



Investment Objective and Strategy

The Gryphon Capital Income Trust (ASX Code: GCI) is designed for investors seeking sustainable, monthly income through exposure to an actively managed portfolio of securitised, floating rate bonds held in a Listed Investment Trust structure. The Target Return is equal to RBA Cash Rate + 3.50% pa. The Australian securitised market comprises floating rate, Residential Mortgage-Backed Securities (RMBS) and Asset Backed Securities (ABS) and is a key pillar of the Australian fixed income market.



Fund Performance

	1 Mth	3 Mth	6 Mth	1 Yr	3 Yr (Ann)	Incep (Ann) ¹
Net Return ² (%)	0.65	1.86	3.14	4.93	4.88	4.94
RBA Cash Rate (%)	0.26	0.71	1.16	1.29	0.57	0.82
Net Excess Return (%)	0.39	1.14	1.96	3.60	4.29	4.09
Distribution ³ (%)	0.64	1.86	3.46	6.02	5.00	4.87
Distribution (¢/unit)	1.27	3.69	6.82	11.74	9.82	9.56

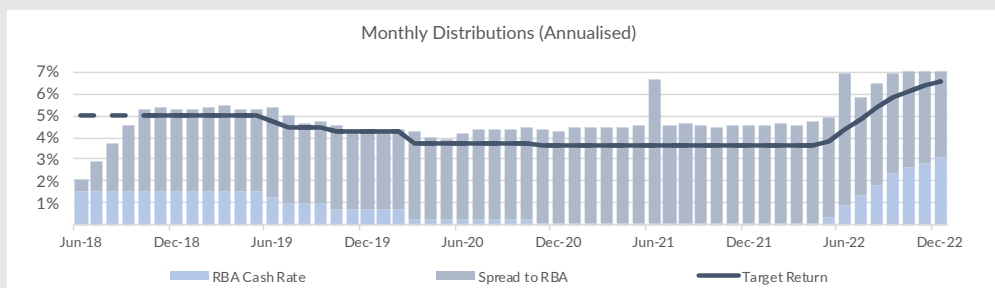
¹ Inception date – 21 May 2018. ² Fund return reflects compounded movements in the NTA.

³ Actual distribution as % of NTA, assuming distribution reinvestment.

Disclaimer: 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.

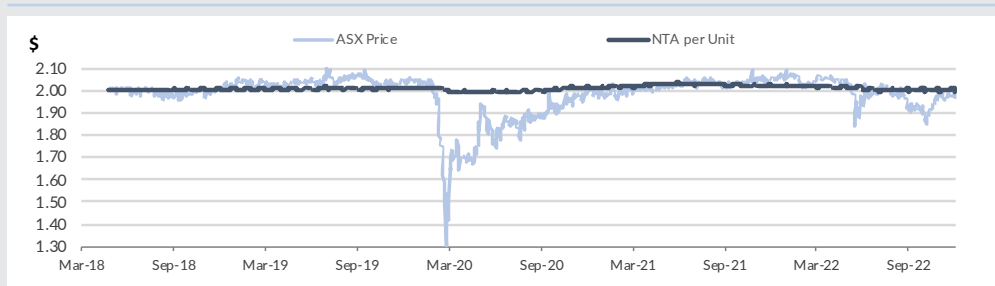
Distribution

GCI announced a 1.27 cents per unit distribution for the month, representing an annualised yield of 7.74% (net)⁴.



⁴ 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 specialist fixed income manager with significant experience in the Australian and International fixed income markets. Gryphon manages individual segregated accounts on behalf of institutional investors and GCI on behalf of wholesale and retail investors seeking opportunities in fixed income credit markets including RMBS and ABS.

