

## July Retirement Portfolio Resilience Assessment

The Market Is Currently Presenting an Opportunity to Strengthen Retirement Portfolio Resilience

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

Retirement investing presents a different portfolio construction challenge from wealth accumulation. While investors continue contributing capital during the accumulation phase, retirees must continue drawing income regardless of market conditions. As a result, major market declines can have a disproportionately greater impact on long-term retirement outcomes through sequencing risk, making retirement portfolio construction a distinct discipline.

**Retirement Portfolio Resilience is the discipline of helping investors remain financially and emotionally invested throughout their retirement journey, regardless of the path markets take.** It complements Retirement Income by focusing on reducing dependence on favourable market conditions, thereby supporting more resilient long-term retirement outcomes.

Prudent retirement stewardship therefore extends beyond selecting individual investments. It involves ensuring that a retirement portfolio addresses the three complementary functions of retirement portfolio construction:

- ☐ **Accumulation Portfolio Construction** – building long-term wealth.
- ☐ **Retirement Income** – generating sustainable income throughout retirement.
- ☐ **Retirement Portfolio Resilience** – helping investors remain financially and emotionally invested throughout their retirement journey, regardless of the path markets take.

Each month, the **Retirement Portfolio Resilience Assessment** examines the current investment environment through the Retirement Portfolio Resilience framework. Rather than attempting to predict markets, it interprets observable evidence that may assist investors, advisers and other stewards of retirement capital in making more resilient long-term portfolio construction decisions.

*To learn more about the framework and the Five Pillars of Retirement Portfolio Resilience, readers can download the Retirement Portfolio Resilience Framework at*

[www.gyrostat.com.au](http://www.gyrostat.com.au).

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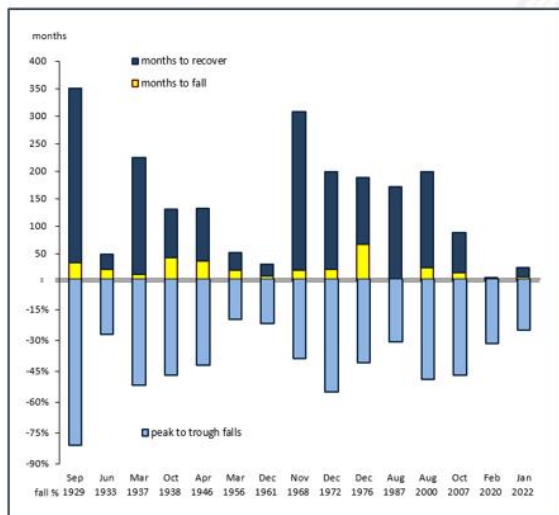
## Major market declines are not exceptional events

One of the enduring challenges of retirement investing is that major market declines are not exceptional events—they are a normal feature of long-term investment markets. Over the past ninety years, equity markets have experienced numerous declines exceeding 20%, often requiring many years to recover to previous highs. While every market cycle is different, the historical record demonstrates that significant market falls occur with sufficient regularity that prudent retirement portfolio construction should assume they will occur again rather than regard them as rare events.

For investors accumulating wealth, regular contributions may help offset the impact of market declines over time. Retirement presents a different mathematical challenge. Withdrawals continue regardless of market conditions, meaning the timing of investment returns can materially influence long-term retirement outcomes. Sequencing risk is therefore an enduring characteristic of retirement investing rather than a temporary market concern.

Importantly, the relatively rapid recoveries following the last three major market declines have been historically favourable for investors. While future market behaviour cannot be known, **prudent stewards of retirement capital** should be cautious about assuming similarly rapid recoveries will always occur. Instead, periods where market conditions allow retirement portfolio resilience to be strengthened at a relatively modest cost may represent valuable opportunities to prepare portfolios before the next major market decline rather than after it.

## *Investment cycles – major sell offs a regular feature*



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

The graph shows the extent of falls from peak to trough S&P 500, the duration of the fall, and time taken to recover to pre fall highs.

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

## Pricing Retirement Portfolio Resilience

One advantage of viewing markets through the lens of Retirement Portfolio Resilience is that periods of uncertainty can also create opportunities. Rather than attempting to predict the timing of the next major market decline, a Retirement Portfolio Resilience approach asks a different question:

## This Month's Assessment Question

### *How is the market currently pricing the opportunity to strengthen Retirement Portfolio Resilience?*

For this reason, we continue to publish our monthly "Do It Yourself" protection pricing table together with measures of implied market volatility. These indicators provide a practical assessment of the current cost of establishing downside protection and allow investors and advisers to observe how the pricing of resilience changes over time.

Current market conditions indicate that protection is currently priced towards the lower end of its recent range relative to periods of elevated market stress. While no single indicator should determine investment decisions, the present environment appears to offer an attractive opportunity for investors to consider strengthening retirement portfolio resilience before protection becomes materially more expensive.

