GYROSTAT CAPITAL MANAGEMENT

Assessing Retirement Portfolio Resilience: What Does the Evidence Show?

A practical framework for assessing resilience across different market environments

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Executive summary

Retirement Portfolio Resilience is the discipline of helping investors remain financially and emotionally invested throughout their retirement journey, regardless of the path markets take.

The previous article in this series considered retirement portfolio construction through four complementary functions: **Growth, Defensive, Retirement Income and Retirement Portfolio Resilience**. It then introduced two objective evidence tests for assessing whether an allocation intended to provide Retirement Portfolio Resilience has demonstrated that function:

1. **What happened during significant market falls?**
2. **How dependent have outcomes been on different market environments?**

This article applies those tests using historical evidence from **January 2022 to July 2026**.

The purpose is not to predict the next market decline. It is to show how observable evidence can help advisers assess whether an allocation has historically behaved in a manner consistent with its intended Retirement Portfolio Resilience function and support client behaviour when markets become difficult.

From framework to evidence

Investment strategies can carry many labels: defensive, absolute return, risk managed, long-short, diversified or protected. For retirement portfolio construction, however, the more useful question is functional:

> **Has the allocation demonstrated the portfolio behaviour expected of the role it is intended to perform?**

Implementation methodology helps explain how an investment seeks to achieve its objective but does not by itself demonstrate that the intended function has been achieved. Assessment should therefore focus on observable portfolio behaviour.

Test 1 — What happened during significant market falls?

Sequence-of-returns risk becomes particularly important when losses occur while retirement capital is being withdrawn. A substantial decline can reduce capital available for the subsequent recovery and create behavioural pressure when the investor is being asked to remain committed to the strategy.

For this assessment, significant Australian equity-market falls are defined objectively as declines of **7% or more** during the January 2022 to July 2026 period under review. The periods are therefore selected because Australian equities fell materially, not because of the subsequent Gyrostat outcome.

Figure 1. Performance during significant Australian equity-market falls — January 2022 to July 2026

Period	Australian equities (XJT)	Gyrostat Class A	Gyrostat Class B
Apr–Jun 2022	**−11.90%**	**+8.70%**	**+11.05%**
Aug–Oct 2023	**−7.19%**	**+1.66%**	**+1.35%**
Feb–Mar 2025	**−7.05%**	**+3.53%**	**+4.90%**
Mar 2026	**−7.15%**	**+1.81%**	**+2.84%**

Source: Gyrostat adviser analysis. Past performance is not a reliable indicator of future performance.

Across each of these four identified significant Australian equity-market declines, both Gyrostat classes produced positive returns. This does not mean future declines will produce the same result, nor does Retirement Portfolio Resilience require a positive return during every period of market weakness. Historical downside experience can, however, provide objective evidence of how an allocation behaved when resilience was required.

Behaviourally, this evidence can also change the conversation between adviser and client. An adviser who has constructed a retirement portfolio around complementary functions can show the client that different parts of the portfolio are performing different jobs. Growth assets may be falling while another allocation is demonstrating its resilience function.

The adviser can return to the portfolio construction agreed before the decline: **the possibility of Growth assets falling was anticipated, liquidity was provided for, and a specialist resilience allocation was included to reduce dependence on a rapid market recovery. There should therefore be less pressure to sell Growth assets simply because their value has fallen.**

Remaining invested becomes more than an appeal to patience. It becomes a consequence of deliberate portfolio construction.

When the downturn lasts longer than the cash bucket

Cash remains important. It provides liquidity and can reduce the need to sell Growth assets while markets are depressed. But a cash reserve has finite duration. If it covers one, two or three years of withdrawals, what happens when decline and recovery last longer?

If the downturn extends beyond the period funded by cash, a resilience allocation can provide an additional portfolio resource, reducing dependence on either selling depressed Growth assets or the market recovering within a predetermined timeframe.

This is where Retirement Portfolio Resilience performs a different function from liquidity. Its purpose is not to eliminate risk, but to reduce dependence on the assumption that Growth markets will recover before the cash reserve is exhausted.

