

What if the investment industry is benchmarking the wrong things?

By Craig Racine – Managing Director & CIO, Gyrostat Capital Management

Investment management is built around benchmarking. Fund managers compare themselves against indices. Advisers compare portfolios against peers. Research houses compare managers against categories. Clients compare returns against expectations.

Benchmarking is so deeply embedded in the industry that it is rarely questioned.

But what if the more useful question is not what the industry is good at, but what it is collectively bad at?

Behavioural economist Rory Sutherland has described a concept known as reverse benchmarking. Rather than asking how to become marginally better than competitors at the things they already do well, reverse benchmarking asks a different question:

What are competitors surprisingly poor at?

The answer may reveal opportunities that traditional benchmarking overlooks.

The investment industry is remarkably good at discussing performance, volatility, asset allocation and economic forecasts. There are thousands of articles, presentations and research papers dedicated to these topics.

Yet there are several areas where the industry remains surprisingly weak.

Explaining the problem before the solution

Most investment presentations begin with the product.

The manager explains the process, the team, the philosophy and the performance record.

What is often missing is a clear explanation of the problem being solved.

For example, many retirees are told about diversification, but fewer are helped to understand sequencing risk. Many are shown long-term return assumptions, but fewer are shown how two portfolios with similar average returns can produce dramatically different retirement experiences.

Two retirees may begin with identical balances and achieve similar long-term average returns. Yet the order in which those returns occur can produce dramatically different outcomes.

Understanding the problem is often more valuable than understanding the product.

Retirement Success Isn't Just About Returns. It's About the Order They Happen.

Sequence risk can permanently impair your portfolio. The right structure protects your future.

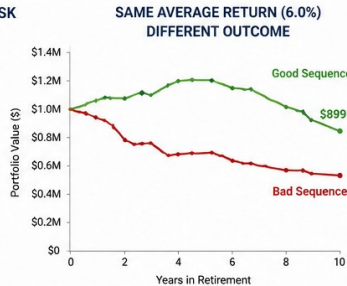
1. TRADITIONAL RETIREMENT PORTFOLIO

Diversified across asset classes, but exposed to sequence risk

THE PROBLEM: SEQUENCE RISK

Losses early in retirement, when withdrawals are being taken, have a lasting and compounding impact—even if average returns are the same.

- Early losses + withdrawals = permanent damage
- Time and compounding work against you
- Behavioural stress leads to poor decisions



\$360,000 LESS after 10 years solely due to the order of returns.

2. RETIREMENT PORTFOLIO WITH SEQUENCING-RISK SLEEVE

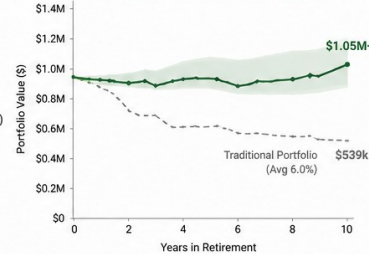
Diversified by market scenario – protection always in place

THE SOLUTION: DIVERSIFY BY MARKET SCENARIO

Combine traditional diversification with a specialist absolute return sleeve that is designed to perform in falling and volatile markets.

- Protection always in place (embedded downside protection)
- Benefits from volatility and market stress
- Delivers regular income in all market conditions
- Reduces sequence risk and smooths the journey

POTENTIAL OUTCOME WITH SEQUENCING-RISK SLEEVE



Stronger long-term outcome. Greater confidence. More control.

HOW IT WORKS: A PORTFOLIO BUILT FOR ALL MARKET SCENARIOS

MARKET SCENARIO	FALLING MARKETS (INCLUDING LARGE FALLS)	VOLATILE MARKETS	STABLE MARKETS	RISING MARKETS	THE RESULT
IMPACT ON PORTFOLIO	Traditional assets fall Significant drawdown risk Sequencing-risk sleeve helps protect and can deliver positive returns	Whipsaw returns increase risk and behavioural stress Sequencing-risk sleeve thrives on volatility	Lower returns from defensive assets may lag traditional portfolio Income and capital preservation provide stability	Traditional assets participate in market upside Sequencing-risk sleeve captures upside (may be mitigated)	Higher probability of achieving your retirement goals with less stress and more confidence.

OUR OBJECTIVE: Financial Peace of Mind in All Market Conditions

Reduce Sequence Risk

Provide Reliable Income

Help You Stay the Course

Protect Your Lifestyle and Legacy

This diagram is for educational purposes only and does not constitute financial advice.

Behavioural survivability

Investment professionals frequently discuss risk in statistical terms, while clients experience risk emotionally. The greatest threat to many retirement plans is not necessarily volatility itself, but the decisions made during periods of stress.

Investors rarely abandon portfolios because they have calculated a poor Sharpe ratio. They abandon portfolios because they become frightened, lose confidence or feel unable to continue.

Behavioural survivability remains one of the least discussed aspects of portfolio construction.

Adviser education

The industry produces a vast amount of commentary, yet far less effort is devoted to creating genuine understanding. **There is an important distinction between information and education.**

Information tells advisers what happened. Education helps advisers understand why it matters.

The distinction may appear subtle, but it has significant consequences for how advice is delivered and how investors behave.

Helping advisers solve client problems

Many managers focus on explaining why their strategy is attractive. Fewer focus on helping advisers explain difficult concepts to clients.

Retirement risk, sequencing risk and behavioural decision-making are complex subjects. Advisers who can communicate these issues clearly are often better equipped to guide clients through uncertainty.

In this sense, education can be as valuable as investment management.

Benchmarking products versus benchmarking outcomes

Most investment benchmarking compares products against products. Yet retirees do not experience products. They experience outcomes.

A portfolio that outperforms a benchmark but causes an investor to abandon their plan may be technically successful but practically unsuccessful. Conversely, a portfolio that helps an investor remain invested through uncertainty may achieve a more durable outcome even if it is not the highest-returning strategy in every market environment.

This distinction becomes particularly important in retirement, where behavioural decisions can have consequences that extend far beyond short-term performance.

Reverse benchmarking in practice

If the industry is already highly competitive in performance analysis, manager selection and market commentary, becoming marginally better in those areas may offer limited advantage.

However, becoming exceptional at helping advisers understand retirement risk, investor behaviour and portfolio resilience may create value that is far harder to replicate. The greatest opportunities do not always lie where competition is strongest.

Sometimes they lie where attention is weakest.

A different question

The investment industry has become exceptionally good at measuring what is easy to measure.

Returns.

Volatility.

Rankings.

Yet many of the outcomes that matter most to investors—confidence, behavioural discipline, retirement sustainability and the ability to remain invested through uncertainty—remain far harder to benchmark.

In retirement investing, the industry's greatest blind spots may not be product design or market forecasting, but understanding how investors experience risk, uncertainty and the realities of living through a full market cycle.

Perhaps the most valuable opportunities in investment management are not found by becoming marginally better at what everyone else is already measuring.

Perhaps they are found by asking a different question:

What important problem is everyone else overlooking?

Gyrostat perspective

We do not attempt to predict the market as it is.

We act on how risk is priced—consistently and without reliance on prediction.

Gyrostat Risk Managed Equity Fund

Performance Report - Class A and Class B

Absolute Returns at 31 May 2026

Class	1yr	2yr p.a.	3yr p.a.	4yr p.a.	Max Qtr Loss (3Yr)	Beta
A	+8.65%	+8.72%	+8.07%	+8.48%	-0.52%	-0.08
B	+11.38%	+10.44%	+10.21%	+11.29%	-0.84%	-0.21

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