

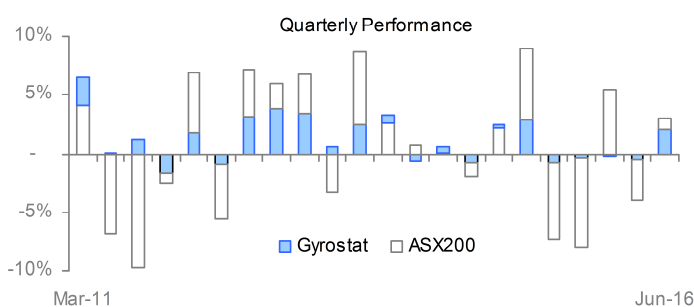
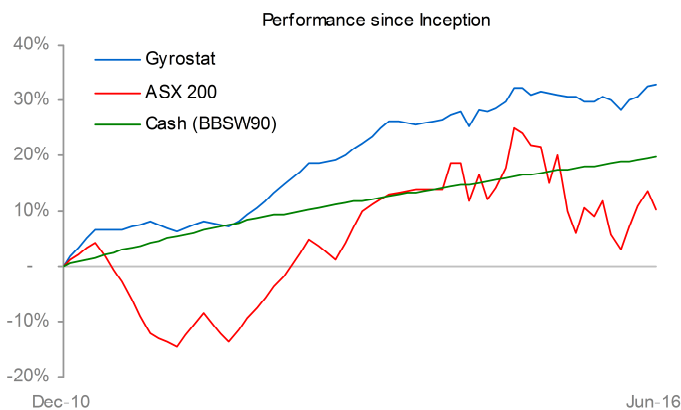
GYROSTAT CAPITAL STABILITY INCOME FUND

30 JUNE 2016

We are a 'risk managed equity income fund'. We are always fully invested in blue chip high yielding shares and insure downside with lowest cost alternatives (ASX bought put options) on the ASX. Gyrostat's unique offering is the ability to have a risk-return profile at all times to participate in share price upside with minimal capital at risk – "hockey stick payoff". We pass on dividends and franking credits to our investors. Our strategy **benefits** from increasing stock market **volatility**. Investor funds and stocks are held in custody by Australia's largest independent custodian One Investment Group. Brief video on our approach: www.gyrostat.com.au/investment/

Key Features

- Minimum distribution **cash rate + 3%** paid semi-annually (currently 5.3% pa)
- Growing your investment on market rises or large 'one off' falls
- Protecting your investment when markets fall
- Compound returns of **33%** since inception in December 2010
- 22 consecutive quarters of no downside exceeding 2%



Further details can be found in our Information Memorandum

Portfolio Inception	December 2010
Minimum Investment	AUD 50,000
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	Gyrostat	Distribute	ASX 200
30 Jun 2016	0.90812	0.02447	5,233
31 May 2016	0.90673	-	5,379
30 Apr 2016	0.89488	-	5,252
31 Mar 2016	0.88929	-	5,083
31 Dec 2015	0.89363	0.02373	5,296
30 Jun 2015	0.92143	0.02762	5,459

Dec 2010 to:-	Gyrostat	BBSW 90	ASX 200
Mar 2013	7.6%	4.9%	-2.0%
Mar 2015	6.7%	3.6%	5.2%

* Total annual returns since inception Dec 2010

Return vs. Risk	Gyrostat	BBSW 90	ASX 200
1 Yr Total Return *	1.2%	2.2%	-4.1%
Inception Return	5.2%	3.3%	1.8%
Max Drawdown	-2.1%		-22.3%

* Total return is compound annual growth rate as defined by Financial Services Council

Commentary

- The total distribution for FY2016 was \$0.04820 comprising \$0.02373 at 31 December 2015 and \$0.02447 at 30 June 2016. Our minimum distribution is **3% above the cash rate** (currently 5.3% p.a.) We form part of the 'income' allocation of a portfolio and are suitable for all investors. Our investors typically move maturing term deposits to our Fund, as we deliver higher income while always protecting and growing investment capital.
- The Fund NAV at the end of June was **\$0.90812**, with returns of 3.5% at an annualised rate of 10.9% since the market lows of February. Our unique approach is always a 'hockey stick pay off' profile. The amount of insurance is set to always participate in the upside with minimal capital at risk. On market moves we re-set the insurance level. If the share price rises, you buy more to 'lock in' the gains- on falls you sell some that is no longer required.
- Our investment view is interest rates will stay low for an extended period, and stock market volatility will increase. Our expectation is volatility increasing, with "risk-on", "risk-off" investing only distantly related to fundamentals. The more volatility, the more opportunities there are to capture upside and re-balance the portfolio.

Business Model - how we invest

Business Model "How we invest"

Unit Trust	Stock Market ASX	Options Market ASX	Technology & Deregulation
Investors purchase units in "Gyrostat Capital Stability Income Fund".	The fund simultaneously buys stock and enters ASX options market	For hedging risk only we use calls and put options to grow your investment when markets rise, and protect your investment when markets fall.	Software continuously monitors price movements to identify "least cost" alternatives to restore risk-return pay-off from market moves.
The fund net income is dividends and franking credits less expenses and the cost of protection.	Stocks are "buy and hold" to generate dividends and franking credits	Daily management to restore risk-return profile from market movements	Deregulation enables low cost transactions

Our team

Craig Racine has held Board positions in multi-national companies in China, India, Indonesia, The Philippines, Pakistan, and globally as Executive Director Asian Infrastructure Fund (Hong Kong) with lead investors International Finance Corporation, Asian Development Bank, Soros Funds Management, Frank Russell Investments, and AMP Capital. He was a Managing Director at ING Barings (Asia).

Andrew Smith, as Chairman of our Risk & Compliance Committee has extensive experience acting as an ASIC Responsible Manager under four Financial Services Licences for a diverse range of firms with operations in the financial markets in Australia and the Asia Pacific. Andrew is also Chairman of ASX listed XPD Soccer Gear Group Ltd.

Peter Clifton was a Board member with ASX listed Amcom from 1999 until its recently completed merger with Vocus, and has extensive experience in governance having served on Boards in Asia, the Middle East, and Europe.

Leo Tang has extensive experience within investment banking, private equity and industry.



CRAIG RACINE
Managing Director
Chief Investment Officer



PETER CLIFTON
Chairman
Board of Directors



ANDREW SMITH
Compliance & Risk Management



LEO TANG
Senior Investment Officer



SHELLEY RACINE
Company Secretary



GEMMA MALONE
Office Manager

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 before making an investment in the Fund.