

Innovative retirement income products – diversified income with capital stability

A perfect storm - An ageing population in a low interest rate, highly indebted world

As the post-war baby boomers continue their march towards retirement more than four million Australians have reached the 50-65 age group. Interest rates are at historical lows and, given a highly indebted world, likely to remain low for an extended period.

The current global economic environment has produced a painful dilemma for retirement planning - invest in cash and term deposits and you receive insufficient income; invest in blue chip high yielding shares and you are subject to market fluctuations in the value of your nest egg. Many in the so called 'Mum's and Dad's index' such as the Australian banks, BHP and Telstra have seen share price falls of around 30% or more since April 2015.

There can be severe financial and emotional consequences from failure to protect retirees' nest eggs – unlike those in the workforce who can dollar cost average over the long run to acquire more shares.

Investing too much in defensive assets may mean that the growth in their portfolio does not keep up with what is required and savings may run out earlier than anticipated. However, investing too much in growth assets means that the assets are more exposed to market volatility and may also run out earlier than anticipate.

“ ... higher risk investment strategies are being pursued now that not only poses financial sector risks, but **potentially jeopardises the secure retirement of our citizens.**”

Angel Gurría, OECD Secretary General

The need – A comprehensive retirement income product

The requirement for a greater range of retirement products to help Australians manage longevity risk in their retirement has been widely noted.

“ ... the retirement phase of superannuation is underdeveloped and provides **limited choice for managing risk**”

David Murray, Chair of The Financial System Inquiry

“The shift from the *accumulation phase to decumulation is arguably the most transformational change* confronting the SMSF sector and the broader superannuation industry over the next decade. The battle for growth will revolve around post-retirement products and services that provide members with the best chance of retiring adequately without having to rely on the government for support.”

SMSF Association annual study of Self-Managed Superannuation Funds 2015

The attributes of a successful retirement product

In essence, there are two attributes to a successful retirement product: diversified income with capital stability (protecting and growing your investment at all times.) There are many financial products being marketed on the basis of the risk mitigation. However, protection on your investment at all times is rarely in place.

When evaluating income products, look for the following:

- Straight forward business model, minimal capital at risk at all times
- Regular income, from dividends and franking credits
- Financially strong counter party for protection – Australian Stock Exchange
- Transparent mark to market valuations of fund value
- No leverage within the fund

The Gyrostat solution – diversified income with capital stability

If **your objective** is to generate a higher level of income than cash and term deposits, whilst **protecting and growing your capital** investment, our fund can help.

Our minimum distribution is 3% above the cash rate, **currently 5.1% pa** paid semi-annually, passing on franked dividends.

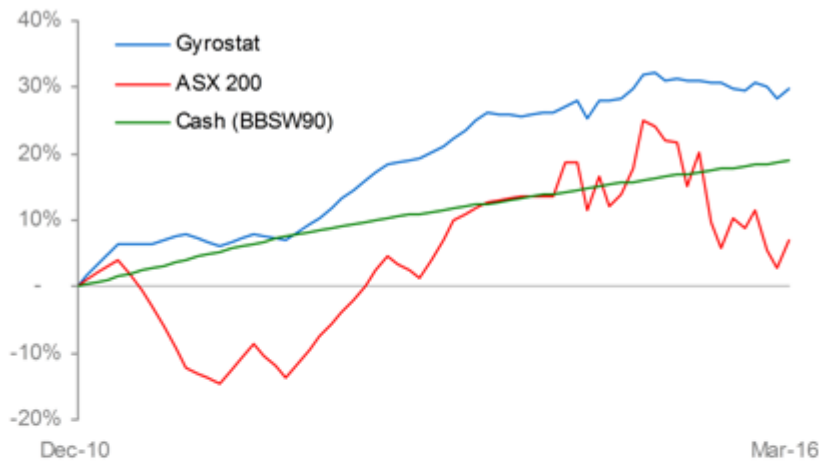
We've achieved compounded returns of **30%** since our inception, **significantly higher than cash returns**.

We have a track record for **21 consecutive quarters** since our inception in December 2010 of our investors **never** experiencing losses exceeding 2% of their investment capital **at any time**.

Throughout the investment cycle we preserve capital when markets fall, and make money in rising markets. We have a track record of capturing 30% - 50% of any upside, and protection in place in case of further falls.

We buy and hold blue chip stocks and pass on the franked dividend. We simultaneously enter the Australian Securities Exchange (“ASX”) options market to hedge risk. We are always fully invested with minimal capital at risk.

The historical issue that always protecting your portfolio is ‘expensive’ is addressed through management of ASX options. This is the key to lowering the cost.



- ✓ Minimum distribution cash rate plus 3% (currently 5.1%)
- ✓ Preserve capital when markets fall
- ✓ Participate in upside on market rises
- ✓ 21 consecutive quarters of no losses exceeding 2%
- ✓ Compounded returns of 30% since inception

Our team

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.



CRAIG RACINE
Managing Director
Chief Investment Officer



PETER CLIFTON
Chairman
Board of Directors



ANDREW SMITH
Compliance & Risk Management



LEO TANG
Senior Investment Officer



SHELLEY RACINE
Company Secretary



GEMMA MALONE
Office Manager

Further information on our investment approach is available at www.gyrostat.com.au, contact us at info@gyrostat.com.au or call our offices (03) 9041 0970