



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.

GCI's 3 strategic objectives

1. Sustainable monthly cash income



2. High risk-adjusted return

3. Capital Preservation

Fund Performance

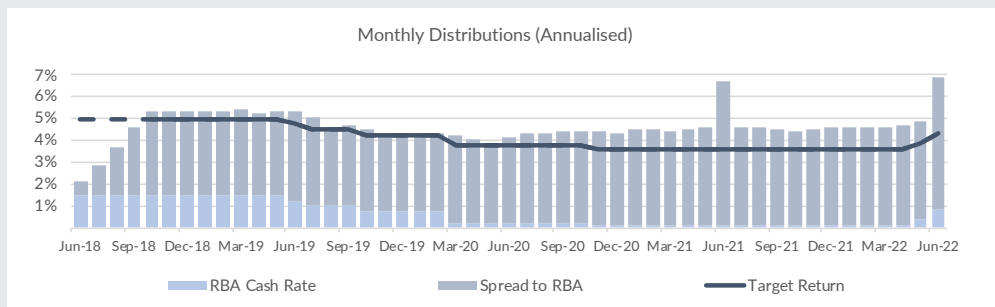
	1 Mth	3 Mth	6 Mth	1 Yr	3 Yr (Ann)	Incep (Ann) ¹
Net Return (%)	0.16	0.77	1.73	3.83	4.74	4.77
RBA Cash Rate (%)	0.06	0.10	0.12	0.17	0.33	0.64
Net Excess Return (%)	0.10	0.68	1.61	3.65	4.40	4.11
Distribution ¹ (%)	0.55	1.34	2.47	4.79	4.60	4.61
Distribution (¢/unit)	1.10	2.68	4.92	9.47	9.07	9.07

¹ Inception date – 21 May 2018

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

Distribution

GCI announced a 1.10 cents per unit distribution for the month, generating a trailing 12-month distribution return of 4.79% (net)².



² Actual distribution as % of NTA, assuming distribution reinvestment.

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. Gryphon currently manages funds in excess of \$3.0 billion.

SNAPSHOT

ASX Code	GCI
IPO Date	25 May 2018
Asset	Fixed Income, floating rate
Market Cap/Unit	\$477.8m/\$1.97
NTA/Unit	\$487.5m/\$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 ⁴	5.52%
Distributions (12m) ⁵	4.79%
RBA Cash Rate	0.85% pa.
Interest Rate Duration	0.04 years
Credit Spread Duration	1.39 years
Number of Bond Holdings	109
Number of Underlying Mortgage Loans	95,755

⁴ June 2022 distribution (excl. realised gains) as % of unit price, annualised.

⁵ Actual distribution for the 12 months to 30 June, as a % of NTA, assuming distribution reinvestment.

RESEARCH

BondAdviser

INDEPENDENT INVESTMENT RESEARCH

Zenith
RECOMMENDED

Lonsec

WEBSITE

www.gcapinvest.com/our-lit



Financial Year Review

GCI continued to deliver a strong performance for the financial year, providing monthly distributions consistently and significantly above the Trust's target return, whilst maintaining a stable net tangible asset value. It should be comforting to note that GCI's investments have performed as well as expected, demonstrating the value of Gryphon's deep experience in the ABS and RMBS asset classes in constructing a portfolio that is resilient and robust and able to deliver on GCI's objective of high risk-adjusted returns with strong capital preservation.

In September and October 2021, the Trust successfully raised over \$74 million through a combination of a placement to wholesale and sophisticated investors and a Unit Purchase Plan (UPP) to existing unitholders. The new capital raised provides the following benefits to existing unitholders:

- additional scale, allowing Gryphon to further diversify the portfolio;
- expansion of GCI's investor base, providing greater liquidity; and
- a reduction in the operating costs on a cost per unit basis.

Importantly for unitholders, the capital raised has delivered additional benefits without impacting GCI's distributions to unitholders. This is due to Gryphon being able to successfully invest the proceeds in a timely manner having previously identified the investment opportunities which met GCI's investment strategy.

This year has seen escalating geopolitical tensions, culminating in Russia's invasion of Ukraine, which have compounded an already fragile market that was facing a reduction in central bank liquidity, inflation and uncertainty regarding the pace and timing of interest rate increases. In anticipation of a weaker investment environment, including elevated market volatility, Gryphon tactically positioned GCI's portfolio with a strong defensive bias. The elevated market volatility has reduced market activity and indeed as anticipated, caused a widening of credit spreads. As we outlined in a paper released on October 2021 ([Impact of RMBS spread widening on GCI](#)), the widening credit spreads are not an indication of a deterioration of credit quality in RMBS and ABS assets, but a reflection of the market uncertainty and investors' flight to hold more liquidity during this uncertainty.

