



### Investment Objective

Gryphon Capital Income Trust (GCI) set itself 3 strategic objectives at IPO:

1. Sustainable monthly cash income



2. Highest risk adjusted return

3. Capital Preservation

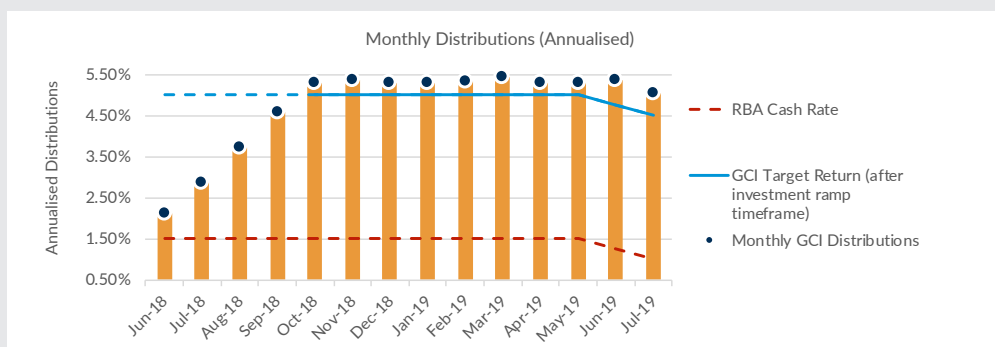
GCI continues to generate attractive and sustainable monthly income with highest risk adjusted returns through investments in a defensive asset class with a track record of low capital price volatility ensuring Capital Preservation.

### GCI Investment Highlights

<b>Income</b>	Sustainable monthly cash income, Distribution yield currently 5.03% <sup>4</sup> pa (net)
<b>Large, institutional fixed income market</b>	Australian ABS market > A\$110 billion is double the size of the corporate bond market
<b>Security, capital preservation</b>	Defensive asset class with a track record of low capital price volatility No investor has ever lost a \$ of principal investing in Australian RMBS
<b>Portfolio diversification</b>	Allows retail and SMSF investors to access a fixed income asset class that generally has only been available to institutional investors
<b>Investment Manager</b>	Exposure to a specialist investment manager with a proven track record of investment outperformance

### GCI Distribution

GCI announced a 0.84 cents per unit distribution for the month of July, generating a distribution yield of 5.03%<sup>4</sup> (net). We continue to produce returns in excess of the Target return of RBA Cash +3.50% pa.



### Fund Performance as at 31 July 2019

	1 Mth	3 Mth	6 Mth	1 Yr	Incep (Ann) <sup>1</sup>
Net Return (%)	0.74	1.62	2.98	5.63	5.14
RBA Cash Rate (%)	0.09	0.32	0.69	1.45	1.46
Net Excess Return (%)	0.66	1.29	2.28	4.12	3.63
Distribution (%)	0.42	1.29	2.59	5.10	4.67
Distribution (¢/unit)	0.84	2.58	5.13	9.99	9.16

<sup>1</sup> Inception date – 21 May 2018

Note: Past performance is not a reliable indicator of future 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 \$1.9 billion.

### GCI SNAPSHOT

<b>ASX Code</b>	GCI
<b>IPO Date</b>	25 May 2018
<b>Asset</b>	Fixed Income, floating rate
<b>ASX Price</b>	\$2.10
<b>NAV (Unit)</b>	\$2.01
<b>Market Cap</b>	\$196.48m
<b>Investment Management Fee<sup>2</sup></b>	0.72%
<b>Performance Fee</b>	None
<b>Distributions</b>	Monthly
<b>Unit Pricing</b>	Daily

<sup>2</sup> Includes GST, net of reduced input tax credits

### GCI CHARACTERISTICS

<b>Distributions<sup>3</sup></b>	5.30%
<b>RBA Cash Rate<sup>4</sup></b>	1.00%
<b>Interest Rate Duration (yrs)</b>	0.05 years
<b>Credit Spread Duration (yrs)</b>	1.9 years
<b>Number of Bond Holdings</b>	47
<b>Number of Underlying Mortgage Loans</b>	78,407

<sup>3</sup> The annualised distributions (net of fees) post initial ramp-up period after listing – calculations from October 2018.

