

Gyrostat September outlook: Tranquil markets, a rising case for resilience

Volatility remains muted, and equity indices continue to trade at elevated levels. History reminds us, however, that such calm is seldom permanent. Periods of stability often precede sharp and unexpected change.

With market protection still attractively priced, investors have a valuable window to reinforce portfolios before conditions inevitably turn. The cost of preparing today is far less than the cost of reacting tomorrow.

Complacency is the real risk in these environments. People routinely insure their homes, cars, and health, yet many fail to protect their retirement capital, the asset most critical to long-term security. Leaving it exposed in seemingly placid markets is a dangerous oversight.

Purchasing protection in advance is like taking out insurance ahead of an unseen storm. It is both more affordable and more effective than trying to secure cover once volatility has returned, when options are limited and costly

A Risk-Management Lens

True financial security comes not from predicting market direction, but from constructing portfolios that can withstand the unknown. Our approach views current conditions through a risk-management lens, building diversification and protection into portfolios by design. This proactive scenario planning reduces reliance on forecasts and helps address the “sequencing of returns” risk that can devastate retirement balances if losses occur early in drawdown years.

Diversification for All Market Scenarios

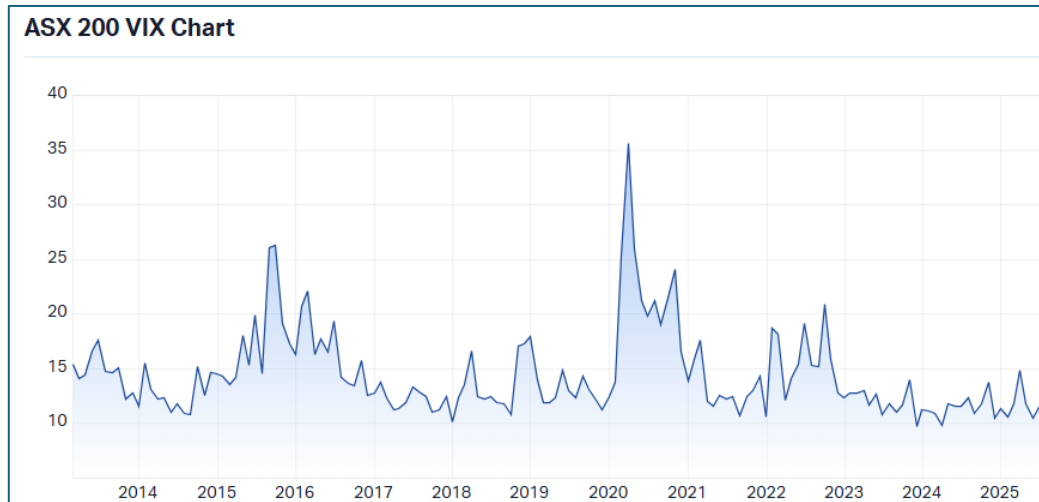
Strategy	Key Attributes	Falling Market (Inc. Large Market Falls)	Volatile Market	Stable Market	Rising Market
Diversify risk – Conservative/Growth Mix	Relies on correlation spread across asset classes	Unfavorable – Correlation often rises in crisis	Unfavorable – Capital losses	Favorable	Favorable
Occasional Protection via Predictions	Requires accurate timing to be effective	Unfavorable – Exposed if wrong	Unpredictable – Gains/Losses	Favorable	Favorable (May be Capped)
Protection Always in Place – Absolute Return (Gyrostat)	Non-correlated beta with embedded put protection; thrives on volatility	Very favorable (Class A), favorable (Class B)	Favorable (Class A), very favorable (Class B)	Less Favorable (Lower Return)	Favorable (Mitigated Upside)

We elaborate on this in detail, along with the limitations of financial theory as it applies to portfolio construction for lower-risk investors, in our recently published guide:

[Risk Managed Investing: A Structured Guide from Accumulation to Retirement](#)

Current Market Backdrop

With many equity indices trading near record highs, risk remains priced at or near historic lows.



Source: Market Index: A-VIX

Translating the VIX into Portfolio Protection Costs

The VIX index reflects the market's expectation of volatility — and by extension, the cost of protection. When volatility is subdued, protection is inexpensive; when volatility surges, the cost of cover rises sharply and availability narrows.

One way to translate this into practical terms is to express protection as a percentage of the portfolio value being insured. The cost depends on the chosen duration and the level of loss the investor is willing to tolerate before compensation begins.

Australia Stock Exchange Protection Pricing: Duration vs Excess

Date today:				000's 19-Sep-25			
ASX index level:				8,805			
Excess				2.5%	5.0%	7.5%	10.0%
Index level				8,585	8,365	8,145	7,925
Current market costs of protection							
Expiry		Days					
18-Dec-25	90	Cost 000's	903	722	521	361	
		%	1.27%	0.81%	0.52%	0.36%	
19-Mar-26	181	Cost 000's	2,328	1,740	1,245	963	
		%	2.33%	1.74%	1.25%	0.96%	
18-Jun-26	272	Cost 000's	3,039	2,304	1,862	1,522	
		%	3.04%	2.30%	1.86%	1.52%	
17-Sep-26	363	Cost 000's	3,861	3,251	2,536	2,130	
		%	3.86%	3.25%	2.54%	2.13%	
17-Dec-26	454	Cost 000's	4,436	3,866	3,090	2,649	
		%	4.44%	3.87%	3.09%	2.65%	

Source: Gyrostat analysis of ASX option pricing

For example, today it would cost 2.13% of portfolio value (≈\$20,130) to protect a \$1 million portfolio until 17th September 2026, with a 10% hard floor in place. If markets were to fall 25%, that same protection would return approximately \$150,000, offsetting losses beyond the agreed excess.

In other words, investors currently have the ability to secure meaningful downside insurance at unusually attractive levels, a window that often closes quickly once volatility returns.

Evidence of resilience

Gyrostat's risk-managed strategies are designed to deliver peace of mind across conditions. Class A has maintained a 14-year track record without a single quarterly drawdown beyond its 3% risk tolerance. Our leveraged class B has a greater focus on returns with a defined higher risk tolerance.

For absolute return equity income funds, such as Gyrostat, with embedded protection, proprietary systems identify the lowest-cost protection and adjust its duration and protection level to meet the specific fund objectives. This active management is referred to as 'dynamic hedging' of the portfolio risk, a task which can be difficult for individual investors.

For lower-risk investors, replacing passive long-only equity exposure with a risk-managed absolute return strategy offers true diversification beyond traditional asset splits. This is less about tilting growth versus defensive assets and more about embedding consistent protection regardless of the scenario.

Gyrostat Absolute Return Income Equity Fund Classes returns to 31 August 2025.

Class	1yr	2yr p.a.	3yr p.a.	4yr p.a.	Max Qtr Loss (3Yr)	Beta
A	+11.80%	+9.05%	+8.88%	+10.32%	-1.53%	-0.08
B	+14.15%	+10.46%	+10.78%	+11.07%	-0.84%	-0.22

Outlook

Looking ahead, we expect realised volatility to rise and the risk of large downside “gaps” to remain elevated. In this environment, investors face a choice: continue to rely on predictions or proactively construct portfolios that can weather a wide range of outcomes, including significant market declines.

For retirees and conservative investors, the current tranquil market environment should not breed complacency. Instead, it constitutes a strategic opportunity to solidify long-term financial stability.

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