



### 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

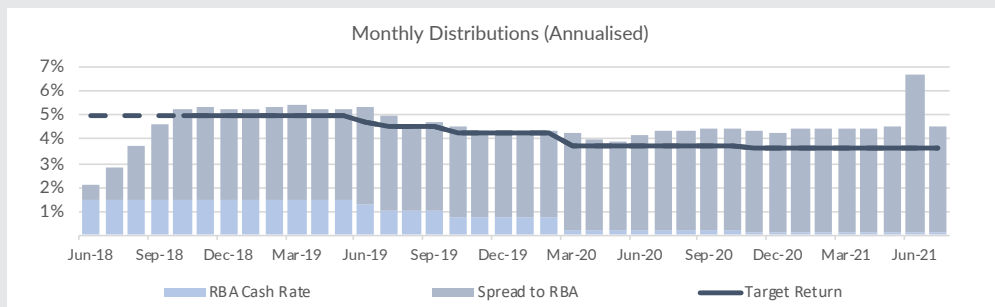
	1 Mth	3 Mth	6 Mth	1 Yr	3 Yr (Ann)	Incep (Ann) <sup>1</sup>
Net Return (%)	0.37	1.54	3.20	6.31	5.21	5.06
RBA Cash Rate (%)	0.01	0.03	0.05	0.14	0.73	0.77
Net Excess Return (%)	0.37	1.52	3.15	6.16	4.45	4.25
Distribution <sup>1</sup> (%)	0.38	1.30	2.39	4.63	4.69	4.55
Distribution (¢/unit)	0.77	2.62	4.78	9.13	9.22	8.95

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

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

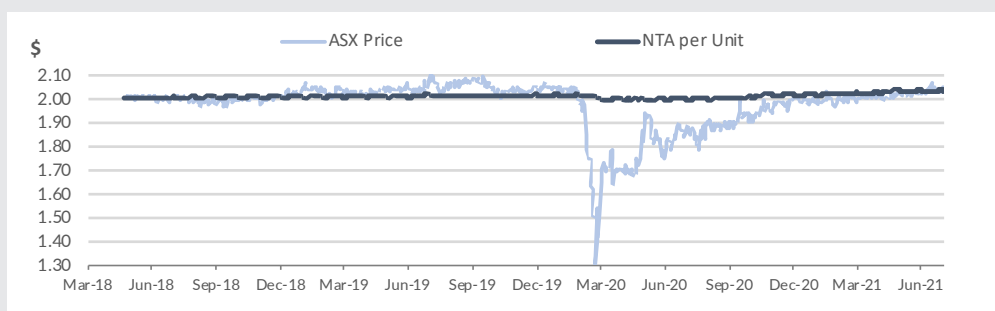
### Distribution

GCI announced a 0.77 cents per unit distribution for the month, generating a trailing 12-month distribution return of 4.63% (net)<sup>2</sup>.



<sup>2</sup> 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 \$2.4 billion.

### SNAPSHOT

ASX Code	GCI
IPO Date	25 May 2018
Asset	Fixed Income, floating rate
Market Cap/Unit	\$422.6m/\$2.05
NTA/Unit	\$417.6m/\$2.03
Investment Management Fee <sup>3</sup>	0.72%
Performance Fee	None
Distributions	Monthly
Unit Pricing	Daily

<sup>3</sup> Includes GST, net of reduced input tax credits

### CHARACTERISTICS

Current Yield <sup>4</sup>	4.51%
Distributions (12m) <sup>5</sup>	4.63%
RBA Cash Rate	0.10% pa.
Interest Rate Duration	0.03 years
Credit Spread Duration	1.26 years
Number of Bond Holdings	90
Number of Underlying Mortgage Loans	99,441

<sup>4</sup> July 2021 distribution as % of unit price, annualised.

<sup>5</sup> Actual distribution for the 12 months to 31 July, as a % of NTA, assuming distribution reinvestment.

### RESEARCH

BondAdviser

INDEPENDENT INVESTMENT RESEARCH

Zenith  
RECOMMENDED

Lonsec

### WEBSITE

[www.gcapinvest.com/our-lit](http://www.gcapinvest.com/our-lit)



### Commentary

During July, issuers took advantage of a compelling funding environment with strong investor demand facilitating five new issues totalling circa \$8 billion. These included four RMBS transactions totalling \$7.25 billion and one auto ABS transaction. The RMBS issues were led by Macquarie Bank, who issued a sizable \$3.8 billion RMBS transaction from their Puma programme. Macquarie elected to only issue the most senior AAA tranche retaining the balance of the RMBS classes on its balance sheet. Encouragingly for GCI shareholders, Macquarie Bank is investing in the same RMBS tranches in which GCI invests, validating Gryphon's positive view of the quality of the risk adjusted returns available in mezzanine classes of RMBS transactions.

During the month, the Delta outbreak caused further lockdowns across Australia enabling "Team Australia" to step up to the plate yet again and assist impacted Australian businesses and borrowers. The banks have offered home loan borrowers the option of deferring repayments usually on a month to month basis as well as offering deferral options for small businesses. As soon as the banks offered support, APRA announced further regulatory support for loans impacted by the lockdowns and separately, the federal and respective state governments also announced tailored fiscal support for impacted businesses and consumers.

