

GYROSTAT

CAPITAL MANAGEMENT

Gyrostat Capital Management Pty Ltd
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Gyrostat Absolute Return Income Equity Fund

Designed to protect and benefit
in changing markets

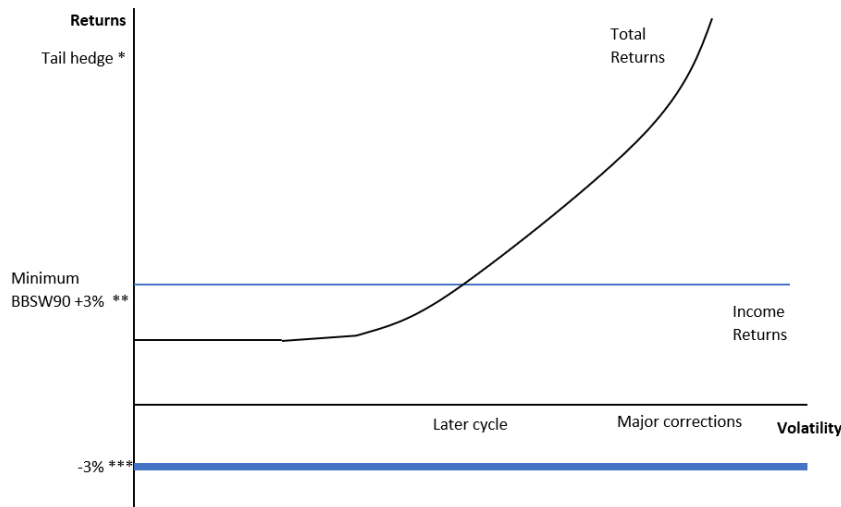
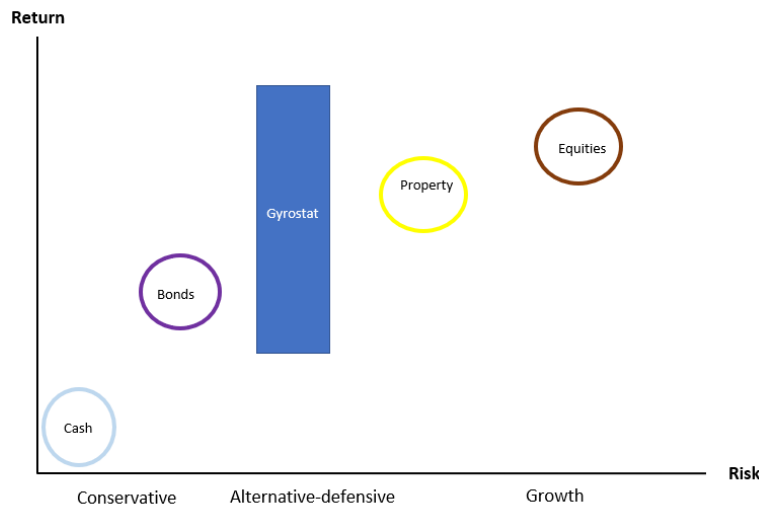
Protection is
always in place
with upside

Making money in
changing markets
including large
down markets
- when others don't

Proven
strategy over
8 years



“Alternative – defensive” investment characteristics for “late cycle” asset allocation



- * Tail hedge always in place for large gains on large market falls
- ** Funded by pass through of ASX20 dividends
- *** Hard risk parameter, no quarterly capital drawdowns exceed 3%

- ‘Late cycle’ asset allocations to “alternatives - defensive” (~ 7 pc – 8.8 pc) can increase portfolio returns and reduces risk
- An 8 year track record of delivering investment objectives - returns increasing with volatility levels with no quarterly capital draw-downs exceeding 2 pc.
- Easy to understand investment - buy and hold ASX 20 stocks with lowest cost protection always in place to hard 3 pc risk tolerance.

