GYROSTAT
CAPITAL MANAGEMENT

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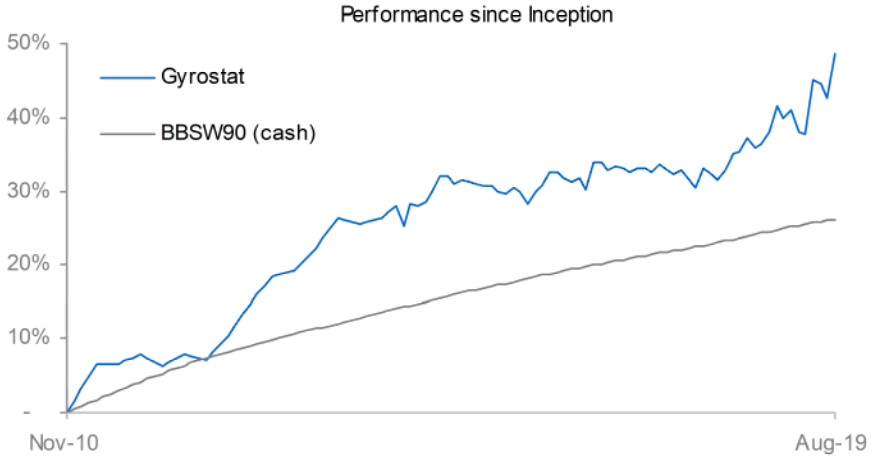
Performance since inception

Buy and hold ASX20 shares with lowest cost protection 'hard' protection **always** in place with upside

•**Returns**: Compounded returns 49 % since inception; designed to increase with volatility; includes a 'tail hedge' for gains on large market falls

•**Income:** Minimum BBSW 90 + 3% (currently 4.2% pa) from pass through of dividends

•**Protection:** > 34 consecutive quarters operated within 'hard' risk parameter with no quarterly NAV drawdown exceed 3%; maximum capital draw-down – 2.2%



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Gyrostat Absolute Return Income Equity Fund

Investment Objectives

'Alternative – defensive' asset allocation- combines returns, income and protection at 'hard' 3% always in place

Returns are designed to increase with market volatility – increase conservative asset returns and income

RETURNS

6%-8% in trending markets, greater than **8%** in changing markets, BBSW90 + 3% in stable markets.

INCOME

Minimum cash rate **+ 3%** paid semi-annually (currently 4.2% p.a.) from dividends and franking credits.

