

## Revolutionary risk management technique for post retirement investors

Has a risk-return profile at all times to participate in share price upside with minimal capital at risk (“hockey stick” payoff).

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).

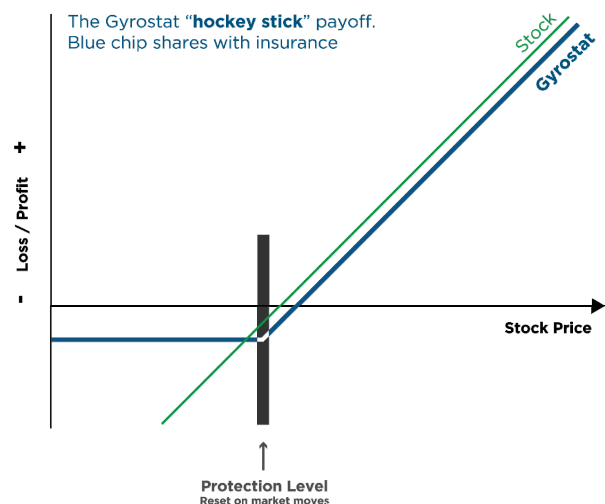
Our revolutionary risk management technique provides a solution for investors:

- **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
- Seeking **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.

### Risk managed funds 3 step approach:

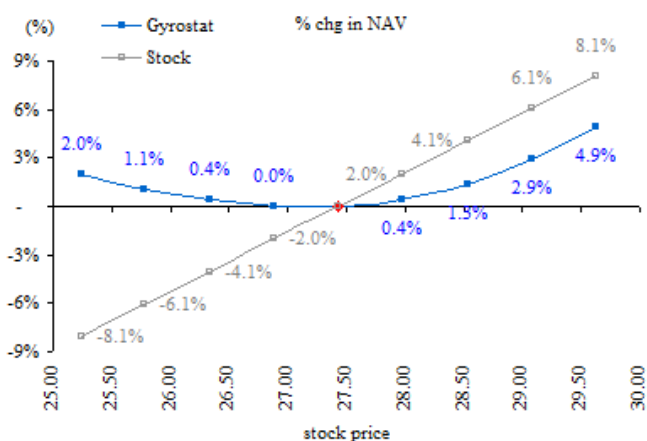
1. **Buy and hold blue chip shares with downside protection** on the Australian Stock Exchange
2. The amount of **protection is set to always participate in the upside with minimal capital at risk**.
3. **On market moves we re-set the protection level**. If the share price rises, we buy more to 'lock in' the gains, on falls we sell some that is no longer required.



An illustration of how we manage ASX options is shown from the Gyrostat position in ANZ Bank. We always have a risk-return profile to participate in upside with minimal capital at risk, the management of options is at the stock specific level. The pay-off is varied within risk-return parameters based upon fundamental research, technical analysis and ASX option market conditions.

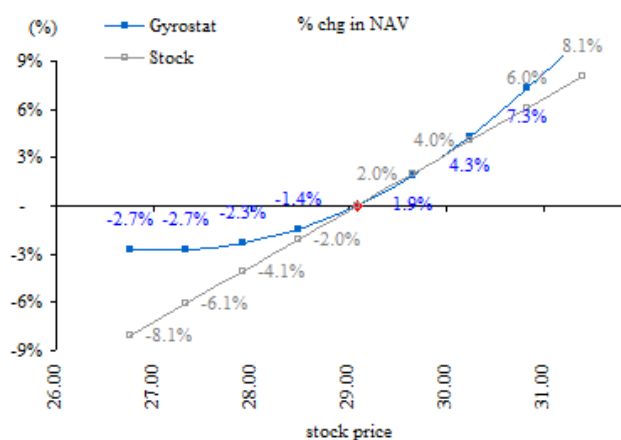
## Base case: Gyrostat risk-return pay-off in ANZ Bank at 27 September 2016

- Risk-return profile results from the combination of stock and ASX options
- The blend of put and call options is dependent upon market conditions, in particular the level of implied volatility



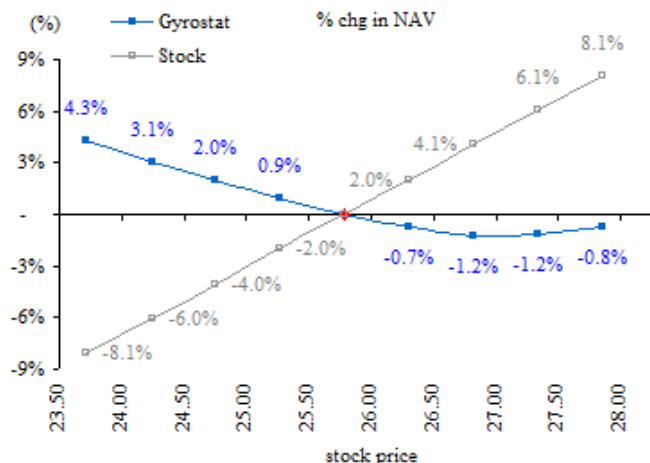
## Case 1: The ANZ stock price rises 6%

- The net asset value of the position has increased.
- With stock price rise, the risk-return profile has exceeded risk parameters.
- Managing ASX options close this risk by:
  - Buying put options and/or
  - Selling call options
- The risk-return parameter is restored to "hockey stick" pay-off

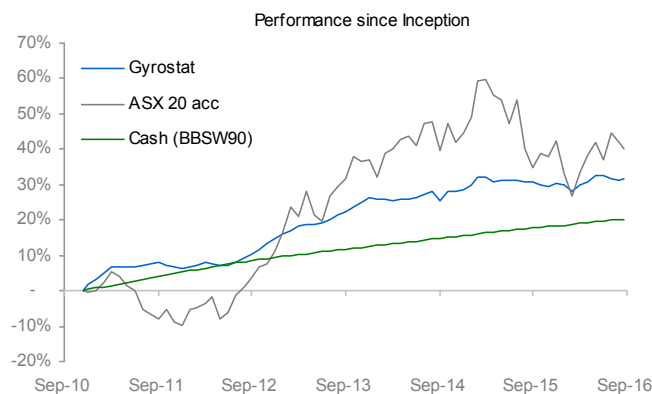


## Case 2: The ANZ stock price falls -6%

- The net asset value of the position has been stable or minimal losses.
- With stock price fall, the risk-return profile has insufficient upside on stock price rises.
- Managing ASX options adjust upside return by:
  - Selling put options and/or
  - Buying call options
- The risk-return parameter is restored to “hockey stick” pay-off



## Our Fund track record



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 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.)

### 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 or associates do not in any way guarantee the performance of the Fund.