

INVESTMENT REVIEW

June, 2019

**GYROSTAT ABSOLUTE RETURN INCOME
EQUITY FUND**

Prepared by

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This investment report has been prepared by McGregor Asset Consulting Pty Ltd for the Filtered Research Committee of the Association of Independently Owned Financial Professionals

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Disclosure of Interest

McGregor Asset Consulting Pty Ltd (ABN 77 136 057 415) nor any of its directors have any financial interest in the Gyrostat Absolute Return Income Equity Fund nor in any persons or companies associated with the project. The reader of this report should read it in its entirety.

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Gyrostat Capital Management Pty Ltd

Fund reviewed: Gyrostat Absolute Return Income Equity Fund

Report: June 2019

McGregor Asset Consulting Opinion:

Corporate Strength	1	2	3	4	5
People	1	2	3	4	5
Investment Process	1	2	3	4	5
Performance and Risk	1	2	3	4	5
Product Features	1	2	3	4	5
McGregor Rating*	1	2	3	4	5

* Definitions for McGregor Asset Consulting Ratings can be found in Appendix 3 of the report

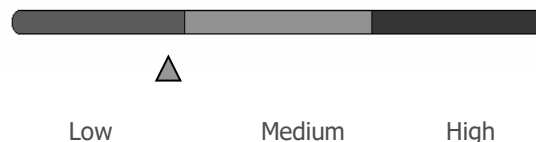
McGregor Asset Consulting has issued the Gyrostat Absolute Return Income Equity Fund (Fund) a rating of 3, indicating that it believes the manager can meet its investment objectives over the recommended investment horizon of three years or more.

Risk Profile – Gyrostat Absolute Return Income Equity Fund:

Risk to capital



Risk relative to peers



Overview:

McGregor Asset Consulting has developed a solid level of confidence in the manager's ability to successfully execute on their investment strategy. They have a long history, spanning more than 8 years, and have performed as expected during the various market conditions, in particular volatile markets, where the Fund has protected capital and delivered solid absolute returns. This is the environment where the Fund is expected to perform, and has been the case, providing diversification benefits to long-only equity funds.

Key strengths identified during the research review include:

Absolute return income equity fund:

The Fund is a relatively unique offering in the Australian market. It is an alternative fund with absolute return and capital protection qualities. The Fund seeks to provide a solution for a low interest rate environment and major market corrections. There are three main features of the Fund, namely regular income, returns increase with volatility, and protection always being in place.

The Fund buys and holds high yielding, highly liquid companies and then actively manages options over these securities to manage risk and generate income. Typically, the manager buys the largest 20 Australian listed companies and then uses an option strategy overlay to set the amount of protection in place so they participate in the upside with minimal risk. Protection is always in place with a 'hard' limit set at no more than - 3% of capital being lost in a quarter. This protection is re-set as the market moves. That is, if the share price rises then the protection level is increased, while if the share price falls the protection level is reduced.

The Fund has a low correlation with the Australian equity market and is likely to deliver solid absolute returns during volatility markets, such as when equity markets are in 'late cycle' stage. To our knowledge, there are no other conservative funds available in Australia with 'hard' protection always in place and more than an 8 year track record of no quarterly NAV drawdowns exceeding -3%, regular equity income, and demonstrated returns increasing with volatility levels (with tail hedge in place for large gains on large market falls).

Investment teams knowledge in options trading strategies:

The investment team is small however their knowledge and understanding of the options market and option trading strategies is of a high standard. Craig Racine, Managing Director and Chief Investment Officer, and Leo Tang, Senior Investment Officer, are very experienced at applying option overlay strategies and have a long-term proven track record. Both Craig and Leo are specialists in trading options and have worked together successfully for over 25 years. Therefore, stability is high, with the likelihood of either one departing in the short-to-medium term being low given their equity ownership.

In particular, McGregor Asset Consulting rates Craig highly and believes his understanding of the options market provides a competitive advantage when compared to many peers. Both Craig and Leo have approximately 30 years of industry experience and have built and implemented the investment process. However, the investment team is small with Leo situated offshore. Additional resources domestically to support Craig would be well received by the market.

Proven investment process and strong risk management culture:

Gyrostat's investment process is robust with a strong risk management culture. The manager purchases high yielding, highly liquid securities, namely the ASX largest 20 companies (or 'blue chip' companies) and holds these securities while applying options overlay strategies over them to protect the portfolio from drawdowns. Protection is always in place with the manager seeking to exploit differing levels of 'implied volatility' in the options market at the lowest cost, while also seeking to add value. As mentioned above, a 'hard' defined risk parameter of no more than a -3% drawdown per quarter has been set.

The cost of this downside protection is typically funded by the most recent dividend or returns generated from trading options or selling 'call' options. The underlying stocks are typically not sold but held for the yield, where the manager seeks to provide investors with a reliable and minimum cash rate of BBSW 90-day interest rate plus 3% per annum from dividends and franking credits. The manager's investment process has three distinct stages, namely:

- 1. Stock selection;**
- 2. Options overlay strategy; and**
- 3. Ongoing re-setting of the protection level on market movements.**

The Fund is an alternatives product with absolute return qualities. Its correlation with the Australian equity market is low, averaging 0.3 while its performance has been particularly effective in delivering strong absolute returns during volatile and falling equity markets. The manager has a long-term proven track record of more than eight years at implementing their investment process and has been relatively consistent in meeting investor expectations during various market conditions. McGregor Asset Consulting has gained a high level of confidence in the manager's investment process and the ability of the investment team to execute their option strategies to meet their performance, income and risk objectives.

Strong alignment of interest with investors:

Gyrostat is a privately-owned boutique funds management business that is owned by employees. Craig Racine founded the business and is a major shareholder. This establishes a strong alignment of interest between the portfolio manager and investors in the Fund. In addition, all executive members are shareholders, with the investment team having invested their own capital into the Fund. This further strengthens the alignment of interest with investors. McGregor Asset Consulting believes this ownership structure, where the investment team owns equity is industry best practice.

Long-term proven track record:

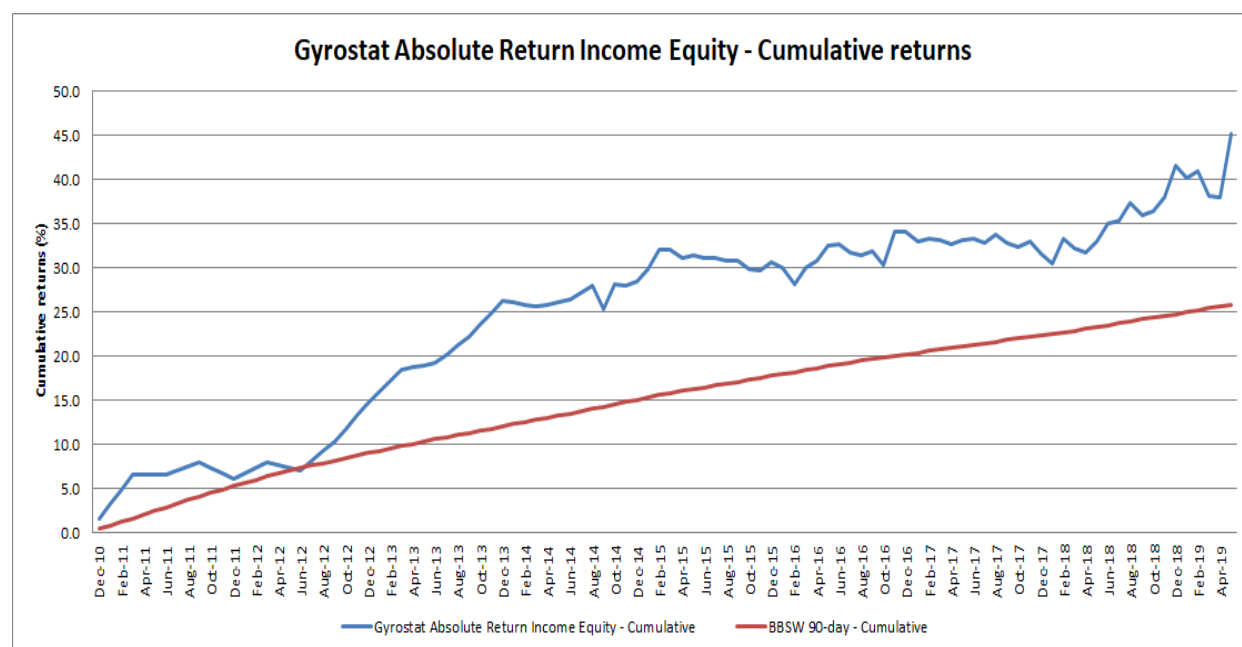
The Fund has over eight years of actual performance history, and has delivered 4.5% per annum since inception. The Fund has multiple objectives, namely no quarterly drawdowns exceeding -3%, distributions greater than BBSW

90-day interest rate plus 3% (including dividends and franking credits) and returns of 6%-8% in trending markets, greater than 8% in volatile markets and short-term bond returns in stable markets.

Since inception, the Fund has not delivered a quarterly return less than their 'hard' limit of -3%. This provides confidence in the manager's investment process and ability to execute on their strategy. The manager has also successfully provided a reliable income stream that broadly has been in-line or greater than their objective, delivering an annual income stream, including franking credits, that ranged between 1.8% and 12.3%. The majority of these annual income returns have been greater than 5.0%.

The final objective is to deliver certain return outcomes during various market conditions. These return targets have generally been met with the Fund delivering strong returns in volatile markets, sound returns of around 6% in trending markets and cash like returns in stable markets, where volatility was low. The delivery of solid absolute returns when markets become volatile and long-only equity funds are being sold-down is an attractive feature of the Fund for diversification and blending purposes.

McGregor Asset Consulting believes the manager has a solid history of delivering returns as expected during various market conditions. Capital is always protected, with drawdowns set at -3% while the Fund has a good track record of delivering positive annual returns to investors. The average annual return since inception has been 3.7% while the average 3-year return is 3.6% per annum. These returns have been delivered during a long period where markets have predominantly been stable, with odd bouts of volatility, caused by unprecedented levels of central bank intervention. Below is a chart of the Fund's cumulative returns relative to the BBSW 90-day interest rate since inception:



Specialist boutique investment manager:

Gyrostat is a privately-owned, specialist boutique income equities business that is fully owned by its employees. Boutique fund management businesses that have investment staff as majority shareholders and key business decision makers tend to be highly motivated to succeed on behalf of investors, and usually have higher levels of employee stability within their businesses.

Key risks identified during the research review include:

Key man risk:

McGregor Asset Consulting believes key man risk surrounding founding principal, Craig Racine to be high and his departure would be a major setback for the Fund, and the business. There is a strong focus on the knowledge and experience of Craig, who cannot be easily replaced. Craig was instrumental in building and implementing the investment process and is the key decision maker on all matters relating to the Fund.

Craig is supported by Leo Tang, who is also experienced in option trading strategies, but it is Craig who drives the decision making and investment process. Leo is also situated offshore in Hong Kong, which is not ideal. However,

the likelihood of Craig departing over the short-to-medium term is low due to his equity ownership and motivation for the business to become successful.

Corporate strength and profitability:

Gyrostat has approximately \$12 million in total funds under management and is currently not profitable. It is estimated that breakeven for the business is approximately \$30 - \$40 million, excluding any performance fees. Therefore, the business is drawing on working capital from shareholders, who are high net wealth individuals, to remain financially viable. McGregor Asset Consulting believes the risks surrounding the long-term viability of Gyrostat are high although the manager does have a strategic path to profitability over the near term.

Gyrostat has recently engaged new distribution firms to help raise capital and is actively working with researchers' so that the Fund may be added to retail platforms. At present the Fund is only available to sophisticated investors via an Information Memorandum, although the manager is currently in the process of having a Product Disclosure Statement created for the retail market.

However, if unsuccessful in raising new capital then investors need to be mindful that there is always a risk that the business decides to wind-up the Fund and return capital. McGregor Asset Consulting sees it as a high priority for the business to raise capital and become profitable as soon as possible. The expansion into the retail market is considered a positive move as retail funds tends to be more 'sticky', with higher margins.

Limited investment team resources:

The size of the overall investment team, which comprises two full-time members, is small compared to peers. Even though the investment team outsources non-investment functions such as administration, so that they can focus more on managing the assets, having a small team places them at a disadvantage to those larger managers with greater resources.

