



Initial Public Offer: Gryphon Capital Income Trust

Investment Objective

Stable and predictable monthly income stream

- ◆ Deliver a consistent monthly income stream by investing in a diversified portfolio of secured fixed income securities.
- ◆ Attractive yield with a target net return of RBA cash rate + 350bps (5% per annum) paid monthly₁.

Enduring focus on capital preservation

- ◆ Residential Mortgage Backed Securities and Asset Backed Securities have a number of important structural protections that mitigate the risk of bondholders taking a principal loss. These credit enhancements include borrower's equity, lenders mortgage insurance, originators excess interest and originators first lost provisions
- ◆ Every proposed Residential Mortgage Backed Securities investment is stress tested to withstand the APRA stress scenarios that are used by Lenders Mortgage Insurers in calculating Probable Maximum Loss which corresponds to a 1 in 200 year event, prior to its consideration for the portfolio.

Portfolio Considerations

Defensive characteristics of fixed income

- ◆ Fixed income is an important part of a diversified portfolio because of its ability to generate income and preserve capital.
- ◆ Fixed income has proven to be less volatile and largely uncorrelated with traditional asset classes such as equity and for that reason forms a critical part of a defensive portfolio.
- ◆ Secured fixed income securities will generally exhibit less volatility than other asset classes

Investment Manager

Gryphon Capital Investments Pty Ltd is a specialist institutional fixed income manager with significant experience in the Australian and international fixed income markets. The Manager manages segregated accounts on behalf of institutional investors seeking opportunities in fixed income credit markets including RMBS and ABS. The Manager currently manages institutional mandates in excess of \$1.7 billion as at the date of the PDS.

Offer Details

ASX Code (Unit)	GCI
Offer Amount (Min/Max)	\$100m/\$350m
Application Amount	\$2.00
Proforma NAV (Min/Max)	\$2.00
Target Distribution Rate	3.50% above the RBA Cash Rate

Time Table

Offer to Open	20 March 2018
Broker Offer Close (exp.)	4 May 2018
General Offer Close (exp.)	4 May 2018
Settlement Date (exp.)	18 May 2018
Units commence trading (exp.)	25 May 2018
Distributions start (exp.)	30 June 2018

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Key Characteristics of ABS and RMBS

- ◆ RMBS and ABS are bonds issued to fund a pool of underlying loans. The interest payments and repayment of face value of the bonds are linked to and secured against the underlying pool of assets (loans). Interest payments on RMBS and ABS are serviced by the interest paid by the underlying borrowers. This process is known as securitisation. This compares to government or corporate bonds where interest payments are typically sourced from cash flows arising from tax revenues in the case of governments, and operating income in the case of companies.
- ◆ RMBS is a type of ABS where the pool of assets are exclusively loans which are secured against residential property. For example, the collateral pool for a typical Australian Prime RMBS might have the following characteristics:

Size at Issue:	\$750,000,000 +
Average Interest Rate:	4.20% - 4.50%
Average Loan balance:	\$250,000 - \$350,000
Average LVR:	60% - 70%
Number of loans:	3,000 - 5,000

ABS and RMBS Market

- ◆ Institutional dominated market, approximately double the size of corporate debt market and three times the size of hybrid market.
- ◆ For prime RMBS, after the realisation of the home owners' equity, payouts from lender's mortgage insurance and the originators excess interest, as at 31 July 2017 there have been no losses on any rated securitisation bonds ².

1. It is intended the first distribution will be paid following the period ending 30 June 2018 and then monthly thereafter. Investors should also note it may take some time following listing of the Units until the Manager is able to construct the Portfolio (which may be up to six months) and before the target return can be expected to be achieved. Distributions to Unitholders in the initial six months are therefore expected to be lower than the target return.

2. Source: Standard & Poors: An Overview of Australia's Housing Market and Residential Mortgage- Backed Securities July 31st 2017).

Contact Details

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