
INTEREST RATE RISK		●	
SECURITY CONCENTRATION RISK		●	
SECURITY LIQUIDITY RISK			●
LEVERAGE RISK		●	

Risk categories are based on Lonsec's qualitative opinion of the risks inherent in the financial product's asset class and the risks relative to other financial products in the relevant Lonsec sector universe.

## BIometrics

### Aggregated risks

	1	2	3	4	5	6	7
STD RISK MEASURE				●			

A Standard Risk Measure score of 4 equates to a Risk Label of 'Medium' and an estimated number of negative annual returns over any 20 year period of 2 to less than 3. This is a measure of expected frequency (not magnitude) of capital losses, calculated in accordance with ASFA/FSC guidelines.

	LOW	MODERATE	HIGH
RISK TO INCOME		●	

### Features and benefits

	LOW	MODERATE	HIGH
COMPLEXITY			●
ESG AWARENESS	●		

### Fee profile

	LOW	MODERATE	HIGH
FEES VS. UNIVERSE		●	
FEES VS. ASSET CLASS		●	

Fee BIometrics are a function of expected total fee as a percentage of expected total return.

## What is this Trust?

- Gryphon Capital Income Trust (ASX: GCI) completed an initial capital raising of approximately \$175m listing on the 25th May 2018. This was within the target range of \$100-\$350m. The first distribution was paid to investors on the July 9th 2018 and will be monthly thereafter. As at the 25th July 2018, the Trust had 87,650,000 units on issue.
- As at June 2018, Gryphon Capital Investments (GCI) had \$1.97bn funds under management. GCI is a specialist manager of structured finance securities issued in Australia, UK and Europe.
- The rating is not a credit assessment of Gryphon Capital Investments Limited or the Gryphon Group, who are party to the Manager Loan which forms part of the assets of the Trust.**
- GCI operates three existing bespoke mandates in the Australian market at present; High Grade Securitised (inception January 2010), Secured Opportunities (inception April 2015) and Investment Grade (inception September 2016). The Gryphon Capital Income Trust (GCI) will broadly approximate a 50/50 split of the Secured Opportunities and Investment Grade strategies. The Secured Opportunities strategy targets a return of the Bloomberg Ausbond Bank Bill Index + 5% by investing in a high conviction portfolio

of Australian Residential Mortgage Backed Securities. There are no credit rating restrictions applied to this strategy which can invest heavily in non-rated and sub-investment grade tranches which have more limited liquidity. The Investment Grade strategy is a high conviction, low liquidity strategy with a target of the Bloomberg Ausbond Bank Bill Index + 2.7%. This strategy only invests in securities that are rated BBB- or higher. In a sense, the Trust is intended to be barbelled with one sleeve acting as the lower yielding, less risky allocation and the other riskier but with higher alpha generation potential.

- GCI believe the RMBS and ABS (Asset backed securities) markets are an important and substantial part of the Australian market, offering an alternative investment option for retail investors seeking exposure to income streams.
- The Trust aims to deliver predictable monthly income with low risk of capital loss. The Trust aims to achieve RBA cash rate + 3.5% net of all costs through the economic cycle. The look-through underlying securities in the Trust will be comprised of residential mortgage backed securities, asset backed securities (securitisations backed by consumer loans, loans to SMEs, auto loans among others) and cash. Investments will be predominantly invested in Australian dollars; however, the Manager reserves the right to invest in securities domiciled in other currencies. Any such investments will be hedged back to Australian dollars. Alpha is expected to be generated predominantly from stock selection and sector rotation.
- Lonsec notes that the Trust is governed by an investment strategy which imposes some broad mandate limits in terms of sub-investment grade credit (maximum of 50% of the Portfolio), individual holdings (maximum of 10% in any one security) and exposure to an originator (must not exceed 25% of NAV).
- The Manager does not intend to use debt to enhance returns. The Trust's gearing policy limits debt to up to 25% of the Trust's NAV for short term liquidity timing purposes only. For example, the Manager does not intend to use debt unless it has also planned to raise new capital from the issue of new Units and identifies a buying opportunity for the portfolio which will settle prior to the new capital raise flowing into the Trusts bank account.
- Derivatives are only permitted for efficient portfolio management (e.g. hedging) and not for market speculative purposes to increase returns.
- The Responsible Entity has provided a working capital loan to the Manager for 10 years. As outlined in the initial review and acknowledged by Gryphon, the proceeds of the manager loan have been used to pay upfront costs of the capital raising. The loan balance as at the end of June 2018 was 3% of total funds raised. The proceeds are also permitted to be used for working capital, including but not limited to investor relations, capital management and to facilitate future fund raisings from the Trust. However, Gryphon has stated there is no intention to call upon proceeds of the manager loan to facilitate anything other than the listing costs. Interest will be paid on the loan at a 5% rate. The loan will be repaid over the ten-year initial term of the Investment

ANALYST: JUDE MCDONNELL | APPROVED BY: SHENG TAN

# Gryphon Capital Income Trust

ISSUE DATE 03-08-2018

Management Agreement ('IMA') and will be an asset of the Trust with its inherent credit risk.

- The appointment of the Manager will be governed by an Investment Management Agreement (IMA) with an initial term of ten years subject to automatic extension.
- The management cost charged to retail investors was estimated to be between 0.96-0.86% p.a. As at the end of June 2018 the management cost of the Trust was 0.91% p.a. The management cost is used to pay the operating costs of the Trust, including responsible entity fees, custody fees, administration, registry, annual ASX fees, and audit costs of the Trust. It excludes abnormal expenses which are payable from the assets of the Trust.
- The Manager does not charge a performance fee.

