

Retirement Portfolio Construction: Pairing Growth with Retirement Portfolio Resilience

The concluding paper in the Retirement Portfolio Resilience Educational Series.

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Executive summary

Traditional portfolio construction has generally focused on balancing Growth and Defensive allocations to achieve an investor's long-term objectives. Retirement, however, introduces additional challenges that extend beyond expected returns and volatility. Sequence of returns risk, prolonged recovery paths and investor behaviour can all materially influence retirement outcomes.

This paper proposes that retirement portfolios should be constructed around four complementary functions:

Retirement Portfolio Function	Purpose
Growth	Long-term capital appreciation.
Defensive	Capital stability and liquidity.
Retirement Income	Sustainable retirement cash flow.
Retirement Portfolio Resilience	Help investors remain financially and emotionally invested throughout retirement despite adverse market paths.

These functions are complementary rather than competing. Each performs a distinct role within the retirement portfolio.

Growth seeks long-term capital appreciation. Defensive assets provide stability and liquidity. Retirement Income supports sustainable withdrawals. Retirement Portfolio Resilience complements these functions by helping investors remain invested throughout uncertain market environments.

Together, these four functions provide a broader framework for retirement portfolio construction than the traditional Growth and Defensive model alone.

This paper concludes the first Retirement Portfolio Resilience Educational Series, bringing together the concepts developed throughout the preceding papers into a practical framework for retirement portfolio construction.

The series has followed a deliberate progression. It first examined the institutional evolution from Dynamic Hedging to Retirement Portfolio Resilience as a broader stewardship discipline. It then explained why retirement differs fundamentally from accumulation through sequence of returns risk, before exploring how prolonged recovery paths influence investor behaviour and spending decisions.

Together, these papers demonstrate that retirement investing is not simply accumulation with withdrawals added on top. Once withdrawals begin, the order of returns, the investor's ability to remain invested and the functional design of the portfolio become increasingly important.

This paper addresses two practical questions:

1. How should Retirement Portfolio Resilience be incorporated into retirement portfolio construction?
2. How should advisers assess whether the intended portfolio function has been achieved?

Key Insights

1. Retirement changes the purpose of portfolio construction

Once withdrawals begin, portfolio construction is no longer concerned solely with maximising long-term returns. It must also support the investor throughout the retirement journey by helping manage the financial and behavioural challenges unique to retirement.

2. Retirement Portfolio Resilience represents a distinct portfolio function

Traditional retirement portfolios have generally been organised around Growth and Defensive allocations. This paper proposes a broader functional framework comprising four complementary portfolio functions: Growth, Defensive, Retirement Income and Retirement Portfolio Resilience.

3. Retirement Portfolio Resilience should be assessed through observable portfolio behaviour

The relevant question is not simply how Retirement Portfolio Resilience is implemented, but whether the portfolio demonstrates the characteristics expected of that function across changing market environments and periods of market stress.

4. Historical evidence should support functional claims

If a portfolio is intended to provide Retirement Portfolio Resilience, advisers should expect to see observable evidence supporting that objective through market cycles, particularly during significant market declines, varying market environments and over extended periods of time.

The remainder of this paper develops these insights into a practical framework for assessing Retirement Portfolio Resilience as a distinct portfolio function.

Retirement portfolio construction research

Retirement portfolio construction has evolved into a distinct discipline within investment management. While accumulation portfolios are generally designed to maximise long-term wealth, retirement portfolios must support a lifetime of withdrawals under uncertain market conditions.

The objective is therefore no longer simply to maximise wealth at a future date. Retirement portfolio construction must also account for sustainable withdrawals, longevity, income sufficiency, changing risk capacity and the consequences of unfavourable return sequences.

A consistent finding across the retirement literature is that portfolio success cannot be evaluated adequately through return and volatility alone. Retirement portfolios should instead be assessed according to the outcomes they are intended to support.