Interestingly, while the "Team Australia" playbook is very similar to the programmes and borrower support provided during the initial COVID lockdowns last year, the outlook today is vastly different. Last year, there was huge uncertainty with some calling the possibility of an economic depression, unemployment was forecast to touch 10% along with potential national house price declines of over 20%. Banks provided home loan borrowers the ability to defer their repayments for up to 6 months without question and almost 10% of the major banks' home loan borrowers accepted this offer. We were also getting used to work from home ("WFH") arrangements. In contrast today, while the current lockdowns present a drag to the near-term Australian economic outlook, most expect that economic activity will rebound sharply as has been the case with previous lockdowns. We have all got used to WFH with the number of employed people and hours worked in June both above pre-COVID levels. The past year has also seen strong national house price growth across all major markets. The federal and state government assistance programmes are more tailored as is the banks' hardship assistance. No longer is it automatically applied for 6 months but rather borrowers are assessed, and hardship is only offered to those borrowers assessed as in need without other alternatives (i.e. savings or equity in their home). Unsurprisingly, the number of borrowers on hardship (i.e. home loan payment deferral) this time is a small fraction of that experienced in the initial COVID lockdown.

While there is obvious uncertainty around current lockdowns, "Team Australia" is enacting the known playbook which has served us well to date. These measures, with a strong housing market and the RBA committed to maintaining highly accommodative monetary conditions, with no rate rises expected until early 2024, all combine to create a compelling investment environment in our view.

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### INVESTMENT HIGHLIGHTS

<b>Income</b>	Sustainable monthly cash income.
<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 Prime 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

### 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.gcapinvest.com/our-lit](http://www.gcapinvest.com/our-lit)

#### General

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

#### Boardroom (Unit Registry)

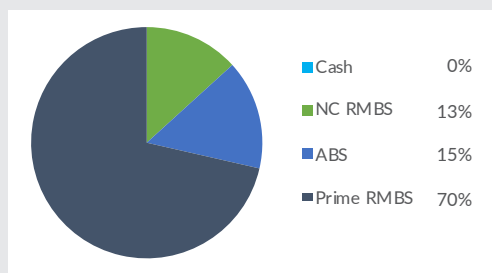
Phone 1300 737 760

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



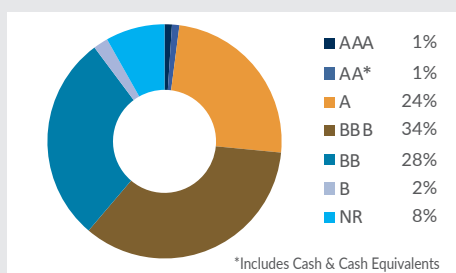
### Portfolio Construction

#### Sector Allocations<sup>1</sup>



<sup>1</sup> Excludes Manager Loan.

#### Rating Breakdown<sup>1</sup>



#### Portfolio Underlying Residential Mortgage Loan Statistics<sup>2</sup>

	Total	Prime	Non-conforming <sup>3</sup>
No. of Underlying Loans	99,441	92,473	6,968
Weighted Average Underlying Loan Balance	\$517,500	\$479,025	\$720,537
Weighted Average LVR	67%	66%	71%
Weighted Average Seasoning	26 months	28 months	16 months
Weighted Average Interest Rate	3.34%	3.20%	4.10%
Owner Occupied	67%	66%	71%
Interest Only	23%	23%	20%
90+ Days in Arrears as % of Loans	0.34%	0.35%	0.31%
% Loans > \$1.5m Balance	1.35%	0.93%	3.54%

<sup>2</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>3</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.

#### SME Portfolio Statistics

Sub sector	%	A	BBB	BB	B
ABS SME	14.7%	2.3%	6.9%	5.5%	-

#### SME Portfolio Underlying Mortgage Loan Statistics<sup>4</sup>

No. of Underlying Loans	5,683	<b>Borrower Type</b>	
Weighted Average Underlying Loan Balance	\$467,817	SMSF	75.0%
Weighted Average LVR	58.8%	Company	12.9%
% > 80% LVR	0.17%	Individual	12.2%
Weighted Average Borrowers' Equity	\$327,645	<b>Property Type</b>	
90+ Days in Arrears as % of Loans	0.19%	Residential	41.2%
% > \$1.5m Current Balance	1.31%	Commercial	57.9%
		Mixed	0.9%

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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	-	-	-	-	-	2.77
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)<sup>1</sup> (%)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD <sup>2</sup>
2021	0.33	0.57	0.45	0.61	0.68	0.48	0.37	-	-	-	-	-	3.55
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 Returns<sup>3</sup> (%)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD <sup>2</sup>
2021	(0.62)	(0.67)	2.2	1.12	0.88	1.03	1.36	-	-	-	-	-	5.36
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

<sup>1</sup> Fund Return reflects compounded movements in the NTA.

<sup>2</sup> Assuming monthly compounding.

<sup>3</sup> Total Unitholder Returns comprises compounded distributions plus compounded movements in the listed price of ASX:GCI.

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ASX release date: 6 August 2021

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

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