## Using this Trust

**This is General Advice only and should be read in conjunction with the Disclaimer, Disclosure and Warning on the final page.**

- Funds in the **Alternative Income (High)** sector are typically managed with the aim of generating returns that exceed a cash proxy such as the Bloomberg AusBond Bank Bill Index by a margin or are absolute return in nature. Lonsec notes that whilst the Trust may exhibit relatively low volatility of NAV, this may be a function of the relatively low liquidity in terms of secondary market activity and lack of observable price points for the underlying securities.
- Lonsec suggests that the Trust should only be considered for those clients that are seeking yields greater than cash or cash-like instruments **and prepared to accept greater credit risk.**
- Investments in asset backed securities may provide diversification and income generation benefits to a traditional fixed income portfolio. A key risk of the type of securities this Trust will invest in is illiquidity risk. The Trust's underlying securities are not liquid and the ability of the Manager to dispose of an investment will depend on the market liquidity prevailing at that time. There may be a significant difference between a security's market price supporting the NAV and a transaction price resulting in sharp gains or losses. The Trust is also permitted to invest in up to 50% of the portfolio in sub-investment grade or lower credit quality securitised assets. The lower quality RMBS and ABS securities hold particular risks to investors with the potential for increased capital erosion due to the higher probability of default. Changing market conditions and interest rate levels can also have a larger impact on the values of high yielding RMBS and ABS. Ultimately the Trust is highly exposed to the Australian residential housing market through its exposures to RMBS, and therefore susceptible to the prevailing and forward-looking movement of mortgage interest rates. Historically long term interest rates in Australia have mirrored the U.S. in terms of trajectory, and with the gradual increase in the Federal Reserve cash rate over the last two years investors must remain mindful of the impact rising interest rates may have on homeowners ability to finance mortgage repayments. While acknowledging

- that the RBA policy on the cash rate may diverge from the US, the impact on borrower's ability to service their mortgages at higher interest rates than the current historic lows is yet to be seriously tested.
- Other factors that can also greatly impact this asset class is the domestic unemployment rate and the risk of continued regulatory controls to curb rising house prices by the Australian Prudential Regulatory Authority a statutory authority of the Australian Government.
- ABS that are not secured by mortgages over property also present additional risks for investors. Some ABS may not access the same degree of security or recourse over related collateral. For example, Credit Card receivables ABS are generally unsecured. In a default scenario, the collateral backing the loan may not be sufficient to support the required repayments.
- RMBS and ABS differ from traditional bond securities mainly due to the frequency of interest and principal repayments and thus the uncertainty of a final maturity date. The majority of securities pay interest (and may also pay down principal) on a monthly basis, though some securities may pay coupons quarterly. Prepayment speed (the speed with which principal is returned to investors) fluctuates with the ability of borrowers to service their debt or refinance. Maturity dates may be short that expected if prepayment occurs more quickly than anticipated or maturity dates may extend if borrowers take longer to repay, or use redraw facilities.
- Further, in a portfolio construction context, Lonsec recommends that allocations into the Trust be made from growth rather than defensive assets.
- The Trust expects to make distributions on a monthly basis. However, Lonsec suggests that this Fund may not be suitable for investors who are reliant on regular, predictable distributions, particularly during the initial ramp-up phase.

## Suggested Lonsec risk profile suitability

SECURE DEFENSIVE CONSERVATIVE BALANCED GROWTH HIGH GROWTH



For guidance on appropriate asset allocations and risk profiles, refer to the latest Lonsec Strategic Asset Allocation Review and Risk Profile Definitions on our website.

## Changes Since Previous Lonsec Review

- A supplementary Product Disclosure Statement (PDS) was issued for the Trust on the 30th April 2018 at the request of ASIC. For further information please review the PDS.
- The initial capital raising for the Gryphon Capital Income Trust closed on the 4th May 2018. The offer raised approximately \$175m with units listing on the ASX on the 25th May 2018. The Trust currently has 87,650,000 units on issue as at 20th July 2018. The first dividend of 0.46 cents per units was paid on the 9th of July for the period from the 21st May to the 30th June 2018. Monthly distributions are expected to be made on a monthly basis going forward.
- The Fund remains in ramp-up phase as expected with core assets equating to 48% of the portfolio, 35% in liquidity type assets (highly rated RMBS/ABS) and 17% in cash and cash equivalents as at the end of June 2018. Those securities bucketed in the

ANALYST: JUDE MCDONNELL | APPROVED BY: SHENG TAN

## Gryphon Capital Income Trust

ISSUE DATE 03-08-2018

liquidity portfolio and cash and cash equivalents will be recycled into higher yielding securities when opportunities arise. At the time of this review, the Trust does not reflect the desired diversification levels as outlined by the investment team. However, more time is needed to allow investments to be made in appropriate securities.

- Gryphon has confirmed that going forward they have commitments from all issuers to provide monthly underlying loan data for analysis, previously this was a mix of monthly and quarterly.
- The largest shareholder in the Trust with 12,500,000 securities (approximately 14%) is Loannet Pty Ltd. Loannet Pty Ltd is a related party to Liberty Financial Pty Ltd, a significant issuer in non-prime mortgages (a sector in which this Trust invests into) and an entity Gryphon has had a long standing relationship with. Gryphon has reaffirmed all potential investment opportunities are assessed at "arms-length" following the processes and procedures outlined in the body of the report. Gryphon employees must comply at all times with its Code of Business Conduct and Ethics Policy which includes a policy on dealing with Related Parties.

