

## Annual investor newsletter – Financial Year ended 30 June 2022

Dear Investor

We are pleased to advise that your investment in Gyrostat Class A has performed strongly, consistent with our guidance and investment objectives.

### AT A GLANCE

- Gyrostat Class A delivered a 12 month return of +12.28%.
- Strong returns are anticipated in the upcoming September quarter. Our forward guidance for 2022-23 returns is at the top of our range. Continued market volatility and our increasing exposure to commodity stocks is the basis for this guidance.
- Record distribution of income to you as required under Australian taxation law. Re-investment to capture expected returns is simple using your unique investor number.  
<http://www.gyrostat.com.au/application-forms/>

Please find attached your statement of holdings, unit holder register with performance of your investment since its inception and annual taxation statement.

### PERFORMANCE REVIEW 2021-22

Our uplift in returns was driven by the increase in market volatility, and our decision to deploy more capital into the ASX20 large cap resource sector stocks (BHP, Fortescue, Rio Tinto, and Woodside Energy). This sector offers fully franked income yields and has higher potential returns with greater stock price volatility.

During the year there were a large number of corporate buybacks within the Australian banks, and the BHP-Woodside corporate restructure. Under Australian taxation law we are required to distribute all the associated franking credits from the transactions.

The franking credits distributed have value in your taxation return and typically result in a cash refund (depending upon your personal taxation situation). If you did decide to re-invest we anticipate generating strong ongoing returns.

### OUTLOOK 2022-23 AND BEYOND: CURRENT MARKET VIEWS

We agree with the assessment of Ray Dalio (Bridgewater), and Jeremy Grantham (GMO) that we are at the end stages of the long term debt cycle, where market volatility is typically elevated. Risks of major market corrections are elevated.

We have a structure to mitigate against the risks of market through our dynamic hedging approach which protects and gains on major market falls.

We expect our returns to continue to increase with market volatility and anticipate a series of significant bear market rallies in the context of a highly uncertain macro environment.

As a result, we anticipate our returns to be at the top of our guidance with gains in both falling and rising markets.

Our approach does not rely on predicting the timing of these changes.

GYROSTAT COMPETITIVE EDGE – ‘dynamic hedging’ risk management approach

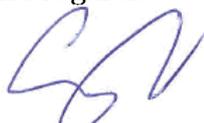
In 2011 global asset manager Russell Research concluded dynamic hedging provides downside protection at a reasonable price. It’s an approach that is being used by leading global asset managers. Gyrostat benchmarks against these managers, as outlined in our review published in June 2021. Gyrostat commenced operations in December 2010 and has proprietary ‘dynamic hedging’ systems

<https://www.gyrostat.com.au/assets/Uploads/2021-06-11-Risk-Managed-Investing-Supporting-Pack-v1b.pdf>

To illustrate simply, when Gyrostat utilises dynamic hedging of every \$ 1 invested, approximately 95c buys the stock, and around 5c the lowest cost protection. As the market price moves, the “gyrostat” is brought back into balance to restore this 95:5 recipe. This means if the stock falls, the value of protection goes up – the protection has done its job and a portion is sold for cash. On stock rises, the value of protection falls and more is acquired.

We thank you for your continued support and would be pleased to answer any questions you have about your investment.

Kind regards



Craig Racine  
Managing Director