Research	Principal Finding	Relevance to Retirement Portfolio Resilience
Drew and West — Personalised Glidepaths	Maximising wealth at retirement is not equivalent to maximising retirement-income sufficiency. Portfolio design should reflect the investor's retirement objectives and circumstances.	Retirement requires a different portfolio-construction objective from accumulation.
Blanchett and Stempien — Better Retirement Portfolios	Investment horizon and the path of returns can materially influence appropriate portfolio construction. Traditional mean-variance assumptions may not fully capture retirement risk.	Portfolio behaviour through time matters, not simply long-run averages.
Pfau — Four Approaches to Managing Retirement Income Risk	Sequence risk may be managed through spending adjustments, reserve assets or reduced early-retirement volatility, each involving different trade-offs.	Retirement risks require deliberate portfolio responses rather than reliance on favourable market outcomes.
Vanguard — Principles for Retirement Income	Retirement-income strategies should integrate spending needs, longevity, investment risk and individual circumstances rather than apply a single universal solution.	Retirement Income represents a distinct portfolio function within the broader retirement framework.
Morningstar — Retirement Income Research	Asset allocation, early investment losses and spending flexibility materially influence the sustainability of retirement withdrawals.	Retirement portfolio design should be assessed against sustainable retirement outcomes rather than return alone.

Collectively, this body of research demonstrates that retirement investing presents challenges that extend beyond traditional portfolio optimisation.

This paper builds upon that foundation by proposing Retirement Portfolio Resilience as a complementary portfolio function. Rather than replacing existing retirement research, it integrates recognised challenges — including sequence-of-returns risk, behavioural vulnerability and changing market environments — into a practical framework for retirement portfolio construction and adviser assessment.

From accumulation to retirement

During accumulation, regular contributions and time can help investors recover from market declines. In retirement, however, contributions generally cease and withdrawals begin, increasing the importance of return order, recovery duration and portfolio design.

Retirement portfolio construction must therefore respond to a fundamentally different challenge. Rather than relying on future contributions or favourable market conditions to restore capital following a decline, the portfolio should be designed to improve the investor's ability to navigate uncertain market paths while continuing to meet their retirement objectives.

This shift in purpose provides the foundation for Retirement Portfolio Resilience.

The Retirement Portfolio Resilience 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 recognises that successful retirement outcomes depend on more than long-term investment returns alone. They are also influenced by the sequence in which returns occur, the investor's behavioural response to uncertainty, the pricing and management of risk, the construction of the portfolio and its ability to operate across changing market environments.

To address these interconnected challenges, the Retirement Portfolio Resilience Framework is organised around five complementary pillars:

- Sequencing-Risk Awareness
- Behavioural Survivability
- Risk-Pricing Discipline
- Retirement Portfolio Construction
- Resilience Across Market Environments

RETIREMENT PORTFOLIO RESILIENCE ARCHITECTURE

Helping investors remain financially and emotionally invested through a full retirement journey.

Retirement success depends on more than investment returns.

It depends on how retirement risks are identified, managed and integrated within the overall portfolio.



Each pillar addresses a distinct aspect of retirement investing. Together, they provide an integrated framework for understanding retirement risk and designing portfolios that seek to reduce dependence on favourable market conditions.

Rather than replacing traditional investment principles, the five pillars extend them by recognising the practical realities of retirement investing and providing a broader framework for portfolio construction and adviser decision-making.

Assessing Retirement Portfolio Resilience

The Retirement Portfolio Resilience Framework is intended not only to explain retirement investing, but also to provide advisers with a practical framework for assessing Retirement Portfolio Resilience as a distinct portfolio function.

As with any portfolio function, the central question is whether the intended purpose has been demonstrated through observable portfolio behaviour rather than implementation methodology alone.

The assessment should begin with three practical questions.

Adviser assessment principle

Retirement Portfolio Resilience should be assessed in the same way as any other portfolio function — by examining whether the intended purpose has been demonstrated through observable portfolio behaviour. Implementation methodology is important, but it should support, rather than replace, evidence of the function itself.

