

GYROSTAT

CAPITAL MANAGEMENT

Gyrostat Risk Managed Equity Fund

Distinctive thinking: Shares always protected to avoid large losses

Absolute returns (non correlated) and income with protection *always* in place (dynamic hedging)

Web: gyrostat.com.au

Tel: 03 8678 1742

ARSN

651 853 799

Eligibility

Investors who qualify as 'Wholesale Clients'

Responsible
Entity

One Managed Investment Funds Limited
(ACN 117 400 987)

Investment
Manager

Gyrostat Capital Management Advisers Pty Ltd
(ACN 168 737 246)

Gyrostat Risk Managed Equity Fund

AT A GLANCE – Unit Classes A & B

- Absolute return, non correlated with market with protection always in place (through ‘dynamic hedging’ risk management)
- ASX blue chip shares with protection (at stock specific level) for income
- Dynamic hedging risk management – protection always in place adjusted with market moves (not set and forget)
- We aim to provide alpha excess returns and income by avoiding large losses through the complete investment cycle

Gyrostat Absolute Return Income Equity Class A Units – conservative and moderate portfolios

At 31 March: 12 Month + 18.90%; Monthly Volatility 1.59%; Beta -0.09

[Fourth-top performing absolute return fund in Australia 12 M FE Analytics](#)

12 years track record, 50 consecutive quarters no losses exceed pre-defined 3% hard risk parameter

Gyrostat Leveraged Absolute Return Income Equity Class B Units – growth and high growth portfolios

At 31 March: 12 Month + 26.23%; Monthly Volatility 4.14%; Beta -0.33

[Top performing absolute return fund in Australia 12 M FE Analytics](#)

Leveraged version of Class A

- SQM Research 4 stars, Superior, High Investment Grade

Competitive advantage: Risk managed investing - [dynamic hedging](#) – proprietary software systems and processes

Gyrostat Risk Managed Equity Fund

How does Gyrostat compare?

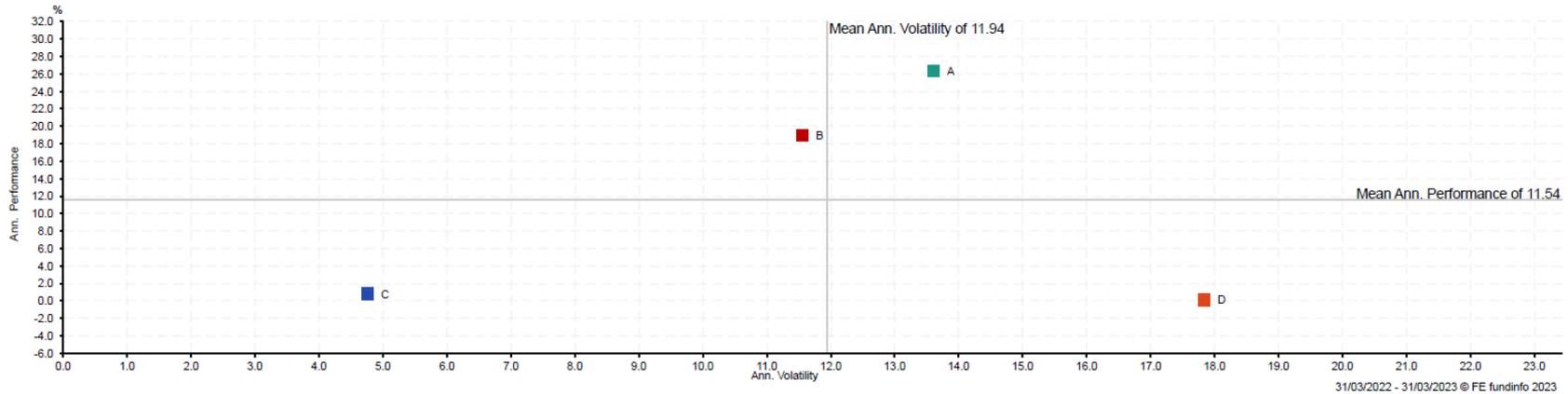
Static Scatter Chart



FE Analytics

13 April 2023

Pricing Spread: Exit-Exit • Currency: Australian Dollars



31/03/2022 - 31/03/2023 © FE fundinfo 2023

Key	Name	Annualised Performance	Annualised Volatility
A	Gyrostat - Leveraged Absolute Return Income Equity Class B ATR in AU	26.30	13.61
B	Gyrostat - Absolute Return Income Equity Class A TR in AU	18.94	11.56
C	AMI Absolute Return TR in AU	0.80	4.76
D	S&P ASX 200 TR in AU	0.10	17.84

Gyrostat Risk Managed Equity Fund

Dynamic hedging non correlated returns

Risk managed investing has **protection** always in place (dynamically managed as per global best practice), **positive returns** in rising and falling markets and designed to increase with market volatility, providing regular **income** through the complete investment cycle.

Gyrostat believes portfolio construction can reduce undesirable volatility and large losses by including diversified non correlated assets.

