



### Investment Objective and Strategy

The Gryphon Capital Income Trust (ASX Code: GCI) is a listed trust designed to provide investors with sustainable, monthly income (Target Return equal to RBA Cash Rate + 3.50% pa) through exposure to the Australian Securitisation market. This asset-class, primarily consisting of Residential Mortgage-Backed Securities (RMBS) and Asset Backed Securities (ABS), is a key pillar of the Australian fixed income market.

#### GCI's 3 strategic objectives

1. Sustainable monthly cash income



2. High risk-adjusted return

3. Capital Preservation

### Fund Performance

	1 Mth	3 Mth	6 Mth	1 Yr	3 Yr (Ann)	5 Yr (Ann)	Incep (Ann) <sup>2</sup>
NTA Net Return (%)	0.77	2.18	4.32	8.28	6.11	5.55	5.41
Distribution (¢/unit)	1.48	4.41	8.46	15.70	11.61	10.69	10.42
Distribution <sup>1</sup> (%)	0.74	2.22	4.30	8.13	5.94	5.46	5.32
Target Return (%)*	0.64	1.91	3.75	7.04	4.86	4.72	4.73
Excess Return (%)**	0.10	0.30	0.52	1.02	1.03	0.71	0.56

<sup>1</sup> Actual distribution as % of NTA, assuming distribution reinvestment.

<sup>2</sup> Inception date – 21 May 2018.

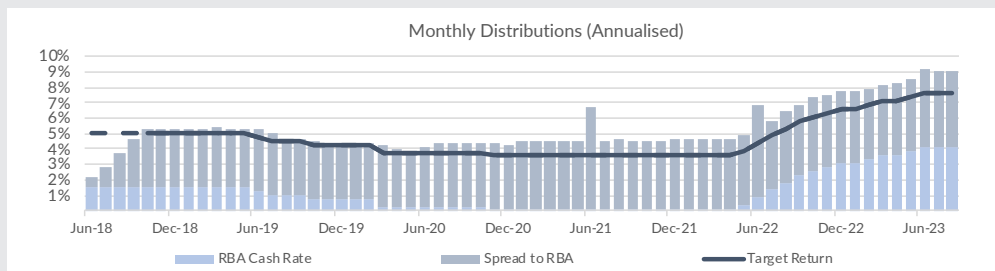
\* Target Return = RBA Cash Rate + 3.50% p.a.

\*\* Geometric excess return

**Note: Past performance is not a reliable indicator of future performance.** All investments carry risks, including that the value of investments may vary, future returns may differ from past returns, and that your capital is not guaranteed. The comparison to the RBA Cash Rate is not intended to compare an investment in GCI to a cash holding. The RBA Cash Rate is displayed as a reference to the target return for GCI. The GCI investment portfolio is of higher risk than an investment in cash. To understand the Trust's risks better, please refer to the most recent PDS [here](#) or at [gcapinvest.com/our-lit](http://gcapinvest.com/our-lit).

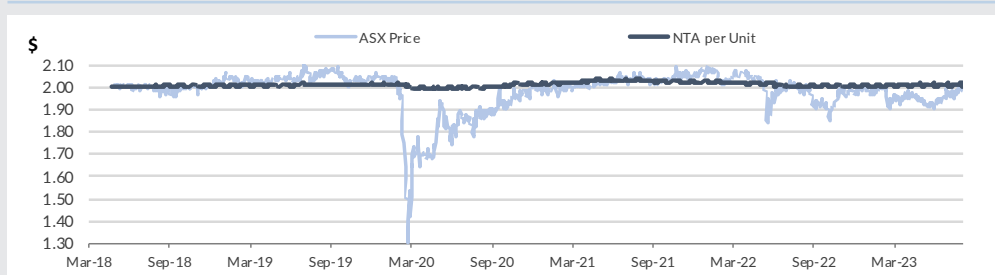
### Distribution

GCI announced a 1.48 cents per unit distribution for the month, representing an annualised yield of 9.06% (net)<sup>3</sup>.



<sup>3</sup> Actual distribution for the month as % of NTA, annualised.

### Net Tangible Asset (NTA) / Unit and ASX Price Performance



continued overleaf...

### ABOUT THE MANAGER†

Gryphon Capital Investments Pty Ltd ("Gryphon") is a wholly owned subsidiary of Barings, one of the world's leading asset managers managing over USD\$351 Billion AUM, with more than 1,200 external clients and 1,800 professionals globally.

The Gryphon team has joined the Global Structured Finance team at Barings, which consists of over thirty investment professionals based in Charlotte, North Carolina, London and Brisbane. Ashley Burtenshaw and Steven Fleming continue to be the portfolio managers for GCI.

