

### GCIT Investment Highlights

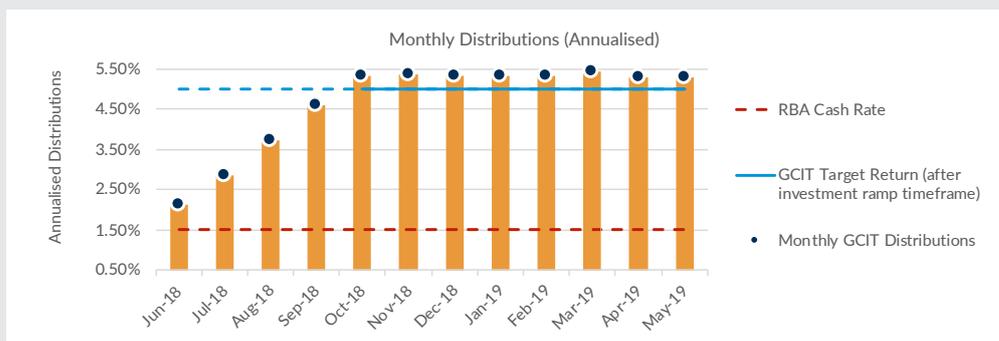
<b>Income</b>	Sustainable monthly cash income, Distribution yield currently 5.30% pa
<b>Large, institutional fixed income market</b>	Australian ABS market > A\$110 billion is double the size of the corporate bond market
<b>Security, capital preservation</b>	Defensive asset class with a track record of 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

### Investment Objective

The investment objective of GCIT is to generate attractive risk adjusted returns principally through monthly income distributions through investments in a defensive asset class with a track record of low capital price volatility whilst preserving capital.

### GCIT Distribution

GCIT announced a 0.88 cents per unit distribution for the month of May, which is consistent with our previous distributions of generating a distribution yield of 5.30%. We continue to produce returns in excess of the Target return of RBA Cash +3.50% pa.



### Fund Performance as at 31 May 2019

	1 Mth	3 Mth	6 Mth	1 Yr	Incep (Ann) <sup>1</sup>
Net Return (%)	0.42	1.35	2.74	4.89	4.79
RBA Cash Rate (%)	0.13	0.38	0.75	1.51	1.51
Net Excess Return (%)	0.29	0.96	1.97	3.33	3.22
Distribution (%)	0.44	1.32	2.62	4.71	4.58
Distribution (¢/unit)	0.88	2.63	5.19	9.23	8.99

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

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

### Market and GCIT Investment Activity

During May, we witnessed quite a busy primary new issue market, with five public RMBS totalling almost A\$5.6 billion. The transaction sizes of the Prime RMBS deals were close to the largest ever issued by a couple of lenders, signalling the depth of global investor demand for the current vintage Australian Prime RMBS product. There were several factors driving this strong investor demand including continued attractive relative value of Australian RMBS (to other global credit fixed income markets), positive investor sentiment post the Federal election result (positive for property), APRA's issuing a consultation to reducing the 7.25% interest rate cap for home loans and the high quality of the 2019 Prime collateral cohort.

Due to a combination of credit analysis (stress testing), relative value and GCIT portfolio optimisation considerations the Gryphon Capital Investment Committee elected to participate in only one of these

*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 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	\$191.80m
Investment Management Fee <sup>2</sup>	0.72%
Performance Fee	None
Distributions	Monthly
Unit Pricing	Daily

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

### GCIT CHARACTERISTICS

Distributions <sup>3</sup>	5.33%
RBA Cash Rate <sup>4</sup>	1.50%
Interest Rate Duration (yrs)	0.05 years
Credit Spread Duration (yrs)	2.0 years
Number of Bond Holdings	46
Number of Underlying Mortgage Loans	71,983

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

<sup>4</sup> Annualised.

### RESEARCH

**BondAdviser**

**INDEPENDENT**  
INVESTMENT RESEARCH

**Zenith**  
Investment Partners  
Highly Recommended  
Approved

**Lonsec**

### WEBSITE

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

RMBS transactions. This Prime RMBS transaction was underpinned by very seasoned Prime residential loans (average seasoning of almost 5 years), as well as on average a lower current LTV plus issued by a high quality non-major bank lender.

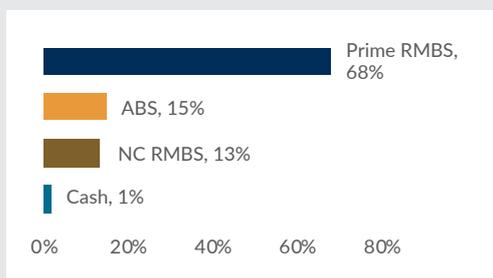
### Entitlement Offer

Finally, we would like to provide an update on the recent announcement regarding a potential Entitlement issue. The manager, Gryphon Capital, is in discussions with proposed Joint Lead managers regarding a further issue of new units, which will likely take the form of a pro rata Entitlement offer to existing unitholders and a public offer to new investors for any units not taken up in the Entitlement offer.

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

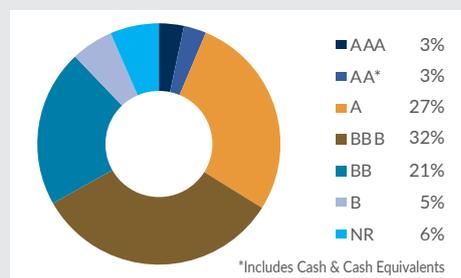
<sup>1</sup> Note as at 31 May 2019.

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



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

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



### GCIT Portfolio Underlying Mortgage Loan Statistics<sup>1</sup>

	Total	Prime	Non-conforming <sup>2</sup>
No. of Underlying Loans	71,983	66,760	5,223
Weighted Average Underlying Loan Balance	\$459,106	\$433,069	\$522,258
Weighted Average LVR	64%	65%	64%
Weighted Average Seasoning	27 months	31 months	16 months
Weighted Average Interest Rate	5.03%	4.50%	6.32%
Owner Occupied	60%	66%	45%
Interest Only	27%	26%	28%
90+ Days in Arrears as % of Loans	0.27%	0.19%	0.46%
% Loans > \$1.5m Balance	0.80%	0.40%	1.77%

<sup>1</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>2</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	0.49	0.43	0.42	-	4.65

### 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	0.90	0.85	0.88	-	8.77

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

#### 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)

# Gryphon Capital Income Trust (GCIT)

ARSN 623 308 850

**Investment Update** as at 31 May 2019



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