Fees:

The Fund charges 1.0% (excluding GST net of reduced input tax credits) per annum in management costs and a capped expense recovery of 0.5% per annum in operating expenses, which are payable monthly in arrears. A performance fee of 15% (including GST, net of reduced input tax credits) is also charged on Fund performance, after the payment of management and recovery costs, where the performance during the quarter (to 31 March, 30 June, 30 September and 31 December) increases by more than the hurdle rate, subject to a high watermark.

The performance fee accrues monthly and is payable within 30 days of the end of each calendar quarter. Only once the units have increased in value and made up the under-performance from previous quarters (i.e. exceeded the high watermark), and performance is in excess of the hurdle rate, will a performance fee be paid at the end of the calendar quarter. The hurdle rate for the Fund is the Bank Bill Swap Rate 90-day interest rate plus 3.0% per annum.

When a performance fee is paid it is calculated by multiplying the increase in the NAV of units, before accrued performance fees and distributions, that is in excess of the high watermark for each individual subscription during the calendar quarter, subject to this increase being in excess of the hurdle rate. That is, the total performance fee is calculated and accrues each month based on the performance of individual units (i.e. the performance fee may be different for different investors as the hurdle rate will be applied to the issue price of each issue of units, which are likely to be issued at different prices from month-to-month. If an investor redeems before the performance fee is paid, the withdrawal price will take into account any accrued performance fees.

McGregor Asset Consulting views favourably how performance fees are determined on an individual client basis and believes this to be the fair approach. In particular, the use of a high watermark combined with a hurdle rate that is absolute in nature for performance fee calculation purposes is an additional strength of the offering as it ensures investors only pay performance fees when their investment returns are positive and above that of BBSW 90-day interest rate plus 3.0% per annum.

Overall, the fees charged by the manager are reasonable, although the charging of a performance fee does have the potential to make the Fund expensive during various periods.

Using the Fund:

The Fund is an absolute return/alternative product with defensive characteristics where protection, through the use of options, is always in place to a specified absolute risk parameter. The absolute risk parameter set by the manager is that no more than -3% of capital is at risk per quarter. The manager buys and holds high yielding blue chip stocks, typically ASX 20 stocks, while actively managing options over these stocks to mitigate risk.

The objective is that risk is controlled so that stable returns combined with a regular and reliable income stream is provided over the medium-to-long term. More specifically, the manager seeks to provide investors an income

return of BBSW 90-day interest rate plus 3% per annum from dividends and franking credits, irrespective of market movements over rolling three-year periods, after fees and expenses.

The strategy is expected to deliver solid absolute returns when markets are volatile and the outlook is less certain, while in stable markets, investors can expect short-term bond like returns. In particular, the Fund is designed to generate strong returns in changing markets. Therefore, the Fund is suitable for inclusion within a client's defensive-alternatives component of their portfolio and should be used as a hedge against funds with an exposure to long-only equity markets.

The Fund's absolute return characteristics where protection of capital is in place at all times, is likely to be particularly effective late in the equity market cycle. The Fund is also a source of reliable and stable income and is suitable for pension clients dependent on a regular income stream.

Furthermore, the defensive and absolute return characteristics make the Fund also suitable as a stand-alone offering for investors in a low interest rate environment. For these reasons, the Fund is considered suitable for low-to-medium risk profile investors with a three-year or more investment time horizon.



Key features:

Fund inception date	30 th November 2010
Investment structure	Australian Open Ended Unit Trust
Trustee	Gyrostat Capital Management Pty Ltd
Fund type	Alternative – Protected Income Equity
Custodian	One Managed Investment Funds Limited
Investment horizon	Medium-to-Long term (> 12 months)
Size	Approximately \$12 million
Unit pricing frequency	Monthly
Distribution frequency	Bi-annually at 30 June & 31 December
Withdrawals	Investors must remain invested for at least 6 months for each subscription. After the 6 month period has expired, investors can withdraw on a monthly basis.
Minimum initial investment	\$50,000
Buy/sell spread	+0.15% /- 0.15%
Total management cost	1.0% p.a. (excluding GST net of reduced input tax credits) of the NAV of the Fund paid monthly in arrears
Performance fee	15% (including GST net of reduced input tax credits) of the increase in the NAV above the hurdle rate calculated and accrued monthly, payable quarterly, subject to high water mark.
Hurdle rate/benchmark	BBSW 90-day interest rate + 3.0% p.a.
Recoverable expenses	The Fund will be charged an expense recovery fee to cover all usual Fund expenses, to be capped at 0.5% pa of the NAV of the Fund (inclusive of GST net of RITC).
Investment approach	Active options management over ASX top 20 stocks
Investment style	Absolute return – Protected Income Equity
Investment objectives	Returns: 6% -8% in trending markets, greater than 8% in changing markets, short term bond returns in stable markets Income: Minimum cash rate BBSW 90 days interest rate + 3% from dividends and franking credits paid semi annually Protection: No quarterly NAV drawdowns exceeding -3%
Cash limit	0 - 10%
Risk profile	Low-to-medium

Corporate strength

Company structure & profitability:

Gyrostat Capital Management Pty Ltd and Gyrostat Capital Management Advisers Pty Ltd (Gyrostat) are respectively Trustee and Investment Manager of the Fund. Gyrostat Capital Management Advisers Pty Ltd is a wholly owned subsidiary of Gyrostat Capital Management Pty Ltd. Gyrostat Capital Management Pty Ltd is the Australian Financial Services License holder for the business (AFSL Number 452917).

Gyrostat is an Australian boutique absolute return fund manager that provides a protected equities income offering to investors. The business was established in November 2010 by Craig Racine, who currently is the Managing Director and Chief Investment Officer for the Fund. Gyrostat has traditionally provided investment solutions for high net worth individuals and family offices, and is now seeking to expand their offering and make it available to retail investors.

Gyrostat is an independent privately-owned company, with the senior management team consisting of Craig Racine, Andrew Smith and Leo Tang, with Chairman of the Board, Peter Clifton. Gyrostat's senior management team are all shareholders of the business, with Craig being the largest shareholder. McGregor Asset Consulting is supportive of equity being distributed amongst senior members of the business as it improves motivation and the likelihood of them remaining at the organisation.

The Board at Gyrostat comprises four directors and is the primary governance body. The Board's composition is as follows:

- Peter Clifton – Chair and Non-Executive Director;
- Craig Racine – Managing Director and Chief Investment Officer;
- Andrew Smith – Compliance Committee Chair; and
- David Barwise – Director.

The Board sets investment, compliance, risk and operational policies and formally meets every two months or more often if required. The Board also has two formally constituted committees, namely Compliance and Risk Committee and an Investment Committee. Both committees are 'working' committees and report to the Board at each meeting. The directors on the Board are all experienced professionals with diverse backgrounds across funds management, private equity, investment banking and equity research.

Profitability

Gyrostat has approximately \$12 million in total funds under management and is currently not profitable. It is estimated that breakeven for the business is approximately \$30 - \$40 million, excluding any performance fees. Therefore, the business is drawing on working capital from shareholders, who are high net wealth individuals, to remain financially viable. McGregor Asset Consulting believes the risks surrounding the long-term viability of Gyrostat are high although the manager does have a path to profitability over the near term.

Gyrostat recently engaged new distribution firms to help raise capital and is actively working with researchers'. The Fund is currently an Information Memorandum offering that targets high net wealth individuals and family offices. The intention is to make the Fund available to retail investors as well through a Product Disclosure Statement (PDS), and having it approved on several platforms, so that it is easily accessible by retail investors. Historically, Craig Racine has also been responsible for distribution and marketing. This function is now expected to be outsourced to specialist distributors, which is viewed positively by McGregor Asset Consulting.

However, if unsuccessful in raising new capital then investors need to be mindful that there is always a risk that the business decides to wind-up the Fund and return capital. Therefore, McGregor Asset Consulting sees it a high priority for the business to raise capital so they become profitable as soon as possible. The expansion into the retail market is a positive move as retail money tends to be more 'sticky', with higher margins. It also creates a more diverse client base, which reduces business risk that tends to occur when a business has only a few large clients.

Strategic planning:

Gyrostat intends on distributing their strategy to the retail, high net wealth and wholesale markets. As a business, Gyrostat aims to:

- grow FUM over the short-to-medium term;
- diversify, as appropriate:
 - the distribution channels through which the Fund is distributed;
 - the range of clients served; and

- become profitable and maintain profitability at the firm.

To grow assets under management, Gyrostat is in the process of expanding its Fund offering to include retail investors and making it available via various platforms. This is in addition to their existing strategy of targeting high net wealth individuals, family offices and wholesale investors. Currently, the Fund is an unregistered managed investment scheme that is offered via an Information Memorandum, which is only available to sophisticated investors.

Gyrostat is likely to rely significantly on their third party distributors to pursue the aims stated above, particularly through their sales and distribution effort. In turn, Gyrostat pursues its fundamental goal which is focused on the delivery of investment performance in respect of client portfolios. McGregor Asset Consulting believes it is important for Gyrostat to form a strong relationship with quality distributors who have a proven track record of raising capital so that they can become profitable.

Overall, Gyrostat has a strategy and pathway to becoming financially viable and is currently in negotiations for pre-commitments to seed their retail feeder fund. The move into the retail segment of the market is viewed positively as it will also reduce client risk. The appointment of third party distributors, who specialise in relationships, marketing and raising capital, makes good business sense. It also allows the relatively small investment team to be able to focus more on managing the assets. This is highly important, as the Fund's performance track record is critical to the success of the business.

Resources and investment related service providers:

As with most boutique funds management business, Gyrostat outsources most of the non-investment activities to specialist third party service providers. This is a logical approach given their small size and limited resources. Gyrostat Capital Management is the Trustee and is ultimately responsible for ensuring compliance with the law and with the conditions of its AFS licence, even where activities are outsourced to third parties.

Any substantial functions outsourced to third party service providers are governed by formal arms-length binding legal arrangements. Gyrostat monitors the effectiveness of their service providers via formal monthly meetings of the Compliance and Risk Management Committee, although there are daily, weekly compliance activities as well. Any identified performance issues with service providers or actions required are documented and reported to the Board.

McGregor Asset Consulting believes Gyrostat is adequately resourced to monitor and conduct their operational duties, although would like to see additional operational staff appointed once the business becomes profitable. The manager has indicated that appointing additional operational resources is their intention, and that they already have candidates identified. Having specialist operations staff dedicated to the role would improve the likelihood of identifying any issues, and would free-up more time for the investment staff to focus on managing the assets.

The external third party service providers are well known in the industry. One Managed Investment Funds Limited (ABN 47 117 400 987, AFSL 297042) is the custodian for the Fund. Established in 2009, One Managed Investment Funds (OMIF) is an independent Australian funds management business specialising in responsible entity, trustee, corporate trust and custody services, as well as fund administration, registry and corporate secretarial services. They specialise in providing services to hedge funds, such as the Gyrostat Absolute Return Income Equity Fund, and have in excess of 70 staff.

Listed below are the services outsourced to third party service providers by Gyrostat:

- | | |
|-------------------------------------|-------------------------------|
| • Custodian: | One Managed Investment Funds; |
| • Legal Advisors: | Hall & Wilcox; |
| • Accountants/Administrator: | Lowe Lippmann; and |
| • Auditors: | RSM. |

Gyrostat publishes unit pricing and subscriptions/redemptions at month-end. To ensure performance derived from the unit price matches their expectation, month-end unit prices are independently verified by the accountants at Lowe Lippmann, and subject to audit by RSM. McGregor Asset Consulting is comfortable with this checking and verification process, in particular the signoff from accountants and auditors who are independent from the organisation. This independence verification gives confidence that a robust risk management and monitoring framework is in place.

In addition, all management and performance fees are third-party verified (both Lowe Lippmann and RSM in audit), and payable by the custodian, One Investment Group only with third-party supporting documentation. Month-end pricing is not industry best practice for a highly liquid offering, although it is done to reduce costs and administrative

ease. However, given everything is liquid Gyrostat does maintain daily pricing, with history available over the past four years.

It has been indicated that once Gyrostat moves into the partner/platform space they will look to provide daily pricing, which is verified by the Australian Stock Exchange Statements of valuation that is sent to them close of business every day (and also available in real time intra-day). A move to daily pricing and transactions would be a positive move and well received by the market.