† as at 30 June 2023

### SNAPSHOT

ASX Code	GCI
IPO Date	25 May 2018
Asset	Fixed Income, floating rate
Market Cap/Unit	\$481.5m/\$1.98
NTA/Unit	\$486.8m/\$2.00
Investment Management Fee <sup>4</sup>	0.72% p.a.
Performance Fee	None
Distributions	Monthly
Unit Pricing	Daily

<sup>4</sup> Includes GST, net of reduced input tax credits

### CHARACTERISTICS

Current Yield <sup>5</sup>	9.16%
Distributions (12m) <sup>6</sup>	8.13%
RBA Cash Rate	4.10% p.a.
Interest Rate Duration	0.04 years
Credit Spread Duration	0.77 years
Number of Bond Holdings	105
Number of Underlying Mortgage Loans	76,098

<sup>5</sup> Aug 2023 distribution, excl. realised gains, as % of unit price, annualised.

<sup>6</sup> Actual distribution for the 12 months to 31 August, as a % of NTA, assuming distribution reinvestment.

### FURTHER INFORMATION AND ENQUIRIES

Gryphon Capital Income Trust  
[www.gcapinvest.com/our-lit](http://www.gcapinvest.com/our-lit)

#### General

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

#### Boardroom (Unit Registry)

Phone 1300 737 760

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



### Commentary

As we look towards the back end of 2023, Gryphon's core positioning of embedding a defensive bias in the investment portfolio hasn't changed dramatically from 2022. An example of this defensive bias is the reduction in the portfolio exposure to the most credit sensitive securities (rated less than BB) from 13% in July 2020 to currently about 7%.

Our expectation for 2023 was for borrower arrears, including late-stage arrears, to grind higher from their low levels as higher interest rates and cost-of living pressures start to bite borrowers and this is slowly starting to play out. We previously commented that to manage the expected increase in borrowers experiencing financial hardship, lenders will need to be proactive in their home loan servicing strategies and pleasingly we have seen evidence of this across both banks and non-banks alike. Most have conducted their own stress testing on their home loan portfolios and commenced "early engagement" on those borrowers deemed high risk. Early engagement with borrowers encountering difficulties is so important in mitigating losses on mortgage defaults. Interestingly, in late August ASIC released an open letter to all lenders (also sent directly to 30 large lenders) reminding them to appropriately support customers experiencing financial difficulties.

Additionally, in early September ASIC launched legal action against Westpac for failing to respond, over a 7-year period, to 229 hardship requests in the required timeframe of 21 days. While ASIC's actions appear harsh, it certainly is sending a message to all lenders concerning its expectation on borrower hardship.

While Gryphon's defensive portfolio positioning is to buffer the potential impact of higher borrower arrears, our extensive loan level data continues to indicate that the most-at-risk borrowers will be resilient with a combination of elevated savings, over-payment history and continued low unemployment, all providing effective mitigants against financial stress. Additionally, as housing prices continue to stabilise, the substantial build up in borrowers' equity will enable many borrowers experiencing financial pressure to voluntarily self-manage their way out of arrears through property sales (& modified payment plans).

With respect to house prices, in early August Westpac reported they now expect the recovery in house prices to be sustained with dwelling prices forecast to rise 7% in 2023 and by a further 4% in 2024. Westpac summarised well the multiple forces at play with respect to influencing house prices, concluding "The impetus for gains looks to be mainly coming from a sharp acceleration in migration inflows and an associated tightening in rental markets, all against a backdrop of low levels of 'on-market' supply."

### INVESTMENT HIGHLIGHTS

<b>Income</b>	Sustainable monthly cash income.
<b>Large, institutional fixed income market</b>	Australian ABS market >A\$110 billion is double the size of the corporate bond market.
<b>Security, capital preservation</b>	Defensive asset class with a track record of low capital price volatility. <sup>1</sup> No investor has ever lost a \$ of principal investing in Australian Prime RMBS.
<b>Portfolio diversification</b>	Allows retail and SMSF investors to access a fixed income asset class that generally has only been available to institutional investors.
<b>Investment Manager</b>	Exposure to wholly owned subsidiary of Barings, one of the world's leading asset managers, with a proven track record of investment outperformance.

<sup>1</sup> Source - S&P Global Ratings

### 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:

AMP North            Asgard eWrap  
BT Panorama            HUB24  
Macquarie – Manager / Consolidator  
Netwealth Wrap

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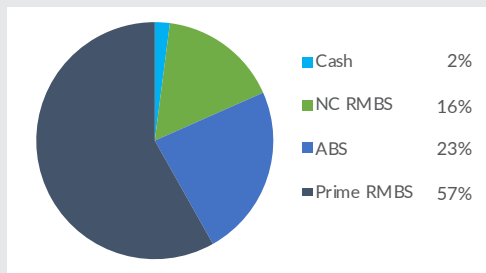
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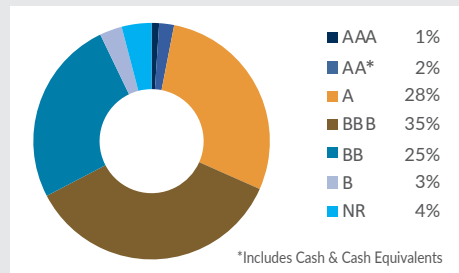
### Portfolio Construction

#### Sector Allocations<sup>1</sup>



<sup>1</sup> Excludes Manager Loan.