'Alternative – defensive' asset class portfolio composition

	Cash (%)	Term Deposit (%)	Capital Secure (%)	Capital Stable (%)	Balanced (%)	Socially Conscious (%)	Growth (MySuper) (%)	Equity Growth (%)	Australian Shares (%)
Asset class									
Equities	0.0	0.0	12.2	24.2	42.0	42.0	52.0	86.0	100.0
Alternatives ^	0.0	0.0	8.8	11.8	14.3	14.3	17.0	14.0	0.0
Real Assets *	0.0	0.0	14.5	16.0	16.0	16.0	16.0	0.0	0.0
Fixed Interest	0.0	0.0	30.5	29.0	20.0	20.0	13.0	0.0	0.0
Cash	100.0	100.0	34.0	19.0	7.7	7.7	2.0	0.0	0.0
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total Growth Assets	0.0	0.0	25.4	41.8	62.1	62.1	75.0	100.0	100.0
Total Defensive Assets	100.0	100.0	74.6	58.2	37.9	37.9	25.0	0.0	0.0
Sub-asset class									
Australian Equities	0.0	0.0	4.2	8.4	14.5	14.5	18.0	29.8	100.0
International Equities	0.0	0.0	6.1	12.1	21.0	21.0	26.0	43.0	0.0
Emerging Markets	0.0	0.0	1.9	3.7	6.5	6.5	8.0	13.2	0.0
Private Equity	0.0	0.0	0.0	1.6	2.0	2.0	3.0	4.0	0.0
Alternative - Growth	0.0	0.0	0.0	2.8	4.9	4.9	7.0	10.0	0.0
Alternative - Defensive	0.0	0.0	8.8	7.4	7.4	7.4	7.0	0.0	0.0
Infrastructure	0.0	0.0	5.5	6.0	6.0	6.0	6.0	0.0	0.0
Property	0.0	0.0	6.0	7.0	7.0	7.0	7.0	0.0	0.0
Timber	0.0	0.0	2.0	2.0	2.0	2.0	2.0	0.0	0.0
Agriculture	0.0	0.0	1.0	1.0	1.0	1.0	1.0	0.0	0.0
Australian Fixed Interest	0.0	0.0	15.5	15.0	10.0	10.0	6.5	0.0	0.0
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Growth, capital secure, capital stable, balance allocations late cycle (higher returns than cash/ fixed interest) particularly in more volatile markets (now and next 5 years; also tail hedge for large gains on big market falls.)

Gyrostat Absolute Return Income Equity Fund

Investment Objectives

'Alternative – defensive' asset - combines returns, income and protection at 'hard' 2% always in place

Returns are designed to increase with market volatility – raise portfolio returns in more volatile markets

RETURNS

6%-8% in trending markets, greater than **8%** in changing markets, short term bond returns in stable markets.

INCOME

Minimum cash rate + **3%** paid semi-annually (currently 5.0% p.a.) from dividends and franking credits.

PROTECTION

No quarterly NAV draw-downs exceeding **2%**

Suitable investors:

- Equity income in retirement: re-allocation to conservative assets from growth through investors life cycle
- Accumulation phase investors: higher returns than cash, fixed interest during investment cycle
- Philanthropic investors: direct cash distributions to designated charity whilst controlling your capital investment.

