



### 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 (%)	0.75	2.29	4.55	8.97	6.38	5.82	5.65
Distribution (¢/unit)	1.50	4.37	8.75	16.71	12.59	11.18	10.84
Distribution <sup>1</sup> (%)	0.75	2.20	4.45	8.67	6.45	5.72	5.54
Target Return (%)*	0.66	1.96	3.91	7.59	5.33	4.91	4.92
Excess Return (%)**	0.08	0.24	0.52	1.00	1.06	0.77	0.59

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

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

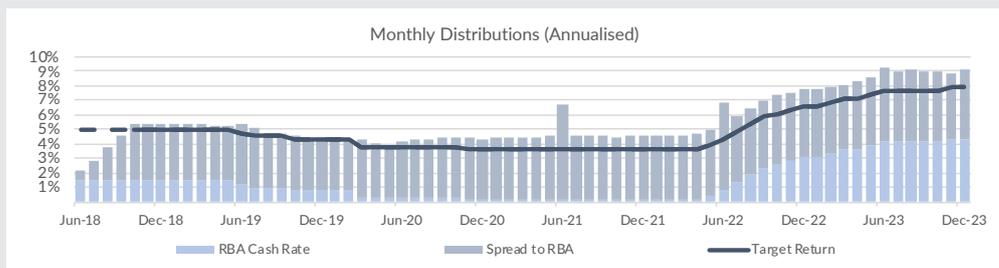
\* Target Return = RBA Cash Rate +3.50% p.a.

\*\* 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 1.50 cents per unit distribution for the month, representing an annualised yield of 9.18% (net)<sup>3</sup>.



<sup>3</sup> Dec 2023 distribution as % of NTA, annualised.

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



continued overleaf...

### ABOUT THE MANAGER<sup>†</sup>

Gryphon Capital Investments Pty Ltd ("Gryphon") is a wholly owned subsidiary of Barings, one of the world's leading asset managers managing over USD\$381 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.

<sup>†</sup> as at 31 December 2023

### SNAPSHOT

ASX Code	GCI
IPO Date	25 May 2018
Asset	Fixed Income, floating rate
Market Cap/Unit	\$500.9m/\$2.06
NTA/Unit	\$487.4m/\$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>	9.18%
Distributions (12m) <sup>6</sup>	8.67%
RBA Cash Rate	4.35% p.a.
Interest Rate Duration	0.04 years
Credit Spread Duration	0.98 years
Number of Bond Holdings	108
Number of Underlying Mortgage Loans	72,082

<sup>5</sup> Dec 2023 distribution as % of NTA, annualised.

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

### FURTHER INFORMATION AND ENQUIRIES

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### 2023 Year Review

#### Sustainable Income Amidst Significant Turbulence

In 2023, GCI marked its fifth anniversary since its IPO in May 2018. Throughout this period, we have faced substantial challenges that appeared almost tailored to test the resilience of the GCI investment portfolio. GCI Net Tangible Asset Value weathered rapid interest rate hikes designed to curb inflation, concerns about mortgage affordability, a global pandemic (with a peak of approximately 8% of Australian borrowers opting for COVID-19 relief\*), Russia's invasion of Ukraine, U.S. bank failures, and the unprecedented bailout of Credit Suisse. Additionally, we navigated through wildfires and numerous floods, underscoring the importance of both data and diversification in income investing.

Amidst this turbulence, the consistent theme has been the opportunity for those armed with sufficient data to identify investments likely to thrive under these specific circumstances. Gryphon's investment process relies heavily on data, with monthly loan-level data providing both a crucial feedback loop and validation for our assumptions about the future performance of the underlying transactions we invest in.

The closed-end nature of the GCI portfolio allows the Gryphon investment committee to align its investment processes with the other Gryphon strategies, contributing to GCI's outperformance against its Target Return (RBA Cash Rate +3.50%) in challenging markets, as demonstrated in its performance since its IPO.

\*Source: Gryphon, based on Gryphon managed portfolios.

#### Exceeding Target Returns

GCI has consistently exceeded its Target Return. In the year to December 2023, GCI distributed income at a rate of 8.67%, equivalent to a spread of 4.54% over the RBA Cash Rate. Since inception, GCI has distributed monthly income at an annual rate equating to a spread of 4.11% over the RBA Cash Rate.

#### Floating Rate Returns

GCI's investments in Australian RMBS/ABS receive interest monthly at a floating benchmark interest rate plus an agreed margin. The floating benchmark interest rate resets with movements in the RBA Cash Rate and that has resulted in GCI's monthly distributions increasing in line with the RBA Cash Rate. With a very short interest rate duration of approximately 14 days, the GCI portfolio has been able to effectively respond to changes to the RBA Cash Rate.

#### Defensive Portfolio Positioning

Looking ahead to 2024, our core portfolio positioning remains defensive, with a reduction in exposure to the most credit-sensitive securities (defined as rated below BB) from 13% in July 2020 to around 6% as at December 2023. With a potentially challenging environment for borrowers in Australia, Gryphon's defensive approach aims to mitigate the impact of increased borrower arrears.

#### Borrower Resilience

The resilience of Australian borrowers in the second half of 2023 has been noteworthy. Gryphon's extensive loan-level data suggests that even the most-at-risk borrowers will likely remain resilient. Factors such as elevated savings, over-payment history, and continued low unemployment serve as effective mitigants against financial stress. As housing prices stabilise, borrowers' accumulated equity provides opportunities for self-management through property sales and modified payment plans, which may also result in additional protection for bond holders.

