

Gyrostat June 2016 Performance Report

Review of investment performance – delivering higher income while always protecting and growing capital

Since our inception in December 2010 there have been 4 broad investment cycles.

- **Dec10 - Sep11:** Large stock falls. Gyrostat total return 8%
- **Sep 11 - Apr15:** Large market rises. Gyrostat total return 18%
- **Apr15 - Feb16:** Large market falls, ASX20 ‘blue chips’ far greater falls. Gyrostat total return -2%
- **Feb16 - Jun16:** Rising stock market volatility. Gyrostat total return 3.5%

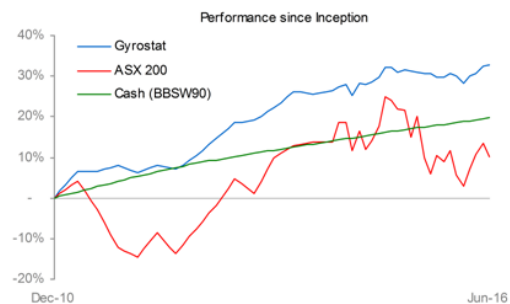
These are **ideal conditions for Gyrostat** with falling interest rates and rising market volatility as demonstrated by our recent **3.5% increase** in net asset value.

We form part of the ‘income’ allocation of a portfolio and are suitable for all investors. Our investors typically move maturing term deposits to our Fund, as we deliver higher income while always protecting and growing our investors’ capital.

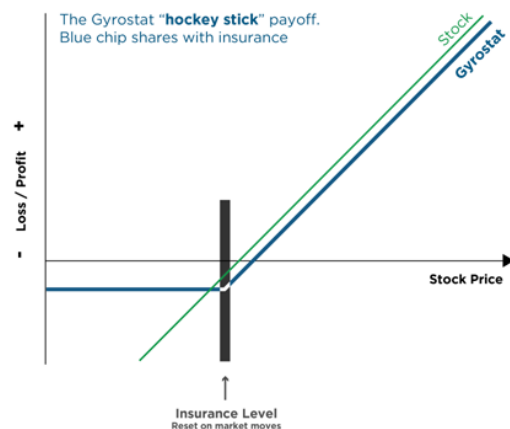
Our returns are considerably higher than cash, with no downside ever exceeding 2%. In December 2010 the cash rate was 5% and has steadily fallen to historical lows where it is widely expected to stay for an extended period.

During 2016 we distributed income at **5.3% pa** comprising a December and June distribution. Our investors receive cash and franking credits (or re-invest), with simplicity of annual statements for capital gains as we buy and hold stocks.

The Gyrostat **unique investment approach** is to buy and hold blue chip high yielding shares with insurance on the Australian Securities Exchange. A **"hockey stick" payoff profile** always in place - participate in the upside with minimal capital at risk.



- ✓ Minimum distribution cash rate plus 3% (currently 5.3%)
- ✓ Growing your investment on market rises or large 'one off' falls
- ✓ Protecting your investment when markets fall
- ✓ Compounded returns of 33% since inception
- ✓ 22 consecutive quarters of no downside exceeding 2%



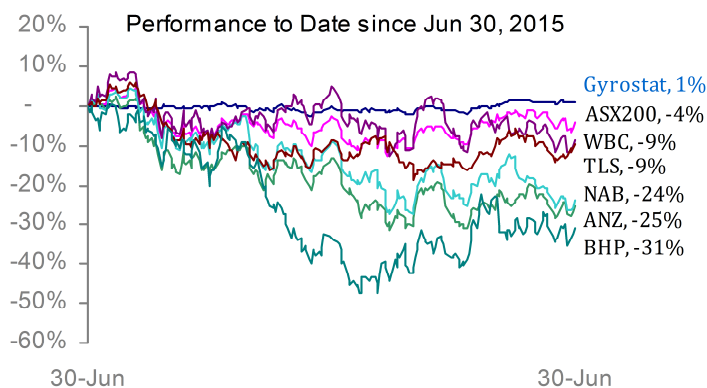
We have a 3 step investment approach:-

1. **Buy and hold blue chip shares with insurance** on the Australian Stock Exchange
2. Technology enables our software systems to choose the lowest cost insurance from the many alternatives.
The amount of **insurance is set to always participate in the upside with minimal capital at risk.**
3. **On market moves we re-set the insurance level.** If the share price rises, we buy more to 'lock in' the gains, on falls we sell some that is no longer required.

We remain well placed to deliver better than our funds benchmark returns over the coming 6 months.

How to invest

We accept investments on a weekly basis at the net asset value at **close of business each Friday** (and end of the month in the final week). Investors' funds and stocks are held in custody by Australia's largest independent custodian One Investment Group.



During the 2016 financial year ASX20 blue chip high yielding stocks experienced substantial falls.

As a result of these falls, **dividend yields on many 'blue chip' shares range between 8.0% pa to 11.5% pa.**

New investments can benefit from the yields available, with peace of mind that protection is always in place in case of further share price falls.

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.

It would be appreciated if you referred any friends or associates who may benefit from our investment approach. Our Fund we will **offer for a limited time for all investments received by 31 July 2016 a base management fee of 0.8% pa for 12 months** (\$ 400 per \$ 50,000 investment) for **new investors**. **Existing investors** please use the "follow on" one page application form – to thank you for your support

we offer a management fee of **0.6% pa for 12 months** for investments received by 31 July 2016.

We continue to progress our expression of interest to join with a strategic partner to enable us to expand the market segments we can offer our fund to include a ‘retail’ offering within Australia.

We conduct regular briefings on our investment approach. Please contact us if you’d like to attend.

Yours sincerely

Craig Racine

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