August Retirement Portfolio Resilience Assessment

Markets Are Higher. The Price of Risk Is Lower.

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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 four complementary functions of retirement portfolio construction:

☐ **Growth**
How will long-term capital growth support purchasing power throughout retirement?

☐ **Defensive**
How will capital stability, liquidity and cash reserves help manage market uncertainty?

☐ **Retirement Income**
How will sustainable retirement income be delivered throughout retirement?

☑ **Retirement Portfolio Resilience**
How will sequencing risk and behavioural survivability be addressed so investors remain financially and emotionally invested throughout their retirement journey?

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 https://www.gyrostat.com.au/news/retirement-portfolio-resilience-framework/.

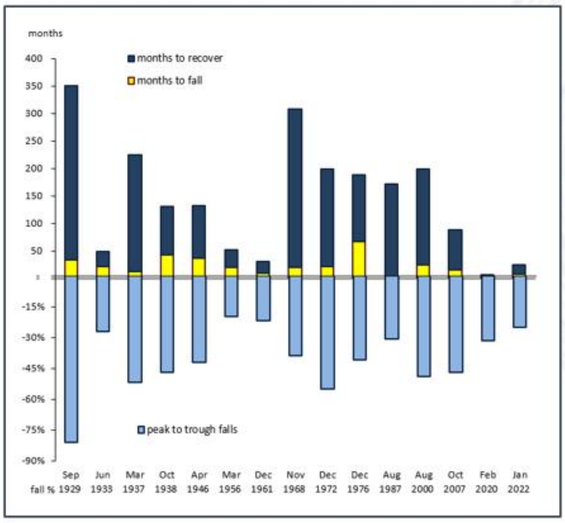
Major market declines are not the exception

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

Rather than attempting to predict the timing of the next major market decline, a Retirement Portfolio Resilience approach asks different questions.

This Month's Assessment Question:

> ***How should stewards of retirement capital respond when asset prices are rising while the market's price of downside risk is falling?***

One advantage of viewing markets through the lens of Retirement Portfolio Resilience is that it changes the questions investors ask.

Rather than attempting to predict whether markets will continue rising or when the next major decline might occur, Retirement Portfolio Resilience focuses on observable market conditions and what those conditions may mean for portfolio construction.

This month's assessment presents an interesting combination.

> **Equity markets are higher, while the market's price of downside risk is lower.**

At 7 August 2026, the ASX 200 was approximately 9,265, compared with approximately 8,815 at the time of our July assessment—an increase of around 5%. At the same time, the cost of establishing downside protection has fallen.

For example, in July, protecting a $1 million portfolio until 17 December 2026 with a 10% hard floor cost approximately 0.88% of the portfolio. In the August assessment, comparable protection costs approximately 0.62%.

The observation is therefore straightforward:

> **Markets are higher. The price of risk is lower.**

Importantly, this does not tell us what markets will do next. Markets may continue rising, decline, or move sideways. The purpose of the Retirement Portfolio Resilience Assessment is not to make that prediction.

Instead, the current environment illustrates an important principle of retirement portfolio construction:

> **Favourable market conditions can provide an opportunity to prepare for less favourable ones.**

When markets are rising and perceived risk is low, the immediate need for protection may appear less obvious. Yet these can also be the conditions in which resilience can be established at a relatively modest cost. Conversely, when markets decline sharply and investors become more conscious of risk, the cost of protection can rise materially.

For retirees, this distinction matters. Sequencing risk does not disappear because markets have risen. Retirement portfolios must continue supporting withdrawals across the range of market conditions that may occur throughout a retirement measured in decades.

The stewardship question is therefore not:

"Do we expect markets to fall?"

It is:

"Are current market conditions providing an opportunity to strengthen portfolio resilience before that resilience is required?"

Pricing Retirement Portfolio Resilience

For this reason, we continue to publish our monthly "Do It Yourself" protection pricing table. The purpose of the table is not to provide a market forecast. It allows investors, advisers and other stewards of retirement capital to observe how the market's pricing of downside risk changes through time.

This month's illustrative protection pricing at 7 August 2026 is shown in the table below.

Date today: 7-Aug-26
ASX index level: 9,265

Expiry	Days	Basis	Downside protection level (excess below index)			
			2.5%	5.0%	7.5%	10.0%
Protected floor (index level)			**9,033**	**8,802**	**8,570**	**8,338**
17-Sep-26	41	Cost per $1m ($)	7,600	3,600	1,700	800
		% of portfolio	**0.76%**	**0.36%**	**0.17%**	**0.08%**
17-Dec-26	132	Cost per $1m ($)	18,800	12,600	9,000	6,200
		% of portfolio	**1.88%**	**1.26%**	**0.90%**	**0.62%**
18-Mar-27	223	Cost per $1m ($)	28,900	21,300	16,400	12,800
		% of portfolio	**2.89%**	**2.13%**	**1.64%**	**1.28%**
17-Jun-27	314	Cost per $1m ($)	34,900	27,100	21,800	18,100
		% of portfolio	**3.49%**	**2.71%**	**2.18%**	**1.81%**
16-Sep-27	405	Cost per $1m ($)	43,900	35,000	28,800	24,600
		% of portfolio	**4.39%**	**3.50%**	**2.88%**	**2.46%**

Source: Gyrostat analysis of ASX 200 option pricing

What the August Pricing Tells Us

The August pricing provides a useful practical illustration of why the price of risk matters.

The ASX 200 has risen approximately 5% since the July assessment. Yet comparable December downside protection has become less expensive. The cost of a 10% hard floor has fallen from approximately 0.88% to 0.62% of a $1 million portfolio, while the cost of a 7.5% hard floor has fallen from approximately 1.20% to 0.90%. July's pricing provides the comparison point.

This does not mean protection should automatically be purchased whenever its price falls. No single indicator should determine a portfolio construction decision.

Rather, the pricing provides **observable evidence about the conditions under which resilience can currently be established**.

That distinction is important. The apparent need for resilience and the price of resilience do not necessarily move together. Indeed, when markets appear benign and investors feel most comfortable, the market may offer more favourable conditions for preparing portfolios for future uncertainty.

This is one of the disciplines of Retirement Portfolio Resilience:

Design resilience before adverse conditions make its value obvious.

Stewardship in Practice

Retirement Portfolio Resilience does not seek to predict whether markets will continue rising or when the next major decline will occur. Its purpose is to help investors and advisers assess whether retirement portfolios are appropriately structured for a wide range of future market conditions.

The August assessment illustrates why this distinction matters. Equity markets are higher than they were at the time of the July assessment, yet the market's price of downside risk has fallen.

For stewards of retirement capital, this creates a useful portfolio-construction question. Rather than waiting for adverse conditions to make the value of resilience obvious, should favourable conditions be used to strengthen resilience while the cost of doing so remains relatively modest?

How resilience is implemented will depend on the objectives and structure of the portfolio. The broader stewardship principle, however, is enduring.

Resilience is most valuable when it is already in place before it is required.

The Retirement Portfolio Resilience Assessment will continue each month to observe how the market prices risk and to consider what those conditions may mean for prudent retirement portfolio construction.