

Gyrostat July 2016 Performance Report

Cost of protection at near decade lows

During July there was a slight reduction in our unit price to \$ 0.87475. The market value of our protection fell as costs fell to near historical lows.

Whilst this has impacted this month's performance, it has provided the opportunity to cost effectively extend the protection duration and position us to benefit from any future volatility.

Our investment view is interest rates will stay low for an extended period, and stock market volatility will increase.

These are **ideal conditions for Gyrostat** with falling interest rates and rising market volatility as demonstrated by our recent **2.8% increase** in net asset value.

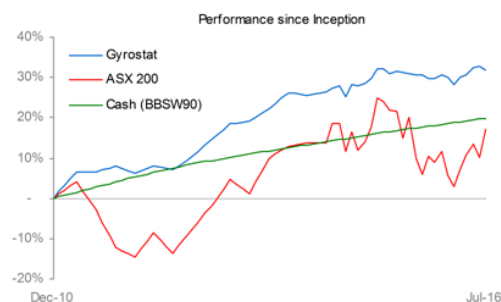
We form part of the 'income' allocation of a portfolio and are suitable for all investors. Our investors typically move maturing term deposits to our Fund, as we deliver higher income while always protecting and growing our investors' capital.

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.

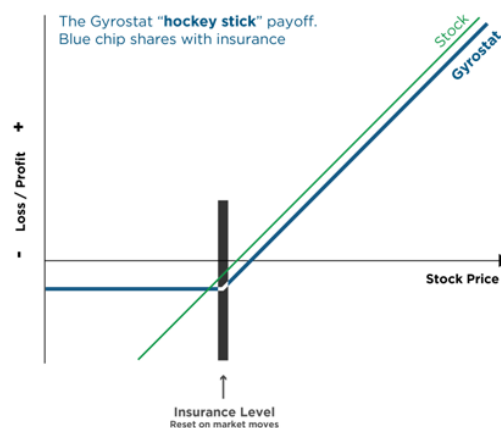
During 2016 we distributed income at **5.6% pa** comprising a December and June distribution. Our investors receive cash and franking credits (or re-invest), with simplicity of annual statements for capital gains as we buy and hold stocks.

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.

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

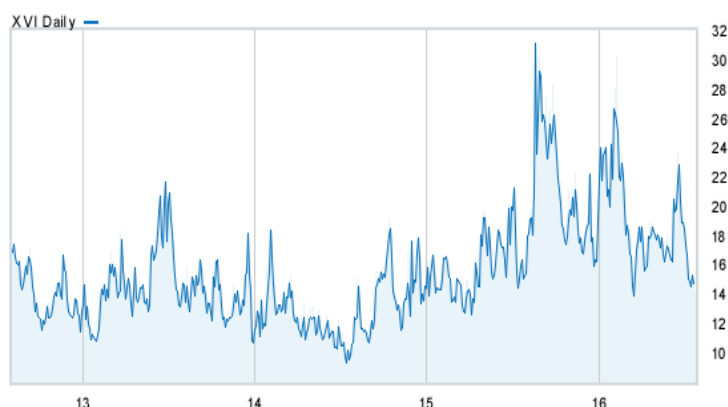


- ✓ Minimum distribution cash rate plus 3% (currently 5.3%)
- ✓ Growing your investment on market rises or large 'one off' falls
- ✓ Protecting your investment when markets fall
- ✓ Compounded returns of 32% since inception
- ✓ 22 consecutive quarters of no downside exceeding 2%



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 July there were significant reductions in the cost of protection. As a result, with protection always in place, the market value of protection fell.

We have taken the opportunity to cost effectively extend the protection duration.

We anticipate increasing levels of stock market volatility with “risk on”, “risk off” investing, and beneficial market conditions for our investment approach.

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.

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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GYROSTAT
RISK MANAGED EQUITY FUNDS



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