



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 ² (%)	0.56	1.68	2.37	4.24	4.70	4.82
RBA Cash Rate (%)	0.22	0.56	0.76	0.81	0.45	0.74
Net Excess Return (%)	0.34	1.12	1.60	3.40	4.23	4.06
Distribution ³ (%)	0.61	1.70	3.17	5.50	4.82	4.77
Distribution (¢/unit)	1.22	3.38	6.27	10.78	9.47	9.37

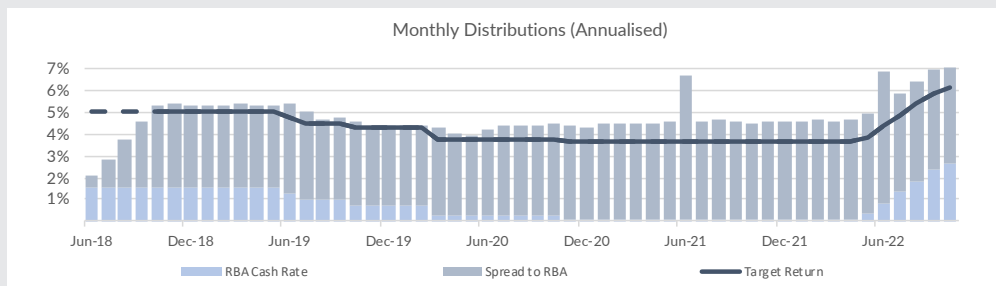
¹ Inception date – 21 May 2018. ² Fund return reflects compounded movements in the NTA.

³ Actual distribution as % of NTA, assuming distribution reinvestment.

Disclaimer: 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.

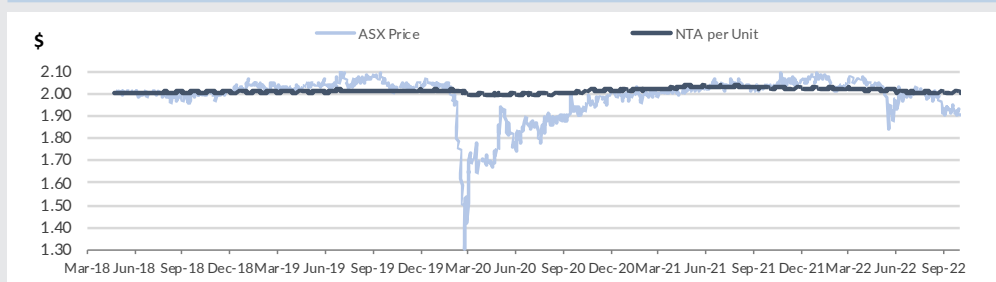
Distribution

GCI announced a 1.22 cents per unit distribution for the month, representing an annualised yield of 7.43% (net)⁴.



⁴ Actual distribution for the month 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 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 \$3.1 billion.

SNAPSHOT

ASX Code	GCI
IPO Date	25 May 2018
Asset	Fixed Income, floating rate
Market Cap/Unit	\$463.2m/\$1.91
NTA/Unit	\$485.7m/\$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 ⁵	7.81%
Distributions (12m) ⁶	5.50%
RBA Cash Rate	2.60% pa.
Interest Rate Duration	0.04 years
Credit Spread Duration	1.06 years
Number of Bond Holdings	103
Number of Underlying Mortgage Loans	86,563

⁵ October 2022 distribution (excl. realised gains) as % of unit price, annualised.

⁶ 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

In the latest S&P Rating Mortgage Performance Index (SPIN) report, released early November, both the Prime and Non-Conforming indices continue to reflect very low arrears numbers across Australian RMBS, with arrears again at new post GFC lows. This continues to be consistent with what we are seeing in the Gryphon managed portfolios, where we are not witnessing any stress in borrowers' payment habits. In fact, quite the opposite – 90+ Days arrears have fallen from 37bps at the start of the year to an expected low of 28bps as at 31 October.