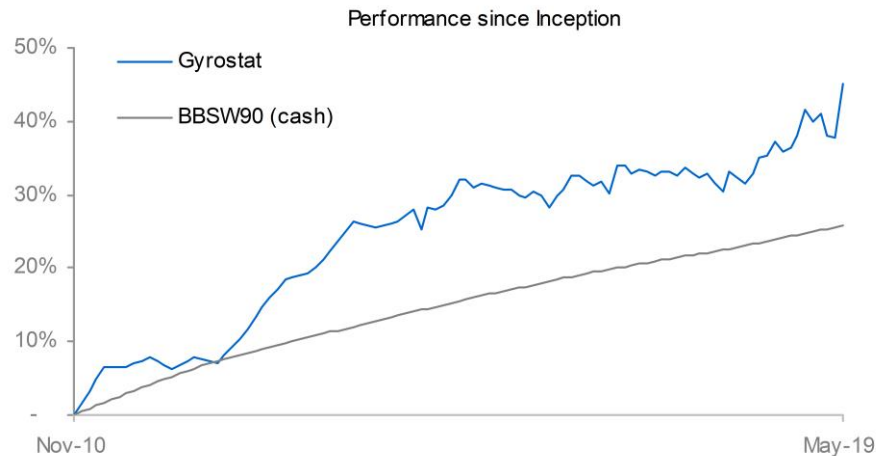
Gyrostat Absolute Return Income Equity Fund

Performance since inception

Buy and hold ASX20 shares with lowest cost protection **always** in place with upside

- Returns:** Compounded returns 44 % since inception
- Income:** 5.0% pa from pass through of dividends
- Protection:** 8 year track record: no quarterly NAV drawdown exceed 3%

Also includes a 'tail hedge' for gains on large market falls



Track record: Returns increase with volatility levels

Best returns in more volatile conditions 2011, 2013, 2014, 2019 (highest > 11% 2013); short term bond type returns other years

Our specialist expertise – risk managed investing

To have **protection always in place** to maximise returns for a ‘hard’ defined risk parameter.

To minimise costs:

- Proprietary software identifies options series with great profit potential for a defined cost, exploiting differing levels of implied volatility in the options markets
- “Active management” by buying or selling options with market movements



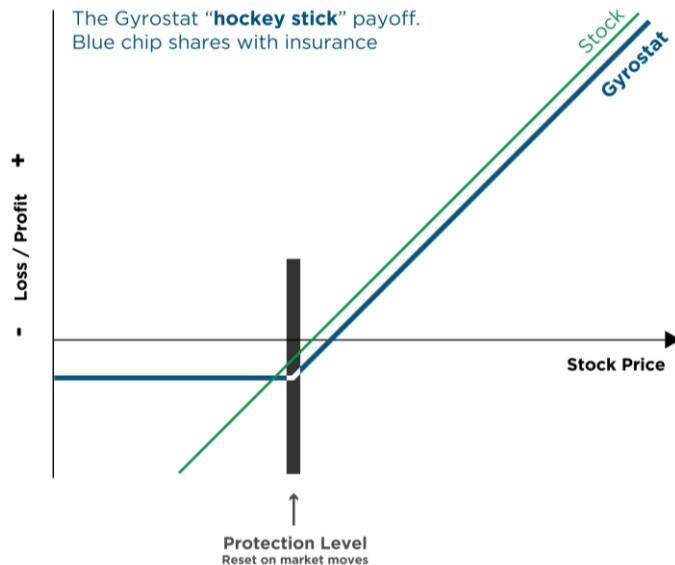
Gyrostat Absolute Return Income Equity Fund

Protection always in place with upside

Buy and hold blue chip shares with protection on the Australian Stock Exchange.

Set amount of protection - to always participate in the upside with minimal capital at risk.

Reset the protection level on market moves for risk-return profile to match stock view - if the share price rises, increase protection level, on falls reduce protection level.

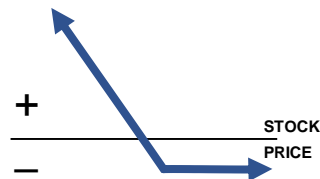


Our maximum
quarterly NAV
drawdown is
2% since our
inception in
December 2010

Gyrostat Absolute Return Income Equity Fund

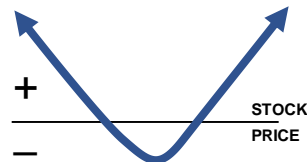
How we make money

Stocks are ranked based on fundamental and technical analysis
Stock risk-return profile is re-set to match view



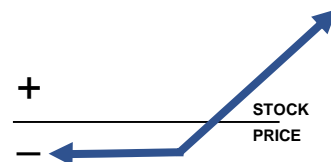
Large falls

- Options extra protection sold
- 'Conviction' short at a defined cost with large upside



Range bound

- Option trading from re-setting protection levels
- Buy options 'low' and 'sell' high



Rising trend

- Stock price gains
- Re-set protection level high to 'lock in' gains

Applying established approaches to investment risk management

To our knowledge, the Gyrostat approach is not yet available from any other Fund in the Australian market.