#### House Prices and Mortgage Loan Performance

The decline in house prices in early 2019 and again in 2022 illustrated that house prices only have a second order effect on borrowers' ability to service their mortgage loans. The real drivers of mortgage loan performance are affordability (mortgage rates) and ability to pay (unemployment). In the early part of 2023, low unemployment and low mortgage rates meant that despite the falling house prices, borrowers continued to make their loan payments.

#### RBA's Financial Stability Review on Borrowers' Resilience

The RBA's October 2023 Financial Stability Review aligns with Gryphon's conclusions, emphasising the crucial role of a strong labour market, reduced spending on discretionary goods and services, and drawing on pandemic-era savings buffers in households' ability to manage higher expenses and interest rates.

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### INVESTMENT HIGHLIGHTS

<b>Income</b>	Monthly cash income with a Target Return of RBA Cash Rate plus 3.50% per annum, net of fees through the economic cycle. Investors should note the Target Return is not a forecast and is not guaranteed.
<b>Diversification, low NTA volatility</b>	Fixed income is an important component of a balanced investment portfolio typically providing stable income with capital preservation. The Trust enables investors to diversify their income investments to a defensive asset class. The Trust's NTA since listing is evidence of the defensive characteristics and has displayed little correlation to equity markets.
<b>Capital preservation</b>	The Trust's investments comprise an actively managed portfolio predominately comprised of securities that have the benefit of multiple layers of investor protections as set out in the PDS. The Manager's stress testing of each investment is consistent with the Trust's key objective of capital preservation.
<b>Portfolio diversification</b>	Allows wholesale, retail and SMSF investors to access a fixed income asset class that generally has only been available to institutional investors.
<b>Experienced 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.
<b>Attractive structure</b>	The Trust structure allows the Manager to invest a permanent and stable pool of capital, while also offering investors ASX liquidity. This allows the Manager to make long term investment decisions without the need to source liquidity for potential investor redemptions, which may impact return.

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### Barings Acquisition

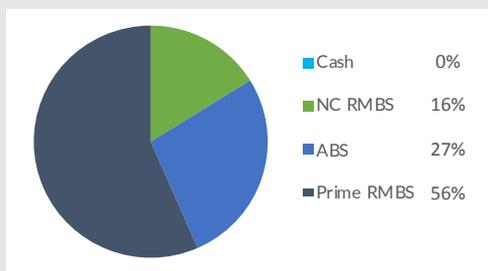
In March 2023, Gryphon announced its acquisition by Barings, a leading global investment manager with assets under management of USD \$381 billion as of 31 December 2023. Gryphon co-founders, Steven Fleming and Ashley Burtenshaw, remain as portfolio managers for GCI, retained via long-term employment contracts with Barings. This strategic move offers additional operational and business support from a world-class asset manager, leveraging Barings' global structured finance platform for synergies.

### Looking Ahead to 2024

The year ahead will continue to bring its challenges, but importantly Gryphon has positioned GCI well to continue to deliver sustainable monthly income whilst providing a base for strong capital preservation for GCI's unitholders.

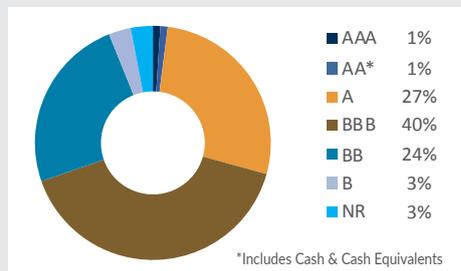
## Portfolio Construction

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



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

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



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

	Total	Prime	Non-conforming <sup>3</sup>
No. of Underlying Loans	72,082	66,182	5,900
Weighted Average Underlying Loan Balance	\$372,578	\$322,210	\$550,910
Weighted Average LVR	64%	63%	69%
Weighted Average Seasoning	30 months	35 months	15 months
Weighted Average Interest Rate	7.10%	6.90%	7.81%
Owner Occupied	61%	61%	62%
Interest Only	20%	21%	16%
90+ Days in Arrears as % of Loans	1.15%	0.69%	2.78%
% Loans > \$1.5m Balance	3.17%	1.74%	8.22%

<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	9.3%	2.0%	5.0%	2.3%	—

## 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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### SME Portfolio Underlying Mortgage Loan Statistics<sup>1</sup>

No. of Underlying Loans	3,314	<b>Borrower Type</b>	
Weighted Average Underlying Loan Balance	\$403,178	SMSF	41.9%
Weighted Average LVR	60.5%	Company	27.5%
% > 80% LVR	4.12%	Individual	30.6%
Weighted Average Borrowers' Equity	\$361,651	<b>Property Type</b>	
90+ Days in Arrears as % of Loans	0.33%	Residential	28.9%
% > \$1.5m Current Balance	2.20%	Commercial	69.9%
		Mixed	1.2%

<sup>1</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.

### Distributions (%)

Fin. Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD <sup>3</sup>
2024	0.73	0.74	0.71	0.73	0.70	0.75							4.45
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>2</sup> (%)

Fin. Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD <sup>3</sup>
2024	0.69	0.77	0.74	0.83	0.69	0.75							4.55
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>4</sup> (%)

Fin. Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD <sup>2</sup>
2024	3.11	1.52	1.73	1.73	(0.54)	4.01							12.06
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>2</sup> Fund Return reflects compounded movements in the NTA.

<sup>3</sup> Assuming monthly compounding.

<sup>4</sup> Total Unitholder Returns comprises compounded distributions plus compounded movements in the listed price of ASX:GCI.

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**ASX release date: 17 January 2024**

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

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