### Lonsec Opinion of this Trust

#### People and resources

- Gryphon Capital Investments is an asset management firm focused on investments in the structured finance and less liquid credit markets in both Europe and Australia. The firm was founded in 2014 by Steven Fleming, Ashley Burtenshaw and Henry Cooke. Fleming and Burtenshaw previously worked together at Babcock and Brown from 2005 before moving across to Columbia Threadneedle ("Threadneedle") in 2009 to run ABS portfolios. Cooke joined the team in 2010. In 2014 the team spun out from Threadneedle to establish GCI as a standalone entity. Burtenshaw and Fleming are responsible for the Australian fixed income mandates and are the Portfolio Managers on this Trust. Lonsec views the team's longstanding working relationships to be a positive attribute for the Trust.
- Fleming has 24 years industry experience across principal finance, structured finance, property and project finance in London, New York and Australia. He has held senior roles at Columbia Threadneedle, Babcock and Brown, and Nomura Principal Finance Group. Fleming acts as CEO for the firm and is responsible for the firm's business strategy, risk management, operational oversight and is a member of the Investment Committee (IC).
- Burtenshaw has 23 years industry experience with a background in credit trading both global and domestic markets, debt securitisation markets and funds management. Burtenshaw worked at Threadneedle Investments as co-head of Global Mortgages alongside Fleming from 2008. He was hired by Credit Suisse First Boston in 2004 to establish their Structured Credit and ABS business in Australia. He also spent time at Babcock & Brown managing ABS portfolios. Burtenshaw acts as CIO for GCI and is responsible for the firm's investments and portfolio management. He is the second member of the IC.
- Henry Cooke, with 30 years industry experience is the most senior member of the team and part owner of Gryphon Capital. Cooke is based in London and will not be involved with the management of the Trust, although he remains available if additional support is needed by the investment team.
- Fleming and Burtenshaw are considered to be particularly skilled in the analysis and investment of asset backed securities. Both have been closely involved with this asset class for several years with domestic and global experience on both the buy and sell side. Lonsec considers both to be strong Portfolio Managers with the necessary in-depth knowledge to manage this LIT. The respective skillsets of each individual are considered to be complementary spanning across trading, funds management and deal structuring. As such Lonsec assigns high key person risk to both individuals. However, this is mitigated somewhat by the ownership structure. Entities controlled by Fleming and Burtenshaw own 40% each of the business with the remaining balance of 20% belonging to Cooke. Lonsec believes this structure also serves to strengthen alignment of interests with investors.
- Fleming and Burtenshaw are supported day-to-day by two analysts: Shane Stanton, Portfolio Management and Analytics and Sergey Podzorov, Database Management. Both Stanton and Podzorov were also part of the Threadneedle team with Fleming and Burtenshaw meaning all four have co-tenure and have worked together since 2005. Stanton has 12 years credit market experience across securitisation, derivatives, funds management and structured finance. Stanton is responsible for developing the front-end user interface for GCI's analytical tools which are considered critical for this complex and data intensive asset class. Stanton is also responsible for sourcing the necessary data for accurate and timely assessment of issues, ensuring data quality, and the development and maintenance of cashflow models used in the regular assessment of issues. Stanton is also involved in the stress testing of individual assets and the overall portfolio. Podzorov is an experienced programmer and developer with 22 years experience, he is responsible for building and maintaining the firm's portfolio applications which assist the team with feeding the underlying loan tape data into front office systems, market pricing, and portfolio management.
- Although Stanton and Podzorov are not key decision makers for the Trust their support is vital in an asset class which Lonsec considers labour intensive in terms of data gathering, analysis and daily portfolio management. The team also has a dedicated compliance resource in Michael Groom, Head of Operations and Compliance. Groom is also ex-Threadneedle and is responsible for the firm's financial affairs, as well as managing GCI's operational compliance and company practises. Overall team resourcing is adequate at present, although in times of high issuance Lonsec considers resourcing could be stretched.
- Given that each of the team members is viewed as a critical part of the team puzzle with either asset class expertise or a key role in the development of the proprietary systems, Lonsec views key person risk as

ANALYST: JUDE MCDONNELL | APPROVED BY: SHENG TAN

P 4-11



## Gryphon Capital Income Trust

ISSUE DATE 03-08-2018

high in Fleming, Burtenshaw, Stanton and Podzorov with the departure of any potentially warranting a revision of the current rating. Lonsec also notes that Fleming and Burtenshaw may at times be drawn away to deal with business responsibilities common in a boutique structure acting as a distraction from day-to-day management of the portfolio.

- Pleasingly GCI has outsourced a number of operational business requirements to third party providers allowing the investment team to focus on portfolio management and day to day investing. Legal, IT Support, Accounting/Tax, Audit Service (internal controls only) are all undertaken by various third party providers. Lonsec views this as an appropriate structure.
- Accountability is viewed as adequate. The collegiate culture is believed to contribute positively to transparency and accountability within the investment team. Fleming and Burtenshaw drive decision making with the support of Stanton and the proprietary database and systems.

### Board of directors and governance

- One Managed Investment Fund Limited is the Responsible Entity of the Trust. This means, in respect of the Portfolio, many of the functions traditionally performed by an entity's management are instead performed by the Manager. The Responsible Entity monitors the performance of the Manager in much the same way as a board monitors performance of management of the entity they are appointed to. The Responsible Entity is a member of One Investment Group (OIG) which is a funds management business specialising in providing responsible entity, trustee, custody and administration services. OIG is not a fund manager.
- As the Responsible Entity is a member of OIG, a Board of Directors is appointed by OIG. The OIG Board consists of two Executive Directors; Frank Tearle and Justin Epstein, and one non-Executive Director, Elizabeth Reddy. The OIG Board does not have visibility into the firm's investments but is responsible for ensuring that corporate strategy is executed optimally and that the Trust is strictly compliant.
- The Board does not have a separate audit committee with the full board considering all financial reporting for the Trust. The Responsible Entity has appointed the Administrator, Mainstream Fund Services, and has delegated to the Administrator the responsibility for preparing all financial reporting for the Trust. The Board obtains appropriate representations from OIG management and where necessary the Manager and Administrator as to record keeping, risk management and the compliance with accounting standards of the financial statements.
- Being ASX-listed, the Trust will also need to comply with the stringent listing rules of the ASX, including valuation of assets. Lonsec views securitised investments as more of a niche and at times opaque asset class with few actual trades to use as price points in comparison to traditional fixed income assets. This can give rise to elevated mark to market risk for investors.