In the USA the approach has been successfully applied for nearly 20 years.

3 leading investment banks have adopted similar strategies for their clients in global markets:

“Dynamic downside protection or option replication strategies provide access to a pay-off profile that has the potential to provide sufficient downside protection without removing too much upside potential. “

https://russellinvestments.com/-/media/files/au/campaigns/cps/r_rpt_res_protection_v1ff_1402.pdf?la=en-au

“Put options are often the first defense that comes to mind for investors. These are an explicit insurance contract, guaranteeing protection if market prices fall below the strike price.”

<https://www.ssga.com/na/us/institutional-investor/en/our-insights/publications/as-the-cycle-lengthens-investors-look-to-hedge-tail-risk-but-at-what-price.html>

“In a bear market or a painful correction, astute investors in these mutual funds will find a refuge from the storm and a greater chance of substantial profits.”

<https://www.investopedia.com/articles/investing/020616/3-best-downside-protection-equity-mutual-funds.asp#ixzz55oXufVWr>

Gyrostat Absolute Return Income Equity Fund

Key features

The key investment risk management features are:

- A financially strong counter-party - the ASX - for hedging activities
- Transparent mark to market valuations from ASX valuations
- Protection is always in place to a specified absolute risk parameter
- A net buyer or protection with no debt in the fund
- Lower protection costs than existing approaches through option series selection and actively managing the options with market moves (enabled by technological advances and deregulation)
- For a given risk parameter, returns are maximised and re-set with market movements
- Highly scalable solution

'Tail hedge' always in place 'late cycle' for gains on large market falls

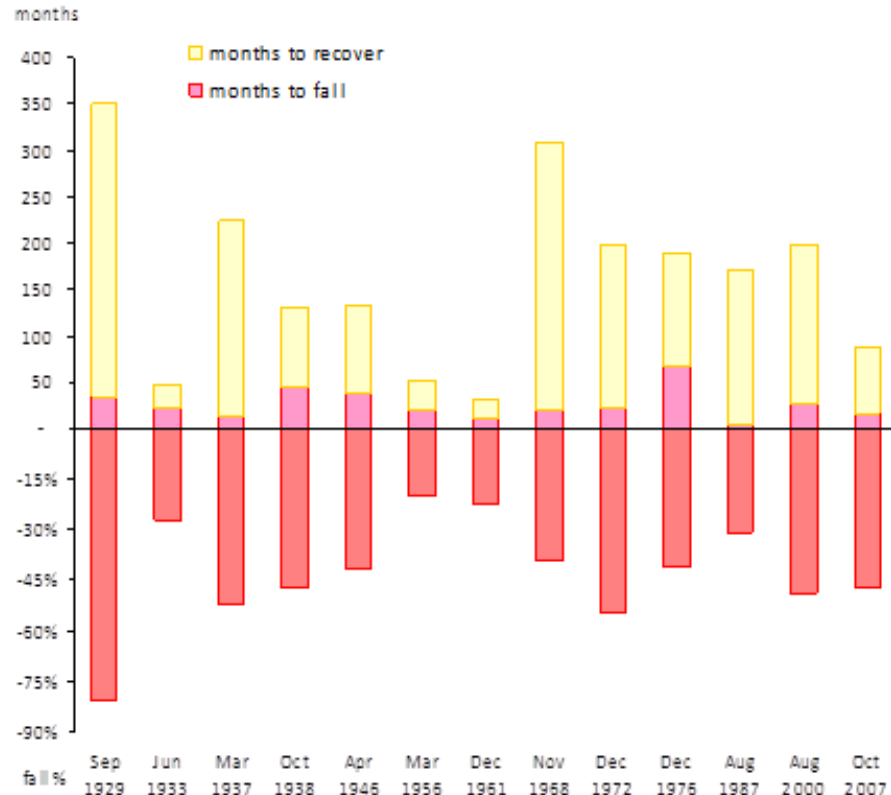
The graph shows the extent of falls from peak to trough, the duration of the fall, and time taken to recover to pre fall highs.

