

ABSOLUTE RETURN INCOME EQUITY FUND

31 May 2018

A 'conservative' asset combining protection, returns and regular income

Gyrostat buys and holds ASX 'Blue chip' shares with *lowest cost protection always in place with upside*. With risk managed investing it is now possible to protect and benefit in changing markets. We have a 7 year track record of delivering our investment objectives.

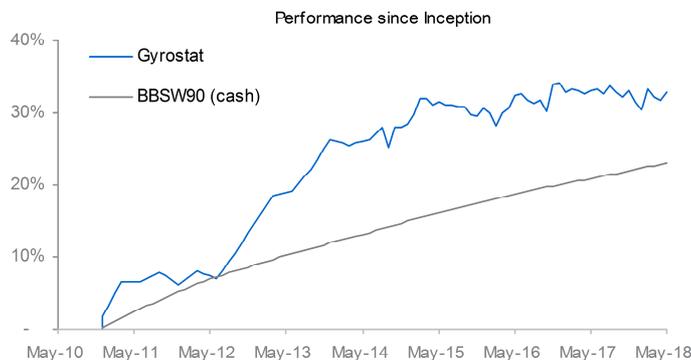
- Investors - Pre and post retirees (sequencing risk), industry associations, intergenerational wealth transfer
- Capital growth in trending and volatile markets (including down markets) - making money when others don't
- Absolute return alternative – stable and rising absolute returns with regular income
- Distinctive risk management – lowest cost protection always in place with upside

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 5.0% 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



Fiscal 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%
June 2017	Stable	0.4%	4.5%

* since inception

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

Performance	Total Return	
	Gyrostat	BBSW90
1 Month	1.0%	0.2%
3 Months	-0.2%	0.5%
1 Year	-0.1%	1.8%
3 Years	0.4%	2.0%
5 Years	2.3%	2.3%
Inception	3.9%	2.8%

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

Commentary

- The Fund NAV at the end of May was **\$0.81925**. There was an increase in stock market volatility in the month of May. The fund performed as anticipated with an uplift in NAV of 1.1% for the calendar year to date.
- 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 managed investing 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.
- During 2018 our investment view remains that stock market volatility will increase – both up and down. Global interest rates are rising, Global interest rates and inflation are rising, valuations remain expensive by historical standards, and Central Banks are adjusting QE policies. However, global growth has accelerated and corporate earnings have been above consensus, with further corporate earning upgrades anticipated globally from US corporate taxation changes.

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, employees or associates do not in any way guarantee the performance of the Fund.

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