



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

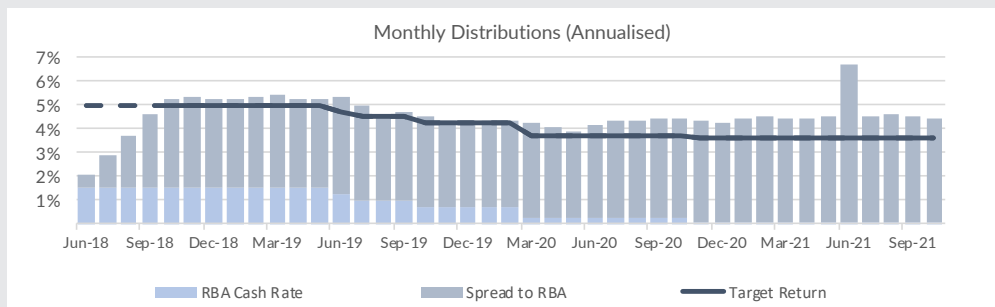
	1 Mth	3 Mth	6 Mth	1 Yr	3 Yr (Ann)	Incep (Ann) ¹
Net Return (%)	0.29	1.05	2.61	5.73	5.18	4.99
RBA Cash Rate (%)	0.01	0.03	0.05	0.10	0.61	0.72
Net Excess Return (%)	0.28	1.02	2.56	5.62	4.54	4.24
Distribution ¹ (%)	0.37	1.13	2.44	4.67	4.69	4.55
Distribution (¢/unit)	0.75	2.27	4.89	9.23	9.23	8.95

¹ Inception date – 21 May 2018

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

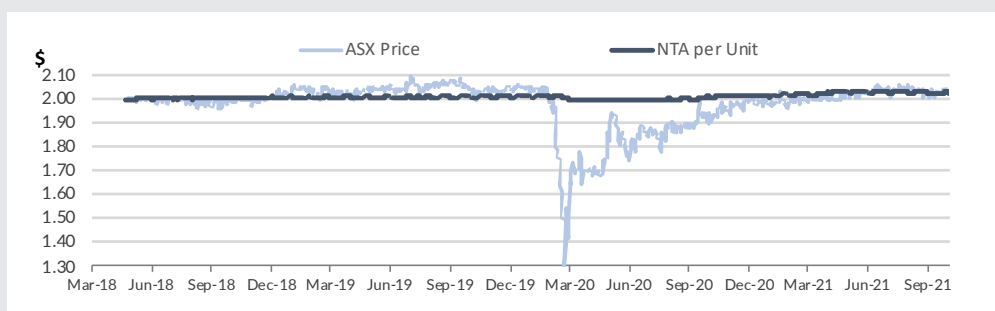
Distribution

GCI announced a 0.75 cents per unit distribution for the month, generating a trailing 12-month distribution return of 4.67% (net)².



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

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



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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 \$2.7 billion.

SNAPSHOT

ASX Code	GCI
IPO Date	25 May 2018
Asset	Fixed Income, floating rate
Market Cap/Unit	\$493.6m/\$2.03
NTA/Unit	\$491.6m/\$2.02
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	4.44%
Distributions (12m) ⁵	4.67%
RBA Cash Rate	0.10% pa.
Interest Rate Duration	0.04 years
Credit Spread Duration	1.33 years
Number of Bond Holdings	103
Number of Underlying Mortgage Loans	106,059

⁴ October 2021 distribution as % of unit price, annualised.

⁵ Actual distribution for the 12 months to 31 October, as a % of NTA, assuming distribution reinvestment.

RESEARCH

BondAdviser

INDEPENDENT INVESTMENT RESEARCH

Zenith
RECOMMENDED

Lonsec

WEBSITE

www.gcapinvest.com/our-lit



Commentary

Against a backdrop of elevated global bond market volatility coupled with domestic senior credit spreads on a widening trajectory, October was a busy month for new issues with five primary RMBS transactions totalling \$3.25 billion (four Prime transactions and one Non-Conforming). Additionally, there were four ABS transactions comprising two auto transactions, a consumer loan ABS transaction, and an SME ABS transaction. These transactions met with strong investor demand in the lower investment grade and non-investment grade tranches contrasting with the senior (AAA) tranches which struggled to gain traction with investors. Due to a combination of credit, relative value and portfolio optimisation considerations, the Gryphon Capital investment committee elected to participate in only two of these new issue transactions for the GCI portfolio.

On Tuesday 2 November, the RBA Board held its monthly monetary policy meeting and announced both the outright abandonment of the RBA's April 2024 yield target and turned slightly hawkish, hinting at rate hikes in late 2023 although the RBA Governor commented that cash rate decisions are driven by actual economic outcomes and not calendar, saying "Our focus has been on returning inflation sustainably to the 2 to 3 per cent range and doing what we reasonably can to reach full employment. These are our goals and it is progress on these fronts that will continue to determine decisions about the cash rate. These decisions are not driven by the calendar".

With the RBA hinting at lifting cash rates in 2023 rather than the previously forecast 2024, Gryphon has been asked by unitholders what impact this could have on the performance of RMBS and consequently on GCI.

GCI provides protection against inflation

All the RMBS and ABS investments held by GCI are floating rate notes – structured so that their interest rate resets monthly to the current level of interest rates. As a result, when the RBA decides to increase interest rates in an attempt to curb inflation, the interest rates on GCI's investments will also increase at the same time. If interest rates increase, GCI's income increases and so will the distributions to unitholders protecting them from inflation by keeping up with higher rates of income offered elsewhere.