Most corrections occur within 8 years, now at year 11, longest on record is 13 years

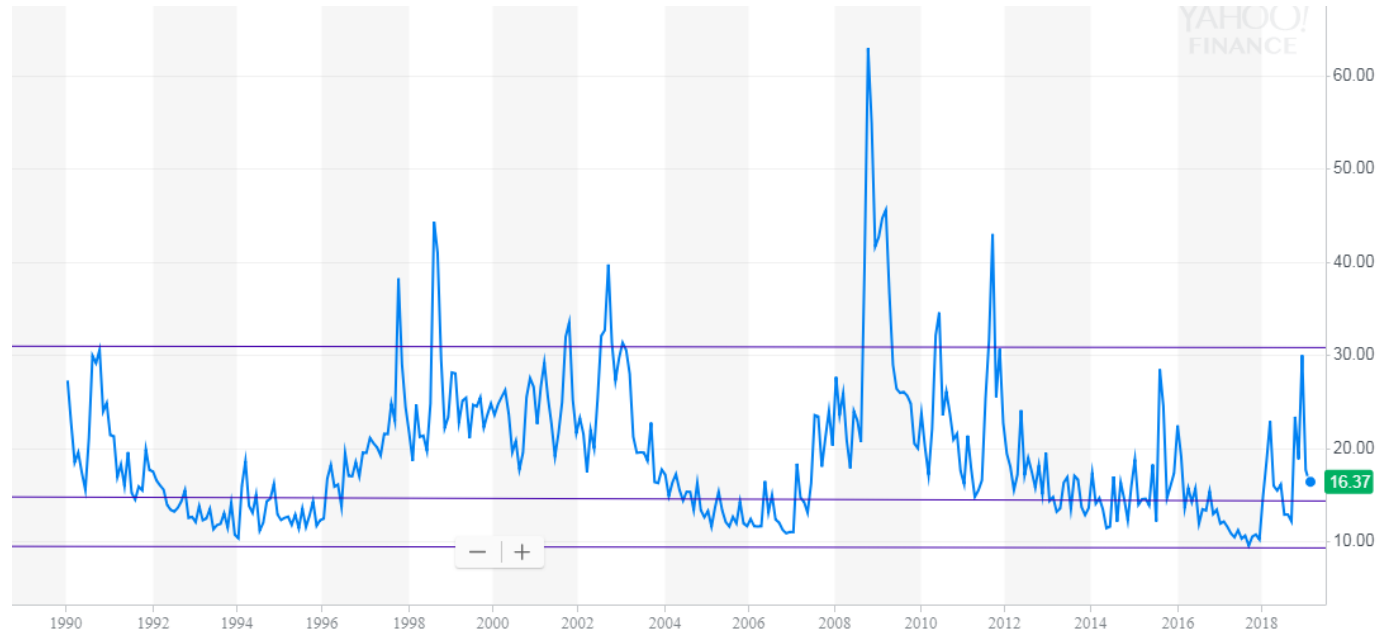
**S&P 500 Index - 90 Year
Historical Chart: Peak to trough
falls > 20%, duration of falls,
time to recover to pre fall levels**

Source:

<http://www.macrotrends.net/2324/sp-500-historical-chart-data>



Markets volatility cycles – ‘stable’ to ‘volatile’ each 5 years (approx)



‘Late cycle’ market conditions- uncertainty: geopolitical, liquidity changes with Central Banks adjusting QE policies and interest rates, macro economic indicators and changes in company earnings expectations.