### Research and portfolio construction

- The GCI process is a combination of top-down and bottom up analysis, with the latter the dominant driver of portfolio construction.
- Key to the GCI research and portfolio construction process is understanding the individual risk characteristics on each RMBS or ABS issue they chose to invest in. This cannot be ascertained in isolation with the top down macro research piece an important part of the process, specifically the key drivers of the Australian economy and trends in the housing market. The IC is responsible for top-down analysis which is discussed at their weekly meeting. The macro process shapes construction of the portfolio, specifically idea generation, asset allocation decisions, sector weightings and providing direction on the research agenda. Lonsec is of the opinion that the macro piece is not where GCI's key strength lies, although research undertaken is both thorough and appropriate. Ultimately GCI's key strength is considered to be bottom-up analysis of securities which is undertaken with care and skill.
- Over time, Fleming and Burtenshaw have developed long-standing relationships within the industry and will use this to their advantage. Often originators will contact GCI directly prior to an issue launching allowing the Portfolio Managers to begin assessing if the upcoming offer will be an appropriate fit for the portfolio. The first step is to assess if the issue displays relative value either at the portfolio level and/or individual transaction level. This decision is made by the IC. If the decision is made to move forward GCI undertake a formal underwrite report followed by a deep dive analysis of the securitisation, sourcing loan level data for all loans included in the pool. This data is used to create a 'Collateral Stratification' report which ascertains the overall risk in the portfolio. Factors assessed include the loan to value ratio (LVR) of each loan, employment statistics of borrowers, postcode analysis, type of dwelling, loan classification, repayment type. All this information and more (up to 50 data points per loan) is analysed and aggregated to illustrate how investing in an issue would affect the portfolio in an overall risk sense.
- Once the team is satisfied with the assessment of loan level data, cashflow waterfall analysis of the asset backed structure is undertaken using proprietary models which track the frequency of loan repayments. These models allow the team to stress test various scenarios that may affect repayment rates of the loan pool and erode value of the various tranches. Once the team is satisfied with the relative value on offer, the balance of collateral in the underlying pool and results of stress tests they will present the issue for consideration at the IC meeting. Each issue that is considered must have an Underwrite report, Collateral Stratifications report and Large Loan Review report. Throughout the process, Fleming and Burtenshaw with the assistance of Stanton overlay a qualitative view considering macro influences on the domestic economy and long-term knowledge of the asset class.
- GCI does not intend to actively trade in the secondary market on a regular basis. They will choose to trade if their relative value view on an issue changes, they see

ANALYST: JUDE MCDONNELL | APPROVED BY: SHENG TAN

## Gryphon Capital Income Trust

ISSUE DATE 03-08-2018

an opportunity to lock in solid gains for the portfolio or are concerned the issue may be vulnerable to a credit rating downgrade.

- The IC meets formally once a week. A structured IC pack is provided which looks at various macroeconomic factors (global and domestic) including; RMBS delinquency rates and house price analysis. The IC will also discuss and debate new investment opportunities that have been evaluated using the GCI research process.
- GCI's investment philosophy and process are solely focused on securitised assets making their offering distinct from most other fixed income funds covered by Lonsec. Other Funds will often be permitted to invest in securitised assets as a sleeve of a more broadly diversified portfolio. Lonsec considers that investing in securitised assets requires a specialised skill set and the ability to filter and analyse large volumes of data on a regular basis. Another key challenge for investors is the lack of standard off the shelf systems available for use in analysing data. To this end, the onus is on managers to build and maintain in-house models to collate data and allow analysis to take place. Lonsec notes GCI has developed various methods of analysis over many years including proprietary based models which are considered good quality and reasonably robust. However, Lonsec maintains the view that ongoing maintenance and review of internal systems is necessary which is an additional drain on the investment teams time. Lonsec also notes there has been no external auditing or review of proprietary systems to date. Lonsec takes some comfort that the analytical and monitoring spreadsheets include a cashflow reconciliation.
- The largest shareholder in the Trust with 12,500,000 securities (approximately 14%) is Loannet Pty Ltd. Loannet Pty Ltd is a related party to Liberty Financial Pty Ltd, a significant issuer in non-prime mortgages (a sector in which this Trust invests into) and an entity Gryphon has had a long standing relationship with. Gryphon has reaffirmed each issuer and individual issue must undergo the same analysis and risk assessment prior to investment and each opportunity is assessed at "arms-length". Gryphon employees must comply at all times with its Code of Business Conduct and Ethics Policy which includes a policy on dealing with Related Parties. At this point in time, Lonsec is satisfied with this approach but will continue to closely monitor portfolio allocations going forward and the underlying shareholder base.

### Risk management

- Lonsec believes that in-depth analysis of securitised assets requires both vast amounts of data and sophisticated modelling approaches to fully ascertain risk and relative value. Pleasingly GCI displays a keen awareness of risk within the portfolio and demonstrates a deep level of knowledge of the asset class which has built up over time. GCI does not believe they can time markets and instead focus on using their in-depth knowledge to drive investment decisions. GCI believes that an allocation to securitised assets for investors, in particular, RMBS, can provide investors with a degree of capital preservation, a steady income stream, superior investment returns and diversification benefits when invested as part of an overall fixed income portfolio.
- Once an investment is made GCI undertake regular monitoring by accessing ongoing loan level data on a monthly basis. Stanton is key to this process, responsible for sourcing data, cleaning the data to improve quality and undertaking regular risk assessments via the cashflow models. Lonsec considers Stanton to have a heavy workload during month end and heavy issuance periods.