People

Details and experience of investment team:

Gyrostat's investment team comprises two full-time investment professionals, with both members having approximately thirty years of investment and industry experience. Craig Racine is the Managing Director and Chief investment Officer of Gyrostat and is the key man responsible for the Fund meeting its investment objectives. Craig is supported by Leo Tang, who is also an experienced investor. Craig and Leo are both responsible for the day-to-day management and oversight of the Fund.

An Investment Committee has been created within Gyrostat, which formally meets weekly to review the Fund's performance, stock and cash allocations, and overall strategy. The Investment Committee has a charter from the Board to make investment decisions within the risk parameters set by the Board. This Investment Committee comprises three members, namely Craig Racine, Leo Tang and Peter Clifton.

The Investment Committee reviews a Performance Investment Report each day, with any issues arising out of this report discussed and addressed. The Committee is responsible for developing investment strategy, setting investment parameters, performing due diligence and on-going monitoring. However, the Investment Committee relies largely on analysis conducted by either Craig or Leo to make strategic decisions, with any final investment decisions made by Craig Racine, as Chief Investment Officer.

Craig and Leo are responsible for stock selection; options overlay strategy and the on-going management and implementation of the Fund. They are quality investors with a high level of experience in managing and implementing options strategies. The management of options strategies is their core expertise and likely source of added value for investors.

McGregor Asset Consulting considers them specialists in understanding the options market and the various strategies that can be implemented. It is these skills that provide them with a key competitive advantage when compared to peers, in particular when compared those managers who focus mainly on adding value through fundamental analysis of long-only securities and then overlay these securities with options to reduce the downside risk. Gyrostat's management and implementation of option strategies to add value is their core focus.

Craig Racine founded Gyrostat in 2010 and is responsible for portfolio construction and investment strategy. Craig has over 30 years' experience in the financial industry, where he has held a number of senior executive roles based in Australia and Hong Kong, within asset management, private equity, investment banking, and equity research. He has a long-term proven track record and is critical to the success of the Fund, and the business.

Whilst in Hong Kong, Craig's senior management experience included Executive Director at The Asian Infrastructure Trust (Hong Kong) with lead investors being International Finance Corporation, Asian Development Bank, Soros Funds Management, Frank Russell Investments, and AMP Capital. During that time he held Board positions in multi-national companies in China (China Unicom), India, Indonesia, Philippines, and Pakistan. Craig was also a Managing Director and Head of Sector Research at ING Barings (Asia) and Peregrine Investment Bank. Upon returning to Australia, Craig founded boutique asset management firm, Gyrostat Capital Management.

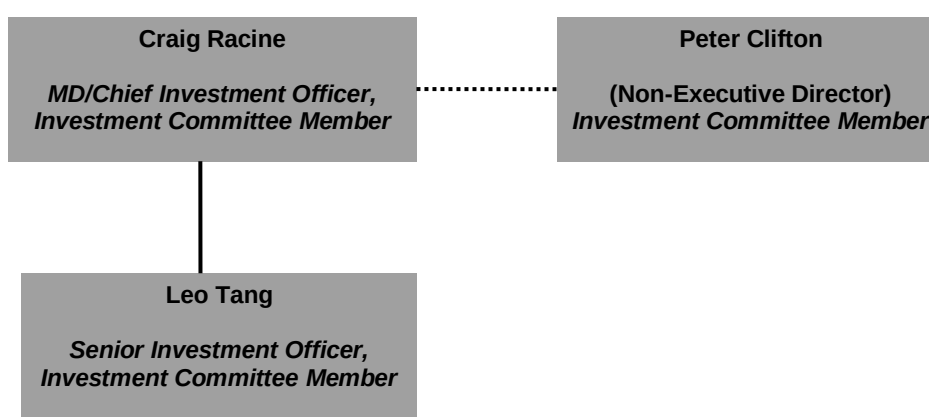
Craig is supported by Leo Tang, Senior Investment Officer. Leo is also an experienced investor within the options market and has extensive experience in investment banking and private equity. He has over 29 years' industry experience and has previously worked as a regional analyst in equity research 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 particularly skilled in business analysis, financial modelling, and operational management.

Listed below are the Investment Committee members, their position and experience:

Name	Position	Years at Gyrostat	Industry/Investment Experience
Craig Racine	Managing Director & Chief Investment Officer, Investment Committee Member	9 years	30 years
Leo Tang	Senior Investment Officer, Investment Committee Member	6 years	29 years
Peter Clifton	Investment Committee Member	6 years	42 years

Team structure and stability of the investment team:

The diagram below outlines the investment team/Committee structure and reporting lines:



Gyrostat utilises an Investment Committee structure to manage the Fund. Craig Racine Chairs the Investment Committee, with other members of the Committee being Peter Clifton and Leo Tang. The Investment Committee meets formally on a weekly basis but also meets on an ad-hoc basis, if required. As both Chair and Chief Investment Officer, Craig Racine signs-off on all decisions and is ultimately responsible for the Fund meeting its investment objectives. The Investment Committee structure ensures there is greater collaboration, debate and knowledge sharing amongst Committee members.

The day-to-day management of the Fund is performed by Craig and Leo, who are both permitted to place trades. However, stock selection, options overlay strategy, portfolio construction and implementation rests with Craig, while Leo provides back-up. The investment team is however small compared to many peers although their predominantly more passive stock selection approach combined with their proprietary system, which has automation and live data feeds, makes the active options overlay component manageable with there being only two members.

In addition, the manager has successfully managed the Fund for more than eight years with the current resources and is looking to increase their resources once the business becomes profitable. However, Leo Tang is situated off-shore, which is not ideal but manageable. McGregor Asset Consulting would prefer a domestic based analyst were appointed to support Craig, as soon as the business becomes profitable. This would reduce the amount of Craig's time spent on administration and operational tasks and allow him to focus more on managing the assets.

Stability amongst senior investment members is another important feature of the manager, with there being no staff departures since commencement. Craig and Leo have known and worked together for more than 25 years, in both past and present companies, and clearly work well together. This reduces the likelihood of Leo departing, while his level of experience and system/operational knowledge enables him to debate and challenge ideas. Leo is also an equity holder in the business and was involved in building their proprietary system and investment process. This further reduces the likelihood of him departing in the short-to-medium term.

The likelihood of Craig departing in the short-to-medium term is also low. Craig founded the business and has been the key person responsible for building and implementing the investment process. Craig's knowledge and understanding of the options market and strategies is strong and he is supported by Leo, who also has considerable experience in trading options. Their combined experience and depth of understanding of option markets and various trading strategies is a key competitive advantage when compared to other like funds. McGregor Asset Consulting

rates them highly and importantly, there is a strong alignment of interest between the investment team and investors in the Fund.

Succession planning:

Gyrostat operates under a flat organisational structure with Investment Committee members contributing to investment decisions and portfolio construction through their weekly meetings. This model has been deliberately adopted to ensure there is a collaborative effort, and avoid a hierarchical structure. However, Craig Racine is the final decision maker, with Leo Tang acting as back-up.

Whilst an Investment Committee structure has a relatively flat structure, McGregor Asset Consulting believes key man risk surrounding founding principal, Craig is high and his departure would be a major setback for the Fund, and the business. There is also a strong focus on the knowledge and experience of Craig, who cannot be easily replaced. However, the likelihood of Craig departing over the short-to-medium term is low due to his equity ownership and motivation for the business to become successful. Only recently has the business begun to obtain greater market exposure and traction with potential investors.

The compensation package for Craig and Leo includes two components, as follows:

- Base salary; and
- Equity participation.

McGregor Asset Consulting believes this compensation package is adequate, as the equity ownership ensures members remain motivated to remain and become successful. In addition, the investment team and key executives are significant investors in the Fund itself, which further strengthens the alignment of interest with investors.

Appendix 1 contains further details of the Gyrostat team members, their experience and responsibilities.

Location of team:

Gyrostat's offices are situated in Melbourne.



Investment process and research

Investment objective:

The Fund has multiple objectives although its primary objective is to provide a reliable and stable income stream with capital protection always in place so that there is no quarterly drawdown that exceeds -3%. Below are the formal objectives stated within the Fund's investment mandate:

Returns:	6% - 8% in trending markets, greater than 8% in changing markets, short term bond returns in stable markets;
Income:	Minimum cash rate BBSW 90-day interest rate + 3% per annum from dividends and franking credits paid semi-annually; and
Protection:	No quarterly Net Asset Value drawdowns exceeding -3%

The Fund is an alternative, absolute return fund with the objective of delivering positive returns, irrespective of Australian equity market movements.

Investment philosophy and style:

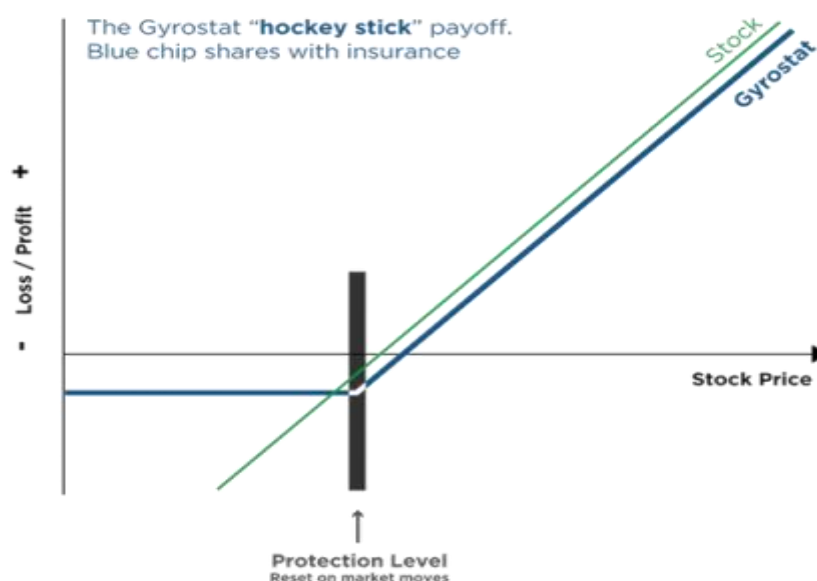
The manager's investment philosophy is founded on the belief that conventional portfolio design that seeks to generate income and/or capital growth is prone to undesirable volatility and large negative shocks. The manager aims to mitigate and control this volatility, while achieving stable returns with regular income streams over the medium-to-long term.

In designing the Fund, Gyrostat seeks to provide solutions for a low interest rate environment and major market corrections. Their objective is to deliver a regular and stable income stream with capital security, in particular in an environment where equity markets are in a 'late cycle' stage, and there is an elevated risk of a correction. The solution is to buy equities that are always protected to a defined 'hard' risk tolerance.

Gyrostat believes there are three fundamental elements to achieving an optimal portfolio for absolute return investing, namely:

- Buy and hold 'blue chip' shares with protection on the Australian Stock Exchange (ASX);
- Set the amount of protection to always participate in the upside with minimal capital at risk; and
- Re-set the protection level on market moves - if the share price rises then increase the protection level, while on falls reduce the protection level.

Below is a diagram, referred to as a 'hockey stick' that illustrates the payoff at all times on a share price that can be achieved by moving the protection level on market moves:



The Fund buys and holds 'blue chip' stocks listed on the ASX, namely the ASX top 20 companies and simultaneously enters the ASX options market to hedge this risk to a 'hard' risk parameter so that there is no capital losses that exceed -3% in a quarter. Furthermore, leverage is not used by the manager to achieve their objectives.

The Fund's style is an actively managed Australian equity income product with downside protection and a stable income target. It is an absolute return offering with defensive characteristics, making it reside within the alternatives-defensive category. Furthermore, the manager seeks to provide investors with an income stream of BBSW 90-day interest rate plus 3% per annum using a portfolio of high yielding equities to capture dividends and associated franking credits together with a continuously managed downside protection option strategy.

Investment strategy and process:

Gyrostat's key strength and expertise is in the utilisation of exchange traded options to deliver cost effective equity risk management objectives. Their approach to risk management enables cost effective protection to always be in place for a 'hard' defined risk parameter, being -3% per quarter for the Absolute Return Income Equity Fund.

