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CAPITAL MANAGEMENT

November Retirement Portfolio Resilience Assessment

Markets have risen. Protection costs have fallen. Retirement confidence still matters.

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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** – supporting long-term capital growth and purchasing power throughout retirement.

☐ **Defensive** – providing capital stability, liquidity and cash reserves to help manage market uncertainty.

☐ **Retirement Income** – generating sustainable income throughout retirement.

☑ **Retirement Portfolio Resilience** – addressing sequencing risk and behavioural survivability through deliberate portfolio construction, including embedded downside protection, so investors can remain financially and emotionally invested throughout retirement.

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 continue the Retirement Portfolio Resilience conversation, visit the Gyrostat Knowledge Centre for the Retirement Portfolio Resilience Framework, adviser resources and ongoing research https://www.gyrostat.com.au/knowledge-centre/

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.

The hidden cost of market fear: when retirees become afraid to spend

Retirement portfolio risk has a second behavioural dimension. The familiar concern is that a market fall may cause investors to sell growth assets at an inopportune time. **But fear can also change what retirees do outside the portfolio: they may defer travel, family experiences or other discretionary spending because they are uncertain whether their savings will last.**

Vanguard's How Australia Retires 2024 research found that almost three in five surveyed retirees believed they had at least a 40% likelihood of outliving their retirement savings. Around one in two retirees did not know how much they could spend each year without outliving their savings. These findings demonstrate material uncertainty about retirement spending capacity; they do not establish that equity market volatility is its sole cause.

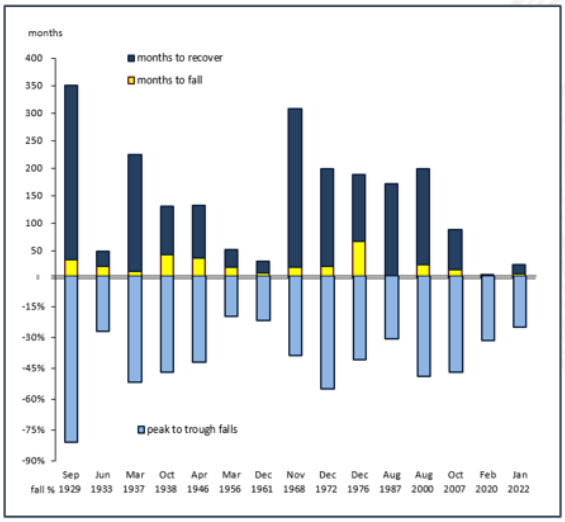
The Australian Government's 2023 Intergenerational Report also identified longevity risk as a reason many retirees draw down at legislated minimum rates, potentially leaving a substantial proportion of their savings unspent. Market falls, inflation, healthcare costs, longevity and bequest intentions may all influence spending decisions.

For advisers and other stewards of retirement capital, this raises a further question: can a portfolio be financially adequate, yet leave its owner too uncertain to enjoy the retirement it was intended to fund?

Behavioural survivability should therefore encompass both the capacity to remain invested through adverse markets and the confidence to make appropriate retirement spending decisions. Portfolio resilience cannot by itself determine a sustainable spending rate; it complements retirement income planning, liquidity, personalised advice and clear communication about risk.

Sources: Vanguard, How Australia Retires 2024 (vanguard.com.au); Australian Government, Intergenerational Report 2023 (treasury.gov.au).

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

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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

> ***Does the retirement portfolio provide the resilience and confidence needed for retirees not only to remain invested, but also to enjoy the retirement they have worked to fund?***

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

Rather than attempting to predict whether markets will rise or fall 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 further change in conditions.

Australian equity markets have risen since October, while the quoted cost of downside protection to March 2027 has fallen further.

At 6 November 2026, the ASX 200 was approximately 8,974, compared with approximately 8,700 at the time of our October assessment — an increase of approximately 3.15%.

Over the same period, the quoted cost of establishing downside protection to March 2027 has continued to decline.

For example, in September, protecting a $1 million portfolio until 18 March 2027 with a 10% hard floor cost approximately 1.47% of the portfolio ($14,700). In October the comparable quote was 0.90% ($9,000); in November it is approximately 0.71% ($7,100) — approximately 52% below September.

Similarly, the quoted cost of a 7.5% hard floor declined from approximately 1.82% in September to 1.20% in October and 1.01% in November.

These comparisons reflect both changing option prices and the reduction in time remaining to the same March 2027 expiry, from approximately 188 days in September to 160 days in October and 132 days in November. They should not be interpreted as a pure measure of changing market volatility.

The observation is therefore straightforward:

Markets have risen. The quoted cost of protection has fallen further.

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

Instead, the change in conditions since September illustrates an important principle of retirement portfolio construction:

The consequences of an adverse market path remain, even as the market price of establishing protection changes.

Retirement Portfolio Resilience is not dependent on predicting market direction or purchasing any particular form of protection. It is a portfolio-construction discipline that can be implemented through different investment instruments and risk-management approaches as market conditions change.

For retirees, this distinction matters. Sequencing risk does not begin when markets fall, nor does it disappear when markets rise. Retirement portfolios must continue supporting withdrawals across the range of market conditions that may occur throughout a retirement measured in decades.

Behavioural discipline is important, but investors cannot simply behave their way out of a portfolio structure that is not designed for the market path it encounters. **Resilience must therefore be considered as a portfolio-construction decision before adverse conditions test both the portfolio and the investor.**

This distinction also matters to the lived experience of retirement. The objective is not simply to avoid selling in a downturn. It is to support a portfolio that allows the retiree, within their individual financial plan, to make spending decisions without undue dependence on favourable market conditions.