Purchasing stand-alone protection represents one method of improving portfolio resilience. Specialist Retirement Portfolio Resilience managers, however, pursue the broader objective of integrating protection architecture, disciplined capital allocation, portfolio construction and ongoing governance within a single investment framework. The objective is not simply to purchase protection, but to help investors remain financially and emotionally invested throughout their retirement journey across a wide range of market conditions.

This month's illustrative protection pricing at 10 July 2026 is shown in the table below.

| Expiry                        | Days | Basis              | Downside protection level (excess below index) |        |        |        |
|-------------------------------|------|--------------------|------------------------------------------------|--------|--------|--------|
|                               |      |                    | 2.5%                                           | 5.0%   | 7.5%   | 10.0%  |
| Protected floor (index level) |      |                    | 8,595                                          | 8,375  | 8,154  | 7,934  |
| 17-Sep-26                     | 69   | Cost per \$1m (\$) | 12,200                                         | 7,400  | 4,700  | 2,700  |
|                               |      | % of portfolio     | 1.20%                                          | 0.74%  | 0.47%  | 0.27%  |
| 17-Dec-26                     | 160  | Cost per \$1m (\$) | 22,200                                         | 16,300 | 12,000 | 8,800  |
|                               |      | % of portfolio     | 2.20%                                          | 1.63%  | 1.20%  | 0.88%  |
| 18-Mar-27                     | 251  | Cost per \$1m (\$) | 32,000                                         | 25,200 | 19,800 | 15,700 |
|                               |      | % of portfolio     | 3.20%                                          | 2.52%  | 1.98%  | 1.57%  |
| 17-Jun-27                     | 342  | Cost per \$1m (\$) | 38,100                                         | 31,500 | 25,800 | 21,600 |
|                               |      | % of portfolio     | 3.81%                                          | 3.15%  | 2.58%  | 2.16%  |
| 16-Sep-27                     | 433  | Cost per \$1m (\$) | 44,800                                         | 37,800 | 31,600 | 27,100 |
|                               |      | % of portfolio     | 4.48%                                          | 3.78%  | 3.16%  | 2.71%  |

Source: Gyrostat analysis of ASX 200 option pricing

For example, as at 10 July 2026, with the ASX 200 at approximately 8,815, protecting a \$1 million portfolio until 17 December 2026 with a 10% hard floor at the 7,934 index level would

cost approximately **0.88% (~\$8,800)**. This is the cost for the full period to expiry — approximately five and a half months — rather than an annualised figure.

## **A Simple Stewardship Diagnostic**

One of the advantages of Retirement Portfolio Resilience is that it provides a practical way for investors and advisers to assess existing portfolio structures. Rather than asking whether a portfolio has performed well during favourable market conditions, Retirement Portfolio Resilience encourages stewards of capital to ask whether the portfolio is likely to remain effective when market conditions become less favourable.

Two simple questions provide a useful starting point.

**First, how did the portfolio perform during significant market declines?** A portfolio that experiences losses broadly in line with the sharemarket during major downturns may still satisfy long-term accumulation objectives, but it may present additional challenges for retirees drawing regular income.

**Second, how closely does the portfolio move with the broader sharemarket?** Investments with high correlation to equity markets may provide limited diversification when it is needed most. Understanding how different portfolio components behave during periods of market stress can therefore be just as important as understanding their expected returns during favourable market conditions.

These questions do not provide complete answers, but they encourage investors and advisers to evaluate retirement portfolios through the broader lens of resilience rather than relying solely on traditional measures of investment performance.

## **Stewardship in Practice**

Retirement Portfolio Resilience does not seek to predict the timing of future market declines. Instead, it recognises that significant market falls are a normal feature of long-term investing and that retirement portfolio construction should be designed with this reality in mind.

Current market conditions suggest that investors have an opportunity to strengthen retirement portfolio resilience at relatively attractive protection costs. Whether this is achieved through stand-alone protection strategies or through specialist Retirement Portfolio Resilience managers, the underlying stewardship objective remains the same: to improve the likelihood that investors can remain financially and emotionally invested throughout their retirement journey, regardless of the path markets take.

As Retirement Portfolio Resilience continues to develop as a recognised discipline, the emphasis is gradually shifting from predicting future market movements towards improving the quality of retirement portfolio construction itself. For investors, advisers and other stewards of retirement capital, this represents an opportunity to ask not only "What returns might this portfolio generate?", but also "How resilient is this portfolio likely to remain when market conditions inevitably change?"

The Retirement Portfolio Resilience Assessment will continue each month as part of Gyrostat's ongoing commitment to improving retirement stewardship through education, practical assessment and disciplined portfolio construction.

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