

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) ²
NTA Net Return (%)	0.73	2.23	4.76	9.52	6.93	6.23	5.98
Distribution (¢/unit)	1.39	4.34	8.66	17.41	13.89	11.88	11.37
Distribution ¹ (%)	0.69	2.18	4.39	9.04	7.14	6.08	5.82
Target Return (%)*	0.64	1.96	3.96	8.03	6.08	5.21	5.18
Excess Return (%)**	0.05	0.21	0.42	0.93	1.00	0.82	0.61

¹ Actual distribution as % of NTA, assuming distribution reinvestment.

² Inception date — 21 May 2018.

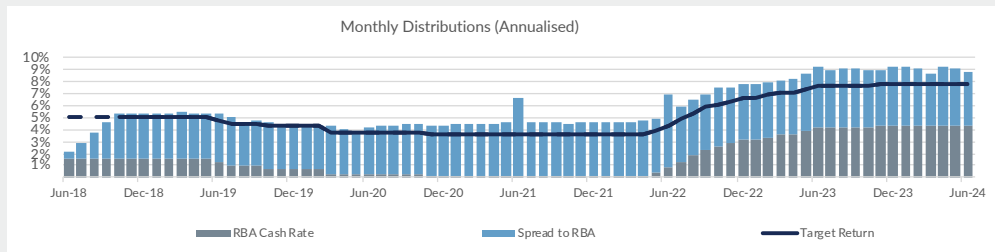
* Target Return = RBA Cash Rate +3.50% p.a.

** Geometric excess return

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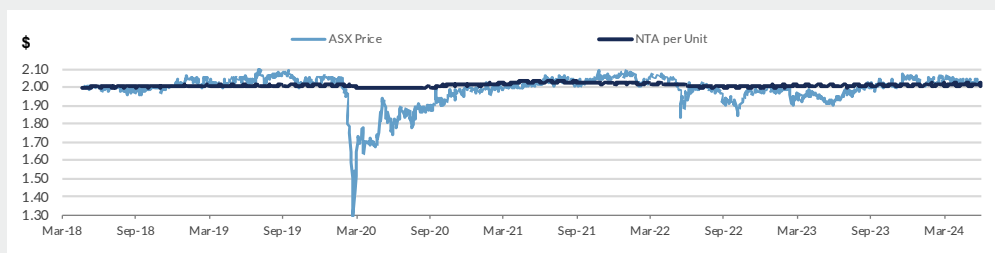
DISTRIBUTION

GCI announced a 1.39 cents per unit distribution for the month, representing an annualised yield of 8.75% (net)³.



³ June 2024 distribution as % of NTA, annualised.

NET TANGIBLE ASSET (NTA) / UNIT AND ASX PRICE PERFORMANCE



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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\$409 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, with 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 2024

SNAPSHOT

ASX Code	GCI
IPO Date	25 May 2018
Asset	Fixed Income, floating rate
Market Cap/Unit	\$681.2m/\$2.03
NTA/Unit	\$673.9m/\$2.01
Investment Management Fee ⁴	0.72% p.a.
Performance Fee	None
Distributions	Monthly
Unit Pricing	Daily

⁴ Includes GST, net of reduced input tax credits

CHARACTERISTICS

Current Yield ⁵	8.75%
Distributions (12m) ⁶	9.04%
RBA Cash Rate	4.35% p.a.
Interest Rate Duration	0.04 years
Credit Spread Duration	1.15 years
Number of Bond Holdings	108
Number of Underlying Mortgage Loans	76,400

⁵ June 2024 distribution as % of NTA, annualised.

⁶ Actual distribution for the 12 months to 30 June, as % of NTA, assuming distribution reinvestment.

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YEAR IN REVIEW

MONTHLY INCOME DISTRIBUTIONS CONSISTENTLY EXCEEDING TARGET RETURNS

Since listing, GCI has consistently exceeded its Target Return of RBA cash rate + 3.50% pa (net of fees). In the FY ending 30 June 2024, GCI distributed monthly income at an annualised rate of 9.04%, equivalent to a spread of 4.67% over the RBA cash rate. Since its inception, GCI has distributed monthly income at an annual rate equating to a spread of 4.20% over the RBA cash rate.¹

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GCI CAPITAL RAISES

In FY 2024, Gryphon successfully executed an Entitlement and Shortfall Offer and two Placement Offers, raising a total of A\$184.8 million, increasing GCI's market capitalisation (as at 30 June 2024) to A\$681.2 million. The benefits to unitholders for increasing the market capitalisation of GCI are well understood and include, among others:

- Provide additional scale to expand GCI's participation in the RMBS/ABS market, to enable greater diversification of the portfolio.
- Expand GCI's investor base, to lead to increased liquidity for unitholders.
- Reduce GCI's operating costs on a cost per unit basis.

An important consideration when raising capital for an income focused strategy is the deployment strategy of the manager. For each secondary capital raise, Gryphon has had a significant pipeline of investment opportunities which met the return and risk characteristics of GCI's investment strategy, ensuring the timely deployment of new capital. Gryphon's strength in asset sourcing capabilities is evidenced through the consistency in GCI's monthly distributions in the months immediately following a new capital raise. Gryphon has several levers to pull when constructing portfolios, including new issue RMBS/ABS transactions (which Gryphon may cornerstone), privately negotiated RMBS and ABS transactions, and seasoned, secondary market positions. Each of these levers has been utilised in deploying the recent capital raise proceeds.

EXPECTATION OF HIGHER ARREARS

Our expectation for FY 2024 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. While prime borrowers' arrears have increased and start to normalise from historically low levels, the non-conforming borrower is starting to feel the cost-of-living pressures more acutely and some are struggling to get current after progressing into serious delinquency. Gryphon's extensive loan-level data provides a lens into the patterns emerging for these borrowers experiencing financial difficulties.

