

ABSOLUTE RETURN INCOME EQUITY FUND

31 Aug 2017

A 'conservative' asset combining protection, returns and regular income

Gyrostat buys and holds ASX 'Blue chip' shares with *lowest cost protection always in place with upside*. With the progression of investment risk management, it is now possible to protect and benefit in changing markets. We have a 7 year track record of delivering our investment objectives.

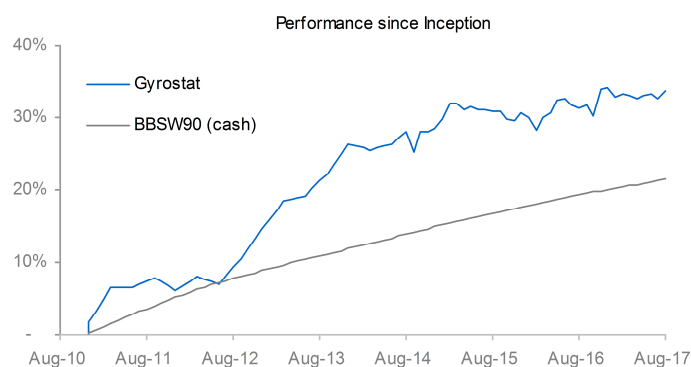
- Investors - Pre and post retirees (sequencing risk), industry associations, intergenerational wealth transfer
- Making money when others don't – capital growth in trending and volatile markets (including down markets)
- Absolute return alternative – stable and rising absolute returns with regular income
- Distinctive risk management – protection always in place with upside

Investment Objectives

- Returns:** 6% - 8% pa in trending markets, greater than 8% pa in volatile markets, short term bond returns in stable markets
- Income:** Minimum **cash rate + 3%** paid semi-annually (currently 4.7% p.a.) from dividends and franking credits
- Protection:** No quarterly NAV draw-downs 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



Financial year	Market type	Period return	Cumulative return *
June 2011	Trending	6.5%	6.5%
June 2012	Stable	0.4%	4.4%
June 2013	Volatile	11.4%	7.1%
June 2014	Trending	6.0%	6.8%
June 2015	Stable	3.8%	6.1%
June 2016	Stable	1.2%	5.2%
June 2017	Stable	0.4%	4.5%

* since inception

Gyrostat compounded returns are net of fees and include franking credits, cash (BBSW90) includes re-investment of interest.

Progression of investment risk management

- Level 1. Asset allocation – income & growth assets
- Level 2. Protection sometimes in place using predictive risk management overlay – growth asset benchmarked to equity index
- Level 3. Protection always in place, the **Gyrostat approach** – stable and rising **absolute** returns with regular income benchmarked to BBSW.

Performance	Total Return	
	Gyrostat	BBSW90
1 Month	0.8%	0.1%
3 Months	0.5%	0.4%
1 Year	1.8%	1.8%
3 Years	1.5%	2.2%
5 Years	4.4%	2.4%
Inception	4.4%	2.9%

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

Commentary

- The Fund NAV at the end of August was **\$0.84415**. The market has continued in a very narrow trading range since May with volatility remaining near historically low levels.
- Throughout the investment cycle the market conditions can be trending, stable or volatile. Our expected returns vary with the stage of the investment cycle. Our distinctive risk management approach with **protection always in place and upside return potential** prefers trending and volatile markets as this provides the opportunity to re-set protection levels and lowers the costs.
- In recent years volatility has been at our near historical low levels. During 2017 we anticipate rising stock market volatility from geopolitical developments and changes to macro economic policies. Our monthly report Gyration details the investment landscape (in pictures) with dates of key upcoming data releases. The Gyration risk model considers the implications of geopolitical, macroeconomic and company valuations on investor risk, with our views incorporated into our investment processes.

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.