

GCIT Investment Highlights

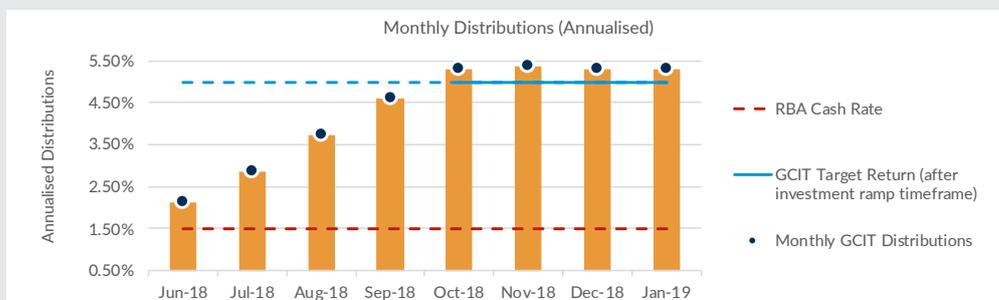
- Specialist Investment Manager with a proven track record of investment outperformance
- Target income return of RBA Cash +3.50% (net of fees), currently 5.00% p.a.
- Monthly distributions
- Key objective of the Fund being capital preservation
- Portfolio diversification – Australian ABS market is a 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 0.88 cents per unit distribution for the month of January 2019, representing an annualised distribution yield of 5.30%, delivering in excess of the Target return of RBA Cash +3.50% (5.00% net of fees).



Fund Performance as at 31 January 2019

	1 Mth	3 Mth	6 Mth	1 Yr	Incep (Ann) ¹
Net Return (%)	0.50	1.40	2.57	-	4.46
RBA Cash Rate (%)	0.13	0.38	0.76	-	1.50
Net Excess Return (%)	0.37	1.02	1.80	-	2.91
Distribution (%)	0.44	1.31	2.45	-	4.23
Distribution (¢/unit)	0.88	2.62	4.86	-	8.31

¹ Inception date – 21 May 2018

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

Market and GCIT Investment Activity

As is typical for this time of year, the securitised market witnessed only a couple of RMBS deals which were announced and closed during the month. The deals were relatively small in terms of volume and were represented by both the bank and non-bank lenders. We chose however not to participate in either deal mainly because of the size of the deals and the yields on offer were insufficient to compensate us for the risks involved.

When it comes to market pricing for the Australian securitised market, it is largely driven by other more liquid markets including offshore securitised markets, principally Europe and also the domestic vanilla senior major bank bond market. While the primary new issue markets in Europe were quiet throughout January and therefore provided minimal price guidance, to the contrary the senior major bank bond market issued \$9billion for the month setting the tone and a likely path for prices in the Australian RMBS market.

Despite this material amount of debt issued by the major banks especially after the poor performance by all the major risk asset classes in Q4 2018, a sharp reversal in risk appetite has driven the increase in prices for the more liquid markets since the start of this year with the trend continuing into February. Add the finalisation of the Royal Commission report to the recent move in prices, in our opinion, will provide further impetus to the strength of the senior major bank bond market which should ultimately borne out in a stronger Australian securitised market.

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	\$2.05
NAV (Unit)	\$2.00
Market Cap	\$179.68m
Investment Management Fee ²	0.72%
Performance Fee	None
Distributions	Monthly
Unit Pricing	Weekly

² Includes GST, net of reduced input tax credits

GCIT CHARACTERISTICS³

Net Running Yield ⁴	5.76%
RBA Cash Rate	1.50%
Interest Rate Duration (yrs)	0.05 years
Credit Spread Duration (yrs)	2.2 years
Number of Bond Holdings	37
Number of Underlying Mortgage Loans	47,720

³ Annualised.

⁴ 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

Gryphon Capital Income Trust (GCIT)

ARSN 623 308 850

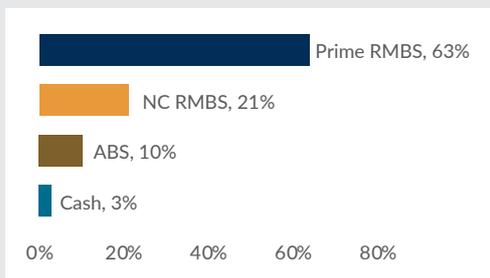
Investment Update as at 31 January 2019



GCIT Portfolio Construction¹

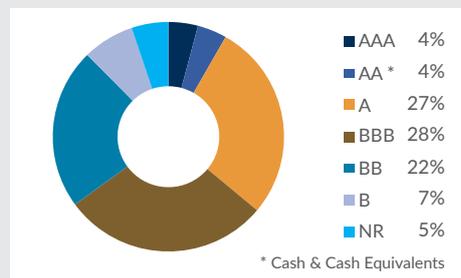
¹ Note as at 31 January 2019.

GCIT Sector Allocations²



² Excludes Manager Loan.

GCIT Rating Breakdown²



² Excludes Manager Loan.

GCIT Portfolio Underlying Mortgage Loan Statistics³

	Total	Prime	Non-conforming ⁴
No. of Underlying Loans	47,720	42,053	5,667
Weighted Average Underlying Loan Balance	\$514,039	\$484,574	\$577,751
Weighted Average LVR	67%	67%	66%
Weighted Average Seasoning	20 months	22 months	16 months
Weighted Average Interest Rate	5.07%	4.59%	6.12%
Owner Occupied	59%	62%	53%
Interest Only	27%	27%	27%
90+ Days in Arrears as % of Loans	0.21%	0.16%	0.34%
% Loans > \$1.5m Balance	1.08%	0.47%	2.41%

³ 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.

⁴ 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	-	-	-	-	-	2.83

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	-	-	-	-	-	5.34

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

General

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Boardroom (Unit Registry)

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