### Funds under management

- GCI currently has approximately \$1.97bn funds under management (June 2018). Considering the current team size of four Lonsec would be supportive of any additional resourcing being added, particularly in regards to the data gathering and analysis of loan pools.
- Lonsec acknowledges that the securitised market in Australia is substantial and continues to grow. The growth of the domestic securitised market has increased rapidly over the last few years with large volumes of issuance, the current market size is in excess of \$100bn with \$36bn of RMBS issued in 2017 alone. Lonsec considers the securitised market, although large, is subject to every growing demand from investors. The challenge with this type of product is successfully sourcing investments to match GCI's required criteria. Although the portfolio is still in ramp-up phase Lonsec is pleased with the progress to date of allocations, noting there is still a significant amount of capital yet to be deployed (or held in the liquidity portfolio) into the specific type of securities GCI is seeking. Lonsec will continue to monitor this over time. GCI remains confident they can allocate FUM raised given the size of the market, their long-standing participation in it and existing relationships within the industry.

### Performance

- GCI has not run any other strategies for retail or wholesale investors. However, the team manages three mandates for institutional clients which provide a track record of performance over recent years.
- The High Grade Securitised strategy, since inception January 2010 to June 2018 has delivered an annualised return of 5.49% (net of fees). More relevant to the LIT under review is the return of the Secured Opportunities and Investment Grade strategies of which the portfolio design will be modelled on based on a 50%/50% split. The Secured

ANALYST: JUDE MCDONNELL | APPROVED BY: SHENG TAN

# Gryphon Capital Income Trust

ISSUE DATE 03-08-2018

Opportunities strategy since inception May 2015 to June 2018 has delivered an annualised return of 6.86% (net of fees). The Investment Grade strategy since inception September 2016 to June 2018 has delivered an annualised return of 5.10% (net of fees).

- Lonsec cautions investors to remain mindful the two strategies most relevant for assessment have reasonably short track histories and largely enjoyed favourable market conditions which may not be repeated in the years to come.
- The Trust paid its first distribution for June 2018 in early July. The Trust is expected to pay a regular monthly distribution going forward.

## Overall

- Lonsec has assigned the Gryphon Capital Income Trust (GCI) a rating of 'Investment' Grade. This rating is supported by the deep level of experience and expertise of Fleming and Burtenshaw coupled with a rigorous and disciplined research and portfolio monitoring process. The proprietary systems and site visits to servicers as well as the deep understanding of the issuance market are considered key strengths of the offering.
- However, Lonsec considers the team to be quite lean for such a data-intensive (and at time necessarily manual) process, exposing some vulnerability to key person risk. In addition, Lonsec considers that the tailwind in spread compression in the asset class in recent years may be vulnerable to an inflection point in the interest rate cycle.

## People and Resources

### Corporate overview

Gryphon Capital Investments is an asset management firm focused on investments in the structured finance and less liquid credit markets in both Europe and Australia. The three founding Partners maintain full ownership of the firm. GCI is the investment manager of the Trust.

The investment team is split across two locations. Fleming, Burtenshaw and Stanton are in Brisbane. Podzorov is based in Sydney. Henry Cooke the third managing partner is based in London.

### Corporate Structure

GCI is the investment manager of the Trust and was founded in 2014 by Steven Fleming, Ashley Burtenshaw and Henry Cooke. The three founding Partners maintain full ownership of the firm. The managing partners combined equity is held in the Gryphon Capital Partners Limited holdings vehicle.

The investment team is split across two locations. Fleming, Burtenshaw and Stanton are in Brisbane. Podzorov is based in Sydney. Henry Cooke the third managing partner is based in London.

### Board of Directors

One Managed Investment Fund Limited is the Responsible Entity of the Trust. The Responsible Entity is a member of One Investment Group (OIG) which is a funds management business. A Board of Directors is appointed by OIG. The OIG Board consists of two Executive Directors; Frank Tearle and Justin Epstein, and one non-Executive Director, Elizabeth Reddy. The OIG Board does not have visibility into the firm's investments but is responsible for ensuring that

corporate strategy is executed optimally and that the Trust is strictly compliant.

### Key events

UNITS ALLOTTED 25TH MAY 2018	87,650,000
MANAGER LOAN DRAWDOWN AMOUNT	\$5,259,000.00
NTA AT ALLOTMENT 25TH MAY 2018	2.00/UNIT
JUNE DISTRIBUTION (PAID 9TH JULY 2018)	\$0.0046/UNIT
30TH JUNE NTA	2.0005 /UNIT

### Size and experience

NAME	POSITION	EXPERIENCE
		INDUSTRY / FIRM
STEVEN FLEMING	MANAGING PARTNER/ CEO	24 / 4
ASHLEY BURTENSHAW	MANAGING PARTNER/CIO	23 / 4
SHANE STANTON	ANALYST	12 / 4
SERGEY PODZOROV	ANALYST	22 / 4

\*The team has longer co-tenure together including time at Threadneedle

The investment committee is comprised of Fleming and Burtenshaw.

**Steven Fleming** has 25 years industry experience. He has worked in a variety of roles across in investment banking and funds management, including principal finance, structured finance, property and project finance transactions in London, New York and Australia. Fleming has held senior positions in several large highly regarded companies including Threadneedle International Limited, Babcock & Brown and Nomura. Pleasingly Fleming's previous roles were focused on the management of securitized assets.

**Ashley Burtenshaw** has 22 years industry experience with a background in trading credit across domestic and international markets. Burtenshaw also held senior positions at Threadneedle International Limited in the mortgage business, and at Credit Suisse First Boston where he was hired to establish their Structured Credit and ABS business in 2004. He commenced his career at Nomura London and also spent time at Babcock & Brown managing ABS.

**Shane Stanton** has 12 years industry experience across securitization, derivatives, funds management and structured finance. Stanton previously worked with Fleming and Burtenshaw at Threadneedle Investments.

**Sergey Podzorov** has 22 years of industry experience in financial markets in areas including securitisation, structured finance and funds management. Podzorov was also previously employed at Threadneedle.

### Investment team remuneration

Lonsec believes that there is a strong alignment of interests between the two senior team members, Fleming and Burtenshaw, and the Trust. Both Fleming and Burtenshaw as Managing Partners each own a 40% equity stake in the business. The remaining 20% is held by Henry Cooke their London based colleague. The three do not draw any fixed compensation.