SNAPSHOT

ASX Code	GCI
IPO Date	25 May 2018
Asset	Fixed Income, floating rate
Market Cap/Unit	\$479.0m/\$1.97
NTA/Unit	\$486.0m/\$2.00
Investment Management Fee ³	0.72%
Performance Fee	None
Distributions	Monthly
Unit Pricing	Daily

³ Includes GST, net of reduced input tax credits

CHARACTERISTICS

Current Yield ⁵	7.86%
Distributions (12m) ⁶	6.02%
RBA Cash Rate	3.10% pa.
Interest Rate Duration	0.04 years
Credit Spread Duration	0.96 years
Number of Bond Holdings	103
Number of Underlying Mortgage Loans	82,074

⁵ December 2022 distribution (excl. realised gains) as % of unit price, annualised.

⁶ Actual distribution for the 12 months to 31 December, as a % of NTA, assuming distribution reinvestment.

RESEARCH

BondAdviser

INDEPENDENT INVESTMENT RESEARCH

Zenith
RECOMMENDED

Lonsec

WEBSITE

www.gcapinvest.com/our-lit



2022 Year In Review

It is fair to say that we started 2022 with significant concern in the market over inflation, reduction in central bank liquidity, uncertainty regarding the pace and timing of interest rate hikes and the impact of these on the mortgage market. But there were some reasons to be positive, particularly with the phasing out of COVID lockdowns.

While the year did start with the end of pandemic lockdowns, a globally over-heating economy became the chief concern early on, strengthening inflation fears. Russia's cynical invasion of Ukraine in February led to commodity price shocks and an energy crisis in Europe, exacerbating inflation even further.

In May the Liberal/National Coalition government led by Scott Morrison was replaced by Anthony Albanese's Labour government winning a majority for the first time since 2007.

Later in the year the UK's disastrous mini-budget presented by the fleeting Truss prime-ministership did nothing to help what were already shaky financial markets, despite being quickly reversed by the rapidly deployed alternative administration under Rishi Sunak. Interestingly, many of the UK insurers hurriedly seeking to raise cash at that time, found that RMBS (and specifically Australian RMBS) were their best source of liquidity, even better than Gilts (UK government bonds).

Stock market indices around the globe have seen significant falls throughout the year in the face of all this uncertainty.

The Australian economy, however, has proved remarkably resilient through this global turmoil, although a tight labour market and rising interest rates are likely to take their toll domestically in 2023.

ESG concerns place increasing pressure on the economy, not just through the potential costs of de-carbonisation (the "E"), but also increasing focus on the "S" or Social aspects of ESG, with the associated costs of improving conditions for those less advantaged in a tight labour market. During 2022, Gryphon developed a proprietary ESG questionnaire and scoring system to effectively evaluate originators (i.e. who issue the RMBS/ABS we invest in) on a wider range of ESG issues. Gryphon requested all originators complete a questionnaire comprised of over 100 questions capturing up to 400 data points on each originator. To share what we learned and help drive progress, written and verbal feedback was provided to participating originators. This has also been a learning experience for Gryphon as we strive to continually improve our responsible investment approach to deliver the best results for our investors and contribute to positive societal change.

It seems like 2022 has followed on from the previous two years with multiple factors weighing on the Australian mortgage market. Throughout the year we have seen house prices around the country starting to fall. Importantly, bondholder protections against loss remain robust, even assuming a 15%-25% house price fall, remembering the original weighted average LVR (before any house price growth is indexed) is circa 65% and the seasoning is 24 months, meaning the portfolio has benefited from the house price growth experienced over the last few years.

Despite all these market ructions, partly because of the bond holder protections, GCI's Net Tangible Assets (NTA) has held up extremely well throughout a very difficult year, signalling to our investors that their capital remains well insulated to withstand any future pitfalls which may arise in 2023. With 2022 being the year of the central bank pivot, the RBA increased interest rates multiple times during the year, allowing GCI to grow its distribution at a rate consistent with each of the RBA rate hikes.