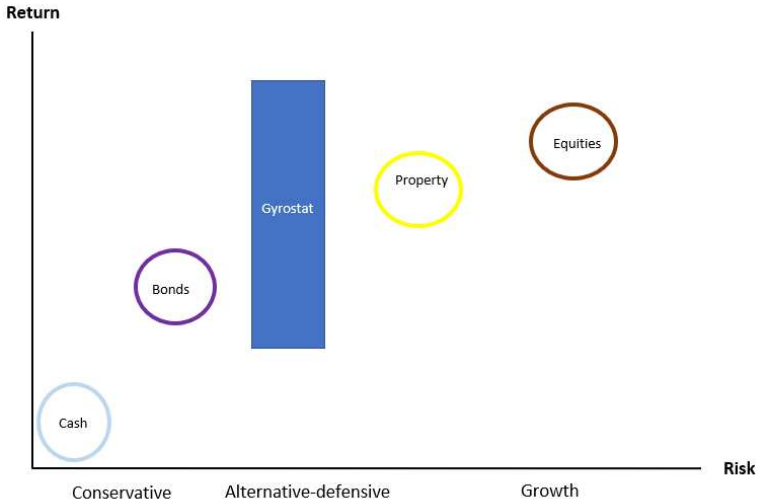
PROTECTION

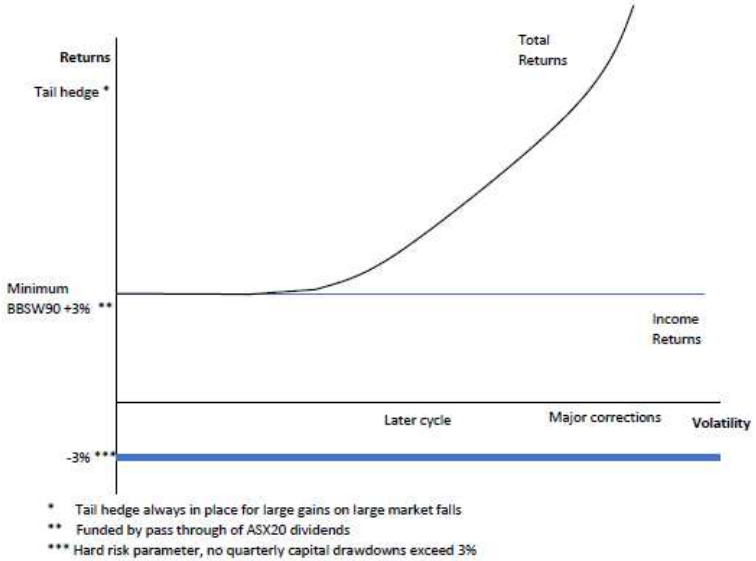
No quarterly NAV draw-downs exceeding **3%** (max capital drawdown -2.2% in any circumstances.)

With the evolution of our investment processes and raising the 'hard' quarterly risk tolerance from 2% to 3% (in February 2019) we **upgrade our returns guidance** in stable markets to the 90 day bank bill swap rate ("BBSW 90"+ 3%). We anticipate returns in all market environments be at least BBSW 90 + 3% (enabling investors to receive income and capital growth.)

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“Alternative – defensive” investment characteristics for “late cycle” asset allocation





- ‘Late cycle’ asset allocations to “alternatives - defensive” (~ 7 pc – 8.8 pc) can increase portfolio returns and reduces risk
- 9 year track record of delivering investment objectives - returns increasing with volatility levels, no quarterly capital draw-downs exceeding 3 pc (**maximum capital draw-down – 2.2% in any circumstances**)
- Easy to understand investment - buy and hold ASX 20 stocks with lowest cost protection always in place to hard 3 pc risk tolerance.

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‘Alternative – defensive’ asset class portfolio composition

	Cash (%)	Term Deposit (%)	Capital Secure (%)	Capital Stable (%)	Balanced (%)	Socially Conscious (%)	Growth (MySuper) (%)	Equity Growth (%)	Australian Shares (%)
Asset class									
Equities	0.0	0.0	12.2	24.2	42.0	42.0	52.0	86.0	100.0
Alternatives ^	0.0	0.0	8.8	11.8	14.3	14.3	17.0	14.0	0.0
Real Assets *	0.0	0.0	14.5	16.0	16.0	16.0	16.0	0.0	0.0
Fixed Interest	0.0	0.0	30.5	29.0	20.0	20.0	13.0	0.0	0.0
Cash	100.0	100.0	34.0	19.0	7.7	7.7	2.0	0.0	0.0
	100.0	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Total Growth Assets	0.0	0.0	25.4	41.8	62.1	62.1	75.0	100.0	100.0
Total Defensive Assets	100.0	100.0	74.6	58.2	37.9	37.9	25.0	0.0	0.0
Sub-asset class									
Australian Equities	0.0	0.0	4.2	8.4	14.5	14.5	18.0	29.8	100.0
International Equities	0.0	0.0	6.1	12.1	21.0	21.0	26.0	43.0	0.0
Emerging Markets	0.0	0.0	1.9	3.7	6.5	6.5	8.0	13.2	0.0
Private Equity	0.0	0.0	0.0	1.6	2.0	2.0	3.0	4.0	0.0
Alternative - Growth	0.0	0.0	0.0	2.8	4.9	4.9	7.0	10.0	0.0
Alternative - Defensive	0.0	0.0	8.8	7.4	7.4	7.4	7.0	0.0	0.0
Infrastructure	0.0	0.0	5.5	6.0	6.0	6.0	6.0	0.0	0.0
Property	0.0	0.0	6.0	7.0	7.0	7.0	7.0	0.0	0.0
Timber	0.0	0.0	2.0	2.0	2.0	2.0	2.0	0.0	0.0
Agriculture	0.0	0.0	1.0	1.0	1.0	1.0	1.0	0.0	0.0
Australian Fixed Interest	0.0	0.0	15.5	15.0	10.0	10.0	6.5	0.0	0.0
International Fixed Interest	0.0	0.0	15.0	14.0	10.0	10.0	6.5	0.0	0.0
Cash	100.0	100.0	34.0	19.0	7.7	7.7	2.0	0.0	0.0
	100.0	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Growth, capital secure, capital stable, balance allocations late cycle (higher returns than cash/ fixed interest) particularly in more volatile markets (now and next 5 years; also tail hedge for large gains on big market falls.)

