

Gryphon Capital Income Trust (ASX:GCI)

ARSN 623 308 850

Investment Update as at 30 April 2021



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

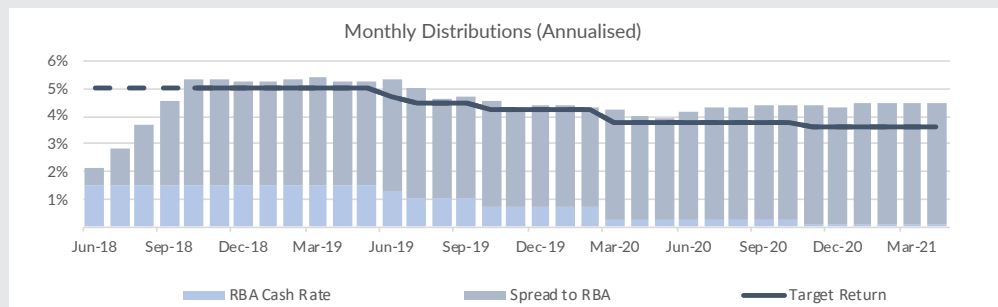
	1 Mth	3 Mth	6 Mth	1 Yr	Incep (Ann) ¹
Net Return (%)	0.61	1.63	3.04	5.82	4.95
RBA Cash Rate (%)	0.01	0.02	0.05	0.18	0.84
Net Excess Return (%)	0.60	1.61	2.99	5.63	4.08
Distribution ¹ (%)	0.36	1.07	2.17	4.35	4.49
Distribution (¢/unit)	0.73	2.16	4.34	8.55	8.82

¹ Inception date – 21 May 2018

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

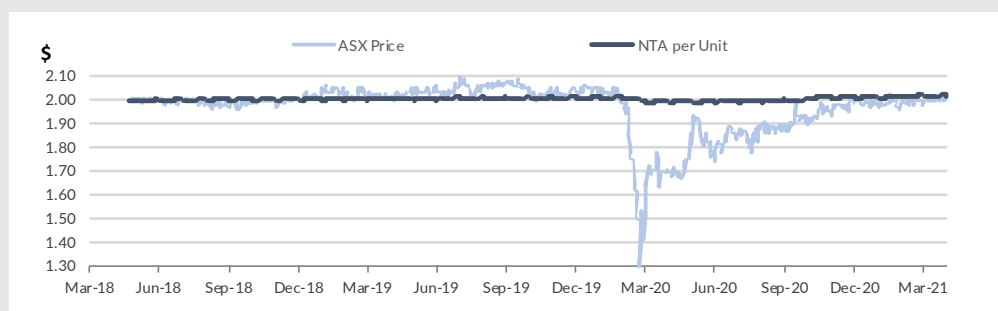
Distribution

GCI announced a 0.73 cents per unit distribution for the month, generating a trailing 12-month distribution return of 4.35% (net)².



² 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	\$414.3m/\$2.01
NTA/Unit	\$416.6m/\$2.02
Investment Management Fee ³	0.72%
Performance Fee	None
Distributions	Monthly
Unit Pricing	Daily

³ Includes GST, net of reduced input tax credits

CHARACTERISTICS

Current Yield ⁴	4.51%
Distributions (12m) ⁵	4.35%
RBA Cash Rate	0.10% pa.
Interest Rate Duration	0.04 years
Credit Spread Duration	1.41 years
Number of Bond Holdings	92
Number of Underlying Mortgage Loans	107,264

⁴ April 2021 distribution as % of unit price, annualised.

⁵ Actual distribution for the 12 months to 30 April, as a % of NTA, assuming distribution reinvestment.

RESEARCH

BondAdviser

INDEPENDENT
INVESTMENT RESEARCH



Lonsec

WEBSITE

www.gcinvest.com/our-lit



Commentary

In early May, the RBA as expected, announced it was maintaining its current policy settings with their statement repeating "It will not increase the cash rate until actual inflation is sustainably within the 2 to 3 per cent target range. For this to occur, the labour market will need to be tight enough to generate wages growth that is materially higher than it is currently. This is unlikely to be until 2024 at the earliest."

The RBA's Statement on Monetary Policy also commented that "In this environment of strong demand for housing, rising prices and low interest rates, it is important that lending standards are maintained. The Bank will be monitoring trends in borrowing closely. Housing credit growth has picked up, with strong demand from owner occupiers, especially first-home buyers. Investor credit has also been growing, but at a slower pace than credit to owner-occupiers". APRA have also commented about the need to maintain lending standards in this environment and to date, Gryphon loan level due diligence has not revealed any material deterioration in credit standards in Australian RMBS new issues.