According to CoreLogic², Australian dwelling values increased 8.0% across FY2023–24, anchoring the first layer of bondholder protections for an RMBS transaction — borrowers' equity in their home. The weighted average LVR for the underlying loans in GCI's RMBS investments is 65%, with the accumulated equity providing borrowers in financial difficulties ample opportunities for self-management through property sales and modified payment plans.

² CoreLogic Hedonic Home Value Index 1 July 2024

THE RISE OF ABS DURING THE FY 2024 IN A MARKET HISTORICALLY DOMINATED BY RMBS

Historically, the Australian securitisation market was dominated by RMBS which represented approximately 85% of the total market with the issuance of ABS (including Auto, Consumer and SME) making up the balance. This contrasts with international capital markets where ABS is a far more material component of the market. Prior to 2021, a principal reason for the limited domestic ABS issuance was that local banks had predominantly funded their auto loans and credit cards using their balance sheets whereas international banks tend to use the securitisation markets for such funding.

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PARTIES

Responsible Entity

One Managed Investment Funds Limited
ACN 117 400 987 AFSL 297042

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Gryphon Capital Investments Pty Ltd
ACN 167 850 535 AFSL 454552

AVAILABLE PLATFORMS INCLUDE:

AMP North Asgard eWrap
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This dynamic permanently altered in June 2021 when Westpac sold its auto finance business to a US alternative investment manager, among others, who established a non-bank Auto Loan Originator, who in 2024 is targeting A\$4 billion+ per year of auto loans. Anticipating this changing origination dynamic, in August 2021, Gryphon updated GCI's investment guidelines¹ to provide the flexibility to participate in the anticipated growth in the Australian ABS market; such investments to be supported by Gryphon's robust due diligence and credit assessment process.

Interestingly, the post GFC securitisation issuance record in 2023 included a record ABS issuance representing circa 30% of the market.

¹ [GCI ASX Announcement 5 August 2021](#)

DEFENSIVE PORTFOLIO POSITIONING

Looking ahead to H2 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 6% in December 2023 and to 4% in June 2024. With a potentially challenging environment for borrowers in Australia, Gryphon's defensive approach aims to mitigate the impact of increased borrower arrears and assist to buffer the impact of any acute geopolitical event.

LOOKING AHEAD TO H2 2024

The year ahead will continue to bring its challenges, with Gryphon building flexibility and liquidity into the GCI portfolio to enable us to respond to the risk and opportunities as they arise and importantly strive to continue to deliver sustainable monthly income whilst providing a base for strong capital preservation for GCI's unitholders.

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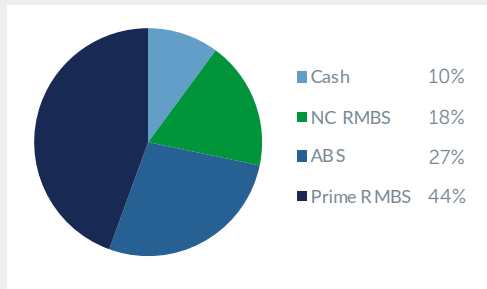
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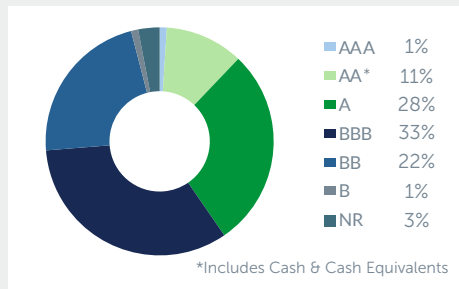
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PORTFOLIO CONSTRUCTION

SECTOR ALLOCATIONS¹



RATING BREAKDOWN¹



¹ Excludes Manager Loan.

PORTFOLIO UNDERLYING RESIDENTIAL MORTGAGE LOAN STATISTICS²

	Total	Prime	Non-conforming ³
No. of Underlying Loans	76,400	70,539	5,861
Weighted Average Underlying Loan Balance	\$403,151	\$339,023	\$558,372
Weighted Average LVR	65%	63%	68%
Weighted Average Seasoning	27 months	30 months	21 months
Weighted Average Interest Rate	7.15%	6.86%	7.85%
Owner Occupied	62%	62%	62%
Interest Only	23%	22%	25%
90+ Days in Arrears as % of Loans	1.06%	0.66%	2.02%
% Loans > \$1.5m Balance	5.87%	2.36%	14.36%

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	6.6%	3.4%	1.6%	1.6%	-

SME PORTFOLIO UNDERLYING MORTGAGE LOAN STATISTICS⁴

No. of Underlying Loans	3,283
Weighted Average Underlying Loan Balance	\$381,349
Weighted Average LVR	58.8%
% > 80% LVR	2.19%
Weighted Average Borrowers' Equity	\$373,731
90+ Days in Arrears as % of Loans	0.15%
% > \$1.5m Current Balance	2.43%

Borrower Type	
SMSF	43.5%
Company	27.1%
Individual	29.4%

Property Type	
Residential	35.0%
Commercial	63.8%
Mixed	1.2%

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DISTRIBUTIONS (%)

Fin. Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD ²
2024	0.73	0.74	0.71	0.73	0.70	0.75	0.75	0.70	0.71	0.73	0.74	0.69	9.04
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)¹ (%)

Fin. Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD ²
2024	0.69	0.77	0.74	0.83	0.69	0.75	0.77	0.86	0.81	0.73	0.75	0.73	9.52
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 RETURNS³ (%)

Fin. Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD ²
2024	3.11	1.52	1.73	1.73	(0.54)	4.01	(1.21)	1.68	0.70	0.23	0.24	1.18	15.23
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

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: 22 July 2024

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

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