Protection can utilise Australian indices such as S&P/ASX 200, be stock specific (largely within the ASX 20) or any listed stock or EFT which has a liquid traded options market. However, for the Absolute Return Income Equity Fund the manager typically buys and holds ASX 20 companies and uses stock specific options over these stocks to provide protection.

The manager's strategy buys and holds 'blue chip' high yielding ASX 20 stocks and then seeks to exploit the differing levels of 'implied volatility' in the option market from differing maturities, or within the same maturity across a different range of strike prices to provide protection, whilst also seeking to add value. The cost of this downside protection is typically funded by the most recent dividend or returns generated from trading options and selling 'call' options.

The underlying stocks are typically not sold and are held for the yield, where the manager seeks to provide investors with a reliable and minimum cash rate of BBSW 90-day interest rate plus 3% per annum from dividends and franking credits. The approach is also highly scalable and liquid, with transparency in pricing, and the counter party is the relevant stock exchange, which addresses credit quality issues. The only requirement is the use of highly liquid exchange traded options.

Gyrostat's investment process has three distinct stages, namely:

- 4. Stock selection;**
- 5. Set the amount of protection to always participate in the upside with minimal capital at risk; and**
- 6. Ongoing re-setting of the protection level on market movements.**

Stock selection:

The manager's approach is to invest in liquid, high yielding 'blue chip' Australian listed equities within the S&P/ASX 200 Index. However, most stocks selected reside within the ASX top 20 due to their stable high yields, and the liquidity surrounding these stocks and their options. The manager seeks to diversify its investments within the higher yielding sectors of the ASX market but tends to have a bias towards banking and finance, telecommunications, wealth management, retail and diversified miners. The portfolio typically holds 20 stocks.

Stocks considered for inclusion are selected based on:

- Dividend yield and franking credit levels;
- Option and stock liquidity;
- Option pricing required to meet a profile of risk-return that satisfies the Fund parameters; and
- Depth of the ASX options market for particular stocks.

The stocks selected include companies with dividend yields above the hurdle rate (BBSW 90-day interest rate + 3% per annum), and liquidity in the ASX exchange traded options market. The manager believes that quality companies that pay reliable dividends are a hedge against inflation and provide some protection due to a 'flight-to-safety' when markets fall.

The manager makes a judgement on the risk return profile, or pay-off, for each stock based upon pre-defined parameters. These pre-defined parameters include:

- Maximum capital at risk across all stock price levels;
- Extent of downside 'fat tail' for large stock price falls;
- Static cost in a lower volatility environment;

- Minimum upside parameters to capture stock uplifts; and
- Impact of changing levels of volatility in the ASX options market.

In forming their judgement, the manager assesses:

- Valuations – consensus earnings are used;
- Business issues – assessment of catalysts, likely earnings upgrades and downgrades;
- Credit – reliance on debt, credit default swap spreads; and
- Technical analysis over varying times frames of pre-defined characteristics from widely used technical signals.

Whilst the stock selection process has an active element to it, with adjustments to weightings and the purchase and sale of stocks being managed around the margins, Gyrostat basically employs a 'buy-and-hold' strategy regardless of price fluctuations. High dividend stocks remain in the portfolio for the long term while the manager employs a highly active options strategy over these stocks to provide downside protection and absolute returns, irrespective of market movements.

Active options overlay:

The active management of options over the underlying stocks is Gyrostat's main focus and expertise when compared to peers. The aim of using options is to protect the portfolio from a loss and to provide stable and reliable absolute returns, irrespective of market movements.

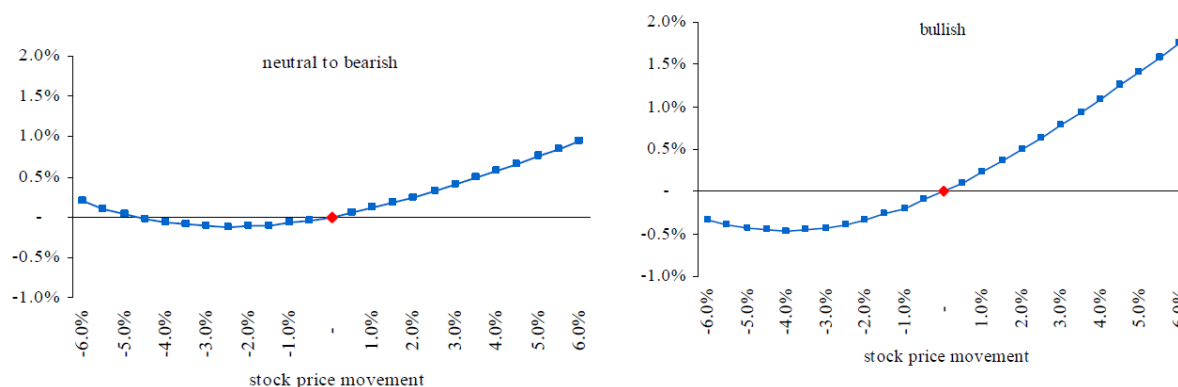
Gyrostat buys and holds underlying stocks and then actively manages the options, where they re-set the risk return profiles with stock and option price changes. The re-setting of option positions is a daily function to ensure the 'hard' risk parameter of no more than a portfolio loss of 3% in a quarter is maintained. The manager uses the ASX exchange traded put and call options market to hedge their stock holdings, where liquidity is high, so that positions can be constructed and then dynamically managed.

The combination of stocks and ASX options results in a balance between cost and upside/downside potential across a broad range of market moves. When a share price rises, Gyrostat buys more put options to lock-in stock gains, and reduces protection (sells put options) when a stock's price falls. To manage and reduce the cost of protection, the manager sells call options to obtain premiums in return for limiting some of the upside in gains. This is done in an optimal way so that the portfolio benefits from increasing levels of stock market volatility.

Technology has also enabled the manager's proprietary software to construct a volatility term structure and identify the 'least cost' call and put option alternatives available in the market at any time. This is reflected in differing levels of 'implied volatility' across time and a range of strike prices within the same time period. Gyrostat uses a variety of bought option and other strategies typically ranging from duration of 3–15 months, depending upon the prevailing option market conditions. With market movements, the 'options' component is re-set to ensure that the risk-return parameters are met.

The options overlay is re-balanced, typically with stock price changes of around 1.5% and between 1 – 3 days on average. Based on Gyrostat's analysis and judgement, the manager determines how much protection is required relative to the risk return payoff, but always within pre-defined limits. This risk return pay-off profile is varied within relatively small parameters, with technical analysis used over varying time periods from widely used technical signals to determine what pay-off profile is most suitable for each stock.

Typical profiles that are produced when the manager's view is 'neutral to bearish' and 'bullish' are shown below:



McGregor Asset Consulting believes the active 'options overlay' strategy employed by the manager is logical and well executed. The ongoing consideration of cost and the risk return trade-off for protection combined with the re-setting of option positions on a daily basis back to their 'hard' risk parameter of -3% provides comfort that any capital loss is reduced and that clients should expect an absolute return, despite of market movements.

Furthermore, reducing protection when a stock's price has fallen and then increasing protection when it has risen is a logical and sensible approach to preserving capital. Clients are also able to benefit from large price uplifts due to the 'hockey stick' pay-off coming into effect.

McGregor Asset Consulting also believes the investment team's knowledge and experience in trading options is of a high standard, providing comfort that the Fund's objectives are likely to be met. In particular, the strategy is structured such that increased volatility in markets and one-off sell-off events are beneficial for the Fund as it creates opportunities within the options market and lowers the cost of protection. In addition, when long-only equities are losing capital, the Gyrostat Absolute Return Income Equity Fund is most likely delivering solid absolute returns, providing diversification benefits for clients who have blended it with such funds.

In periods of lower volatility, where option trading volumes are low, the cost of protection becomes higher and returns are expected to reflect that of shorter term bonds.

Portfolio risk management:

There is a strong culture towards risk at Gyrostat, with risk management and the capital protection being their core focus and priority when managing the Fund. The Fund has a 'hard' limit of no more than -3% of capital can be lost in a quarter, with this limit being re-set on a daily basis. Therefore, investors should expect to receive, with a high probability, a positive return each year. This has been the case every financial year and every calendar year, with the exception of the December 2017 calendar year.

To ensure this 'hard' limit is not breached, Gyrostat have developed proprietary software that notifies the investment team through an alert of market movements, typically 1.5% to 2.0%, where an individual stock requires to be re-set in accordance with risk-return parameters. The portfolio is reviewed each morning and sometimes multiple times a day to ensure the Fund has optimal protection and risk-reward benefits in place.

Gyrostat's software has specifically been developed for the purpose of:

- Ensuring compliance with investment mandates through an automated system;
- To manage and lower the cost of protection; and
- To enable speed and quality of execution.

System output is reviewed by the investment team, where they make an assessment of the level of upside in the Fund, the static cost of protection and the impact of changing levels of implied volatility within the options market. McGregor Asset Consulting strongly views Gyrostat's proprietary system as a valuable tool for managing risk and generating value. The system receives live option prices, which are analysed by the investment team to identify the combination and quantity of options that meets their desired risk-return parameters.

The system enables the manager to calculate the current net asset value of the Fund, and the net asset value across a broad range of stock prices. For each stock, the system generates a mathematical set of outcomes incorporating stock and ASX option positions across a range of time periods and stock prices. The software calculates option valuations based on a set of assumptions, in particular implied volatility.

The key system modules in operation and their functionality are as follows:

System Modules	Functionality
Portfolio	A detailed calculation of the net asset value of a fund
Individual stock	For each stock, a mathematical set of financial outcomes is generated across a broad range of stock prices based on a set of assumptions (particularly on implied volatility). This incorporates stock ownership and ASX option positions.
Open positions	The software reviews all option trades entered into and then determines the current open positions in the ASX options market.

Tickers	Direct feed into the ASX options market to extract live pricing. Gyrostat has pre-defined risk parameters, and lower cost alternatives are generated taking into consideration the price of options across a broad time spectrum and range of option prices.
Workbook	This enables the user to extract the data from the profiler. There is executive collaboration and peer review prior to placing any trades. More significant asset allocation decisions are subject to peer review from their Investment Committee.

Furthermore, the manager's proprietary system is run throughout the day and automatically produces the following reports:

- **Compliance Investment Report** – A daily report for the Compliance and Risk Management Committee to ensure management of the portfolio within pre-defined parameters, and in accordance with their investment mandate.
- **Performance Investment Report** - A daily report to the Board and Investment Committee of daily performance by investment element, actual verse anticipated, existing profiles in place to match their investment view.
- **Performance Report** – Generates year-to-date, month-to-date performance reports for a fund and each stock. Performance for each sub-strategy within each stock is also generated.

McGregor Asset Consulting believes the manager's proprietary system to be a critical component in managing risk and ensuring the Fund's 'hard' limits are not breached. The automation and live price feeds for stocks and options are also another positive feature of the investment process as it ensures risks are understood at all times and dealt with in an efficient manner. Furthermore, having system automation and real-time data feeds are considered industry best practice and a competitive advantage when compared to peers.

Investment Committee responsibilities:

The Investment Committee has a charter from the Board to make investment decisions within the risk parameters set by the Board. An investment performance report is produced daily and reviewed by the Investment Committee with issues arising out of this report discussed by audio conference, as required.

The Investment Committee holds formal meetings weekly, and cover:

- Investment performance review; NAV, stock level, cash flows statement and allocation;
- Macro environment/market and stock specific view;
- Investment decisions/parameters:
 - Stock allocation
 - Diversification – dividend cycle timing
 - Options pricing and liquidity
 - Anticipated volatility of stock
 - Asset Allocation
 - Size of positions/cash allocation
- Research and development; On-going tool development, different tools for market cycles and conditions; broadly classified by their view on stock (bullish, neutral, bearish) and volatility (rising, falling, range-bound) whilst always having a small portion of capital at risk.

Within the parameters set by the Investment Committee, specific investments are developed by Craig Racine and Leo Tang, which are then peer reviewed. However, the Investment Committee is heavily reliant on Craig and Leo to provide research and recommendations, with Craig having the final say as Chief Investment Officer.

Performance and risk

The Gyrostat Absolute Return Income Equity Fund is an equity income portfolio with absolute return qualities. The Fund invests in high yielding and highly liquid Australian equity listed companies, namely the top 20 companies, and overlays these securities with options to protect capital, with a 'hard' limit set at -3%. The Fund always has capital protection in place and is a defensive portfolio, with low volatility and a reliable and stable income stream.

