



### Investment Objective and Strategy

The Gryphon Capital Income Trust (ASX Code: GCI) is a listed trust designed to provide investors with sustainable, monthly income (Target Return equal to RBA Cash Rate + 3.50% pa) through exposure to the Australian Securitisation market. This asset-class, primarily consisting of Residential Mortgage-Backed Securities (RMBS) and Asset Backed Securities (ABS), 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>2</sup>
NTA Net Return (%)	0.73	2.09	4.16	6.91	5.76	5.24
Distribution (¢/unit)	1.41	4.05	7.77	14.42	10.85	10.07
Distribution <sup>1</sup> (%)	0.70	2.03	3.94	7.45	5.54	5.13
Target Return (%)*	0.62	1.81	3.47	6.29	4.52	4.58
Excess Return (%)**	0.08	0.22	0.46	1.09	0.97	0.53

<sup>1</sup> Actual distribution as % of NTA, assuming distribution reinvestment.

<sup>2</sup> Inception date – 21 May 2018.

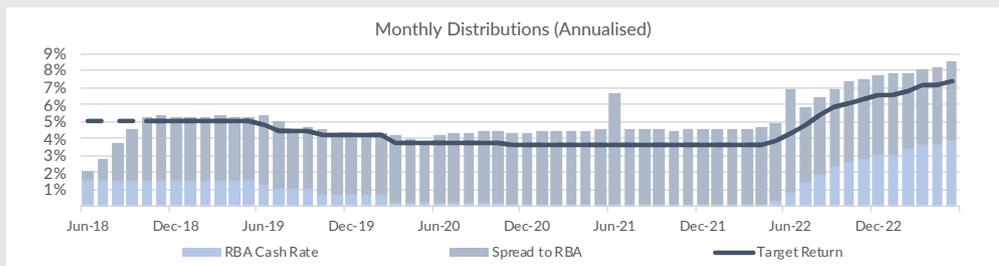
\* Target Return = RBA Cash Rate + 3.50% p.a.

\*\* Geometric excess return

**Note: 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 [gcainvest.com/our-lit](http://gcainvest.com/our-lit).

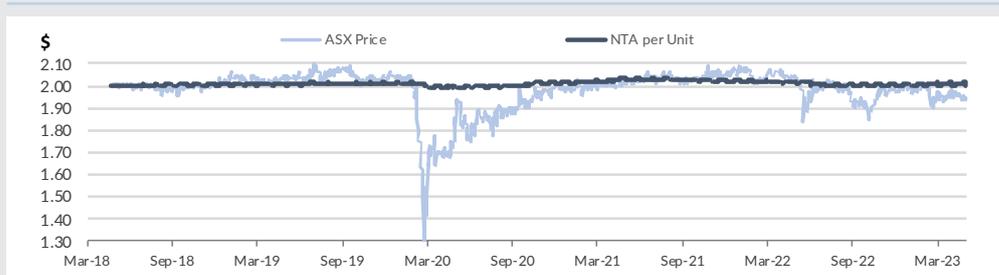
### Distribution

GCI announced a 1.41 cents per unit distribution for the month, representing an annualised yield of 8.58% (net)<sup>3</sup>.



<sup>3</sup> Actual distribution for the month as % of NTA, annualised.

### Net Tangible Asset (NTA) / Unit and ASX Price Performance



continued overleaf...

### ABOUT THE MANAGER†

Gryphon Capital Investments Pty Ltd ("Gryphon") is a wholly owned subsidiary of Barings, one of the world's leading asset managers managing over USD\$362 Billion AUM, with more than 1,200 external clients and 1,800 professionals globally.

The Gryphon team has joined the Global Structured Finance team at Barings, which consists of over thirty investment professionals based in Charlotte, North Carolina, London and Brisbane. Ashley Burtenshaw and Steven Fleming continue to be the portfolio managers for GCI.

† as at 31 March 2023

### SNAPSHOT

ASX Code	GCI
IPO Date	25 May 2018
Asset	Fixed Income, floating rate
Market Cap/Unit	\$474.2m/\$1.95
NTA/Unit	\$487.0m/\$2.00
Investment Management Fee <sup>4</sup>	0.72% p.a.
Performance Fee	None
Distributions	Monthly
Unit Pricing	Daily

<sup>4</sup> Includes GST, net of reduced input tax credits

### CHARACTERISTICS

Current Yield <sup>5</sup>	8.85%
Distributions (12m) <sup>6</sup>	7.45%
RBA Cash Rate	3.85% p.a.
Interest Rate Duration	0.04 years
Credit Spread Duration	0.90 years
Number of Bond Holdings	107
Number of Underlying Mortgage Loans	75,560

<sup>5</sup> May 2023 distribution (excl. realised gains) as % of unit price, annualised.

<sup>6</sup> Actual distribution for the 12 months to 31 May, as a % of NTA, assuming distribution reinvestment.

