Equity Income in Retirement

Stable and rising absolute returns with regular income

An absolute return income equity fund combines **protection**, **returns** and **regular income** through all stages of the investment cycle. These funds:

- hold a diversified portfolio of higher yielding stocks.
- have the lowest cost protection, always in place, at the stock specific level, without capping the upside.
- deliver regular equity income by passing through dividends.

Advances in investment risk management enable cost effective protection to always be in place for a 'hard' defined risk parameter (say no more than 2% capital at risk). Returns are designed to increase as volatility levels increase, as this provides more opportunities to lower protection costs.

It is our view that stock markets have now entered a more volatile phase. This is consistent with historical cycles of approximately 5 years of stable, then 5 years of more volatile market conditions.

Risk managed investing is particularly important during high PE periods/later stage bull markets. Major market falls are a regular and hazardous feature of the investment cycle. We are now in the longest bull market since WW2. Most large correction occur within 8 years, we are now at year 11, the longest on record is 13 years.

Advances in investment risk management enable costs to be minimised:

- Proprietary software systems identify options series with the greatest profit potential for a defined cost, exploiting differing levels of implied volatility in the options market.
- "Active management" by buying or selling options with market movements.

Gyrostat Absolute Return Income Equity Fund

Gyrostat buys and holds ASX 'Blue chip' shares with *lowest cost 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 5.0% p.a.) from dividends and franking credits
- **Protection:** No quarterly NAV draw-downs exceeding 2%; Includes 'tail hedge' for large gains on large market falls

Gyrostat Capital Management Pty Ltd
Suite 402, 566 St Kilda Road Melbourne VIC, Australia 3004 / www.gyrostat.com.au / Tel +61 (3) 9041 0970 Fax +61 (3) 9041 0971