What happens if house prices fall when the RBA hikes the cash rate?

GCI invests in Secured Bonds with multiple layers of protection, protecting RMBS investors even in a prolonged period of falling house prices. One of the core objectives of GCI is capital preservation which Gryphon believes is paramount when investing for income. During the second half of 2018, despite increased market volatility and falling house prices, the capital values of the GCI investment portfolio were rock solid. A primary reason for this stability was the fact that borrower arrears were very low even though house prices were falling. Independent research concluded that the most important driver of performance of home loans is unemployment. House prices are important for the "wealth effect" and government coffers BUT they have a second order impact on borrowers' capacity to pay their mortgage. The RBA have been crystal clear that they won't be lifting rates until they have done what they reasonably can to reach full employment providing a solid platform for continued good borrower performance even if house prices are falling. Strong employment will provide significant protection to RMBS investors from falling house prices.

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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.gcapinvest.com/our-lit

General

Email info@gcapinvest.com

Boardroom (Unit Registry)

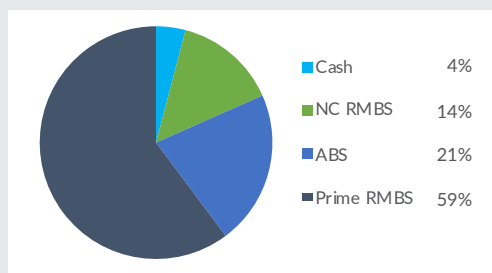
Phone 1300 737 760

Email enquiries@boardroomlimited.com.au



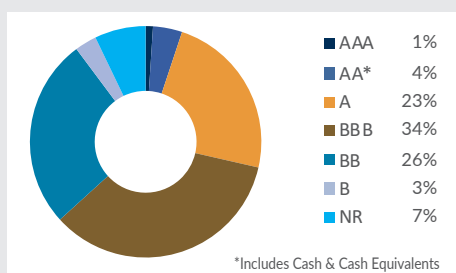
Portfolio Construction

Sector Allocations¹



¹ Excludes Manager Loan.

Rating Breakdown¹



Portfolio Underlying Residential Mortgage Loan Statistics²

	Total	Prime	Non-conforming ³
No. of Underlying Loans	106,059	94,491	11,568
Weighted Average Underlying Loan Balance	\$564,125	\$514,759	\$770,137
Weighted Average LVR	66%	65%	69%
Weighted Average Seasoning	25 months	27 months	14 months
Weighted Average Interest Rate	3.23%	3.07%	3.86%
Owner Occupied	65%	64%	67%
Interest Only	23%	24%	21%
90+ Days in Arrears as % of Loans	0.34%	0.32%	0.43%
% Loans > \$1.5m Balance	1.87%	1.32%	4.21%

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	12.6%	2.2%	5.5%	5.0%	-

SME Portfolio Underlying Mortgage Loan Statistics⁴

No. of Underlying Loans	4,800	Borrower Type	
Weighted Average Underlying Loan Balance	\$464,511	SMSF	77.1%
Weighted Average LVR	59.1%	Company	11.5%
% > 80% LVR	0.55%	Individual	11.4%
Weighted Average Borrowers' Equity	\$321,267	Property Type	
90+ Days in Arrears as % of Loans	0.26%	Residential	41.4%
% > \$1.5m Current Balance	1.04%	Commercial	57.9%
		Mixed	0.7%

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Distributions (%)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2021	0.37	0.34	0.37	0.36	0.38	0.53	0.38	0.38	0.37	0.37	-	-	3.93
2020	0.36	0.34	0.36	0.33	0.33	0.34	0.36	0.36	0.36	0.37	0.35	0.36	4.29
2019	0.44	0.40	0.45	0.42	0.44	0.43	0.42	0.38	0.38	0.38	0.35	0.36	4.96
2018	-	-	-	-	-	0.23	0.24	0.31	0.37	0.44	0.43	0.44	2.48

Fund Returns (Net)¹ (%)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD ²
2021	0.33	0.57	0.45	0.61	0.68	0.48	0.37	0.44	0.32	0.29	-	-	4.63
2020	0.38	0.34	(0.45)	0.36	0.30	0.41	0.36	0.39	0.49	0.71	0.67	0.37	4.42
2019	0.50	0.42	0.49	0.43	0.42	0.45	0.74	0.43	0.35	0.41	0.38	0.39	5.54
2018	-	-	-	-	0.02	0.24	0.25	0.31	0.39	0.44	0.45	0.45	2.58

Total Unitholder Returns³ (%)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD ²
2021	(0.62)	(0.67)	2.2	1.12	0.88	1.03	1.36	0.87	(1.58)	0.87	-	-	5.50
2020	0.85	(2.60)	(16.7)	3.12	7.76	(3.75)	8.15	1.45	(0.94)	3.33	0.63	3.73	2.55
2019	2.43	(0.10)	(1.03)	0.42	2.43	0.91	2.35	(1.54)	1.34	(1.56)	0.34	0.36	6.42
2018	-	-	-	-	0.50	(0.27)	0.24	0.06	(0.88)	1.97	(1.07)	2.48	3.01

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: 10 November 2021

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

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