### RESEARCH

BondAdviser

INDEPENDENT INVESTMENT RESEARCH

Zenith RECOMMENDED

Lonsec

### WEBSITE

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



### Commentary

In June, Gryphon presented at the Bell Potter Voices conference and one of the discussion topics was how we have been constructing our portfolios since 2H 2021 to ensure a higher margin of safety by investing in only the most pristine collateral pools with watertight structures. We have also refrained from investing in term RMBS transactions with large exposures to home loans underwritten just prior to the current monetary policy tightening cycle. The logical reason for this is that these home loans have greater exposure to rising rates and potential payment shock given the large increase in mortgage rates since May 2022 when the RBA commenced raising rates. Forecasting the payment profile of this borrower cohort comes with more uncertainty resulting in a higher risk that must be mitigated.

In early June, Standard & Poors (S&P) released a report "How Resilient are Australian RMBS Ratings to Rising Arrears". The analysis focused on the "recent vintages as these are more exposed to large increases in mortgage repayments, given their higher exposure to loans underwritten at historically low rates". This is entirely consistent with why Gryphon has been actively mitigating exposure to this cohort of borrowers. While the S&P analysis has limitations, including not providing any credit to available excess spread, its conclusions support the resilience of the Australian RMBS Ratings to rising arrears with S&P concluding the "ratings for most of the tranches issued can withstand reasonable increase in defaults due to rising arrears because of available credit support, including excess spread. Low unemployment and modest loan-to-value ratios will minimise the level of losses if borrowers default".

While Gryphon may not have a large exposure to this borrower cohort, the S&P analysis outlines even in severe stress scenarios how resilient Australian RMBS ratings are to rising arrears. The S&P analysis illustrates that some transactions' credit ratings may be downgraded in severe stress scenarios. Transparency of an independent credit assessment of an investment is a positive for investors seeking to monitor the risks in a portfolio. Unlike when a manager is assigning their own credit rating or investing in private markets without external ratings or credit assessments, the Gryphon portfolio credit profiles are all independently determined.

### 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 wholly owned subsidiary of Barings, one of the world's leading asset managers, 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:

AMP North            Asgard eWrap  
BT Panorama           HUB24  
Macquarie – Manager / Consolidator  
Netwealth Wrap

### FURTHER INFORMATION AND ENQUIRIES

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[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

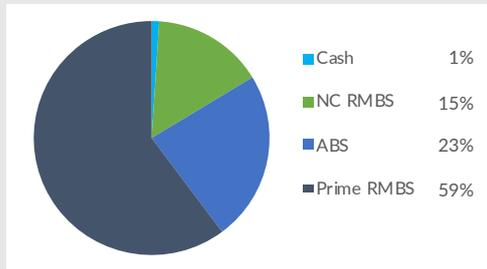
Email [enquiries@boardroomlimited.com.au](mailto:enquiries@boardroomlimited.com.au)

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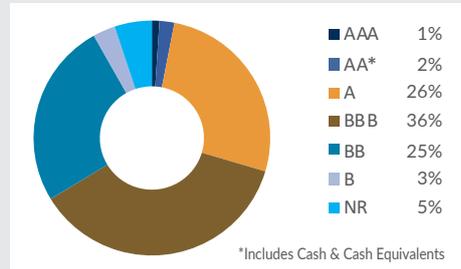
### Portfolio Construction

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



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

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



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

	Total	Prime	Non-conforming <sup>3</sup>
No. of Underlying Loans	75,560	68,073	7,487
Weighted Average Underlying Loan Balance	\$361,435	\$315,254	\$547,845
Weighted Average LVR	64%	63%	67%
Weighted Average Seasoning	32 months	34 months	20 months
Weighted Average Interest Rate	6.58%	6.38%	7.39%
Owner Occupied	60%	59%	67%
Interest Only	23%	25%	18%
90+ Days in Arrears as % of Loans	0.71%	0.47%	1.69%
% Loans > \$1.5m Balance	3.68%	1.28%	13.37%

<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	13.3%	2.8%	7.0%	3.5%	-

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

No. of Underlying Loans	5,405	<b>Borrower Type</b>	
Weighted Average Underlying Loan Balance	\$380,911	SMSF	52.2%
Weighted Average LVR	59.3%	Company	21.9%
% > 80% LVR	1.88%	Individual	25.9%
Weighted Average Borrowers' Equity	\$356,193	<b>Property Type</b>	
90+ Days in Arrears as % of Loans	0.03%	Residential	36.3%
% > \$1.5m Current Balance	1.25%	Commercial	63.0%
		Mixed	0.7%

<sup>4</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.

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### Distributions (%)

Fin. Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD <sup>2</sup>
2023	0.49	0.53	0.55	0.61	0.60	0.64	0.64	0.58	0.66	0.65	0.70	-	6.86
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)<sup>1</sup> (%)

Fin. Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD <sup>2</sup>
2023	0.12	0.60	0.52	0.56	0.64	0.65	0.66	0.71	0.69	0.66	0.73	-	6.74
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 Returns<sup>3</sup> (%)

Fin. Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD <sup>2</sup>
2023	1.77	0.53	(2.50)	(0.66)	4.30	0.39	1.66	0.59	(0.34)	(0.60)	0.98	-	6.18
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

<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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Asgard	BT Panorama
BT Super Wrap	BT Wrap
First Wrap	HUB24
Macquarie Wrap	Mason Stevens
MLC	Navigator
Netwealth	North

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ASX release date: 22 June 2023

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

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