#### Rating Breakdown<sup>1</sup>



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### Portfolio Underlying Residential Mortgage Loan Statistics<sup>2</sup>

	Total	Prime	Non-conforming <sup>3</sup>
No. of Underlying Loans	76,098	69,364	6,734
Weighted Average Underlying Loan Balance	\$382,662	\$319,740	\$604,728
Weighted Average LVR	64%	63%	68%
Weighted Average Seasoning	30 months	35 months	13 months
Weighted Average Interest Rate	6.97%	6.76%	7.69%
Owner Occupied	61%	59%	66%
Interest Only	21%	22%	20%
90+ Days in Arrears as % of Loans	0.85%	0.67%	1.45%
% Loans > \$1.5m Balance	4.73%	1.49%	16.16%

<sup>2</sup> Please note that although the values in this Investment Report are accurate portfolio statistics, the return and performance of actual credit instruments invested in are assessed individually.

<sup>3</sup> Non-conforming loans are residential mortgage loans that would not typically qualify for a loan from a traditional prime lender and are generally not eligible to be covered by LMI. Borrowers may not qualify due to past credit events, non-standard income (self employed) or large loan size.

### SME Portfolio Statistics

Sub sector	%	A	BBB	BB	B
ABS SME	13.0%	3.5%	6.0%	3.5%	-

### SME Portfolio Underlying Mortgage Loan Statistics<sup>4</sup>

No. of Underlying Loans	5,374	<b>Borrower Type</b>	
Weighted Average Underlying Loan Balance	\$378,801	SMSF	53.7%
Weighted Average LVR	59.2%	Company	21.5%
% > 80% LVR	1.93%	Individual	24.8%
Weighted Average Borrowers' Equity	\$356,385	<b>Property Type</b>	
90+ Days in Arrears as % of Loans	0.24%	Residential	36.5%
% > \$1.5m Current Balance	1.46%	Commercial	62.9%
		Mixed	0.6%

<sup>4</sup> Please note that although the values in this Investment Report are accurate portfolio statistics, the return and performance of actual credit instruments invested in are assessed individually.

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### Distributions (%)

Fin. Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD <sup>2</sup>
2024	0.73	0.74											1.48
2023	0.49	0.53	0.55	0.61	0.60	0.64	0.64	0.58	0.66	0.65	0.70	0.73	7.64
2022	0.38	0.38	0.37	0.37	0.37	0.38	0.38	0.35	0.38	0.38	0.41	0.55	4.79
2021	0.36	0.36	0.36	0.37	0.35	0.36	0.37	0.34	0.37	0.36	0.38	0.53	4.61
2020	0.42	0.38	0.38	0.38	0.35	0.36	0.36	0.34	0.36	0.33	0.33	0.34	4.40
2019	0.24	0.31	0.37	0.44	0.43	0.44	0.44	0.40	0.45	0.42	0.44	0.43	4.92

### Fund Returns (Net)<sup>1</sup> (%)

Fin. Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD <sup>2</sup>
2024	0.69	0.77											1.46
2023	0.12	0.60	0.52	0.56	0.64	0.65	0.66	0.71	0.69	0.66	0.73	0.71	7.50
2022	0.37	0.44	0.32	0.29	0.25	0.37	0.40	0.28	0.27	0.23	0.38	0.16	3.83
2021	0.36	0.39	0.49	0.71	0.67	0.37	0.33	0.57	0.45	0.61	0.68	0.48	6.29
2020	0.74	0.43	0.35	0.41	0.38	0.39	0.38	0.34	(0.45)	0.36	0.30	0.41	4.12
2019	0.25	0.31	0.39	0.44	0.45	0.45	0.50	0.42	0.49	0.43	0.42	0.45	5.12

### Total Unitholder Returns<sup>3</sup> (%)

Fin. Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD <sup>2</sup>
2024	3.11	1.52											4.67
2023	1.77	0.53	(2.50)	(0.66)	4.30	0.39	1.66	0.59	(0.34)	(0.60)	0.98	(0.79)	5.34
2022	1.36	0.87	(1.60)	0.87	1.84	0.37	0.37	(1.12)	1.86	(0.12)	(0.09)	(3.14)	1.39
2021	8.15	1.45	(0.90)	3.33	0.63	3.73	(0.62)	(0.67)	2.17	1.12	0.88	1.03	21.83
2020	2.35	(1.54)	1.34	(1.56)	0.34	0.36	0.85	(2.60)	(16.73)	3.12	7.76	(3.75)	(11.43)
2019	0.24	0.06	(0.90)	1.97	(1.07)	2.48	2.43	(0.10)	(1.03)	0.42	2.43	0.91	8.03

<sup>1</sup> Fund Return reflects compounded movements in the NTA.

<sup>2</sup> Assuming monthly compounding.

<sup>3</sup> Total Unitholder Returns comprises compounded distributions plus compounded movements in the listed price of ASX:GCI.

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ASX release date: 13 September 2023

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

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