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“Alternative – defensive” solutions

We offer a solution to investors for the following issues:-

1) Sequencing risk: Move from unprotected growth asset to Gyrostat (usual retirement tactical re-balance to conservative asset, with higher income, higher returns and downside tail for gains on large market falls.) Other risk management approaches without ‘hard’ protection always in place have a much higher maximum NAV capital draw-down during the complete investment cycle.

2) Falling interest rates (conservative assets insufficient returns and income): Move from cash/short term bonds to Gyrostat, with ‘hard’ protection always in place to offer capital stability.

<u>Suitable investors:</u>

- Equity income in retirement: re-allocation to conservative assets from growth through investors life cycle
- Comprehensive Income in Retirement (CIPR)
- Family offices: directly into Fund and/or ‘investment risk overlay’
- Philanthropic investors: direct cash distributions to designated charity whilst controlling your capital investment
- Significant Investment Visa (SIV), Premium Investment Visa (PIV)

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“Alternative – defensive” investment characteristics for “late cycle” asset allocation

"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.”

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Our specialist expertise – risk managed investing

To have **protection always in place** to maximise returns for a ‘hard’ defined risk parameter.

To minimise costs:

•Proprietary software identifies options series with great profit potential for a defined cost, exploiting differing levels of implied volatility in the options markets

•“Active management” by buying or selling options with market movements



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Applying established approaches to investment risk management

To our knowledge, the Gyrostat approach is not yet available from any other Fund in the Australian market.

In the USA the approach has been successfully applied for nearly 20 years.

3 leading investment banks have adopted similar strategies for their clients in global markets:

"Dynamic downside protection or option replication strategies provide access to a pay-off profile that has the potential to provide sufficient downside protection without removing too much upside potential. "

https://russellinvestments.com/-/media/files/au/campaigns/cps/r_rpt_res_protection_v1ff_1402.pdf?la=en-au

"Put options are often the first defense that comes to mind for investors. These are an explicit insurance contract, guaranteeing protection if market prices fall below the strike price."

https://www.ssga.com/na/us/institutional-investor/en/our-insights/publications/as-the-cycle-lengthens-investors-look-to-hedge-tail-risk-but-at-what-price.html

"In a bear market or a painful correction, astute investors in these mutual funds will find a refuge from the storm and a greater chance of substantial profits."

https://www.investopedia.com/articles/investing/020616/3-best-downside-protection-equity-mutual-funds.asp#ixzz55oXufVWr