The Fund has a long history, dating back to 30th November, 2010 of actual performance and is benchmarked against the BBSW 90-day interest rate plus 3.0% per annum for performance fee calculation purposes. The Fund's strategy is designed to deliver returns of 6% - 8% in trending markets, more than 8% in changing markets and short term bond returns in stable markets.

Since inception, the Fund has delivered investors a return of 4.5% per annum and has exceeded the BBSW 90-day interest rate by 174 basis points. Throughout this period, the Fund has not delivered a quarterly return or a rolling one year return that was less than their 'hard' risk limit of -3%. This is a strong achievement, and indicates the manager has been true-to-label in implementing their investment process. Another key objective of the Fund is the reliable delivery of a stable income stream to investors. As a minimum, the manager aims to provide investors with a distribution of BBSW 90-day interest rate plus 3% per annum from dividends and franking credits, paid semi-annually.

The manager has successfully provided investors with a reliable income stream that broadly has been in-line or greater than their objective, delivering an annual income stream that has ranged between 1.8% and 12.3%. The majority of these annual income returns have been greater than 5.0% (including franking credits), which is a solid outcome, in particular for pension clients who are dependent on a regular income stream. A reliable income stream greater than 5.0% is also an attractive offering to any investor, when compared to current term deposit rates, without too much additional risk being taken.

Another key objective of the Fund is to deliver certain return outcomes during various market conditions. In trending markets, the manager aims to deliver a return of 6% - 8%, more than 8% in volatile markets and short term bond returns in stable, low volatile markets. These objectives have generally been met, with the Fund delivering strong returns in volatile markets, sound returns of around 6% in trending markets and cash like returns in stable markets, where volatility has been low. These results, which have occurred over a relatively long period, provide confidence in the manager's investment process, their investment skill and proprietary systems.

Below is the performance of the Fund relative to the BBSW 90-day interest rate and its income benchmark, BBSW 90-day interest rate plus 3% as at 31st May 2019:

	6 Months (%)	1 Year (% p.a.)	3 Year (% p.a.)	5 Year (% p.a.)	*Since Incept (% p.a.)
Gyrostat Absolute Return Income Equities (excluding franking credits)	5.14	9.13	3.07	2.85	4.47
BBSW 90-day Interest Rate (Cash)	0.97	2.01	1.89	2.11	2.73
Excess Return (Cash)	4.17	7.12	1.18	0.73	1.74
BBSW 90-day Interest Rate + 3%	2.47	5.01	4.89	5.11	5.73
Excess Return (Cash + 3%)	2.67	4.12	-1.82	-2.26	-1.26
Standard Deviation	-	-	4.69	4.19	3.56
Sharpe Ratio	-	-	0.25	0.18	0.49
Correl to S&P/ASX 300 Accumulation	-	-	0.07	0.29	0.29

*Commencement date of Fund is 30th November 2010

The Fund is an absolute return portfolio, with the manager's primary focus being the preservation of investors' capital. Protection is always in place with a floor at -3%. Since inception, the Fund has delivered positive monthly

returns on 64.7% of occasions with its highest return being 5.2%, and its lowest at -2.1%. The Fund's average monthly return has been 0.4% since inception. This has been through a period where volatility has generally been low due to a coordinated quantitative easing program by central banks across major developed markets. On a yearly basis, the Fund has delivered a positive return on 88.9% of occasions, with its lowest annual return being -2.9% and its highest 11.4%. The Fund's average annual return since inception has been 3.7% per annum.

The Fund's annualised returns relative to its income benchmark (BBSW 90-day interest rate + 3%) has lagged since inception by 126 basis points. However, this benchmark is an income target for the Fund only, with franking credits included, and not a total return objective. With market volatility so low over an extended period of time, this makes it increasingly more difficult for the manager's strategy to outperform such a benchmark.

McGregor Asset Consulting believes the Fund's main objective is to deliver a positive return above cash in all market conditions, with no more than -3% of capital at risk at any time. This outcome has been achieved on most occasions, providing confidence that the manager's investment process is robust and that the teams investment abilities are strong.

Risk is another important feature of the Fund, with the manager aiming to provide investors with reliable and stable returns, without too much volatility. Volatility, as measured by the standard deviation, typically ranges between 2% and 4%, annualised over rolling 3 and 5 year periods. This is a low level of volatility and is approximately 75% less volatile than the broad equity market. In addition, the Fund's correlation with the Australian equity market ranges between 0.3 and 0.5, which indicates that the Fund's performance does not have a strong linear relationship with equity market performance. This is an important attribute of the Fund and one that is in-line with expectations, given the manager's absolute return focus.

Overall, McGregor Asset Consulting has developed a solid level of confidence in the manager's ability to successfully execute on their investment strategy. They have a long history, spanning more than 8 years, and have performed as expected during the various market conditions, in particular volatile markets, where the Fund has protected capital and delivered solid absolute returns. This is the environment where the Fund is expected to perform, and has been the case, providing diversification benefits to long-only equity funds.

In trending markets the Fund has generally delivered sound absolute returns, while in stable markets, returns have typically been in-line with short term bond returns. However, over a period of 12 months or more, investors are able to have a relatively high level of confidence that their returns would be positive and that they would receive an income stream, including franking credits, in-line with the benchmark of BBSW 90-day interest rate plus 3% per annum. This is knowing that there is always a floor of -3% (downside protection) on the amount of capital that can be lost.

Appendix 2 contains further analysis of the Fund and its performance as at 31st May 2019.

Appendix 1:

Details and experience of investment team:

The Gyrostat senior management team consists of the following:

Craig Racine

Managing Director & Chief Investment Officer

BCom, LLB, MAppFin, PGDip (Int Fin), University of Melbourne

Craig is the founder of Gyrostat and has over 30 years' experience. Craig has held senior executive positions based in Australia and Hong Kong in asset management, private equity, investment banking, and equity research. He commenced his career in the chartered accounting industry with KPMG.

In Hong Kong, his senior management experience included Executive Director at The Asian Infrastructure Trust (Hong Kong) with lead investors being International Finance Corporation, Asian Development Bank, Soros Funds Management, Frank Russell Investments, and AMP Capital. During that time he held Board positions in multinational companies in China (China Unicom), India, Indonesia, Philippines, and Pakistan. Craig was also a Managing Director and Head of Sector Research at ING Barings (Asia) and Peregrine Investment Bank.

Upon returning to Australia he founded boutique asset management firm, Gyrostat Capital Management.

Peter Clifton

Non-Executive Director and Chairman, Board of Directors

BE, MBA, MIEAust, MAICD

Peter Clifton has over 40 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.

Peter has also helped establish a number of start-up companies and has been on the Board of the ASX 300 listed company Amcom Telecommunications since 1999. 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 focused on finance and the financial markets in the Asia Pacific, and the United Kingdom. Utilising the experience gained in his working career, Andrew now holds a number of non-executive and consulting positions. He 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.

Andrew was formerly the Managing Director and Chief Executive of the Stockbroking and Corporate Finance group Intersuisse Ltd (now Phillip Capital) from 2000 to 2010. Prior to that, Andrew was Chairman of the Sedgwick Group in the Asia Pacific from 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

Director

LLB, LLM

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). David 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 and holds a variety of post graduate qualifications in law, business, accounting, finance and corporate governance.

Leo Tang

BEng, MSc

Senior Investment Officer

Leo Tang has extensive experience within investment banking and private equity industry, with over 29 years' experience. Previously, Leo 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.

Peter Donnellon
Institutional sales
MBA

Peter Donnellon has over 29 years' experience in the banking stockbroking and investment management industries. He was the chief investment officer and chairman of the asset allocation committee for an international hedge fund of funds business for nine years.

In 2008 he was awarded "Winner Best Fund of Funds" at the AIMA Australia Hedge Fund Awards ceremony. He has also worked in the equity capital markets, investment trust and derivative structured products divisions of some of the leading international banks. In 2005, Peter moved from London to Australia to oversee the Asian operations of the fund management business.

He holds an MBA from the University of Edinburgh.



Appendix 2:

Performance and risk measures:

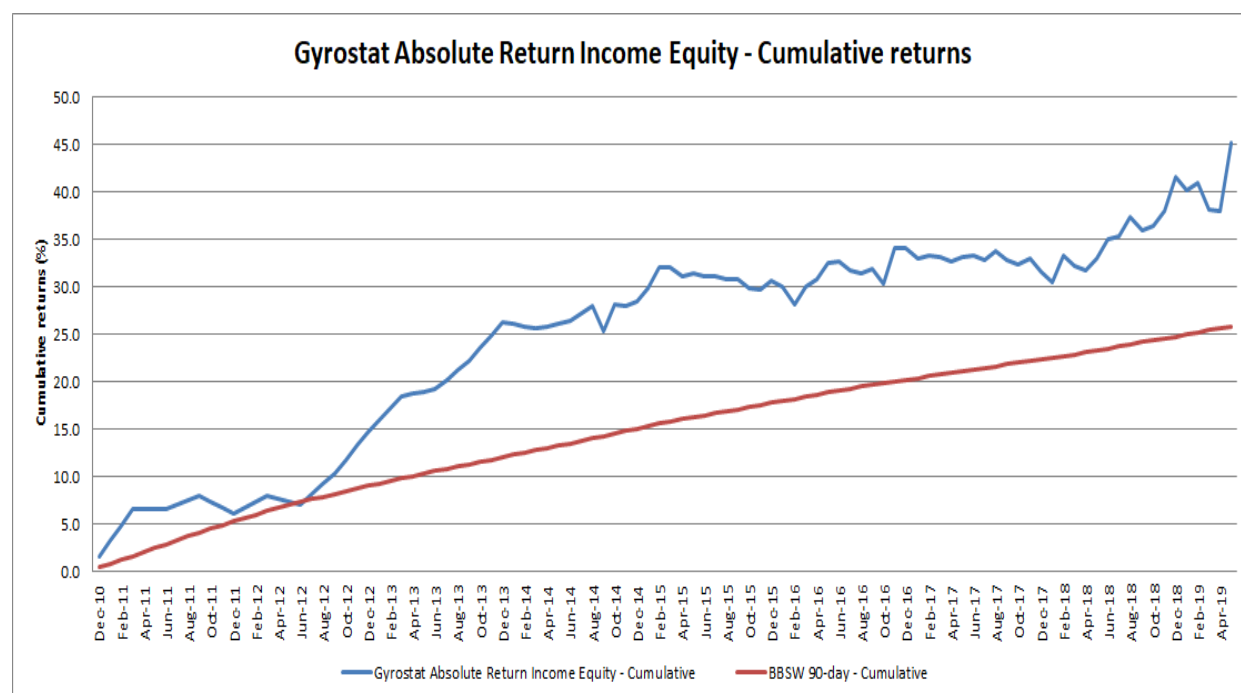
Performance by financial year:

	FYTD 19 (%)	Jun 18 (%)	Jun 17 (%)	Jun 16 (%)	Jun 15 (%)	Jun 14 (%)	Jun 13 (%)
Gyrostat Absolute Return Income Equities	7.44	1.35	0.40	1.17	3.82	5.96	11.41
BBSW 90-day Interest Rate (Cash)	1.83	1.82	1.83	2.26	2.60	2.67	3.02
Excess Return	5.61	-0.48	-1.43	-1.08	1.21	3.30	8.39

