Gyrostat December Outlook: The market does the work. Harnessing natural volatility for consistent returns

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Markets have always moved more than investors expect. Prices rise, fall, stall, reset and surge again — a continuous rhythm of motion that often looks chaotic on the surface but follows a deeper statistical logic underneath. In times of uncertainty, many investors try to solve this motion by prediction. Yet the more volatile and structurally fragile markets become, the less forecasting helps. The more reliable question is not *where* markets will go, but *how* they naturally behave.

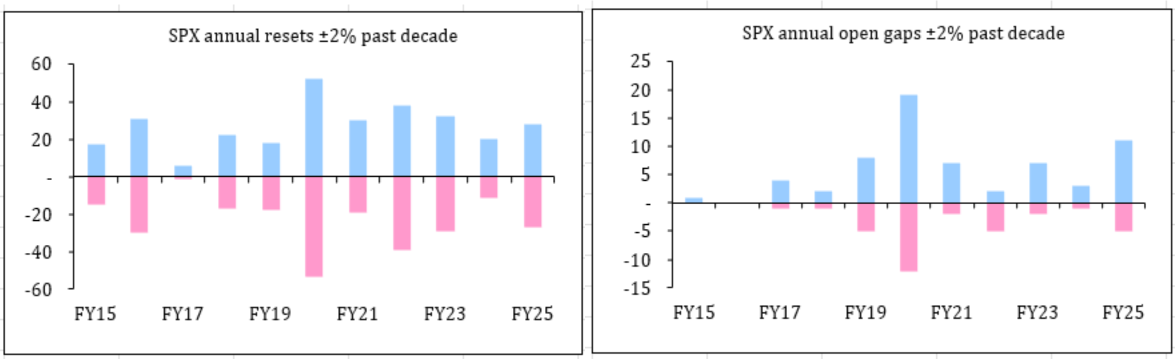
Across global markets, from the United States to Hong Kong and Australia, we observe persistent patterns in realised volatility: the frequency of gap opens, the magnitude of daily ranges, the clustering of price movement, and the repeated tendency for stocks to oscillate around short-term resets. These patterns are not new. Even in periods described as "calm," markets display a constant pulse, a statistical breath, that reveals how much movement is always embedded in the system.

In the language of physics, this behaviour resembles Brownian motion, continuous, directionless fluctuation driven by information flow, liquidity imbalances and behavioural response. Prices rarely move in straight lines. They wander, adjust and revert; they absorb shocks and then stabilise; they rise in bursts and fall in sequences. Crucially, this motion is present whether markets are rising, falling or drifting sideways. In this sense, volatility is not a disturbance but a feature of the system — a source of return for those positioned to receive it.

The structural advantage of realised volatility

For those attempting to anticipate macro catalysts or thematic turning points, this movement can be unsettling. But for a risk-managed strategy built around realised volatility, it is a structural advantage. Rather than forecasting the next phase of the cycle, the process integrates with the natural oscillation of markets. When stocks move, the structure resets. When dispersion widens, it harvests. When volatility clusters, the overlay adjusts without resorting to a binary distinction between risk-on and risk-off. In effect, the market provides the motion; the framework converts that motion into consistent outcomes.

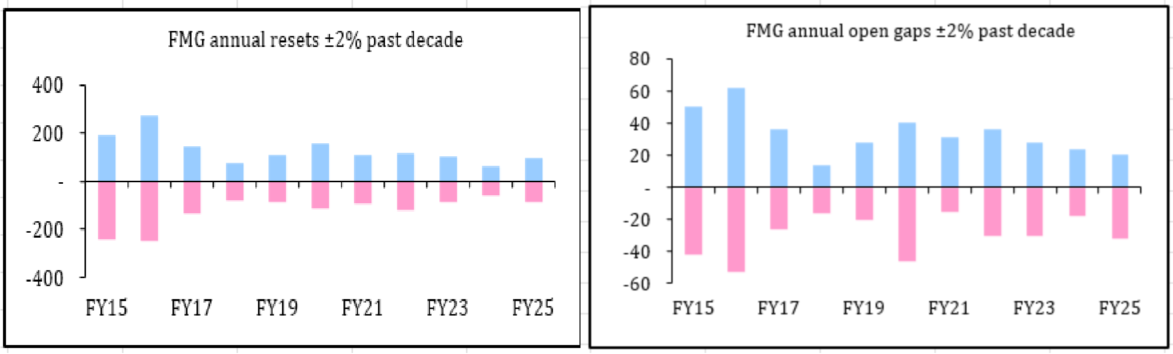
S&P 500 realised price movements FY15 – FY25



Source: Google Finance and Gyrostat Analysis

This becomes even clearer at the stock level. While index volatility attracts attention, individual stocks often display far greater realised movement. Australian commodity stocks, for example Fortescue, exhibit frequent ±2 per cent oscillations around short-term means. These repeated moves create opportunity for systematic reset and profits. The important insight is that movement is not occasional; it is intrinsic. Markets reset constantly. A rules-based process simply captures what markets naturally provide.

Fortescue realised price movements FY15 – FY25



Source: Google Finance and Gyrostat Analysis

For retirees, the hidden opportunity in realised volatility

For retirees and lower-risk investors, this distinction matters. Sequencing risk arises not from volatility in isolation, but from volatility occurring at the wrong point in the withdrawal path. Traditional portfolios depend heavily on stability; steady correlations, predictable income, smooth return patterns, yet modern markets rarely provide these conditions. A structure built around realised volatility rather than prediction offers a more durable foundation: outcomes emerge from market movement itself, reducing exposure to forecast error and improving resilience precisely when investors need it most.

A process built around realised volatility rather than direction offers that pathway. When returns are generated from movement rather than forecasts, the portfolio becomes less exposed to error and more anchored in structural behaviour. Over time, this can produce smoother outcomes, more controlled drawdowns, and a more durable foundation for retirement spending, not because shocks disappear, but because the strategy converts uncertainty into function rather than fragility.

Gyrostat Risk Managed Equity Fund Performance Report – Class A and Class B Absolute Returns at 30 Nov 2025

Class A and Class B delivered positive returns in November, consistent with our guidance.

Class	1yr	2yr p.a.	3yr p.a.	4yr p.a.	Max Qtr Loss (3Yr)	Beta
A	+7.73%	+8.79%	+7.05%	+10.44%	-1.26%	-0.08
B	+10.00%	+9.77%	+9.14%	+12.99%	-0.84%	-0.22

Conclusion: Structure is more valuable with randomness

As we move toward 2026, the frequency of gap opens, volatility clustering and stock-specific dispersion suggest that markets remain active beneath the surface. The appearance of calm is rarely the same as genuine stability. Within that motion lies opportunity for those who understand how to use it. The lesson is simple: prediction grows costlier when the world becomes harder to read. Structure grows more valuable when randomness becomes more frequent. Markets will always move; the question is whether investors build structures that can move with them.