The stewardship question is therefore not:

> **"Do we expect markets to fall?"**

It is:

> **"Is the retirement portfolio structured to remain resilient across the range of market conditions that may occur?"**

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.

The table below shows this month's illustrative protection pricing as of 6 November 2026.

Date today: 6-Nov-26
ASX index level: 8,974

Expiry	Days	Basis	Downside protection level (excess below index)			
			2.5%	5.0%	7.5%	10.0%
Protected floor (index level)			**8,750**	**8,525**	**8,301**	**8,077**
17-Dec-26	41	Cost per $1m ($)	7,700	4,400	2,400	1,500
		% of portfolio	**0.77%**	**0.44%**	**0.24%**	**0.15%**
18-Mar-27	132	Cost per $1m ($)	20,700	14,900	10,100	7,100
		% of portfolio	**2.07%**	**1.49%**	**1.01%**	**0.71%**
17-Jun-27	223	Cost per $1m ($)	28,600	22,400	16,300	12,500
		% of portfolio	**2.86%**	**2.24%**	**1.63%**	**1.25%**
16-Sep-27	314	Cost per $1m ($)	38,300	31,400	24,000	18,800
		% of portfolio	**3.83%**	**3.14%**	**2.40%**	**1.88%**
16-Dec-27	405	Cost per $1m ($)	42,900	35,100	27,800	22,400
		% of portfolio	**4.29%**	**3.51%**	**2.78%**	**2.24%**

Source: Gyrostat analysis of ASX 200 option pricing

What the November Pricing Tells Us

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

The ASX 200 has risen from approximately 8,700 in October to 8,974 on 6 November. Over the same period, the quoted cost of establishing downside protection to March 2027 has declined further.

The cost of a 10% hard floor has declined from approximately 0.90% to 0.71% of a $1 million portfolio since October, while the cost of a 7.5% hard floor has declined from approximately 1.20% to 1.01%.

These comparisons use the same March 2027 expiry, although the remaining protection period has shortened from approximately 160 to 132 days since October. The reduction therefore reflects both changes in option pricing and the passage of time.

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

Rather, the pricing provides observable evidence about the changing market conditions under which downside risk can be managed.

That distinction is important. The consequences of an adverse market path do not disappear simply because markets have risen or protection becomes less expensive.

Retirement Portfolio Resilience is not dependent on predicting market direction or purchasing a particular form of protection. It is a deliberate portfolio-construction discipline, supported by ongoing risk pricing and the flexibility to adapt investment structures as conditions change.

This is one of the enduring disciplines of Retirement Portfolio Resilience:

Design resilience before adverse conditions make its value obvious.

Assessing Retirement Portfolio Resilience

If Retirement Portfolio Resilience is considered alongside Growth, Defensive and Retirement Income as a complementary retirement portfolio function, a practical question follows:

How much Retirement Portfolio Resilience does the portfolio contain, and what difference might it make during a significant market decline?

A practical way of assessing this function is through an **RPR Unit**.

One RPR Unit represents a 5% allocation of the total retirement portfolio to Retirement Portfolio Resilience.

Historical analysis provides one objective way of assessing its potential portfolio impact. Across four periods since 2022 in which Australian equities declined by at least 7%, an illustrative portfolio containing one RPR Unit using Gyrostat Class A historically reduced the

loss attributable to the Australian-equity sleeve by approximately **36% on average**. Using Class B, the historical average was approximately **39%**.

Significant Australian market fall	Class A mitigation	Class B mitigation
Apr–Jun 2022	43%	48%
Aug–Oct 2023	31%	30%
Feb–Mar 2025	38%	42%
Mar 2026	31%	35%
Average	**≈36%**	**≈39%**

Historical illustration. One RPR Unit represents 5% of the total portfolio. The illustration assumes a 20% Australian-equity allocation, comprising 75% Australian equities and 25% Gyrostat within that sleeve. Mitigation refers to the reduction in the loss attributable to the Australian-equity sleeve. Past performance is not a reliable indicator of future performance.

The purpose of this evidence is not to suggest that future market declines will produce the same result. It provides an objective way of considering whether Retirement Portfolio Resilience is performing a distinct function within the broader retirement portfolio.

This is why Retirement Portfolio Resilience is different from simply holding defensive assets. Its purpose is to alter the portfolio's experience of an adverse market path while retaining participation in growth assets.

Gyrostat seeks to provide this function through equity participation combined with embedded downside protection, disciplined capital allocation and ongoing portfolio governance.

Stewardship in practice

Retirement Portfolio Resilience does not seek to predict whether markets will rise or fall 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 movement from September through November provides a useful practical example. Australian equity markets have risen since October, while the quoted cost of downside protection to March 2027 has continued to fall.

The consequences of an adverse market path remain, reinforcing the importance of deliberately incorporating resilience into retirement portfolio construction rather than relying on favourable market conditions. For retirees, that resilience may also matter to the confidence with which they use their accumulated capital.

Has the retirement portfolio deliberately addressed Growth, Defensive, Retirement Income and Retirement Portfolio Resilience — not only to withstand adverse market conditions, but also to support the retirement lifestyle it was designed to fund?

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

Stewardship should be judged against the investor's purpose, not only the portfolio's reported balance. A retiree who remains invested but continually postpones valued experiences through fear of market losses may not be achieving the retirement that years of saving were intended to support.

The adviser's responsibility is to help distinguish justified financial caution from avoidable uncertainty, combining sustainable retirement income planning with deliberate management of sequencing risk and behavioural risk. This does not mean encouraging spending beyond a retiree's means, nor claiming that any investment can remove uncertainty.

Resilience is most valuable when it is already in place before it is required. Its ultimate purpose is to support the retirement the investor intended to enjoy.

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.

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