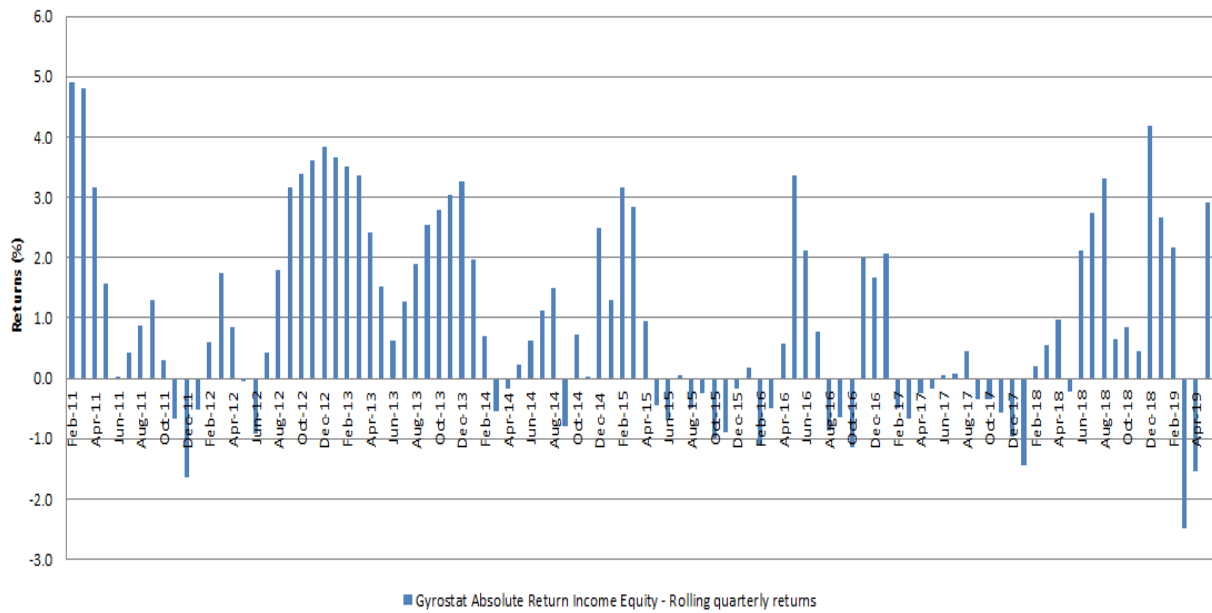
Performance by calendar year:

	Dec 18 (%)	Dec 17 (%)	Dec 16 (%)	Dec 15 (%)	Dec 14 (%)	Dec 13 (%)	Dec 12 (%)
Gyrostat Absolute Return Income Equities	7.67	-1.92	2.67	1.67	1.73	10.13	7.99
BBSW 90-day Interest Rate (Cash)	1.99	1.76	2.09	2.33	2.70	2.78	3.53
Excess Return	5.67	-3.68	0.58	-0.66	-0.97	7.34	4.46

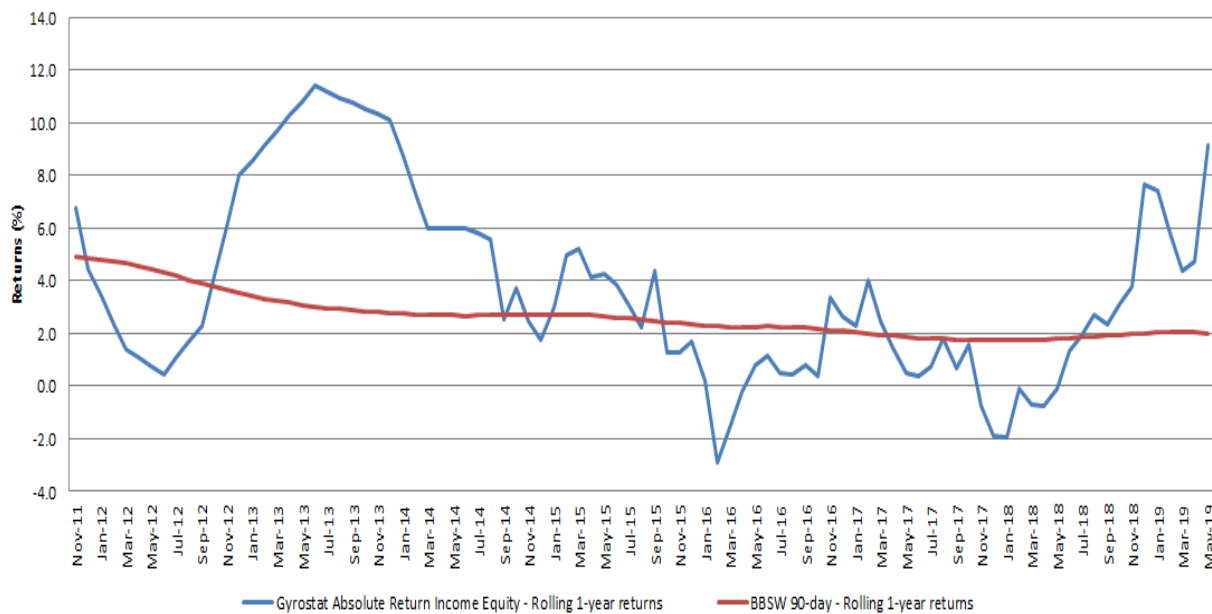
Quantitative Analysis of the Fund performance:

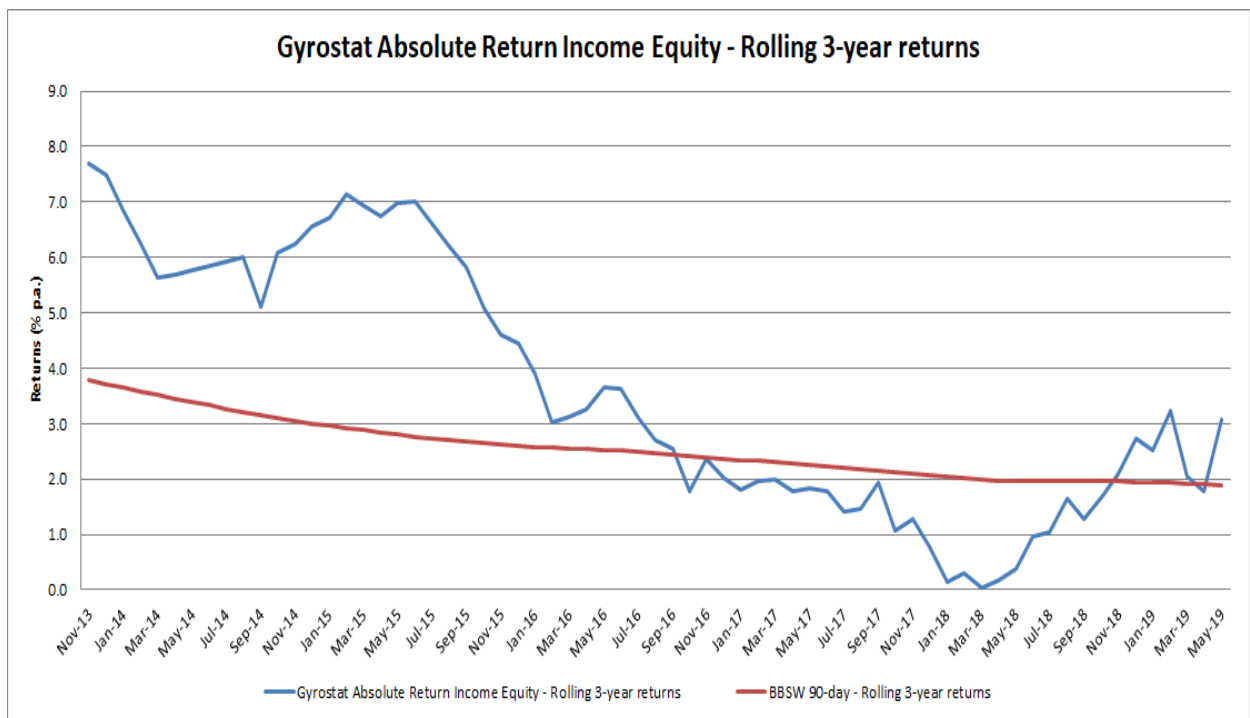
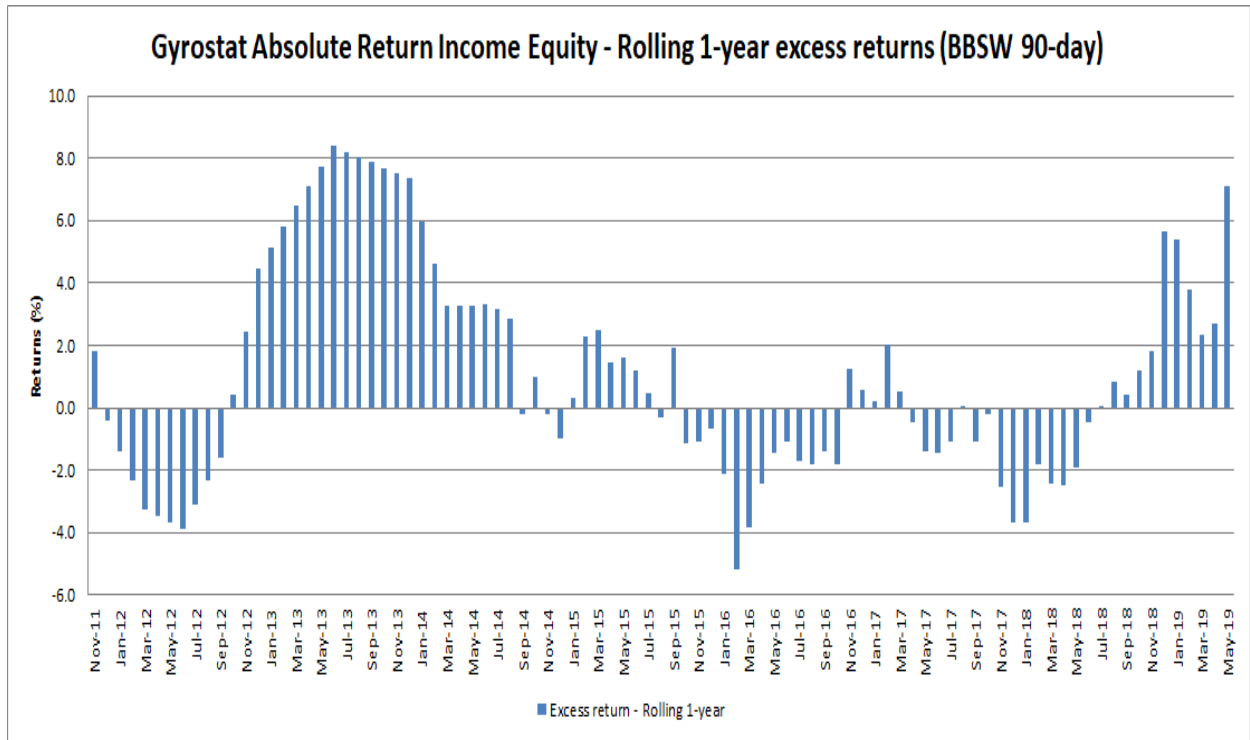


