

### GCIT Investment Highlights

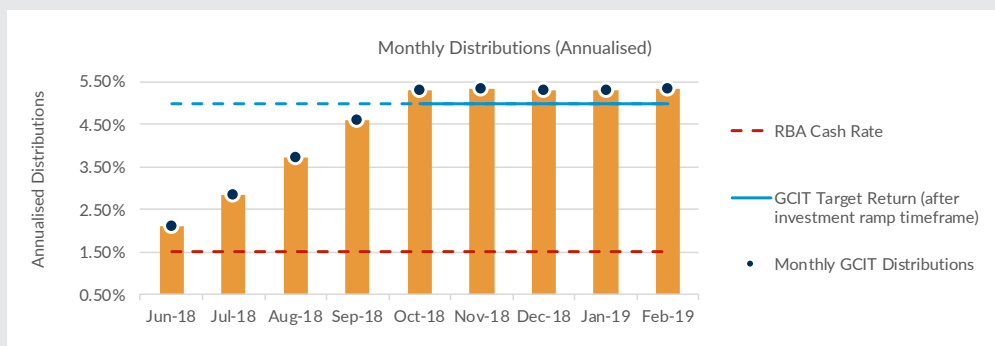
- Specialist Investment Manager with a proven track record of investment outperformance
- Target income return of RBA Cash +3.50% (net of fees), currently 5.00% p.a.
- Monthly distributions
- Key objective of the Fund being capital preservation
- Portfolio diversification – Australian ABS market is a large but specialist component of Australian Fixed Income and is dominated by institutional investors.

### Investment Objective

GCIT is an ASX Listed Trust providing Unitholders with exposure to the Australian securitised fixed income market, a large market (>A\$100 billion) which is dominated by institutional investors. The investment objective of GCIT is to generate attractive risk adjusted returns principally through monthly income distributions with a low risk of capital loss at a portfolio level. Investors capital is not guaranteed.

### GCIT Distribution

GCIT announced a 0.80 cents per unit distribution for the month of February, which is consistent with our previous distributions of generating a distribution yield of 5.34%. We continue to produce returns in excess of the Target return of RBA Cash +3.50% (5.00% net of fees).



### Fund Performance as at 28 February 2019

	1 Mth	3 Mth	6 Mth	1 Yr	Incep (Ann) <sup>1</sup>
Net Return (%)	0.42	1.37	2.68	-	4.57
RBA Cash Rate (%)	0.12	0.37	0.75	-	1.50
Net Excess Return (%)	0.30	1.00	1.92	-	3.03
Distribution (%)	0.40	1.28	2.54	-	4.34
Distribution (¢/unit)	0.80	2.56	5.04	-	8.52

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

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

### Market and GCIT Investment Activity

We witnessed a reasonably robust primary new issue calendar during February which was led by a major bank RMBS sponsored transaction. This transaction contributed to \$3 billion, upsized from \$1 billion due to overwhelming demand, out of a total issuance amount of just over \$4 billion for the month.

The precedent regarding major bank RMBS transactions is they elect not to hold any of their RMBS bonds so they can gain capital relief from the regulator. This is consistent for three out of the four major banks. However, one major bank will retain all the junior bonds of the RMBS structure and therefore using RMBS for funding not capital relief. Because of the differences in approach to issuing RMBS bonds, it actually validates our thesis of the quality of the embedded risk adjusted returns that reside in the junior bonds given one of the major banks refuses to sell them.

It was quite a busy month in terms of trading turnover as the team had identified a number of very attractive opportunities. To fund these opportunities, we chose to divest a number of holdings which had outperformed our price expectations, resulting in a portfolio shift towards a higher blended credit rating profile for little or no loss in yield.

### ABOUT THE MANAGER

Gryphon Capital Investments Pty Ltd (“Gryphon”) is a specialist fixed income manager with significant experience in the Australian and Institutional fixed income markets. Gryphon manages individual segregated accounts on behalf of institutional investors and GCIT 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.

### GCIT SNAPSHOT

ASX Code	GCI
IPO Date	25 May 2018
Asset	Fixed Income, floating rate
ASX Price	\$2.04
NAV (Unit)	\$2.00
Market Cap	\$178.81m
Investment Management Fee <sup>2</sup>	0.72%
Performance Fee	None
Distributions	Monthly
Unit Pricing	Weekly

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

### GCIT CHARACTERISTICS<sup>3</sup>

Net Running Yield <sup>4</sup>	5.52%
RBA Cash Rate	1.50%
Interest Rate Duration (yrs)	0.05 years
Credit Spread Duration (yrs)	2.1 years
Number of Bond Holdings	39
Number of Underlying Mortgage Loans	63,255

<sup>3</sup> Annualised.

<sup>4</sup> The net cash income GCIT would earn over the next year, assuming reinvestment, based on the existing portfolio and current market conditions and if there were no changes to interest rates or the GCIT portfolio. It is not an actual return.

### RESEARCH

BondAdviser

INDEPENDENT INVESTMENT RESEARCH

Lonsec

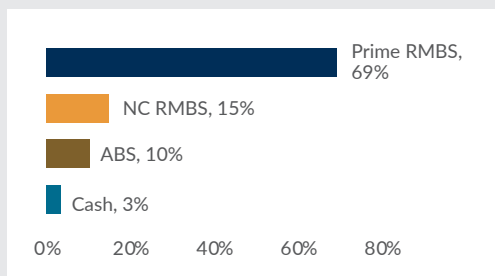
### WEBSITE

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

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

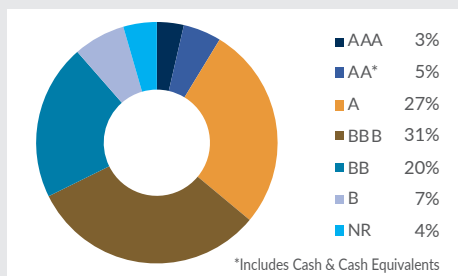
<sup>1</sup> Note as at 28 February 2019.

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



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

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



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

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

	Total	Prime	Non-conforming <sup>4</sup>
No. of Underlying Loans	63,255	57,719	5,536
Weighted Average Underlying Loan Balance	\$494,889	\$478,684	\$541,156
Weighted Average LVR	66%	67%	65%
Weighted Average Seasoning	21 months	23 months	15 months
Weighted Average Interest Rate	5.03%	4.60%	6.24%
Owner Occupied	59%	62%	50%
Interest Only	27%	27%	26%
90+ Days in Arrears as % of Loans	0.25%	0.19%	0.44%
% Loans > \$1.5m Balance	0.98%	0.62%	2.03%

<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.

#### Net Returns (after fees) (%)

Fin. Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD
2018	-	-	-	-	-	-	-	-	-	-	0.02	0.24	0.26
2019	0.25	0.31	0.39	0.44	0.45	0.45	0.50	0.42	-	-	-	-	3.26

#### Distributions (cents/unit)

Fin. Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD
2018	-	-	-	-	-	-	-	-	-	-	-	0.46	0.46
2019	0.48	0.62	0.74	0.88	0.86	0.88	0.88	0.80	-	-	-	-	6.14

### GCIT 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 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)

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