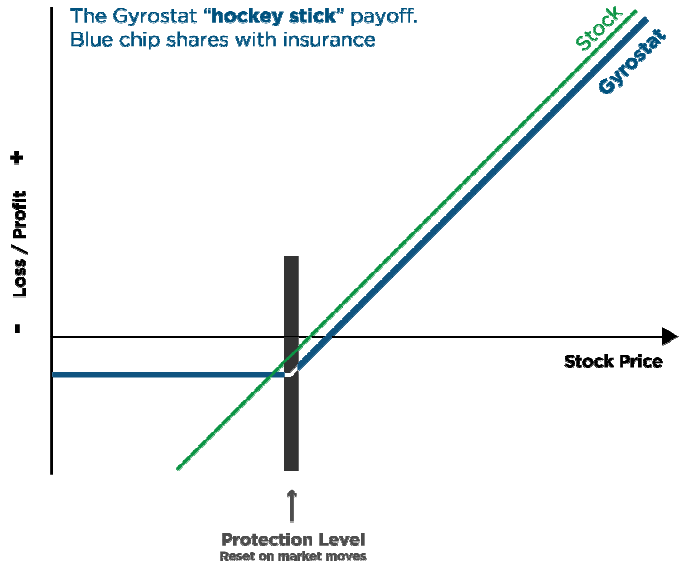
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Protection always in place with upside

Buy and hold blue chip shares with protection on the Australian Stock Exchange.

Set amount of protection - to always participate in the upside with minimal capital at risk.

Reset the protection level on market moves for risk-return profile to match stock view - if the share price rises, increase protection level, on falls reduce protection level.



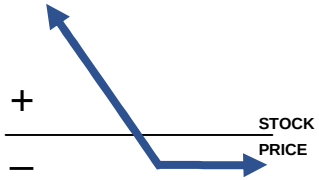
Our maximum quarterly NAV drawdown is 3% since our inception in December 2010

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How we make money

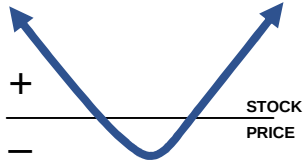
Stocks are ranked based on fundamental and technical analysis

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



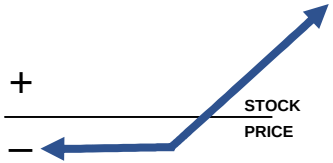
Large falls

- Options extra protection sold
- 'Conviction' short 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

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Key features

The key investment risk management features are:

- Protection is always in place to a specified 'hard' risk parameter
- Lower protection costs than existing approaches through option series selection and actively managing the options with market moves (enabled by technological advances and deregulation)
- A financially strong counter-party - the ASX - for hedging activities
- Transparent mark to market valuations from ASX valuations
- A net buyer of protection with no debt in the fund
- Highly scalable solution

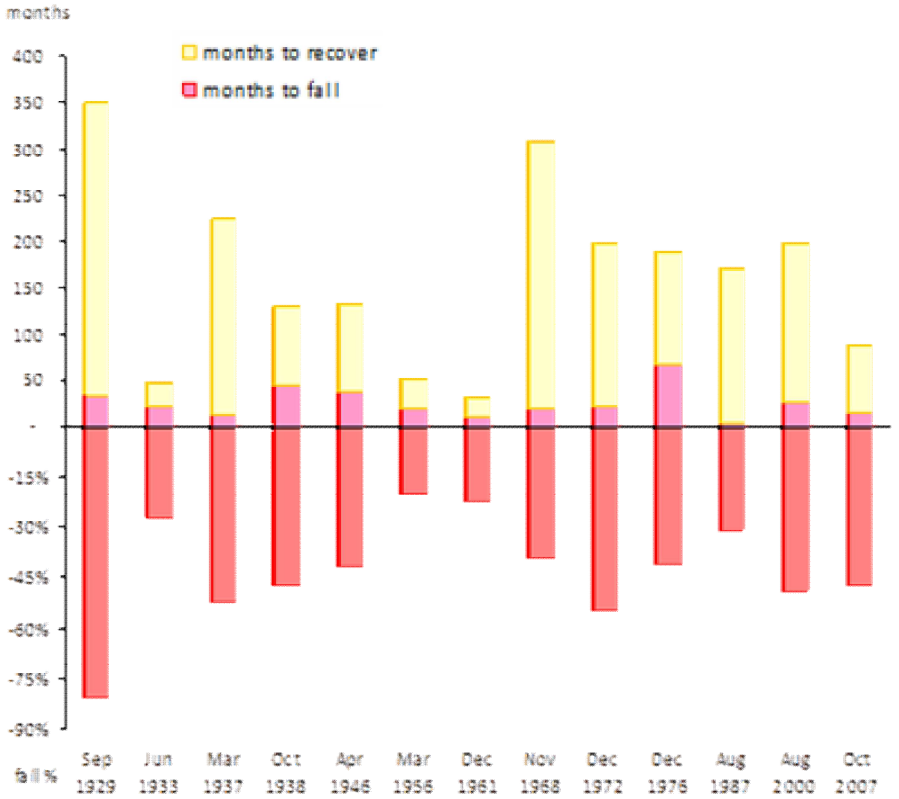
‘Tail hedge’ always in place ‘late cycle’ for gains on large market falls