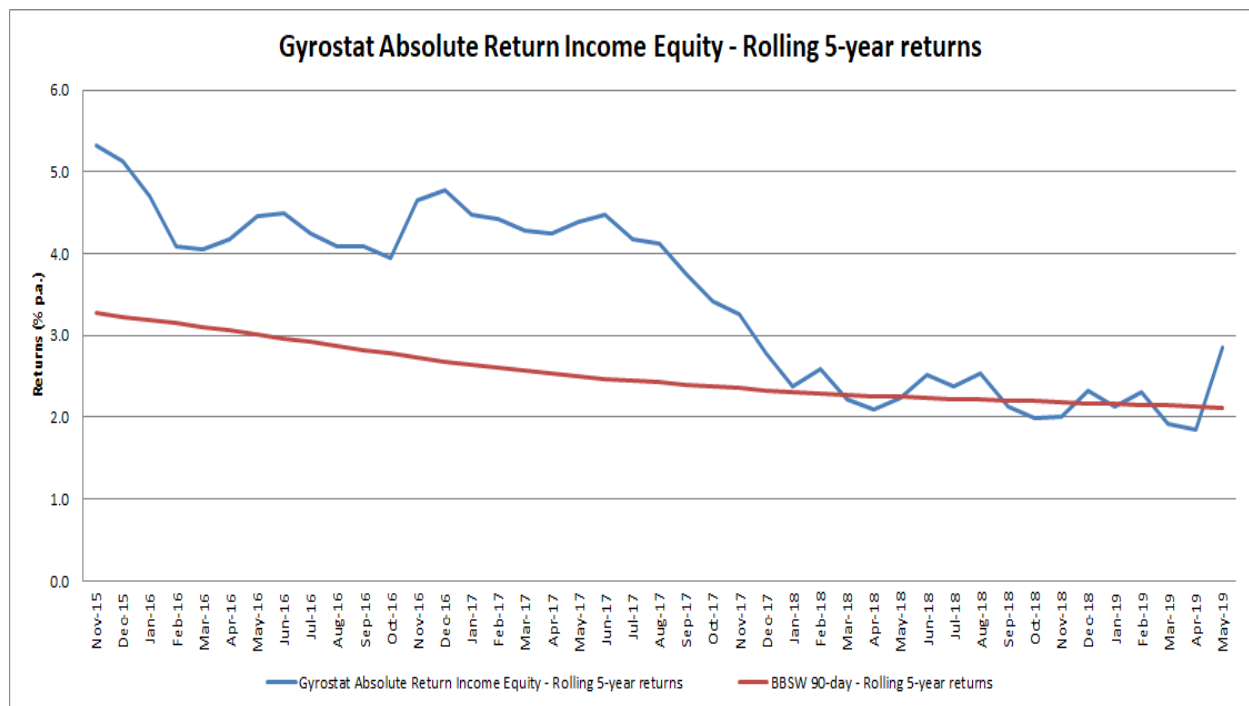
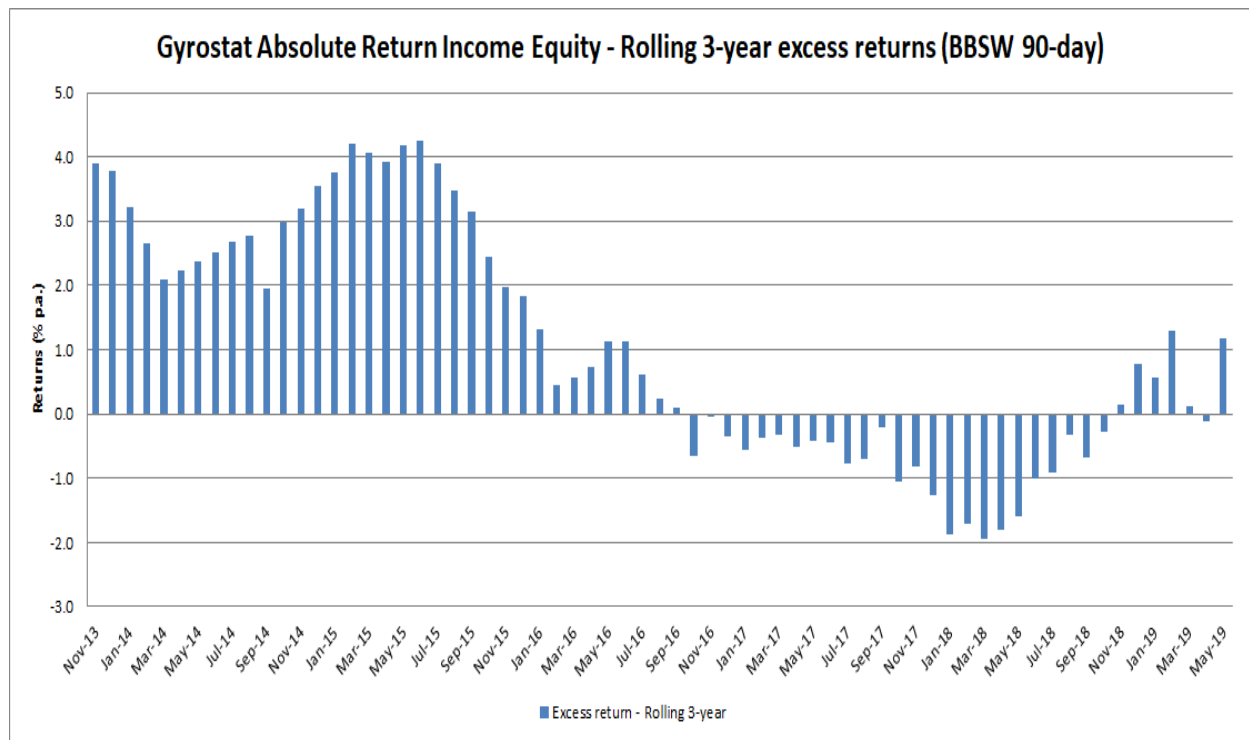
Gyrostat Absolute Return Income Equity - Quarterly returns

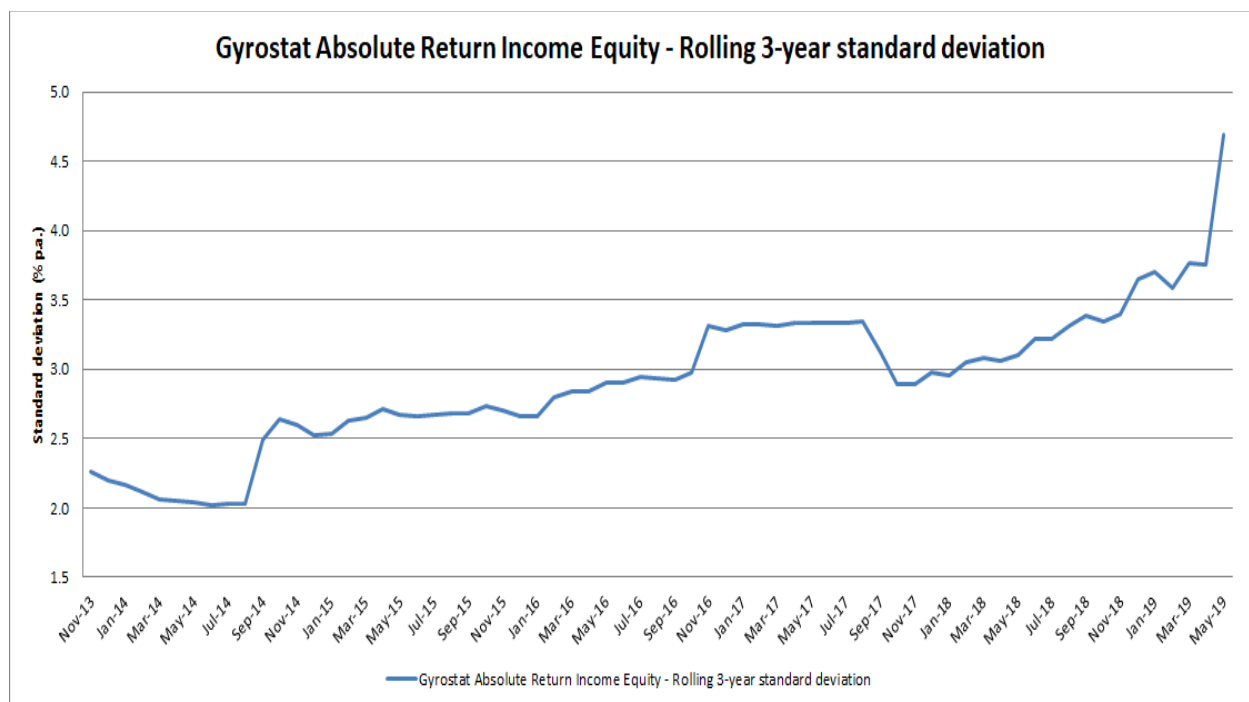
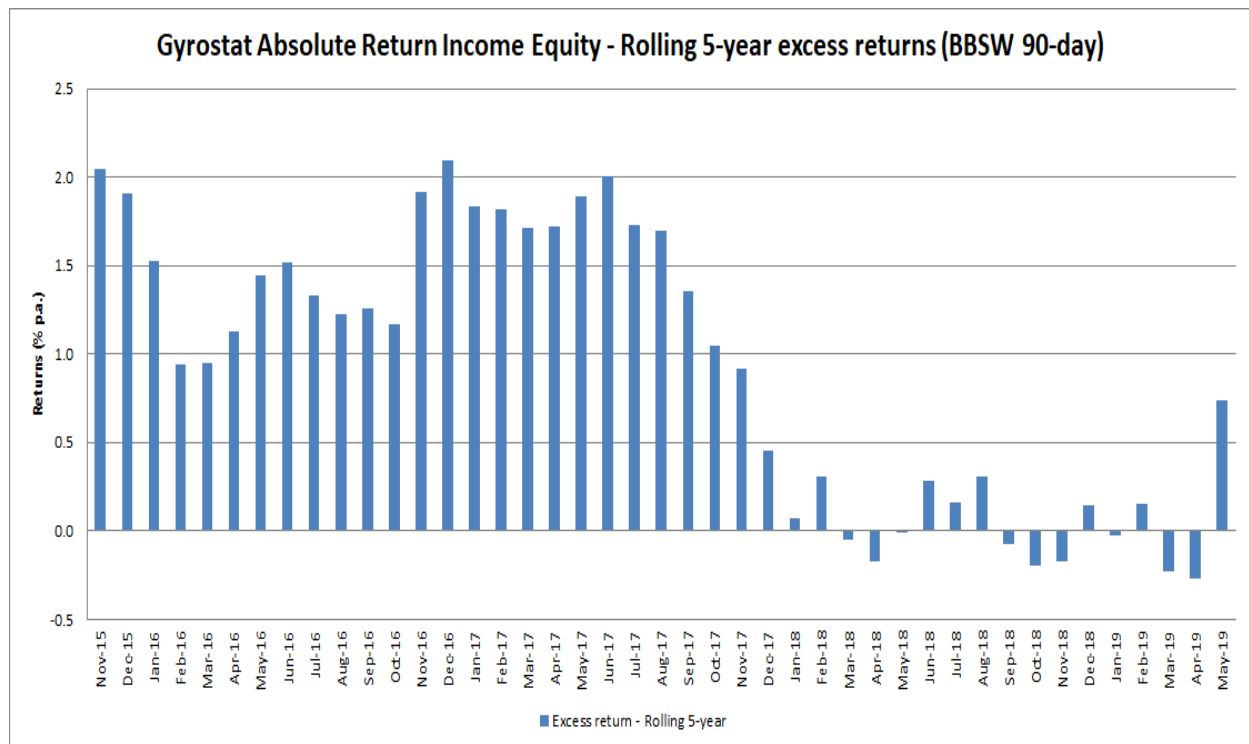