- Dynamic hedging risk management produces returns that are non correlated with the market
- Established finance theory addresses uncertainty through diversification by adding non correlated assets to the portfolio
- Historical drawdown for equities with traditional balance and diversified portfolio does not protect as well as expected

Outlook

We anticipated strong investment performance during the June 2023 quarter (banking stocks dividend cycle).

We continue to deploy capital to the large cap banking and resource stocks and anticipate changing market conditions with higher volatility will generate returns consistent with our objectives.

Gyrostat Risk Managed Equity Fund

Portfolio construction for capital growth and income whilst hedging equity market risk

Portfolio construction can reduce undesirable volatility and large negative shocks through including diversified non correlated assets.

- Many portfolios are no longer diversified non correlated
- Stock markets are currently 'late cycle' and expensive by most valuation metrics. Most corrections of >30%-50% occur within 6-12 months and typically within an 8 year cycle; we are now at year 13 which is the longest since 1929
- Historical drawdown losses with traditional balanced and diversified portfolios did not protect as well as expected

Further information:

[AFR: Alternative assets that could save your portfolio 20220907](#)

[Mauldineconomics Frontline thoughts- muddling through stagflation](#)

Gyrostat Risk Managed Equity Fund

Gyrostat Absolute Return Income Equity Class - Class A Units

Blue chip shares with protection (through 'dynamic hedging') for investors seeking capital preservation and income distributions.
Address sequencing risk with reliable gains on major market falls

Returns

Returns in rising and falling markets increasing with volatility (including large market falls)

- 12 Mth returns to March 31, 2023: + 18.90%
- Returns have increased with changing markets since January 2022 rising interest rates and geopolitical tensions
- Forward guidance for 2022-23 returns top of range (greater than 8%) – based on continuing market volatility

Income

Generally paid quarterly largely through dividend pass through and risk management overlay profits

- Larger distribution in 4th quarter when 12 Mth returns > 8%

Protection

- 12 years no quarter losses > 3% (pre-defined 'hard' limit)
- Downside tail always in place with strong returns in stock market falls (e.g. February 2020-March 2020; April 2022-June 2022)

Gyrostat Risk Managed Equity Fund

Gyrostat Leveraged Absolute Return Income Equity Class B

Classes B focusses on greater returns and less risk protection.

Returns

Forward guidance to exceed income distribution (BBSW90 + 6%) in all market conditions increasing in changing markets.

➤ 12 Mth Returns to March 31, 2023: +26.23%

Income

Minimum BBSW90 + 6% pa

Protection:

No quarterly downside losses to exceed 6%

Gyrostat Risk Managed Equity Fund

What are the approaches to financial risk management?

What is best practice?

A summary of the risk management approaches is as follows:

- Vary asset allocation between stocks and bonds (diversification)
- Buy underlying asset, write call options (Buy-write income funds)
- Long/short funds (market neutral, 130/30)
- Buy underlying asset, using a predictive approach to sell futures contracts at some times
- Buy underlying assets, buy put options at selected times using predictive approaches
- Buy put options and hold cash (volatility as an asset class)
- Dynamic risk managed protection overlays: buy underlying assets, buy put options (always in place 'hard' risk parameter) – the Gyrostat approach. Protection always in place adjusted with market moves (not set and forget).

Gyrostat has reviewed five global papers on dynamic risk managed protection overlays and two best practice key themes emerge:

- Structure protection between 'core' and 'tail' protection
- Use Dynamic Downside Protection, not buy and hold protection

These best practice key themes are incorporated in our investment methodology for the Fund. See [Risk managed investing - global best practice](#)

Gyrostat Risk Managed Equity Fund

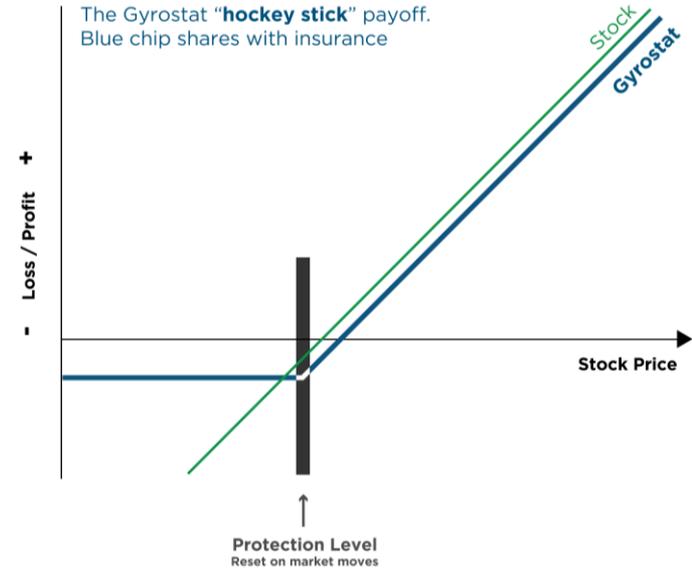
How does Gyrostat construct its Portfolio?