As we look to 2023, our core positioning hasn't changed from 2022. The portfolio has an embedded defensive bias, and because of this bias, the portfolio is in the enviable position of being able to organically generate cash to potentially take advantage of any indiscriminate selling which may emerge during the year. To date, early-stage delinquencies remain well contained across our mortgage portfolios, yet our base case is for delinquencies to grind higher from its current historically low levels. However, our data indicates that these borrowers will be resilient and resist moving through to late-stage arrears – this view is driven by the detailed loan-level visibility we have on individual mortgage borrowers, especially their payment behaviours. Additionally, while others fret over the large group of borrowers that took out fixed rate mortgages over the past few years and now could face a significant increase in mortgage payments as they roll into variable rates, we take a more evidence-based approach. Currently, circa only 4.3% of the loans underlying the GCI portfolio are fixed rate and we can see that these borrowers have significant equity in their homes, even in the face of substantial house price declines.

There will be challenges ahead in 2023 but importantly, nothing that we have not seen before and therefore we remain very confident that GCI will continue to deliver sustainable, predictable monthly income in line with interest rates at the same time as providing strong capital preservation to our investors.

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INVESTMENT HIGHLIGHTS

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

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 Super Wrap	BT Wrap
First Wrap	HUB24
Macquarie Wrap MLC	Mason Stevens Navigator
Netwealth	North

FURTHER INFORMATION AND ENQUIRIES

Gryphon Capital Income Trust
www.gcainvest.com/our-lit

General

Email info@gcainvest.com

Boardroom (Unit Registry)

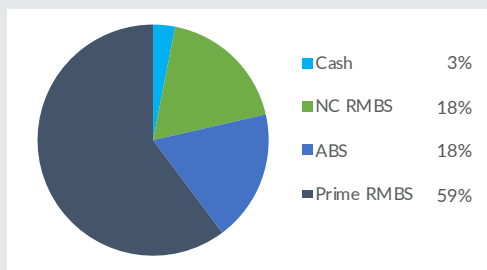
Phone 1300 737 760

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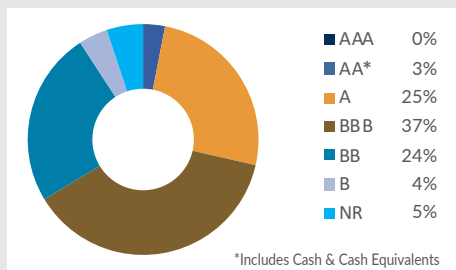
Portfolio Construction

Sector Allocations¹



¹ Excludes Manager Loan.

Rating Breakdown¹



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Portfolio Underlying Residential Mortgage Loan Statistics²

	Total	Prime	Non-conforming ³
No. of Underlying Loans	82,074	71,791	10,283
Weighted Average Underlying Loan Balance	\$389,544	\$328,792	\$595,981
Weighted Average LVR	65%	64%	66%
Weighted Average Seasoning	25 months	28 months	16 months
Weighted Average Interest Rate	6.04%	5.84%	6.72%
Owner Occupied	59%	57%	66%
Interest Only	25%	25%	22%
90+ Days in Arrears as % of Loans	0.35%	0.31%	0.47%
% Loans > \$1.5m Balance	3.89%	1.73%	11.24%

² 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.

³ 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	9.6%	2.6%	3.9%	3.1%	-

SME Portfolio Underlying Mortgage Loan Statistics⁴

No. of Underlying Loans	3,213	Borrower Type	
Weighted Average Underlying Loan Balance	\$404,432	SMSF	55.5%
Weighted Average LVR	59.4%	Company	20.7%
% > 80% LVR	3.84%	Individual	23.8%
Weighted Average Borrowers' Equity	\$366,668	Property Type	
90+ Days in Arrears as % of Loans	0.03%	Residential	25.0%
% > \$1.5m Current Balance	0.35%	Commercial	74.3%
		Mixed	0.7%

⁴ 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 ²
2023	0.49	0.53	0.55	0.61	0.60	0.64	-	-	-	-	-	-	3.46
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)¹ (%)

Fin. Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD ²
2023	0.12	0.60	0.52	0.56	0.64	0.65	-	-	-	-	-	-	3.14
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 Returns³ (%)

Fin. Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD ²
2023	1.77	0.53	(2.50)	(0.66)	4.30	0.39	-	-	-	-	-	-	3.80
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

¹ Fund Return reflects compounded movements in the NTA.

² Assuming monthly compounding.

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

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ASX release date: 13 January 2023

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

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