The graph shows the extent of falls from peak to trough, the duration of the fall, and time taken to recover to pre fall highs.

Most corrections occur within 8 years, now at year 12, longest on record is 13 years

S&P 500 Index - 90 Year Historical Chart: Peak to trough falls > 20%, duration of falls, time to recover to pre fall levels

Source: http://www.macrotrends.net/2324/sp-500-historical-chart-data



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Markets volatility cycles – ‘stable’ to ‘volatile’ each 5 years (approx)



‘Late cycle’ market conditions- uncertainty: geopolitical, liquidity changes with Central Banks adjusting QE policies and interest rates, macro economic indicators and changes in company earnings expectations.

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“Alternative – defensive” investment characteristics for “late cycle” asset allocation

"To our knowledge, there are no other **conservative funds** available in Australia/Asia with ‘hard’ protection always in place and a 9 year track record of no quarterly NAV draw-downs exceeding 3%, regular equity income, and demonstrated returns increasing with volatility levels. (with tail hedge in place for large gains on large market falls).”

McGregor Asset Consulting

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Key Personnel

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

Craig Racine- ***Managing Director, Chief Investment Officer***
BCom, LLB, MAppFin, PGDip (Int Fin)
Craig Racine has over 25 years experience, at senior executive and directors roles, within finance and business development. He has been an investor for the past 12 years, and is the founder of Gyrostat Capital Management. Previously his senior management experience includes Executive Director at The Asian Infrastructure Trust (Hong Kong) with lead investors International Finance Corporation, Asian Development Bank, Soros Funds Management, Frank Russell Investments, and AMP Capital. He was a Managing Director at ING Barings (Asia). He has extensive domestic and international experience, having held senior executive positions in private equity, investment banking, equity research and industry. He began his career in the chartered accounting industry. He has held Board positions in multi-national companies in China, India, Indonesia, The Philippines, Pakistan, and globally.

Peter Clifton BE, MBA, MIEAust, MAICD-
Chairman, Board of Directors
Peter Clifton has over 30 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. He has helped establish a number of start-up companies and was on the Board of the ASX 300 listed company Amcom Telecommunications 1999 - 2015. 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 focussed on finance and the financial markets in the Asia Pacific and the United Kingdom. Utilising the experience gained in his working career, he now holds a number of non-executive and consulting positions. Andrew 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.
He was formerly the Managing Director and Chief Executive of the Stockbroking and Corporate Finance group Intersuisse Ltd (now Phillip Capital) between 2000 to 2010. Prior to that, Andrew was Chairman of the Sedgwick Group in the Asia Pacific between 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 • LLB, LLM
Director
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). He 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. He also holds a variety of post graduate qualifications in law, business, accounting, finance and corporate governance. 9 Gyrostat Downside Protection Australian Equities Fund

Leo Tang, BEng, MSc
Senior Investment Officer
Leo Tang has extensive experience within investment banking, private equity and industry. Previously, he 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.

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