1. How has the portfolio behaved during significant market declines?

Sequence-of-returns risk is most consequential when material losses occur close to, or during, the withdrawal phase of retirement.

A Retirement Portfolio Resilience allocation should therefore first be assessed by examining its behaviour during periods of significant market stress.

The objective is not necessarily to avoid every negative period. Rather, advisers should consider whether the allocation has historically reduced dependence on a rapid market recovery and whether its behaviour would have been expected to help investors remain invested during periods of market uncertainty.

Figure 1. Performance During Major Market Declines

Period	ASX Accumulation Index	Gyrostat Class A
Apr–Jun 2022	-11.90%	+8.70%
Jan–Mar 2020	-23.10%	+9.22%
Oct–Dec 2018	-8.24%	+4.18%
Jul–Sep 2015	-6.58%	-0.26%
Jul–Sep 2011	-8.17%	+1.29%

Historical performance during the five worst quarters of the ASX Accumulation Index since fund inception.

Across four of the five most significant quarterly market declines since inception, the allocation produced positive returns. During the remaining period, the decline was materially smaller than that experienced by the broader equity market. While historical performance does not guarantee future outcomes, these observations provide evidence that is consistent with the intended Retirement Portfolio Resilience function.

2. How has the portfolio participated across different market environments?

Retirement portfolios must operate through rising, falling, volatile and stable market conditions.

An allocation that performs well only under one market scenario may provide limited resilience throughout a retirement that may span several decades.

Advisers should therefore assess whether the portfolio has demonstrated a deliberate and understandable pattern of participation across a range of market environments.

This assessment should consider both historical observations and the underlying investment philosophy.

Figure 2. Portfolio behaviour across market environments

Strategy	Key Attributes	Falling Market (Inc. Large Market Falls)	Volatile Market	Stable Market	Rising Market
Diversify risk – Conservative/Growth Mix	Relies on correlation spread across asset classes	Unfavourable – Correlation often rises in crisis	Unfavourable – Capital losses	Favourable	Favourable
Occasional Protection via Predictions	Requires accurate timing to be effective	Unfavourable – Exposed if wrong	Unpredictable – Gains/Losses	Favourable	Favourable (May be Capped)
Protection Always in Place – Absolute Return (Gyrostat)	Non-correlated beta with embedded put protection; thrives on volatility	Very favourable (Class A) Favourable (Class B)	Favourable (Class A) Very favourable (Class B)	Less Favourable (Lower Return)	Favourable (Mitigated Upside)

Comparative assessment of portfolio behaviour across falling, volatile, stable and rising market environments.

The purpose of this framework is not to predict future markets. Rather, it illustrates how different portfolio approaches have historically exhibited different characteristics and may reasonably be expected to behave differently as market conditions change.

A Retirement Portfolio Resilience allocation should seek to reduce dependence on any single market outcome while complementing the Growth, Defensive and Retirement Income functions within the broader retirement portfolio.

3. Has the observed behaviour remained reasonably consistent through time?

A small number of favourable observations does not, by itself, establish Retirement Portfolio Resilience.

Advisers should also consider whether the observed characteristics have remained reasonably consistent across multiple market cycles.

Quarterly and monthly return histories provide valuable insight into the pathway through which long-term returns have been achieved. This is particularly relevant in retirement, where the investor's experience of the journey may influence financial decisions as much as the eventual investment outcome.

