



**GRYPHON**  
CAPITAL INVESTMENTS

# Initial Public Offer: Gryphon Capital Income Trust (ASX Code: GCI)

Gryphon Capital Income Trust ("Trust") is undertaking an initial public offer of ordinary Units ("Offer") pursuant to a Product Disclosure Statement dated 6th March 2018 ("PDS"). A copy of the Trust's PDS is available at [www.gcapinvest.com/GCI](http://www.gcapinvest.com/GCI). Anyone who wishes to acquire Units in the Trust, and participate in the Offer, will need to complete an application form that will accompany the Trust's PDS during the offer period. This is not a complete description of the Trust nor the Units to be issued under the Offer. Investors should consider the contents of the PDS in its entirety, including the terms and conditions of the Offer and risk factors involved in investing in Units under the Offer (Section 7 of the PDS) before making any investment decision. Terms defined in the PDS have the same meaning in this document unless the contrary intention appears.

## Investment Objective

The Trust's Investment Objective will be to deliver a stable and predictable monthly income stream by investing in a diversified Portfolio of fixed income bonds. The Target Return is RBA Cash Rate plus 3.50% per annum net of fees through the economic cycle. Based on the RBA Cash Rate as at the date of the PDS of 1.50%, the initial Target Return will be 5.00% per annum (net of fees). The Manager seeks to deliver the Target Return while preserving Unitholders' capital.

## Investment Process

The Manager aims to deliver superior investment returns investing in Residential Mortgage Backed Securities (RMBS) and Asset Backed Securities (ABS). The investment process can be broken down into 4 key pillars:

### Idea generation

The Manager will meet weekly to evaluate the Portfolio and to discuss the characteristics of assets that would best contribute to Portfolio composition. The Manager will use a comprehensive proprietary database that accesses data feeds directly from originators.

### Security selection and research

The Manager will complete a detailed credit assessment for each investment idea considered for the Portfolio. This includes a credit report, deal modelling and security analysis. The Investment Team will also stress test each investment opportunity to project a worst case scenario.

### Portfolio construction

The Manager will evaluate the opportunity in the context of an agreed risk budget to deliver the optimal Portfolio composition. Investments that pass the security selection process will not automatically enter the Portfolio, but will be assessed within the context of the Portfolio.

### Portfolio management

The Manager will receive regular updated data on all loans within the RMBS collateral pool. These provide dynamic reporting on the current status of each loan in the collateral pool. In addition the performance attribution of each individual security is assessed allowing the Manager to understand precisely how the returns are generated.

## 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

## About the Manager

Gryphon Capital Investments Pty Ltd ("Manager") is an institutional fixed income manager with significant experience in the Australian and international fixed income market. 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).

## Why Invest?

### Portfolio diversification

Fixed income is an important component of a balanced investment portfolio, offering stable yields and lower risk of capital loss than other asset classes.

### Capital preservation

The Trust will comprise an actively managed Portfolio of securities which will generally have floating interest rates and multiple layers of investor protections.

### Experienced management

The Manager's Investment Team has deep experience in fixed income securities including RMBS and ABS. The Manager has developed a robust investment process, which until now, have only been available to institutional clients.

### Attractive structure

The Trust structure allows the Manager to invest a permanent and stable pool of capital, while also offering investors ASX liquidity. This allows the Manager to make long term investment decisions without the need to source liquidity for redemptions.

### Offer costs

The Gryphon Group will pay the expenses of the Offer such that immediately following the close of the Offer the pro-forma NAV is expected to be equal to the Subscription Price.

## Key Dates

Offer to Open	20 March 2018
Broker Offer Close (exp.)	27 April 2018
General Offer Close (exp.)	2 May 2018
Settlement Date (exp.)	11 May 2018
Units to commence trading (exp.)	18 May 2018
Distribution Start (exp.)	30 June 2018



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## Fixed Income Securities

A fixed income security is a commitment by a borrower to pay an agreed rate of interest on the amount borrowed (principal) over a set period of time and, when that period ends, to repay the money in full. The lender or investor knows at the outset how much interest or income it can expect to receive over the life of the agreement. The interest on the debt may be paid during or at the end of the agreed period and may be either a floating rate or a fixed rate.

A fixed rate bond pays a fixed rate of interest for the investment term, and a floating rate bond pays a variable rate of interest. Floating rate bonds are less susceptible to capital appreciation and loss than fixed rate bonds because the interest rate paid to investors adjusts in line with changes in market interest rates. The Trust will invest in floating rate RMBS and ABS.

## Capital Structure of the Underlying Investments

The priority in the ranking of the capital structure of a fixed income security is a key determinant of whether the expected return adequately compensates the investor for the risk involved. Holders of fixed income securities have preferential treatment over equity holders for income distributions and capital returns in the event of insolvency.

Fixed income is generally considered lower risk than hybrid securities or equity investments, and they tend to have a less volatile return profile. Secured debt generally has a lower risk than unsecured debt as it is secured by the underlying assets. In the event that a borrower defaults, the holder of a secured bond has a first claim over the assets offered as security. The Trust will only invest in secured debt.

Risk	Instrument	Bond Type
Lowest	Cash	
	Government Bonds	
	Secured Bonds	RMBS and ABS
	Unsecured Bonds	
	Subordinated Bonds	
	Convertible Debt	
	Hybrid Securities	
Highest	Equity	

## Fee Structure

The Manager will receive a management fee of 0.72% p.a. of NAV of the Trust. The Responsible Entity will receive a Responsible Entity fee of between 0.06% - 0.05% p.a. of the GAV, and a Custodian fee of between 0.03% - 0.01% p.a. of the GAV.

## Contacts

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For further information, please refer to [www.gcainvest.com/gci](http://www.gcainvest.com/gci) or contact Gryphon Capital Investments Pty Ltd on 07 3158 1100.

### Disclaimer

One Managed Investment Funds Limited (ABN 47 117 400 987) (AFSL 297042) (OMIFL) is the responsible entity of the Gryphon Capital Income Trust (ARSN 623 308 850 ("Trust"). The information contained in this document was not prepared by OMIFL but was prepared by other parties. While OMIFL has no reason to believe that the information is inaccurate, the truth or accuracy of the information in this document cannot be warranted or guaranteed. Anyone reading this report must obtain and rely upon their own independent advice and inquiries. Investors should consider the Product Disclosure Statement dated 6th March 2018 (PDS) issued by OMIFL before making any decision regarding the Trust. The PDS contains important information about investing in the Trust and it is important investors obtain and read a copy of the PDS before making a decision about whether to acquire, continue to hold or dispose of units in the Trust. You should also consult a licensed financial adviser before making an investment decision in relation to the Trust. A copy of the PDS may be obtained from [www.gcainvest.com/gci](http://www.gcainvest.com/gci).