

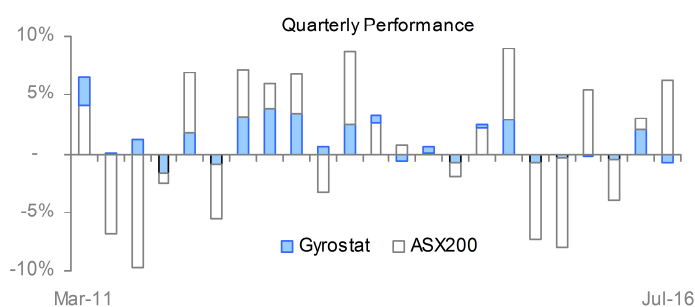
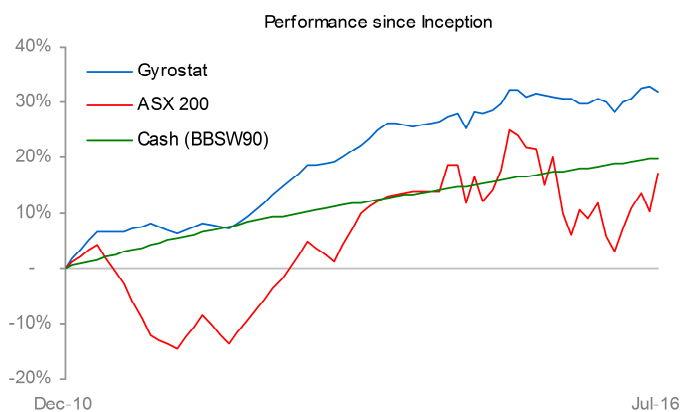
## GYROSTAT CAPITAL STABILITY INCOME FUND

31 JULY 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/](http://www.gyrostat.com.au/investment/)

### Key Features

- Minimum distribution **cash rate + 3%** paid semi-annually (currently 5.0% pa)
- Growing your investment on market rises or large 'one off' falls
- Protecting your investment when markets fall
- Compound returns of **32%** 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 |
|---------------|----------------|------------|---------|
| 31 Jul 2016   | <b>0.87475</b> | -          | 5,562   |
| 30 Jun 2016   | 0.90805        | 0.02716    | 5,233   |
| 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 |
|---------------|----------|---------|---------|
| Jun 2013      | 7.1%     | 4.2%    | 0.5%    |
| Jun 2015      | 6.1%     | 3.5%    | 3.5%    |

| Return vs. Risk     | Gyrostat | BBSW 90 | ASX 200 |
|---------------------|----------|---------|---------|
| 1 Yr Total Return * | 0.5%     | 2.3%    | -2.4%   |
| Inception Return    | 5.0%     | 3.3%    | 2.9%    |
| 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 \$0.05089 comprising \$0.02373 at 31 December 2015 and \$0.02716 at 30 June 2016. Our minimum distribution is **3% above the cash rate** (currently 5.0% 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 July was **\$0.87475**, with returns of 2.8% at an annualised rate of 7.0% 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.
- During July the market value of our protection fell as costs fell to near historical lows. Whilst this has impacted this month's performance, it has provided the opportunity to cost effectively extend the protection duration and position us to benefit from any future volatility. 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.

**Business Model - how we invest**

**Business Model "How we invest"**

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

**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](http://www.gyrostat.com.au) before making an investment in the Fund.