Gyrostat February Outlook: Stewardship As Risk Reprices

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This monthly outlook examines how financial markets are *pricing risk*, rather than attempting to forecast market direction. Our focus remains on constructing portfolios that are resilient across a range of probability-weighted outcomes, consistent with Gyrostat's absolute-return and capital-protection objectives.

Pricing of risk: calm reprices

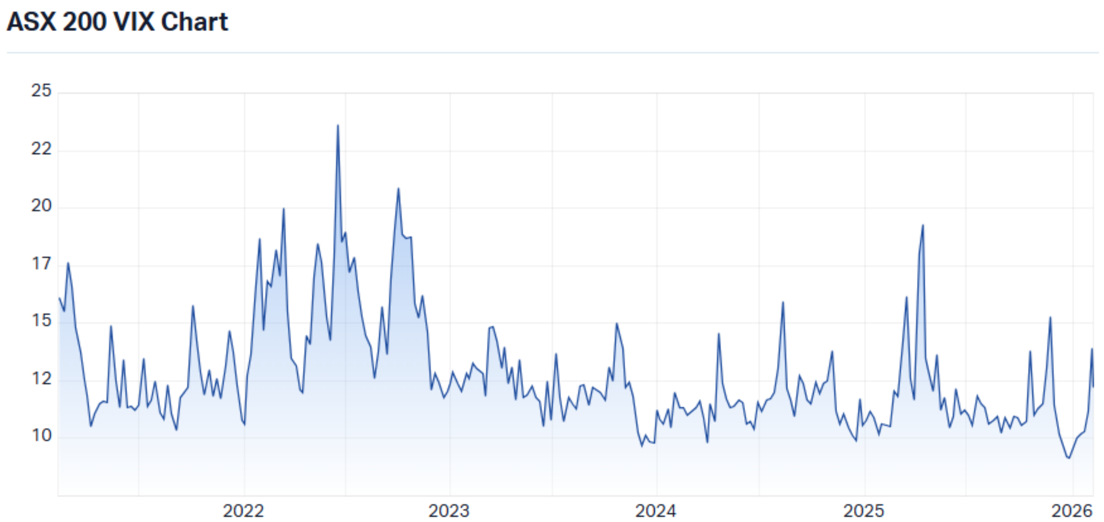
Australian implied volatility has lifted from the exceptionally low levels observed late last year. Measures such as the **A-VIX** indicate that markets are now pricing a higher cost of uncertainty than during the prior period of compressed risk premia.

Importantly, a rise in implied volatility does not imply a directional view on markets. Rather, it reflects a change in how risk is being priced and how much compensation investors require to bear uncertainty.

At current levels:

- protection is more expensive than during recent multi-year lows
- risk premia are less asymmetric than before
- volatility pricing has shifted from "cheap" toward more neutral territory

This transition reinforces the importance of disciplined risk management rather than reactive positioning.



Source: Market Index https://www.marketindex.com.au/asx/xvi

Structural context (without prediction)

Gyrostat does not rely on single-point forecasts. History shows that extended periods of market calm can persist, but also that repricing of risk can occur relatively quickly once conditions change.

Long-run empirical work by Reinhart and Rogoff documents that financial stress has historically emerged across a range of distinct arenas, including banking systems, currencies, sovereign debt (both external and domestic), inflation regimes, equity markets, and corporate credit.

Recent market discussion spans sovereign yield repricing, refinancing pressures in credit markets, and ongoing geopolitical uncertainty — reminders that risk rarely concentrates in a single arena, even when headline volatility appears contained.

Accordingly, our framework focuses on:

- probability-weighted outcomes rather than central scenarios
- structural portfolio resilience rather than directional conviction

The cost of protection: pricing versus consequence

As implied volatility has risen, the **cost of portfolio protection has increased from recent lows**, though it remains within ranges that can still be incorporated efficiently when managed dynamically.

Rather than viewing higher protection costs as inherently negative, they should be understood as:

- a reflection of increased demand for insurance
- a shift in how risk is being transferred
- a change in the economics of downside management

For risk-managed portfolios, this environment favours selective, structured implementation rather than static hedging.

ASX200 Protection pricing: duration vs excess – at 6 February 2026

					000's		
Date today:					6-Feb-26		
ASX index level:					8,728		
Excess				2.5%	5.0%	7.5%	10.0%
Index level				8,510	8,292	8,074	7,855
Current market costs of protection							
	Expiry	Days					
	18-Jun-26	132	Cost 000's	2,209	1,676	1,250	942
			%	2.31%	1.68%	1.25%	0.94%
	17-Sep-26	223	Cost 000's	3,341	2,589	2,050	1,629
			%	3.34%	2.59%	2.05%	1.63%
	17-Dec-26	314	Cost 000's	3,950	3,187	2,624	2,150
			%	3.95%	3.19%	2.62%	2.15%
	18-Mar-27	405	Cost 000's	4,716	3,906	3,300	2,720
			%	4.72%	3.91%	3.30%	2.72%
	17-Jun-27	496	Cost 000's	-	-	-	-
			%	5.10%	4.30%	3.68%	-

Source: Gyrostat analysis of ASX200 option pricing (as at 6 February 2026)

For example, as at 6th February 2026 protecting a $ 1 million ASX200 portfolio until 17th September 2026 with a 10% hard floor at the 7855 71 level would cost approximately 1.63% (≈$16,300). The cost was previously 1.49% at 9 January 2026 (see January outlook).

What this means for retirees

For investors prioritising capital preservation with measured participation:

- shifting volatility pricing reinforces the value of disciplined option management
- dynamic adjustment of risk exposure becomes more important than fixed positioning
- portfolio outcomes depend more on structure and execution than on market direction

The objective remains unchanged: to manage downside risk while allowing participation where compensation for risk is appropriate.

GYROSTAT
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Gyrostat Risk Managed Equity Fund

Performance Report – Class A and Class B

Absolute Returns at 31 Jan 2026

Class	1yr	2yr p.a.	3yr p.a.	4yr p.a.	Max Qtr Loss (3Yr)	Beta
A	+9.70%	+9.65%	+8.44%	+10.51%	-0.52%	-0.08
B	+12.14%	+10.46%	+10.31%	+13.90%	-0.84%	-0.10

Closing observation

Periods where volatility pricing transitions from extreme calm toward higher uncertainty often provide useful information about how risk is being redistributed within markets. Rather than responding to headlines or forecasts, Gyrostat continues to focus on pricing signals, portfolio structure, and disciplined execution across a range of possible outcomes.