The remaining employees are paid a fixed salary, which is determined based on market analysis and contribution to overall business outcomes. There is also a variable short term incentive which is discretionary

ANALYST: JUDE MCDONNELL | APPROVED BY: SHENG TAN



## Gryphon Capital Income Trust

ISSUE DATE 03-08-2018

and may be in the range of 0%-100% of the fixed compensation amount. GCI believe this remuneration structure incentivises employees to achieve agreed objectives which align with long term business outcomes. GCI does not offer a compensation deferral policy at present.

### Research Approach

#### Overview

GCI applies a blend of top down and bottom up research to construct a portfolio that is diversified across various risk buckets. GCI invests in securitised assets only, predominantly residential mortgage backed securities and to a lesser degree asset backed securities. The investible assets for this Trust will be predominantly Australian domiciled securities, however, mandate guidelines allow exposure to foreign denominated securities. Any such exposures would be fully hedged. GCI undertakes macroeconomic analysis on a regular basis to assess how changes in the global and domestic economy could impact the portfolio of assets. The IC receives a weekly information pack outlining key economic indicators which are combined into a macro summary dashboard. Factors assessed include data on; market volatility, treasury yield curves, employment rates, wage earnings, and shipping and trade data. Of particular importance is data pertaining to the domestic housing market such as; housing affordability statistics, house prices analysis and mortgage delinquency rates. The team also analyses spread comparison reports across various global markets versus Australian securitised sectors.

The team then uses the broad-based macro view to guide their in-depth fundamental analysis of securities. First, the Portfolio Managers assess if a security offers good relative value and is appropriate for inclusion in the portfolio. Once the initial decision is made to consider the security for analysis a formal underwrite report is undertaken. The reports assess the following factors:

1. Deal Structure – amortization/step down conditions, liquidity support, hedging
2. The form of credit enhancement - LMI, Excess spread, Subordination
3. Risk Analysis – default risk, performance risk, downgrade risk, loan arrears deterioration, non-call risk
4. Provision of reporting and underlying loan data
5. Cashflow modelling – analysing credit protection, stress testing and scenario analysis

A collateral stratification report is generated by breaking down the loan pool data into sub-sectors allowing the team to assess the level of risk held within the issue and whether they are comfortable with the underlying constituents. The loan pool is broken down into bands including LVR, security type (e.g. residential luxury), loan classification residential or investment, loan purpose, employment type of borrowers, locality, loan type (fixed or variable), current loan balances, LMI provider or none and repayment type, seasoning of loans, arrears data and percentage of properties situated in a flood postcode.

Next, a report is generated to analyse large loans in the underlying pool. This report provides individual loan

line assessment looking at the loan balance, loan type, loan purpose, loan classification, employment type of borrower, arrears (if any), the location of a property, indexed LVR, loan type. GCI prefer to avoid loan pools that are barbelled in terms of large loans, particularly those with high LVR's. Lonsec is supportive of this approach.

Once the documentation is completed the team provides a formal IC paper with a recommendation for investment across the various tranches of the issue. A formal recommendation must also be drafted for IC consideration if a security is sold on the secondary market.

### Portfolio Construction

#### Overview

The Trust is constructed using a bottom up approach as outlined above. GCI have a strong focus on capital preservation which drives security selection, the team estimate losses on the underlying portfolio based on each security's individual characteristics, then compares this to the available credit protection built into the transaction.

All investment actions must be approved by the investment committee consisting of Fleming and Burtenshaw. There is no formal requirement for both to agree on an investment, however, it would be highly unlikely to proceed if one disagreed with the recommendation. If this was to occur, it would be a sign that more analysis and discussion is needed before a final decision is made.

GCI aims to diversify the portfolio across rating bands, geographical allocations, and originators. Underlying that broad-based approach GCI aims to balance the portfolio in terms of seasoning of underlying loans, LVR's, cashflow frequency and maturity profile.

Ultimately GCI's ability to access the deal sizes and favoured tranches is dependent upon market demand. GCI may not always receive what they bid for, with demand from competitors high. GCI believe their long-standing tenure within the industry allows them some favourable treatment. Lonsec believes this could be eroded as the market heats up and new investors enter the auction process in the future.

### Risk Management

#### Risk limits

RMBS EXPOSURE	70-100%
ABS EXPOSURE	0-30%
MAXIMUM GROSS EXPOSURE TO SINGLE ORIGINATOR	25%
MAXIMUM INDIVIDUAL SECURITY WEIGHT	10%
MAXIMUM PORTFOLIO WEIGHT AVERAGE LIFE	LESS THAN 5.5 YEARS
CURRENCY EXPOSURE	100% FULLY HEDGED
DERIVATIVES	YES
MAXIMUM SUB-INVESTMENT GRADE ALLOCATION	50%
MINIMUM CREDIT RATING	NOT RATED
LEVERAGE	MAX 25% NAV (FOR USE IN FUTURE CAPITAL RAISES, SHORT TERM PURPOSES ONLY)
SEPARATE RISK MONITORING	NO

ANALYST: JUDE MCDONNELL | APPROVED BY: SHENG TAN



## Gryphon Capital Income Trust

GCI actively monitors portfolio risk and endeavours to optimise the balance between risk exposure and risk mitigation. GCI utilise in-house proprietary risk systems to stress test investments prior to investing and on an ongoing basis. A qualitative opinion of what is the appropriate risk in the portfolio at any given time is part of the team's ongoing assessment. The LIT is authorised to invest in RMBS, non-conforming RMBS and ABS.

The LIT mandate guidelines also provide the risk limits outlined above. Lonsec notes the limits go some way in diversifying the portfolio in terms of exposures to originators, individual securities and sub-investment grade assets. Regardless of these limits, the portfolio has the ability to be 100% exposed to RMBS. In addition, GCI has estimated a six-month timeline for funds raised at the listing date to be fully invested into desired exposures.