Not surprisingly the borrowers' performance illustrated by the SPIN Index and Gryphon's portfolio are also entirely consistent with the NAB and WBC mortgage books as detailed in their respective 30 September 2022 results presentations. Gryphon's base case expectation continues to be a steady rise in early-stage arrears starting in 1H 2023, however we do not see a comparable increase in late-stage arrears. For the most at-risk borrowers, a combination of elevated savings, over-payment history, serviceability buffers, and strong employment growth provides effective mitigants against financial stress. Additionally, the substantial build up in borrowers' equity will enable many borrowers experiencing financial pressure to voluntarily self-manage their way out of arrears through property sales (& modified payment plans).

To manage the expected increase in borrowers experiencing financial hardship, the banks will need to be proactive in their home loan servicing strategies and pleasingly this was one of Gryphon's key takeaways from NAB's recent results presentation. Each bank is conducting their own stress testing on their mortgage portfolio with NAB defining their "most at-risk" borrowers as borrowers with less than a three-month repayment buffer and a dynamic LTV of greater than 90% (perfectly reasonable definition). While NAB was relaxed about the performance of these most at-risk borrowers, they have actually commenced "early engagement" i.e. proactively making contact with these borrowers, even if they are not in arrears, to enable the bank to provide assistance to the extent borrowers state that they are encountering difficulties.

Early engagement with borrowers encountering difficulties is so important in mitigating losses on mortgage defaults and that's why the NAB "early engagement" initiative is such a positive initiative by a major bank.

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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

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General

Email info@gcapinvest.com

Boardroom (Unit Registry)

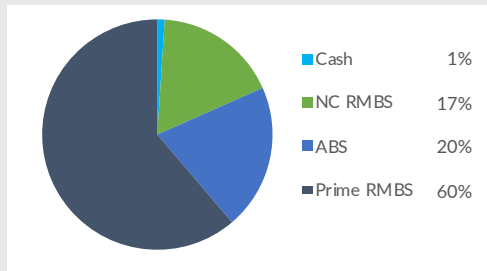
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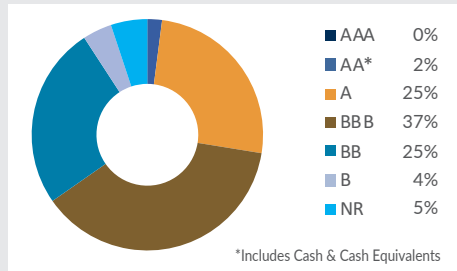
Portfolio Construction

Sector Allocations¹



¹ Excludes Manager Loan.

Rating Breakdown¹



Portfolio Underlying Residential Mortgage Loan Statistics²

	Total	Prime	Non-conforming ³
No. of Underlying Loans	86,563	76,198	10,365
Weighted Average Underlying Loan Balance	\$392,947	\$328,813	\$616,392
Weighted Average LVR	65%	64%	67%
Weighted Average Seasoning	24 months	26 months	15 months
Weighted Average Interest Rate	5.47%	5.25%	6.23%
Owner Occupied	60%	59%	66%
Interest Only	24%	25%	22%
90+ Days in Arrears as % of Loans	0.28%	0.28%	0.29%
% Loans > \$1.5m Balance	4.29%	2.06%	12.08%

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	12.0%	3.2%	4.8%	4.0%	-

SME Portfolio Underlying Mortgage Loan Statistics⁴

No. of Underlying Loans	4,209	Borrower Type	
Weighted Average Underlying Loan Balance	\$368,136	SMSF	73.7%
Weighted Average LVR	60.2%	Company	12.8%
% > 80% LVR	2.05%	Individual	13.5%
Weighted Average Borrowers' Equity	\$339,602	Property Type	
90+ Days in Arrears as % of Loans	0.02%	Residential	31.4%
% > \$1.5m Current Balance	0.76%	Commercial	67.7%
		Mixed	0.9%

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.

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General

Email info@gcainvest.com

Boardroom (Unit Registry)

Phone 1300 737 760

Email enquiries@boardroomlimited.com.au



Distributions (%)

Fin. Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD ²
2023	0.49	0.53	0.55	0.61	-	-	-	-	-	-	-	-	2.19
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
2023	0.12	0.60	0.52	0.56	-	-	-	-	-	-	-	-	1.82
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
2023	1.77	0.53	(2.50)	(0.66)	-	-	-	-	-	-	-	-	(0.87)
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: 16 November 2022

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

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