

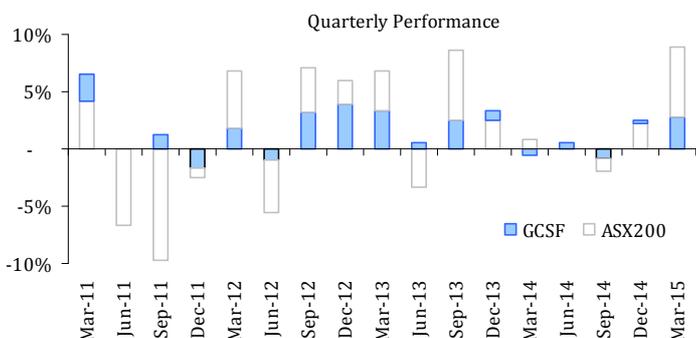
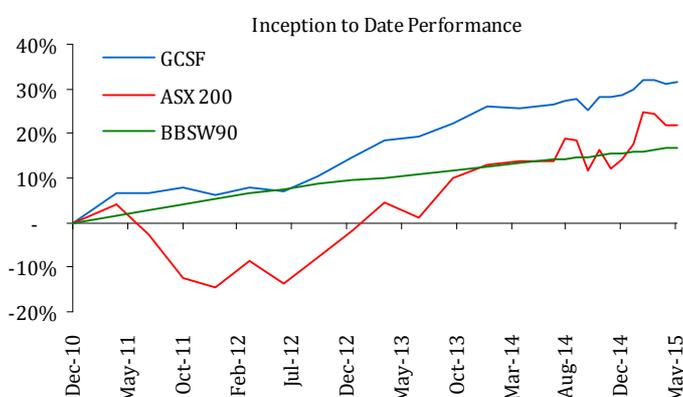
## GYROSTAT CAPITAL STABILITY FUND

31 MAY 2015

We are a 'next generation' income fund established for investors seeking peace of mind - downside protection always in place in all market conditions and participate in market upsides. Since inception in Dec 2010, we have outperformed ASX200 index with less than 2% downside fluctuations. Our business model is quite straightforward. We buy and hold blue-chip high yielding stocks and generate income from dividends and franking credits. We use stock and index options publicly traded on ASX to re-balance our daily positions.

### Key Features

- Highly defensive - downside protection **always** in place.
- Participate in the upside when the stock market rises.
- Cash flow from dividends, interests and options.
- Performance track record since inception has exceeded ASX200 index, with stable and rising valuations of the fund capital, and without significant downside fluctuations.



Further details can be found in our Information Memorandum

Portfolio Inception	December 2010
Minimum Investment	AUD 100,000
Management Fee	1% per annum
Performance Fee	15% of excess return
Hurdle Rate	BBSW 90 + 3%
High Water Mark	quarterly
Distribution (paid semi-annual)	≥ BBSW 90 + 3%
Access	Wholesale Investors

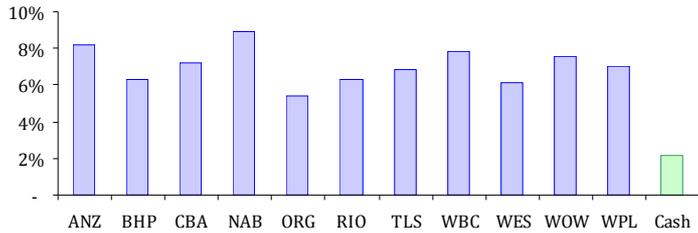
NAV vs. Index	GCSF	ASX 200
31 May 2015	<b>0.9511</b>	5,777
30 Apr 2015	0.9483	5,790
31 Mar 2015	0.9557	5,892
31 Dec 2014	0.9293	5,411
30 Sep 2014	0.9068	5,293
30 Jun 2014	0.9138	5,396

Return vs. Risk	GCSF	ASX 200	BBSW 90
1 Year CAGR	4.5%	7.8%	2.7%
2 Year CAGR	5.2%	10.1%	2.7%
3 Year CAGR	7.3%	12.5%	2.9%
Inception CAGR	6.3%	4.5%	3.5%
Max Drawdown	-2.1%	-22.3%	
% Qtr below -2%	0%	28%	
Sharpe Ratio	1.03	0.15	
Annual Deviation	2.68%	11.78%	

### Commentary

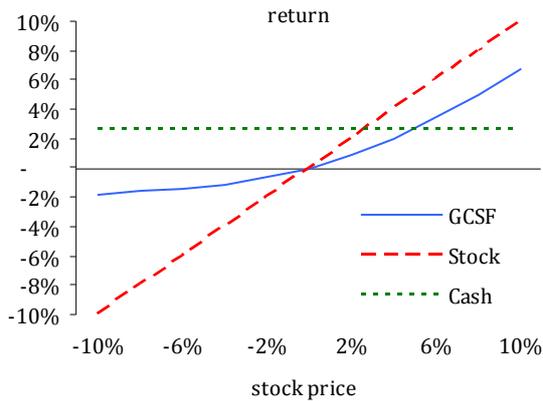
- The Fund NAV at end of May was **0.9511**, an increase of 2.3% since Dec last year. During this time the index increased 6.8%. In May the market traded in a narrow range with relatively low levels of volatility. The high yielding stocks which we own experienced substantial falls, however our "options overlay" protected our investors capital. There was a noticeable increase in volatility from Sep 14 through Feb 15 where our NAV increased 5.4%. Since that time, the market has traded in a narrow range with low volatility.
- It is our view the share market volatility is more likely to increase over the coming year, consistent with the market consensus view. Historically low volatility periods tend to be rather short-lived and around 4 years duration. For equity markets, the most recent low volatility periods were 1992 to 1996, and 2002 to 2006. The current period commenced in 2012 and is into its fourth year.

**Consensus gross yields at the end of May 2015**



- With the substantial falls in higher yielding stocks recently, the gross dividend yields available now range between 6% to 9% p.a.
- We select stocks based on gross yield, option pricing to meet our risk-return profile, and investment outlook.
- As a “next generation” income fund, we 'lock in' the yields with downside protection always in place.

**Systematic approach to risk-return profile**



- Our first criteria is to ensure maximum capital at risk is always within pre-defined limit which we review and report daily as our internal process.
- We consider extent of the upside profile and vary the downside "fat tail". This is based on the fundamental and technical factors in our dashboard framework, such as market outlook vs. volatility, static cost, etc.
- We re-balance our portfolio daily with the market movements to 'lock in' gains and / or taking profits, while restore our risk-return profile in the process.
- see diagram for an example of risk-return profile with downside protection always in place, vs. stock / cash.

Craig Racine (craig.racine@gyrostat.com.au)  
Managing Director, Chief Investment Officer

**Meet Our Team**

Broad experience in a wide range of disciplines, particularly in finance and the financial markets in the Asia Pacific region.

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**CRAIG RACINE**  
Managing Director  
Chief Investment Officer



**PETER CLIFTON**  
Chairman  
Board of Directors



**ANDREW SMITH**  
Compliance & Risk Management



**LEO TANG**  
Senior Investment Officer

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.

**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.

Investors should download and review the Information Memorandum available at [www.gyrostat.com.au](http://www.gyrostat.com.au) before making an investment in the Fund.