For the adviser, this is stewardship in practice: constructing the portfolio before difficult markets arrive so that the client's capacity to remain invested does not depend solely on confidence, a finite cash bucket or rapid market recovery.

Test 2 — How dependent have outcomes been on different market environments?

Retirement may last several decades and encompass rising, falling and stable markets. An allocation that generates strong returns primarily when equity markets rise may perform an important **Growth** function, but that does not necessarily demonstrate Retirement Portfolio Resilience.

The second objective evidence test therefore asks:

How dependent have outcomes been on favourable equity-market conditions?

Figure 2. Return, volatility and beta — January 2022 to July 2026

Measure	Australian equities (XJT)	Gyrostat Class A	Gyrostat Class B
Annualised return	**8.14%**	**10.50%**	**13.56%**
Annualised volatility	12.83%	6.88%	8.42%
Beta to XJT	1.00	−0.11	−0.15

Source: Gyrostat adviser analysis, January 2022 to July 2026. Past performance is not a reliable indicator of future performance.

Beta indicates the historical relationship between investment returns and the broader equity market. A beta around one suggests returns tended to move with that market; a lower beta suggests less dependence on market direction.

During the period under review, both Gyrostat classes exhibited slightly negative beta to Australian equities, materially lower volatility and strong positive annualised returns.

Retirement Portfolio Resilience is not simply about avoiding losses. Protecting capital without generating sufficient returns through time may simply replace sequencing risk with a different retirement problem. The evidence should therefore be considered together: behaviour when markets fell, dependence on rising equity markets, and return across the full period.

For the period analysed, the Gyrostat allocations generated positive returns during each identified material Australian equity-market fall while also producing annualised returns of approximately **10.5% for Class A and 13.6% for Class B**.

Consistency through time

A small number of favourable observations does not establish Retirement Portfolio Resilience. Advisers should also consider whether behaviour remains reasonably consistent through time, including return histories, maximum losses and differing market environments.

This matters because retirees experience the **pathway of returns**, not simply the eventual long-term average.

A practical framework for advisers

The assessment can therefore be applied to any allocation intended to provide Retirement Portfolio Resilience:

Objective Evidence Test 1: What happened during significant market falls?

Objective Evidence Test 2: How dependent have outcomes been on different market environments?

Then ask:

Has that behaviour remained reasonably consistent through time?

These questions also create a practical client conversation. Before difficult markets occur, the adviser can explain which allocations provide **Growth, Defensive liquidity, Retirement Income and Retirement Portfolio Resilience**.

When markets subsequently decline, the adviser can return to that construction and show the client how those different functions are behaving.

Instead of saying simply, **"Markets eventually recover, so stay invested,"** the adviser can demonstrate that the portfolio was deliberately constructed in anticipation of uncertain market paths.

"We planned for this. Your Growth assets are there for long-term growth, not to be sold simply because markets have fallen. Your Defensive allocation provides liquidity, your Retirement Income function supports spending, and your Retirement Portfolio Resilience allocation was included to reduce dependence on a rapid market recovery."

The adviser is therefore not asking the client to remain invested on faith; they can point to the portfolio architecture deliberately established to help make remaining invested possible.

From evidence to stewardship

Retirement Portfolio Resilience does not seek to predict when markets will fall, how far they will decline or how long recovery will take. Its purpose is to help investors remain financially and emotionally invested throughout retirement while reducing dependence on favourable market paths.

An allocation should not be considered resilient simply because it is described that way. Equally, historical evidence cannot guarantee future resilience.

The practical task is to determine whether the evidence is consistent with the intended portfolio function — and use that construction to help clients remain invested when the path becomes difficult.

The purpose is not to predict the next market decline. It is to construct and assess retirement portfolios so that a favourable and rapid recovery is not the only path on which the retirement strategy depends.

Four functions of a retirement portfolio

Rather than beginning with products or asset classes, retirement portfolio construction can begin by asking what functions the portfolio needs to perform.

Retirement Portfolio Construction Checklist

- ☐ **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?

The four functions are complementary. Importantly, Retirement Income and Retirement Portfolio Resilience address different retirement needs.