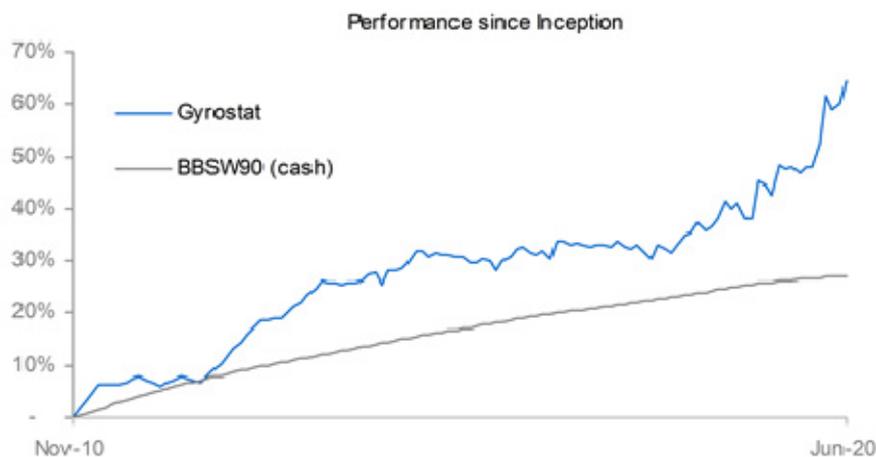


Annual investor newsletter

We are pleased to advise that Gyrostat has delivered record returns this year, enabling a 'bumper' income distribution of 5.8%. Our returns for the 2019-20 financial year are + 12.45%, since January 2018 total returns are + 22.2%, and since inception + 62.6%.

We have a 10 year track record of delivering equity income whilst protecting and growing your capital protecting (maximum drawdown since inception being 2.2%).

Our performance in most timeframes over the last 10 years exceeds the leading conservative-defensive funds in the Asia Pacific as detailed by Eurekahedge.



Gyrostat view of money: “Money is freedom”

We all have our own story of how we have accumulated our money – often through years of very hard work and sacrifice. It’s a journey to freedom, to enable you to do whatever you desire to express yourself when you wake up in the morning. It also means you can spend your time pursuing your passions and living the life you want to live, without worry. This is particularly true in retirement.

It’s clear that these objectives aren’t met with traditional investment approaches at various stages of the investment cycle – particularly with historic low interest rates and elevated risks of large market falls.

There have been 10 years of Government retirement income reviews in Australia. The challenge is straightforward – how to generate sufficient income without taking on the risk of large losses in the value of your investment. Money is freedom.

The various reviews have listed the criteria to satisfy: regular income, capital protected, no lock in periods for investors, transparent pricing, strong counterparty, invest in growth assets for capital gains, no credit default risks.

Your investment in Gyrostat satisfies all of these requirements. As a component of your 'highly defensive' portfolio we can enrich your life.

Knowing is not enough, we must apply. Willing is not enough, we must do.

We are in one of the most economically uncertain periods in our lifetimes. It is our belief that the outcomes are too complex to predict. However, by having the correct portfolio structures in place you can achieve 'money is freedom' whatever the outcomes.

On the income side interest rates are expected to be low for at least the next decade. It's priced into the market.

The risks of market corrections are extremely elevated – the battle between deteriorating economic fundamentals triggering a tsunami of debt defaults (in the late phase of the longer term 'debt cycle') and liquidity from Central Bank and Government stimulus measures is set to continue.

The risk of significant losses is elevated in our view:

1. We expect a retest of the March lows –this would see the ASX down 23%. In 19 of 19 times where there has been 15 % falls, the market has always retested the lows.
2. Larger 40-50 % falls. Major corrections are a regular and hazardous feature of the investment cycle. Historically these typically occur within 8 years – we are now at 13 years, the longest period on record.

As no one can predict the outcomes, you should plan for all eventualities.

Product enhancements to increase returns

Since January 2018 there has been a substantial uplift in our returns – some of this relates to the changing market conditions (increasing volatility) but there have also been some significant product enhancements.

1. We always have extra downside protection in place to benefit from market falls. Previously we used to 'protect' – it is now 'protect and benefit'.

To demonstrate, during 2020 the Australian banks fell around 50% and either substantially reduced or suspended dividends. Gyrostat has significant holdings in the Australian banks. With our approach we could sell the additional protection for profits and pass it through to you as a 'bumper' distribution, whilst growing your capital.

Many other investment approaches performed very poorly during this period.

2. We have expanded to include international assets, such as the SP500, Nasdaq, Hang Seng Index, MSCI Emerging and Developing markets.

Most portfolios include an international allocation – yet have no protection in place in case of market falls. We have our protection component in place to benefit in the event of major market falls.

You'll find at our web site a number of media interviews and articles, particularly since February 2020. A more comprehensive analysis of our approach is available at:

INDepth interview with The Inside Network

<http://www.gyrostat.com.au/news/inside-network-interview/>

Re-stated, the objective is to make ourselves impregnable to defeat in any circumstances, to take opportunities as they are presented by the market, to respond to whatever the external environment presents. This can be achieved by getting the investment structure right – in our case 2 dimensional pay-offs – not predicting. This accords with our belief system and how we express ourselves through our Gyrostat investment approach.

Adapt what is useful, reject what is useless, and add what is specifically your own.

Please find attached your personalised statement of holdings, our June monthly performance report, your statement of holdings and annual taxation statement along with our regular monthly magazine Gyration: These are published regularly on our website and you can receive notifications by following Gyrostat on LinkedIn, Facebook or Twitter.

Kind regards



Craig Racine