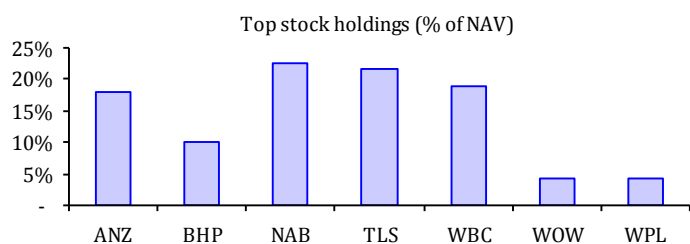


## GYROSTAT CAPITAL STABILITY FUND

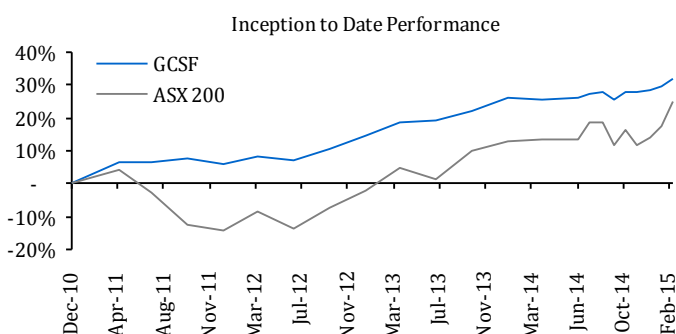
28 FEBRUARY 2015

### Key Features

- Highly defensive - downside protection **always** in place.
- Participate in the upside when the stock market rises.
- Cash flow from dividends, interest and options.



- Our performance track record since inception has exceeded the ASX200 index, with stable and rising valuations of the fund capital, and without significant downside fluctuations.



Further details can be found in our Information Memorandum

Portfolio Inception	December 2010
Minimum Investment	AUD 100,000
Management Fee	1% per annum
Performance Fee	15% of excess return
Hurdle Rate	BBSW90 + 3%
High Water Mark	quarterly
Distribution (paid semi-annual)	≥ BBSW90 + 3%
Access	Wholesale Investors

NAV vs. Index	GCSF	ASX 200	ASX Acc
28 Feb 2015	<b>0.9555</b>	5,929	52,038
31 Jan 2015	0.9392	5,588	48,685
31 Dec 2014	0.9293	5,411	47,139
30 Sep 2014	0.9068	5,293	45,717
30 Jun 2014	0.9138	5,396	45,991

Return vs. Risk	GCSF	ASX 200	ASX Acc
1 Year CAGR	5.7%	10.9%	15.6%
2 Year CAGR	5.8%	9.7%	14.5%
3 Year CAGR	7.1%	11.3%	16.3%
Inception CAGR	6.8%	5.4%	10.2%
Max Drawdown	-2.1%	-22.3%	-20.4%
% Qtr below -2%	0%	31%	27%
Sharpe Ratio	1.19	0.21	0.58
Sortino Ratio	2.07	0.30	0.93
Annual Deviation	2.67%	11.95%	11.73%

### Commentary

- The Fund NAV at 28th February was **0.9555**, an increase of 3.2% for the past 3 months (i.e. 12.8% on an annualised basis). During this time the index increased 11.6%. We have positioned the Fund to be highly defensive, given the extent of the rally on the ASX since the February RBA decisions to cut interest rates. Despite this the Fund has managed to capture ~30% of the market upside so far in 2015. During this financial year, the ASX 200 fell 10% in the August – October period, and the Fund protected its capital, limiting its losses to 2%. In November the ASX 200 fell 3.9%, whilst the Fund was flat.
- The level of stock market volatility remains substantially higher than that experienced over most of 2014. This is favourable for the Fund as it presents more opportunities for us to lower the cost of protection, participating in upside and then 'locking in' the gains.
- It is our view that share market volatility will remain at elevated levels and may increase further. Global economic conditions remain fragile, from a combination of a highly indebted world and geopolitical factors. The full impact of substantial movements in exchange rates and commodity prices, particularly iron ore and oil prices, will take some time to work through the world economies. In addition, we expect the position in the EU, with growing social and political pressures resulting from austerity measures, to contribute to increasing share market volatility.

**Track record of Protecting Capital**

Period	ASX 200	GCSF
Apr 2011 ~ Sep 2011	-22%	1%
May 2012 ~ Jun 2012	-10%	0%
May 2013 ~ Jun 2013	-12%	1%
Aug 2014 ~ Oct 2014	-10%	-2%

- Since inception of the Fund, in the 4 periods where the market has had significant corrections, we have protected our unit holders investment.
- Our unit holders are typically conservative investors with a medium to longer term investment horizon (greater than 12 months)

**One-off event scenarios – It is time to be cautious**

Scenario / Event	ASX 200	GCSF
One off 5% fall	-5%	0.7%
One off 10% fall	-10%	3.8%
One off 20% fall	-20%	16.5%

- It is time to be cautious, given the extent of recent gains and, in our view, the fragility of the market. Consequently we have positioned the Fund to benefit from any 'one-off' market fall.
- Increasing volatility enables us to lower the cost of protection.
- A major “sell-off” event would be beneficial for the Fund as protection is always in place.

We have undertaken detailed sensitivity analysis for possible future investment scenarios.

Craig Racine  
Managing Director, Chief Investment Officer  
craig.racine@gyrostat.com.au  
Suite 402 The Jewel, 566 St Kilda Road, Melbourne 3004

**Meet Our Team**

Broad experience in a wide range of disciplines, particularly in finance and the financial markets in the Asia Pacific region.

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**CRAIG RACINE**  
Managing Director  
Chief Investment Officer



**PETER CLIFTON**  
Chairman  
Board of Directors



**ANDREW SMITH**  
Compliance & Risk Management



**LEO TANG**  
Senior Investment Officer

Our team has extensive experience domestically and globally, as investors, as non-executive directors, and as senior management in funds management, private equity, industry, investment banking, and equity research.

**Disclaimer**

This information is limited to information about the Fund, is general advice only and does not take into account your particular circumstances, your personal investment or financial planning objectives, your investment knowledge, needs and requirements, including taxation implications that may result from investing in the Fund.

There are references to past performance in this document. Past performance is no guarantee of future performance. Gyrostat or any of its officers, advisers, agents or associates do not in any way guarantee the performance of the Fund.

Investors should download and review the Information Memorandum available at [www.gyrostat.com.au](http://www.gyrostat.com.au) before making an investment in the Fund.