<sup>4</sup> Annualised.

### RESEARCH

**BondAdviser**

**INDEPENDENT INVESTMENT RESEARCH**



**Lonsec**

### WEBSITE

[www.gcapinvest.com/gcit/overview](http://www.gcapinvest.com/gcit/overview)



### Market and GCI Investment Activity

After robust issuance in June, principally due to the Northern Hemisphere summer holidays, the primary new issue market slowed in July with two RMBS transactions totalling \$1.05 billion being priced. A non-bank lender in the specialist residential mortgage space issued its annual RMBS transaction and a regional bank issued a well-seasoned Prime RMBS. The regional bank RMBS issue received strong investor demand across the capital structure. Due to a combination of credit and GCI portfolio optimisation considerations, the Gryphon Capital Investment Committee elected not to participate in either of these new issue transactions.

The strong investor demand for new issues flowed onto secondary markets where July was another strong market for global credit markets including Australian RMBS. Many factors contributed to this positive investor demand for Australian RMBS including, among others, relative value considerations, low interest rates, benign economic data including unemployment data and stability in house prices.

During the month, a rating agency Standard & Poor's (S&P) released a report entitled "Can Australian RMBS Ratings Withstand a Slowing Economy and Lower Property Prices?" S&P concluded that due to a number of factors, principally credit support and other structural features of RMBS which contribute to bondholder protections, Australian RMBS ratings are largely resilient. S&P commented "Moderate property price declines are not a key driver of mortgage defaults in full-recourse lending jurisdictions such as Australia". Debt serviceability is the key determinant of collateral performance. As Gryphon has been communicating to our investors, debt serviceability is driven by mortgage rates and employment (not house prices).

### GCI 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	Mason Stevens
MLC	Navigator
Netwealth	North

### FURTHER INFORMATION AND ENQUIRIES

Gryphon Capital Income Trust  
[www.gcainvest.com/gcit/overview](http://www.gcainvest.com/gcit/overview)

#### General

Email [info@gcainvest.com](mailto:info@gcainvest.com)

#### Boardroom (Unit Registry)

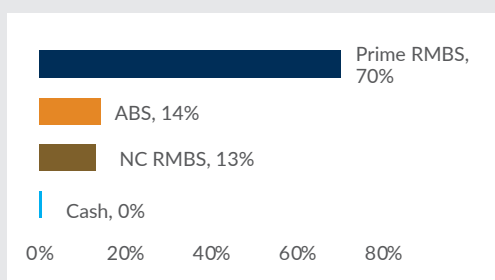
Phone 1300 737 760

Email [enquiries@boardroomlimited.com.au](mailto:enquiries@boardroomlimited.com.au)

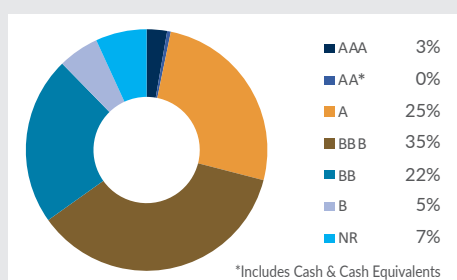
### GCI Portfolio Construction<sup>1</sup>

<sup>1</sup> Note as at 31 July 2019.

#### GCI Sector Allocations<sup>2</sup>



#### GCI Rating Breakdown<sup>2</sup>



<sup>2</sup> Excludes Manager Loan.

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### GCI Portfolio Underlying Mortgage Loan Statistics<sup>3</sup>

	Total	Prime	Non-conforming <sup>4</sup>
No. of Underlying Loans	78,407	73,163	5,244
Weighted Average Underlying Loan Balance	\$452,647	\$428,215	\$516,344
Weighted Average LVR	64%	65%	64%
Weighted Average Seasoning	26 months	30 months	16 months
Weighted Average Interest Rate	4.84%	4.30%	6.22%
Owner Occupied	59%	65%	45%
Interest Only	27%	27%	27%
90+ Days in Arrears as % of Loans	0.38%	0.33%	0.51%
% Loans > \$1.5m Balance	0.64%	0.23%	1.70%

<sup>3</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>4</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.



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