Gryphon has commented previously that Monetary policy extended beyond low cash rates and included, amongst other programs, an RBA \$200 billion Term Funding Facility (TFF). The TFF provided 3-year funding for banks at a cost of only 0.10% and has allowed the banks to offer fixed rate mortgages at very competitive rates. Interestingly, the RBA statement revealed that given funding markets are working well, the Board is not considering extension of the TFF beyond its 30 June 2021 expiry. It is reasonable to expect that the expiry of the TFF may also coincide with a gradual increase in the ultra-competitive fixed rate home loans currently being offered by the banks.

Gryphon Video Insight – Market Update

Celebrating three years since our IPO, in this video update we reflect on the performance of the GCI portfolio over that period and how through the investment opportunity presented by the COVID pandemic, we have been able to position the portfolio to continue to outperform on our three pillars being:

1. Predictable and sustainable income
2. The highest risk adjusted returns
3. Capital preservation.

During the three years of investing on behalf of GCI investors, the Gryphon team's disciplined approach to active management of the portfolio means we are risk aware not risk averse. In a climate where cash rates have continued to fall, bond yields remain at near record lows and many investors have seen their dividend income either fall or cut, the income stream in the GCI portfolio is increasingly outperforming its target distribution.

In this [video](#), we provide some valuable insights on the fiscal and monetary stimulus witnessed over the last year and its impact on the economy. Furthermore, we provide some perspective on housing affordability in the context of the strong growth seen in the Australian property market. Most importantly for investors in GCI, the key message to take away is the outlook for the investible universe and ultimately unitholders of GCI remains highly attractive.

Please click [here](#) to view the video.

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INVESTMENT HIGHLIGHTS

Income	Sustainable monthly cash income.
Large, institutional fixed income market	Australian ABS market >A\$110 billion is double the size of the corporate bond market
Security, capital preservation	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
Portfolio diversification	Allows retail and SMSF investors to access a fixed income asset class that generally has only been available to institutional investors
Investment Manager	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

General

Email info@gcapinvest.com

Boardroom (Unit Registry)

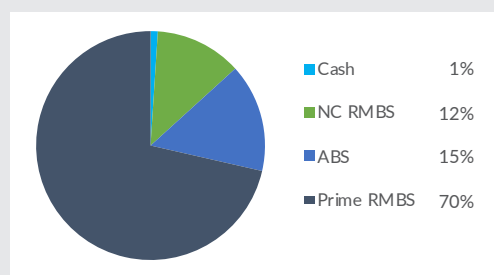
Phone 1300 737 760

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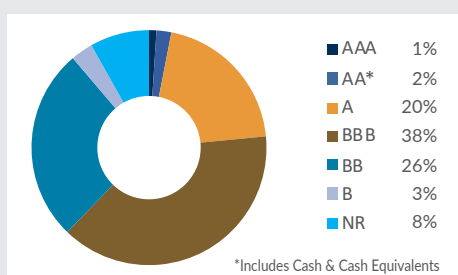
Portfolio Construction

Sector Allocations¹



¹ Excludes Manager Loan.

Rating Breakdown¹



Portfolio Underlying Residential Mortgage Loan Statistics²

	Total	Prime	Non-conforming ³
No. of Underlying Loans	107,264	99,174	8,090
Weighted Average Underlying Loan Balance	\$508,325	\$475,603	\$698,622
Weighted Average LVR	67%	66%	70%
Weighted Average Seasoning	26 months	28 months	17 months
Weighted Average Interest Rate	3.40%	3.20%	4.57%
Owner Occupied	66%	66%	66%
Interest Only	21%	21%	20%
90+ Days in Arrears as % of Loans	0.30%	0.32%	0.19%
% Loans > \$1.5m Balance	1.20%	0.68%	4.19%

² 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.

³ 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	15.3%	3.0%	6.9%	3.9%	1.6%

SME Portfolio Underlying Mortgage Loan Statistics⁴

No. of Underlying Loans	5,609	Borrower Type	
Weighted Average Underlying Loan Balance	\$471,031	SMSF	73.2%
Weighted Average LVR	58.8%	Company	14.0%
% > 80% LVR	0.17%	Individual	12.8%
Weighted Average Borrowers' Equity	\$330,116	Property Type	
90+ Days in Arrears as % of Loans	0.08%	Residential	40.7%
% > \$1.5m Current Balance	1.52%	Commercial	58.3%
		Mixed	1.0%

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continued overleaf...



Distributions (%)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2021	0.37	0.34	0.37	0.36	-	-	-	-	-	-	-	-	1.45
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)¹ (%)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD ²
2021	0.33	0.57	0.45	0.61	-	-	-	-	-	-	-	-	1.97
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 Returns³ (%)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD ²
2021	(0.62)	(0.67)	2.2	1.12	-	-	-	-	-	-	-	-	1.98
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

¹ Fund Return reflects compounded movements in the NTA.

² Assuming monthly compounding.

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

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ASX release date: 13 May 2021

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

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