GYROSTAT
RISK MANAGED EQUITY FUNDS

Revolutionary risk management technique for post retirement investors

Stable and rising investment returns through the market cycle with higher income than cash and term deposits.

Existing risk management approaches for the post retirement phase do not deliver *stable and rising investment returns through the market cycle,* with *higher income than cash and term deposits.*

To achieve this objective requires a risk-return profile at all times to **participate in share price upside with minimal investment capital at risk** (**"hockey stick" pay-off)**.

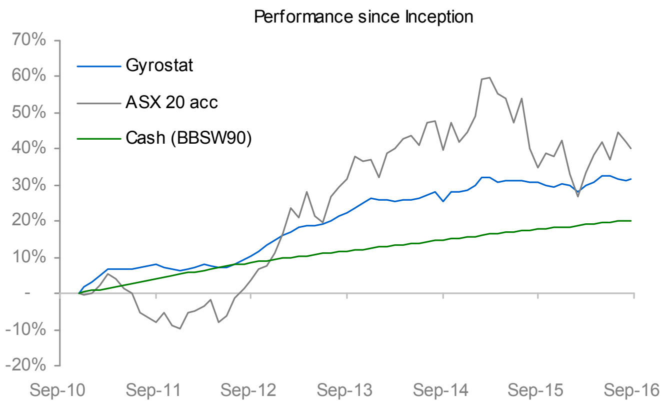
A brief summary of existing risk management techniques, and acknowledge deficiencies are:

- **Diversification of stocks**: exposed to the risk associated with investing in the markets generally (as distinct from stock specific) risks. Capital investment rises and falls with market cycles.
- **Non-correlated asset allocation** with both 'growth' and 'income' assets: produces portfolios with lower income (historical low interest rates) and substantial fluctuations in capital value (highly indebted world). Reduced effectiveness with higher correlation in times of market stress.
- **"Stop loss"** approach may not be effective in large market downside gaps, and requires prediction and the identification of 'exit' and 'entry' levels. Exposure to losses when predictions are wrong.
- **"Predictive" techniques:** protection sometimes, but not always in place using derivatives such as 'futures' and 'options' to adjust risk-return profiles. Exposes investors to large potential losses if protection not in place, or foregoes upside unless a 'hockey stick risk-return profile' in place.

Our revolutionary risk management technique provides a solution for investors:

- **Sensitive to capital losses** (sequencing risk, impact of market losses to post retiree investor);
- Desiring to **grow investment capital** (longevity risk, stable and rising investment returns); and
- **Higher income** than cash and term deposits (through pass through of dividends and franking credits).

We are always fully invested in blue chip high yielding shares and insure downside with lowest cost alternatives on the ASX. The risk return profile of an equity portfolio is managed by using ASX options. Traditionally protecting your portfolio was expensive. Gyrostat has overcome this issue by actively managing ASX options, utilising proprietary software and taking advantage of reduced broker costs due to deregulation.



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

ASX 20 accumulation index is benchmarked as the fund holds ASX 20 stocks. Stable and rising investment returns achieved with protection with falls, and participation in gains.

Gyrostat Capital Management Pty Ltd
Suite 402, 566 St Kilda Road Melbourne VIC, Australia 3004 / www.gyrostat.com.au / Tel +61 (3) 9041 0970 Fax +61 (3) 9041 0971

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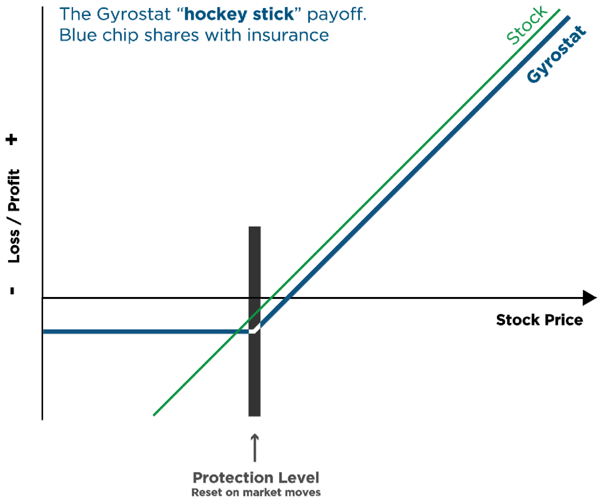
Gyrostat Capital Stability Fund provides a solution for investors seeking "protected equity" (downside protection always in place as distinct from other risk management approaches) and/or "cash plus" (higher income than cash and term deposits by passing through dividends and franking credits.)

Risk managed funds 3 step approach:

1. **Buy and hold blue chip shares with downside protection** on the Australian Stock Exchange

2. The amount of **protection is <u>set</u> to always participate in the upside with minimal capital at risk**.

3. **On market moves we <u>re-set</u> the protection level.** If the share price rises, we buy more to 'lock in' the gains, on falls we sell some that is no longer required.



To address the deficiencies in risk management for post retirement investors, there is a need to **expand the range of 'income' and 'growth' assets to include risk managed equity funds.** Such funds trade off some of the upside to insure against downside risk. It is possible to manage the risk profile of such funds by varying the underlying assets and the risk-return parameters.

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