As noted above, for the first time in many years, high inflation has become a real concern for financial markets. Pandemic induced disruptions have triggered shortages and price rises across all economies and central banks have started to adjust policy accordingly. Interest rates are now increasing across the globe, including in Australia where the Reserve Bank of Australia ("RBA") has increased the cash rate by 1.25% since 4 May 2022, with further increases expected.

How do rising rates impact GCI's returns? Importantly, GCI's investments are floating rate notes that are structured so that the interest rate receivable resets monthly to the current market rate. As the RBA raises interest rates, GCI's income and its distributions will increase in line with the market rate, protecting unitholders' relative return.

How do rising rates impact GCI's investments? Gryphon released a paper in May 2022 ([No Payment Shock](#)) analysing the possible impact of a 2% rate rise on the home loan borrowers that underly the RMBS investments GCI is invested in. The analysis showed that the majority of borrowers are well placed to manage the expected higher interest rates on their mortgages due to serviceability buffers, elevated savings rate and strong employment (unemployment is at circ 50-year lows). The post COVID rapid house price increases has resulted in substantial build-up in borrowers' equity that will enable borrowers experiencing financial pressure, to leverage off this equity. This has given us a high level of confidence in the robustness of GCI's investments to remain loss-remote whilst continuing to pay above target monthly distributions.

Importantly, and encouragingly for investors, Gryphon's conclusions were backed up by independent analysis undertaken by both the RBA and S&P. The RBA also looked at the impact on borrowers of a 2% increase in mortgage rates in their April 2022 Financial Stability Report and stated "Overall, the majority of indebted households are well placed to manage higher minimum loan repayments..."¹ S&P's analysis² released immediately after the April 2022 rate rise, states "While arrears are set to increase in earlier arrears categories as borrowers adjust to higher mortgage repayments, we don't expect significant increases in the advanced arrears categories, given a strong labour market and the buffers built into serviceability assessments. In addition, many borrowers have benefited from a pandemic build-up in savings and repayment buffers, which will help to absorb higher mortgage repayments."

With the prospect of further rate increases, house prices have already started to slow with both Sydney and Melbourne experiencing recent negative house prices. 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 circ 65% and the seasoning is 27 months, meaning the portfolio has benefited from the house price growth experienced over the last few years.

¹ Financial Stability Review – April 2022, page 27

² S&P May 3, 2022

continued overleaf...

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)

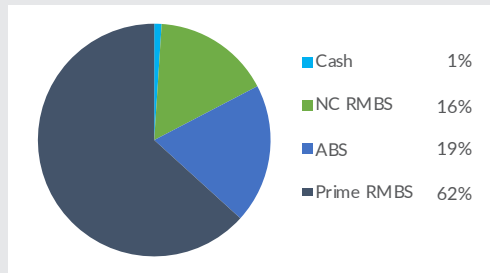
Phone 1300 737 760

Email enquiries@boardroomlimited.com.au



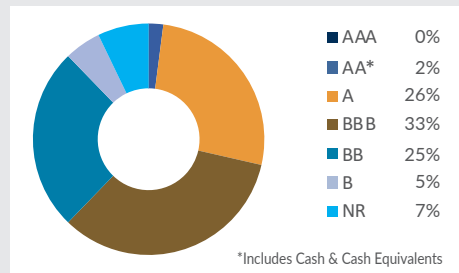
Portfolio Construction

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	95,755	83,826	11,929
Weighted Average Underlying Loan Balance	\$371,124	\$323,345	\$559,601
Weighted Average LVR	65%	65%	68%
Weighted Average Seasoning	27 months	30 months	17 months
Weighted Average Interest Rate	3.60%	3.45%	4.20%
Owner Occupied	61%	60%	67%
Interest Only	23%	23%	20%
90+ Days in Arrears as % of Loans	0.28%	0.21%	0.52%
% Loans > \$1.5m Balance	2.73%	1.72%	6.70%

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	10.5%	2.0%	4.1%	4.5%	-

SME Portfolio Underlying Mortgage Loan Statistics⁴

No. of Underlying Loans	3,903	Borrower Type	
Weighted Average Underlying Loan Balance	\$374,610	SMSF	70.3%
Weighted Average LVR	60.0%	Company	14.7%
% > 80% LVR	0.74%	Individual	14.9%
Weighted Average Borrowers' Equity	\$343,083	Property Type	
90+ Days in Arrears as % of Loans	0.10%	Residential	30.1%
% > \$1.5m Current Balance	1.03%	Commercial	68.9%
		Mixed	1.0%

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.



Distributions (%)

Fin. Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD ²
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
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
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: 14 July 2022

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

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