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Growth, capital secure, capital stable, balance allocations late cycle (higher returns than cash/ fixed interest) particularly in more volatile markets (now and next 5 years; also tail hedge for large gains on big market falls.)

Key Personnel

The senior management team of Gyrostat Capital has extensive experience domestically and globally, as investors, as non-executive directors, and as senior management in funds management, private equity, industry, investment banking, corporate law and equity research.

Craig Racine- Managing Director, Chief Investment Officer
BCom, LLB, MAppFin, PGDip (Int Fin)

Craig Racine has over 25 years experience, at senior executive and directors roles, within finance and business development. He has been an investor for the past 12 years, and is the founder of Gyrostat Capital Management. Previously his senior management experience includes Executive Director at The Asian Infrastructure Trust (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). He has extensive domestic and international experience, having held senior executive positions in private equity, investment banking, equity research and industry. He began his career in the chartered accounting industry. He has held Board positions in multi-national companies in China, India, Indonesia, The Philippines, Pakistan, and globally.

Peter Clifton BE, MBA, MIEAust, MAICD-
Chairman, Board of Directors

Peter Clifton has over 30 years experience, both within Australia and internationally, at senior executive and director roles, primarily in the information technology and telecommunications field. He has advised a wide range of companies including Leightons, KPMG, the Asian Infrastructure Trust (Hong Kong), ING Barings (Hong Kong) and the Victorian Government. He has helped establish a number of start-up companies and was on the Board of the ASX 300 listed company Amcom Telecommunications 1999 - 2015. Previously he has held Board positions in companies in India, Sri Lanka, the Philippines, Saudi Arabia and Poland.

Andrew Smith • B.Ec.
Director and Chairman Compliance Committee

Andrew's business career has focussed on finance and the financial markets in the Asia Pacific and the United Kingdom. Utilising the experience gained in his working career, he now holds a number of non-executive and consulting positions. Andrew is also a non executive Director of Eagle Health Holdings Ltd; Responsible Manager and Chairman of the Project Control Group of Goal Property Group Pty Ltd; and Responsible Manager of Dennis AFSL Pty Ltd.

He was formerly the Managing Director and Chief Executive of the Stockbroking and Corporate Finance group Intersuisse Ltd (now Phillip Capital) between 2000 to 2010. Prior to that, Andrew was Chairman of the Sedgwick Group in the Asia Pacific between 1995 to 2000 and a member of the Group Executive Committee in London. Andrew was also Chairman of XPD Soccer Gear Group Ltd (ASX: XPD) and on the Boards of Elk OrthoBiologics Ltd, Zheng He Global Capital Ltd and on the Board of Advice of Aon Risk Services.

David Barwise • LLB, LLM
Director

David Barwise has over 20 years legal, regulatory and compliance experience within the legal industry in Australia, Europe and Asia (with a focus on managed funds, structured finance, capital markets, banking, asset management and trust and agency services). He was a partner in a leading global law firm for 15 years, a member of its European management board, held a variety of product, client and regional management positions and acted as the relationship partner for a number of global investment and regional banks. He has worked in Australia, London and Singapore. He also holds a variety of post graduate qualifications in law, business, accounting, finance and corporate governance. 9 Gyrostat Downside Protection Australian Equities Fund

Leo Tang, BEng, MSc
Senior Investment Officer

Leo Tang has extensive experience within investment banking, private equity and industry. Previously, he worked as regional analyst in equity research with ING Barings Securities Asia, and in the investment deal team with Asian Infrastructure Fund Advisers, as well as strategic planning specialist with Motorola Asia Pacific. He is skilled in business analysis, financial modelling, and operational management.

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