

## ABSOLUTE RETURN INCOME EQUITY FUND

28 February 2019

**'Alternative-defensive' asset – combines 'hard' protection, returns, regular income** **APIR code: GYC6212AU**

Gyrostat Absolute Return Income Equity Fund buys and holds ASX20 'Blue chip' shares with *lowest cost protection always in place with upside*. It combines **protection**, **returns** and regular **income** through all stages of the investment cycle (including large market falls.)

Investors - Pre and post retirees (sequencing risk), industry associations, philanthropic, intergenerational wealth transfer

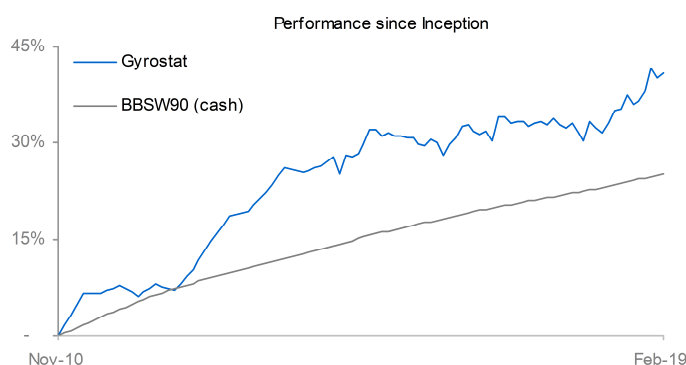
- Capital growth in trending and volatile markets (including down markets) - making money when others don't
- Absolute return alternative – stable and rising absolute returns with regular income
- Distinctive risk management – lowest cost protection always in place for a **'hard' defined risk parameter** 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%  
Also includes a 'tail hedge' for gains on large market falls

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



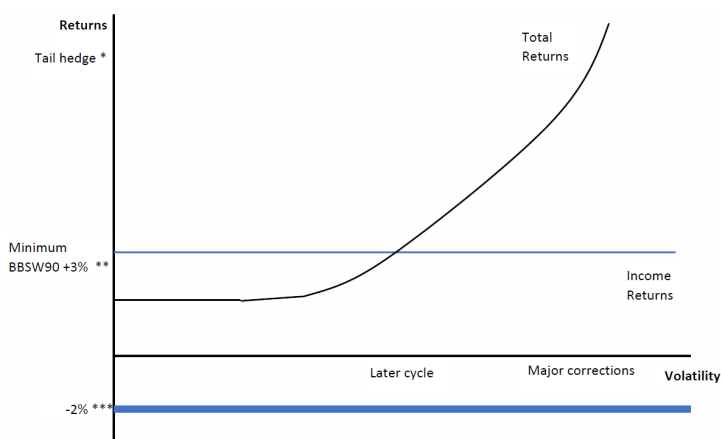
Fiscal year	Market type	Period return	Cumulative return *
June 2011	Trending	6.5%	6.5%
June 2012	Stable	0.4%	4.4%
June 2013	Volatile	11.4%	7.1%
June 2014	Trending	6.0%	6.8%
June 2015	Stable	3.8%	6.1%
June 2016	Stable	1.2%	5.2%
June 2017	Stable	0.4%	4.5%
June 2018	Stable	1.3%	4.1%

\* 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	0.6%	0.2%
3 Months	2.2%	0.5%
1 Year	5.8%	2.0%
3 Years	3.2%	1.9%
5 Years	2.2%	2.2%
Inception	4.2%	2.8%

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



- \* Tail hedge always in place for large gains on large market falls
- \*\* Funded by pass through of ASX20 dividends
- \*\*\* Hard risk parameter, no quarterly capital drawdowns exceed 2%

### Commentary

- The Fund NAV at the end of February was **\$0.82652**, an increase of 0.6% for the month. We have 8-year track record of no quarterly capital draw-downs exceeding 2%, ('hard' 2% per quarter risk parameter) with cumulative returns of 41% and regular income.
- We are being used in portfolio construction to increase defensive asset allocation 'late cycle' returns, with a tail hedge always in place for increasing gains on large market falls. We prefer trending and volatile markets.
- During 2018-19 our investment view remains that stock market volatility will increase – both up and down, consistent with historical 'late cycle' market conditions. The general environment is one of uncertainty: geopolitical, liquidity changes with Central Banks adjusting QE policies and interest rates, macro economic indicators and changes in company earnings expectations.

**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.

This information is only made available to persons who are wholesale clients within the meaning of section 761G of the Corporations Act 2001.