

Frequently asked questions:

Why should I include Gyrostat Absolute Return Income Equity Class A in my portfolio?

Our purpose within your portfolio: A highly defensive global non correlated income fund that reliably increases in value on large market falls (10 YR, max quarterly drawdown < 3%) with returns designed to increase with market volatility. Regular quarterly income is provided during the complete investment cycle.

- Returns increase with volatility (track record)

1 Feb 2020 to 31 March 2020: Gyrostat + 9.1% ASX200 - 26.8%

Address uncertainty through portfolio construction: Gyrostat Capitals investment philosophy is founded on the belief that portfolio construction can reduce undesirable volatility and large negative stocks through including diversified non correlated assets.

What returns can I anticipate from my investment in the Gyrostat Absolute Return Income Equity Fund Class A and how do you explain your recent returns?

We have been disappointed with the Class A returns over the recent period although we note our strong performance over an extended 10-year period and over the suggested investment time horizon of 3-5 years vs the cash rate.

An explanation:-

1. **Protection:** At all times the fund has operated within its pre-defined 'hard risk protection' of no draw-downs to exceed 3%
2. **Our strategy remains unchanged.** We were **unable to implement our strategies** resulting from a major ASX outage to its trade system from 16 November 2020 until 21 December 2020. This was the only period over the past 12 months where there was a significant rally post the USA election results, with other periods range bound trading.

Previously our returns have typically been 4% - 5% in similar market conditions to this. We are awaiting the outcomes of formal ASIC review to determine the legal position for our investors.

**** On 16 November 2020 until 21 December 2020 the ASX suffered a major outage to its ASX Trade system** caused by a software issue identified following a system upgrade relating to the trading of combination orders creating inaccurate market data. The Fund promptly altered its normal trading strategy to prevent losses although this meant that the Fund could not capture as much upside as in previous market rallies.

3. **Falling volatility:** During the past 12 months volatility has fallen significantly. There have been no significant corrections in the Australian market exceeding 5% from peak to trough, an extremely rare occurrence. Historically it has been during these periods that the Class A has generated positive returns.

4. **Outlook:** We anticipate uncertainty and rising volatility going forward stemming from historically high debt levels and valuations. A more detailed analysis on the investment environment is available at:

<https://www.cmgwealth.com/ri/on-my-radar-random-thoughts/>

Despite this, the price of risk has fallen providing opportunities to have a larger downside tail for gains on market falls. Historically our highest returns have arisen after periods of subdued volatility as it spikes.

We are well positioned for strong returns with more volatility conditions.

5. **Keeping Gyrostat accountable:** – factors driving investment performance

The two key factors driving investment returns are the range of the market (from low to high) and the price of risk, with our returns designed to increase the broader the range and with spikes in volatility. Each month our performance reports evaluate our performance based upon these parameters.

Our monthly performance report format from May onwards will provide a more detailed explanation.