There are 3 steps in our risk management investment approach:

- a. **Buy** stock [approx. 95% capital deployed in stock]
- b. **Set** risk management overlay [approx; 5% capital]
- c. **Re-set** dynamic risk managed overlay with market moves

At any point in time the portfolio holds about 15 “positions”. A “position” is comprised of an exposure to a stock complemented by a derivatives’ overlay. The components of each position are actively traded to keep the derivatives overlay in line with the underlying stock.

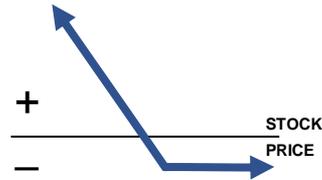
A quantitative/qualitative screening is applied to the eligible securities to determine which are then entered into to support a position. The quantitative/qualitative screens bias the selection to stocks that provide attractive valuations but are unlikely to exhibit a “value” trap. The screens include using forward earnings estimates in a residual income model (fundamentally based) as well as a variety of technical price driven signals (relative market performance, performance over time, resistance levels).



Gyrostat Risk Managed Equity Fund

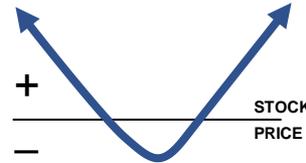
How we make money – ‘position’ payoffs from investment view

Varying the investment recipe between ‘core’ and ‘tail’ protection to adjust risk-return payoff



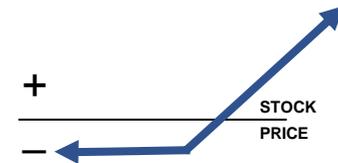
Large falls

- Extra protection options sold
- ‘Conviction’ short option position 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

Stocks are ranked based on fundamental and technical analysis

Stock risk-return profile is re-set to match view

Gyrostat Risk Managed Equity Fund

Competitive advantage – dynamic hedging through proprietary systems

The Fund's distinctive feature is having downside protection, through options hedging, in place at all times.

“Cost effective” protection from:

- Identification of lowest cost alternative for a defined risk (implied volatility alpha)
- Adjust /Re-set risk-return payoffs with market moves (underlying stock/ETF and option markets) – “dynamic hedging”

Proprietary systems have:

- Detailed understanding of the current term structure and volatility smile of options market (enabled by technology - direct interface with the ASX and international exchange options market) – ability to adjust ‘options overlay’ depending upon current term structure and volatility smile of options
- Analyse the data in real time and combine stock with ASX (and international exchange) options to meet class investment objectives
- Strategies to implement throughout the investment cycle and changing conditions in the level of implied volatilities within the options market
 - Bought put options
 - Put option spreads
 - Collars (partial)
 - Bought and written call options
 - Put spread collars (partial)

Gyrostat Risk Managed Equity Fund

Suitable wholesale investors

- Seeking capital preservation and income distributions, such as pre and post retirees; family offices
- Class A: Lower and moderate risk 'model' portfolios –asset consultants and dealer groups
- Class B: Growth and higher growth 'model' portfolios – asset consultants and dealer groups
- Wholesale platform availability: Netwealth, Praemium, Mason Stevens
- Accounting practices with own AFSL
- Managed Discretionary Account advisers
- Philanthropic investors: cash rebates directly to your designated charity
- Self directed investors including SMSF

The Fund is offered under Product Disclosure Statement dated 20 October 2022. The Fund became a registered scheme on 20 July 2021.

Gyrostat Risk Managed Equity Fund

To summarise

- Portfolio construction to address uncertainty and avoid regret
- Absolute return, non correlated with market with protection always in place (through 'dynamic hedging' risk management)
- Alpha excess returns by avoiding large losses through the complete investment cycle
- Alpha opportunities ongoing from greater market uncertainty and volatility

**SQM Research has awarded the Gyrostat Risk Managed Equity Fund (Class A & B) 4 stars
- Superior, Suitable for inclusion on most APLs, High Investment Grade**

Gyrostat Risk Managed Equity Fund

Who is in the Gyrostat team and what is their background?

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

The organisation has been very stable:

- Craig Racine and Leo Tang from inception – December 2010
- Peter Clifton and Andrew Smith from 2014
- David Barwise from 2018
- Peter Keating from 2021

Key skills are as follows:

Craig Racine: Investment, business development
Leo Tang: Investment, systems, IT
Peter Keating: Investment operations, finance
Peter Clifton: Governance, strategy
Andrew Smith: Compliance, strategy
David Barwise: Legal, compliance

Further personnel information on next slide

The responsible entity for the Gyrostat Risk Managed Equity Fund (ARSN 651 853 799) (Fund) is One Managed Investment Funds Limited ACN 117 400 987 AFSL 297042 (OMIFL). The investment manager for the Fund is Gyrostat Capital Management Advisers Pty Ltd (ACN 168 737 246), a duly authorised representative of Gyrostat Capital Management Pty Ltd (ACN 138 219 002) (GCM).

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