

## GYROSTAT CAPITAL STABILITY INCOME FUND

31 MAY 2017

### Buy and hold ASX20 blue chip shares with protection always in place

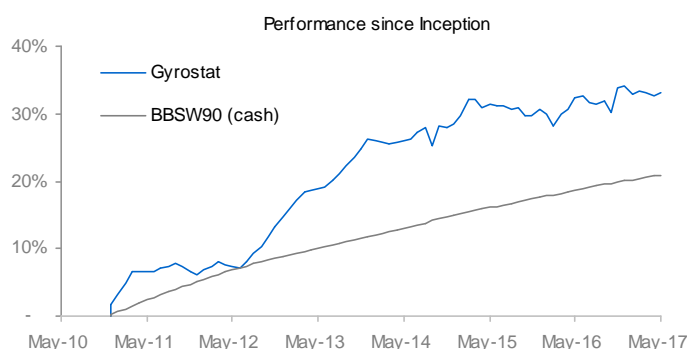
- Investors - Pre and post retirees (sequencing risk), industry associations, intergenerational wealth transfer
- Absolute return alternative – stable and rising absolute returns with regular income
- Distinctive risk management – protection always in place with upside
- Making money when others don't – capital growth in trending and volatile markets (including down markets)
- Complements short term bonds in a portfolio
- Proven strategy over 7 years

#### Investment Objectives

- **Returns:** 6% - 8% pa in trending markets, greater than 8% pa in volatile markets, short term bond returns in stable markets
- **Income:** Minimum **cash rate + 3%** paid semi-annually (currently 4.7% p.a.) from dividends and franking credits
- **Protection:** No quarterly NAV draw-downs exceeding 2%

Further details can be found in our Information Memorandum

Portfolio Inception	December 2010
Minimum Investment	AUD 50,000
Management Fee	1% per annum
Performance Fee	15% of excess return
Hurdle Rate	BBSW 90 + 3%
High Water Mark	quarterly
Distribution (paid semi-annual)	≥ BBSW 90 + 3%
Access	Wholesale Investors



Financial year	Market type	Period return	Cumulative return *
June 2011	Trending	6.5%	6.5%
June 2012	Stable	0.4%	4.4%
June 2013	Volatile	11.4%	7.1%
June 2014	Trending	6.0%	6.8%
June 2015	Stable	3.8%	6.1%
June 2016	Stable	1.2%	5.2%
May 2017	Stable	0.3%	4.5%

\* since inception

Gyrostat compounded returns are net of fees and include franking credits, cash (BBSW90) includes re-investment of interest.

#### Progression of investment risk management

- Level 1. Asset allocation – income & growth assets
- Level 2. Protection sometimes in place using predictive risk management overlay – growth asset benchmarked to equity index
- Level 3. Protection always in place, the **Gyrostat approach** – stable and rising **absolute** returns with regular income benchmarked to BBSW.

Performance	Total Return	
	Gyrostat	BBSW90
1 Month	0.4%	0.2%
3 Months	-0.2%	0.5%
1 Year	0.5%	1.9%
3 Years	1.9%	2.3%
5 Years	4.1%	2.5%
Inception	4.5%	3.0%

\* total return is compound annual growth rate as defined by Financial Services Council

#### Commentary

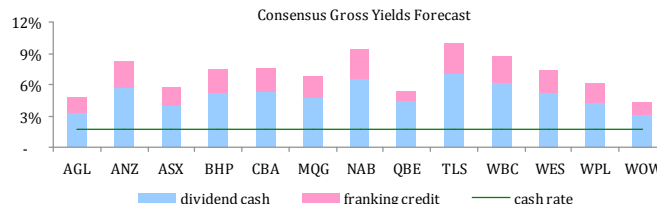
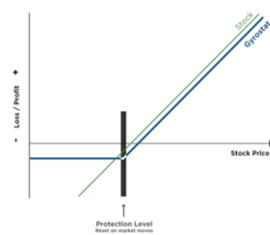
- The Fund NAV at the end of May was **\$0.86276**.
- Throughout the investment cycle the market conditions can be trending, stable or volatile. Our expected returns vary with the stage of the investment cycle. Our distinctive risk management approach with **protection always in place and upside return potential** prefers trending and volatile markets as this provides the opportunity to re-set protection levels and lowers the costs.
- In recent years volatility has been at our near historical low levels. During 2017 we anticipate rising stock market volatility from geopolitical developments and changes to macro economic policies. Our monthly report Gyration details the investment landscape (in pictures) with dates of key upcoming data releases. The Gyration risk model considers the implications of geopolitical, macroeconomic and company valuations on investor risk, with our views incorporated into our investment processes.

## Stable and rising absolute returns with regular income

The gap in today's market for **conservative investors** is a fund offering **protection always in place** with **absolute returns through the investment cycle** (capital growth in trending and more volatile markets including large market falls). We buy and hold ASX20 blue chip high yielding shares and at all times protect downside at the stock specific level with lowest cost alternatives on the ASX.

Our clients are conservative investors including pre or post retirees (sequencing risk), industry associations and individual/family offices (intergenerational wealth transfers). We complement short term bonds. Our distinctive risk management approach always has minimal capital at risk at the stock specific level with **upside return potential**.

Fund Objectives			Innovation Advances
<b>Protection</b>	Our risk management approach always has minimal capital at risk at the stock specific level with upside return potential.		<ul style="list-style-type: none"> <li>Protection always in place at stock specific level</li> <li>Choose lowest cost bought put options on ASX</li> </ul>
<b>Returns</b>	Absolute returns thru investment cycles		<ul style="list-style-type: none"> <li>Always upside return potential with minimal capital at risk</li> <li>3 step investment approach (hockey stick payoff) :                             <ol style="list-style-type: none"> <li>BUY and hold blue chip shares with protection on ASX</li> <li>SET protection always minimal capital at risk and participate in upside</li> <li>RESET protection on market moves for risk return profile to match stock view</li> </ol> </li> </ul>
	Market Conditions	Market Volatility	Expected Returns
	Trending	Medium	6 - 8% p.a.
	Stable	Low	Short term bonds
	Volatile	High	> 8% p.a.
<b>Income</b>	Minimum cash rate (BBSW90) + 3% p.a. paid semi-annually (currently 4.8% p.a.)		<ul style="list-style-type: none"> <li>Buy and hold ASX 20 blue chip shares</li> <li>Pass thru dividends and franking credits</li> </ul>



### Performance since inception



Track record: No quarterly NAV draw-downs exceeding 2%

### Progression of investment risk management

- Level 1. Asset allocation – income & growth assets
- Level 2. Protection sometimes in place using predictive risk management overlay – growth asset benchmarked to equity index
- Level 3. Protection always in place, the **Gyrostat approach** – stable and rising **absolute** returns with regular income benchmarked to BBSW

By **combining the three**, conservative investors can protect and grow capital with reliable income through the investment cycle.

**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.