### Risk monitoring

As part of their ongoing risk management, the investment team monitor maturity profiles, monthly cash flows and arrears statistics.

The Trust will have no unhedged currency. Derivatives are permitted for efficient portfolio management only and not for market speculative purposes to increase returns

### Risks

**An investment in the Trust carries a number of standard investment risks associated with domestic and international investment markets. These include economic, political, legal, tax and regulatory risks. These and other risks are outlined in the PDS and should be read in full and understood by investors. Lonsec considers major risks to be:**

#### Investment risk

Being a LIT, its securities may trade on the ASX at a discount to its NTA for extended periods of time.

#### ASX Related Market risk

Given that the Trust's units are traded on the ASX, investors may be exposed to risks including, but not limited to, Unit trading price risk, volatility of Units risk, ASX liquidity risk, and ASX counterparty risk.

The **trading price** of any listed security may change, related to performance and matters inherent to the investment performance of the securities, but also due to external factors such as market sentiment, or a range of other factors including the presence of larger buying or selling interest in the Units.

**Volatility** risk may arise when Units in the Trust are **thinly** or **heavily** traded, which could make the Unit prices very volatile, irrespective of any changes in the underlying value of the investments held by the Trust.

Although liquidity is generally expected to exist in this secondary market for Units in the Trust, there are **no guarantees that an active trading market** with sufficient liquidity will develop, or should it develop after listing, that such a secondary market will sustain a price representative of the NAV per Unit.

The Units may also be exposed to ASX counterparty risk. This describes the risk that when a Unitholder sells their Units on market they are relying on CHES, the central system for clearing and settling trades on the ASX, to ensure they receive their settlement proceeds

as well as the risk that arises as a result of Unitholders relying on the creditworthiness of their broker when making trades on ASX.

#### Asset backed securities risk

The value of an RMBS and ABS can be affected by a number of factors, including--

- (i) changes in the market's perception of the underlying assets backing the security (for example, RMBS are particularly at risk from a decline in the housing market)
- (ii) economic and political factors such as interest rates and levels of unemployment and taxation which can have an impact on the arrears, foreclosures and losses incurred with respect to the pool of assets backing the security
- (iii) changes in the market's perception of the adequacy of credit support built into the security's structure to protect against losses caused by arrears and foreclosures
- (iv) changes in the perceived creditworthiness of the originator, of the underlying security or any other third parties to the transaction, and
- (v) the speed at which mortgages or loans within the pool are repaid by the underlying borrowers (whether voluntary or due to arrears or foreclosures).

At times of rapid changes in market conditions, it may be difficult to value certain RMBS and ABS and values may fluctuate considerably, with market prices quickly becoming out of date and not reflecting the value which would be realised on a sale of the relevant investments in such market conditions. The value of the Portfolio will be determined regularly based on prices at which its investments trade in the wholesale market and, accordingly, falls in the market price will result in a corresponding fall in the Trust's NAV and the Units.

The investment characteristics of RMBS and ABS differ from traditional debt securities. Among the major differences are that interest and principal payments are made more frequently, very often monthly or quarterly, and that principal may be prepaid at any time because the underlying loans are often capable of being prepaid at any time.

#### Credit risk

The Trust may invest in high yield RMBS and ABS that are rated less than an Investment Grade. High yield RMBS and ABS have an increased risk of capital erosion due to a higher probability of default by the issuer. Changing market conditions and interest rate levels can also have a larger impact on the values of high yielding RMBS and ABS.

The Trust is also exposed to the credit risk associated with the Gryphon Group as an entity through the provision of the manager loan. The Manager Loan is an unsecured loan, which means the Trust's right to recover the loan will rank behind the secured creditors of Gryphon Capital Management (GCM). If GCM is unable to meet its contractual obligations under the Manager Loan, then the Trust may incur a loss and this would have an adverse effect on the value of the Trust.

#### Interest rate risk

The Manager will primarily invest the Trust in floating rate loans meaning that as the underlying base rate rises and falls, the relative attractiveness to other instruments may change.

## Gryphon Capital Income Trust

---

ISSUE DATE 03-08-2018

### Liquidity risk

The Trust is exposed to liquidity risk in relation to the investments within its Portfolio. If a security cannot be bought or sold quickly enough to minimise potential loss, the value of the Portfolio may be adversely affected. The Trust's investments are not liquid securities and the ability of the Manager to dispose of an investment will depend on the market liquidity prevailing at that time.

### Leverage risk

The Manager does not intend to use long-term debt to enhance returns, but may use debt in limited circumstances. For example, the Manager does not intend to use debt unless it has also planned to raise new capital from the issue of new Units which will be used to repay any borrowings. If a proposed capital raise is not successful, then any leverage can magnify the gains and losses achieved in the Portfolio.

**The use of leverage may magnify the Fund's losses and gains.**

### Valuation risk

ABSs will be valued in accordance with the Trust's valuation policy which includes wherever possible using independent security pricing sourced from third parties. However, estimates of the fair value of such securities are inherently difficult to establish and are the subject of substantial uncertainty.

### Market disruption risk

As a lender, GCI is exposed to market disruption risk. A market disruption event occurs in relation to a loan if a borrower or borrowers are unable to refinance.

### Service provider risk

The operation of the Trust relies on the successful performance of the Responsible Entity's contracts with service providers. There is also a risk of manager change, that is GGI being replaced due to unforeseen circumstances. This is a risk considering the complexity of this niche asset class, where specialist skills are required for the management of this type of asset class.

### Manager loan

The Trust assets will be used to make the Manager Loan. Over the life of the Investment Management Agreement, the Manager will use its part of its management fee to repay the Manager Loan, including payment of interest on the Manager Loan which will be interest income to the Trust. The repayments are structured such that the final payment of principal and interest will be paid at the end of the initial 10-year term of the Investment Management Agreement. The Responsible Entity is entitled to deduct loan repayments (including interest) from the Manager's fee each month until the Manager Loan plus interest is repaid in full.