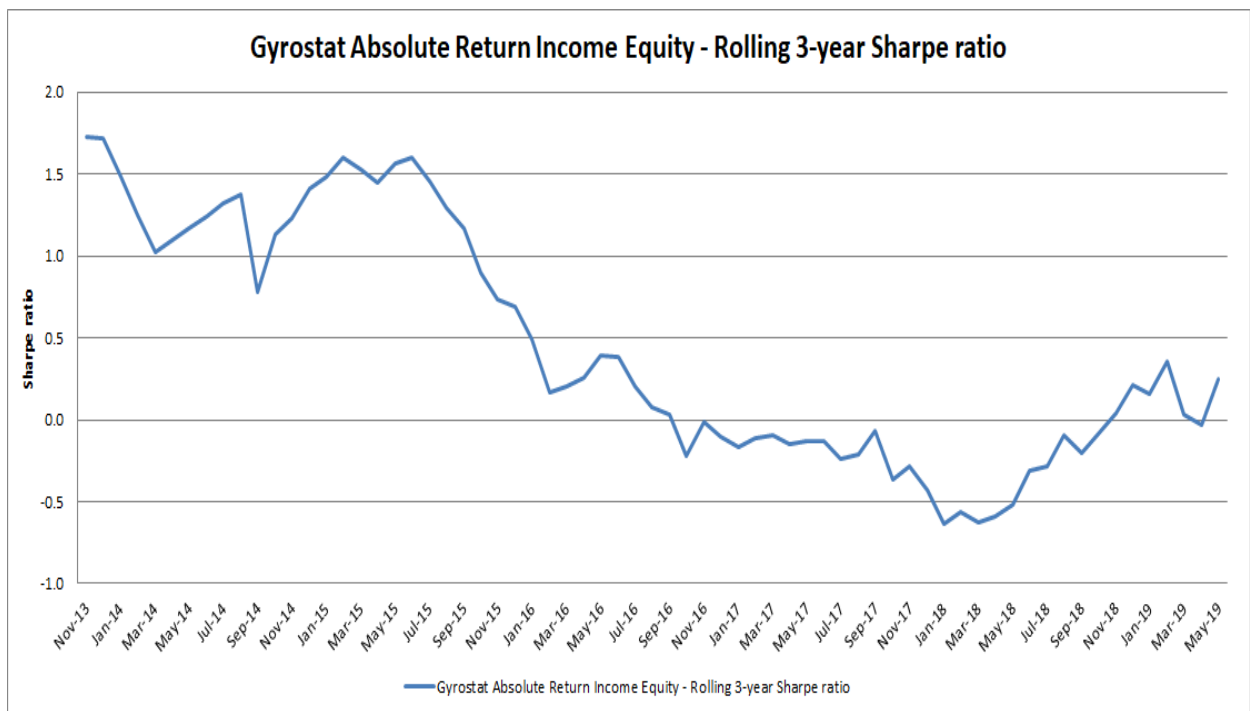
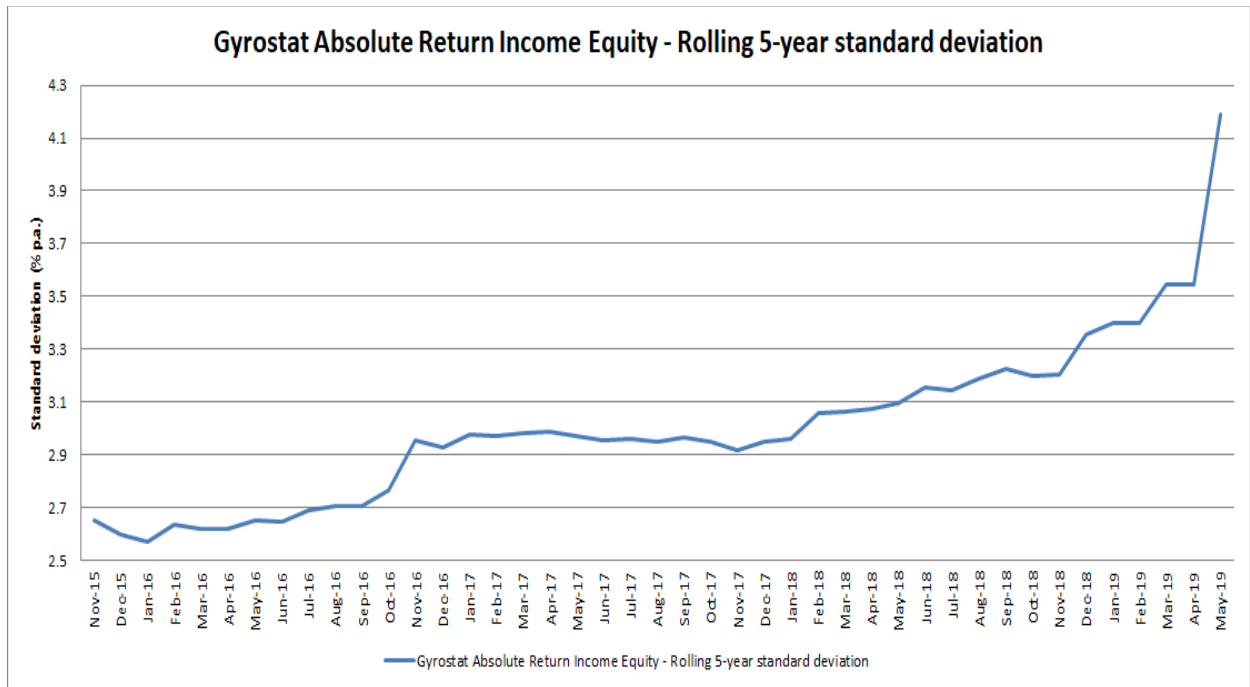
Gyrostat Absolute Return Income Equity - Rolling 1-year returns

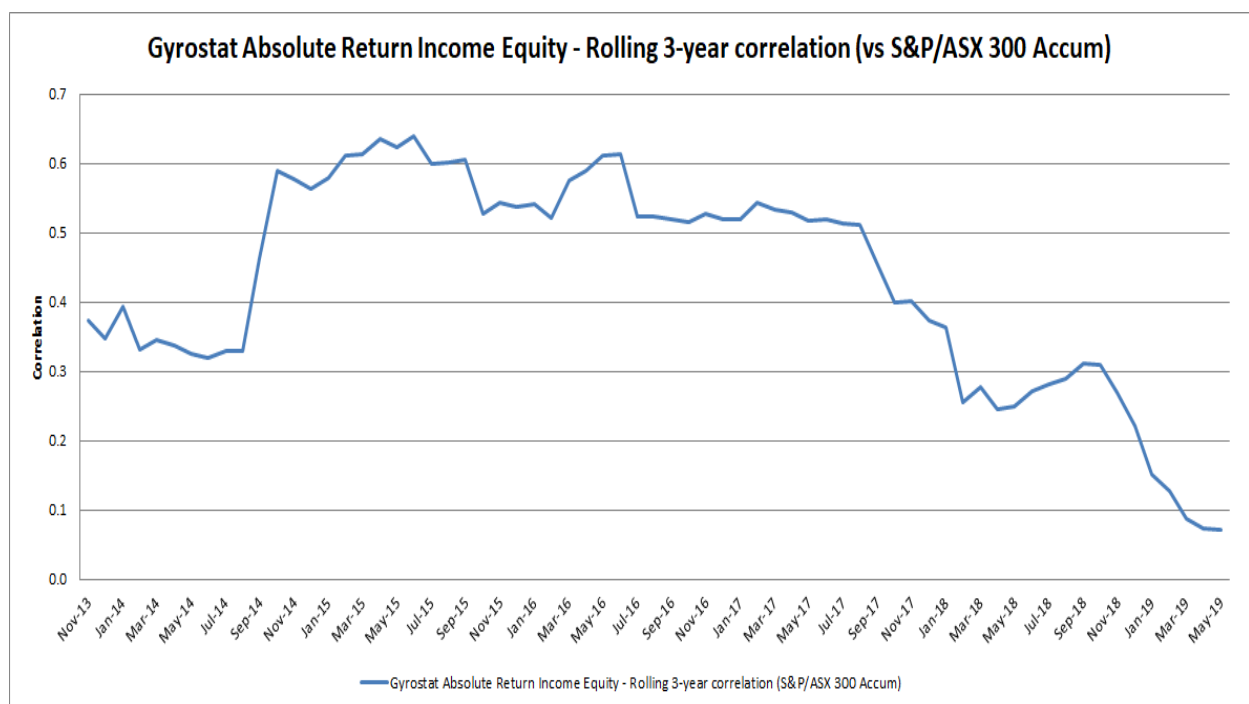
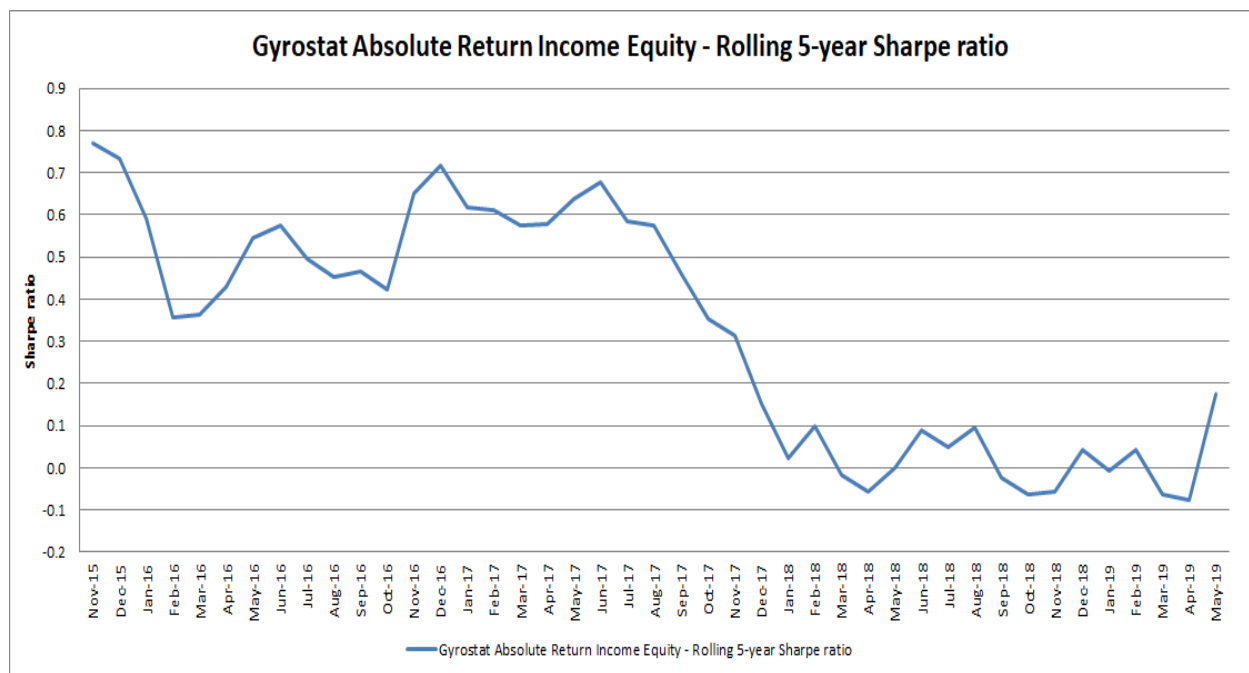


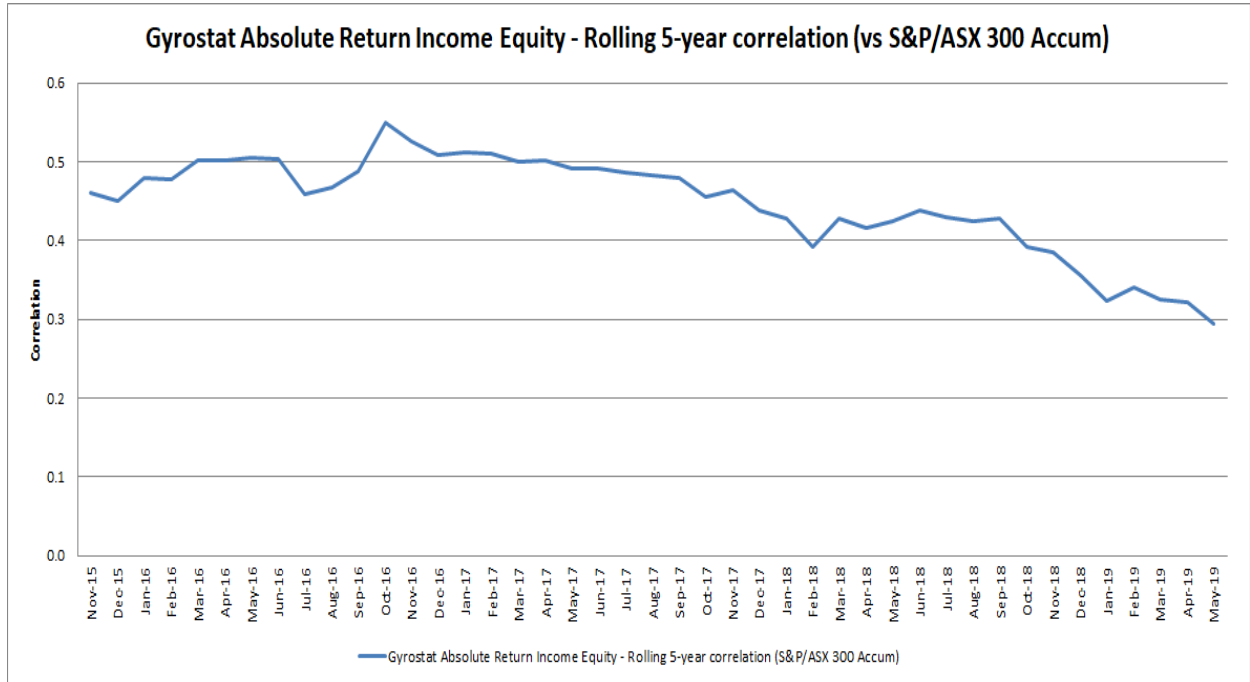












Appendix 3:

Definitions of McGregor Asset Consulting Ratings:

- 5 McGregor Asset Consulting strongly believes the manager will consistently exceed its investment objectives
 - 4 McGregor Asset Consulting believes the manager will consistently exceed its investment objectives
 - 3 McGregor Asset Consulting believes the manager can meet its investment objectives
 - 2 McGregor Asset Consulting believes the manager can not consistently meet its investment objectives
 - 1 McGregor Asset Consulting believes the manager has significant issues that will affect their ability to meet their investment objectives
- 