### Quantitative Performance Analysis

---

The Product commenced on 25/5/2018. As Lonsec prefers to consider performance over longer time periods, it will continue to monitor the performance of the Product as a more significant track record develops.

ANALYST: JUDE MCDONNELL | APPROVED BY: SHENG TAN

P 10-11

## Gryphon Capital Income Trust

### Glossary

[Click here for the glossary of terms.](#)

### About Lonsec

Lonsec Research Pty Ltd (Lonsec) is an investment research house with specialist areas of expertise, that was originally established in 1994 and the current entity was registered on 23 June 2011. From 1 July 2011, Lonsec became a fully owned subsidiary of Lonsec Fiscal Holdings Pty Ltd, a privately owned entity with a multi-brand strategy of providing leading financial services research and investment execution. Lonsec believes that professional financial advisers need informed opinions on the best investment strategies and financial products to provide real value for their clients. To meet this need, Lonsec has in place an experienced research team, which draws on a robust research process to undertake in-depth assessment of managed fund products.

### Analyst Disclosure and Certification

Analyst remuneration is not linked to the research or rating outcome. Where financial products are mentioned, the Analyst(s) may hold the financial product(s) referred to in this document, but Lonsec considers such holdings not to be sufficiently material to compromise the rating or advice. Analyst holdings may change during the life of this document. The Analyst(s) certify that the views expressed in this document accurately reflect their personal, professional opinion about the matters and financial product(s) to which this document refers.

### LONGSEC STRONGLY RECOMMENDS THIS DOCUMENT BE READ IN CONJUNCTION WITH THE RELEVANT PRODUCT DISCLOSURE STATEMENT

**IMPORTANT NOTICE:** This document is published by Lonsec Research Pty Ltd ABN 11 151 658 561, AFSL No. 421445 (Lonsec). Please read the following before making any investment decision about any financial product mentioned in this document.

**Disclosure at the date of publication:** Lonsec receives a fee from the fund manager or financial product issuer(s) for researching the financial product(s) set out in this document, using objective criteria. Lonsec may also receive a fee from the fund manager or financial product issuer(s) for subscribing to research content and other Lonsec services. Lonsec's fee is not linked to the rating(s) outcome.

Lonsec does not hold the financial product(s) referred to in this document. Lonsec's representatives and/or their associates may hold the financial product(s) referred to in this document, but details of these holdings are not known to the Analyst(s). **Disclosure of Investment**

**Consulting services:** Lonsec receives fees for providing investment consulting advice to clients, which includes model portfolios, approved product lists and other financial advice and may receive fees from this fund manager or financial product issuer for providing investment consulting services. The investment consulting services are carried out under separate arrangements and processes to the research process adopted for the review of this financial product. For an explanation of the process by which Lonsec manages conflicts

of interest please refer to the Conflicts of Interest Policy which is found at: <http://www.lonsec.com.au/asp/IndexedDocs/general/LonsecResearchConflictsofInterestPolicy.pdf>

**Warnings:** Past performance is not a reliable indicator of future performance. Any express or implied rating or advice presented in this document is limited to "General Advice" (as defined in the Corporations Act 2001(Cth)) and based solely on consideration of the investment merits of the financial product(s) alone, without taking into account the investment objectives, financial situation and particular needs ('financial circumstances') of any particular person. It does not constitute a recommendation to purchase, redeem or sell the relevant financial product(s). Before making an investment decision based on the rating(s) or advice, the reader must consider whether it is personally appropriate in light of his or her financial circumstances, or should seek financial advice on its appropriateness. If our advice relates to the acquisition or possible acquisition of particular financial product(s), the reader should obtain and consider the Product Disclosure Statement for each financial product before making any decision about whether to acquire a financial product. Lonsec's research process relies upon the participation of the fund manager or financial product issuer(s). Should the fund manager or financial product issuer(s) no longer be an active participant in Lonsec's research process, Lonsec reserves the right to withdraw the document at any time and discontinue future coverage of the financial product(s). The rating in this publication relates to the financial product outlined in the publication which may have related financial products or be associated with other financial products and platforms. The rating may only be applied to the financial product outlined in this publication at first instance and whether it applies to related or associated financial products and platforms should be investigated by your financial adviser before you make an investment decision in relation to the related or associated financial products and platforms. You should be aware that the mandate, fees, underlying investments, the issuers of the related and associated financial products and platforms may be different from the financial product specified in this publication. You should satisfy yourself that the related and associated financial products and platforms meet your financial circumstances, needs and objectives before making an investment decision. **Disclaimer:** This document is for the exclusive use of the person to whom it is provided by Lonsec and must not be used or relied upon by any other person. No representation, warranty or undertaking is given or made in relation to the accuracy or completeness of the information presented in this document, which is drawn from public information not verified by Lonsec. Financial conclusions, ratings and advice are reasonably held at the time of completion but subject to change without notice. Lonsec assumes no obligation to update this document following publication. Except for any liability which cannot be excluded, Lonsec, its directors, officers, employees and agents disclaim all liability for any error or inaccuracy in, misstatement or omission from, this document or any loss or damage suffered by the reader or any other person as a consequence of relying upon it.

Copyright ©2018 Lonsec Research Pty Ltd (ABN 11 151 658 561, AFSL No. 421445) (Lonsec). This report is subject to copyright of Lonsec. Except for the temporary copy held in a computer's cache and a single permanent copy for your personal reference or other than as permitted under the Copyright Act 1968 (Cth), no part of this report may, in any form or by any means (electronic, mechanical, micro-copying, photocopying, recording or otherwise), be reproduced, stored or transmitted without the prior written permission of Lonsec. This report may also contain third party supplied material that is subject to copyright. Any such material is the intellectual property of that third party or its content providers. The same restrictions applying above to Lonsec copyrighted material, applies to such third party content.