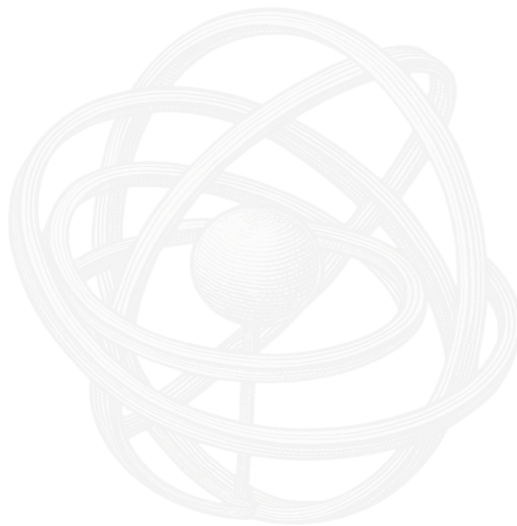
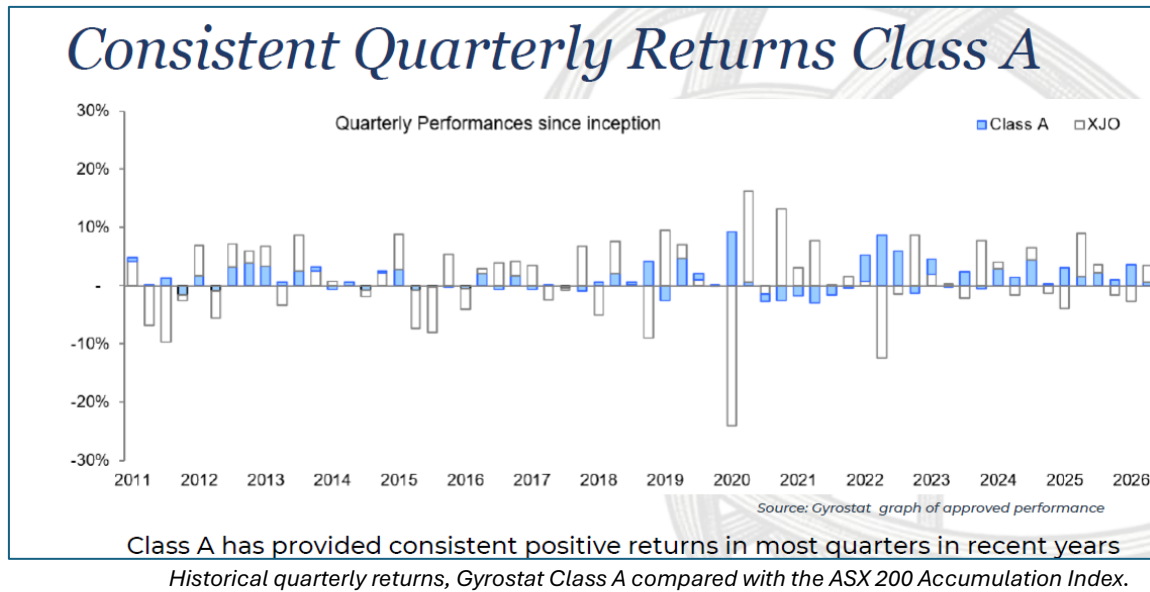


Figure 3. Historical quarterly return history



The quarterly return history illustrates that the portfolio has exhibited a materially narrower range of quarterly outcomes than the broader equity market, including during periods of significant market stress.

Conclusion

Retirement changes the purpose of portfolio construction.

The objective is no longer simply to maximise long-term wealth. Retirement portfolios must also support sustainable withdrawals, withstand adverse market paths and help investors remain financially and emotionally invested throughout their retirement journey.

This paper proposes that Retirement Portfolio Resilience should be recognised as a distinct portfolio function within a broader retirement portfolio framework comprising Growth, Defensive, Retirement Income and Retirement Portfolio Resilience.

It also introduces a practical adviser framework for assessing Retirement Portfolio Resilience through observable portfolio behaviour. The central questions are whether the portfolio has demonstrated resilience during significant market declines, across changing market environments and consistently through time.

Historical performance cannot guarantee future outcomes. It can, however, provide valuable evidence of whether a portfolio has previously behaved in a manner consistent with its intended retirement function.

Educational series

This paper forms part of the Retirement Portfolio Resilience educational series.

Educational Paper	Primary Focus
☒ Dynamic Hedging and Retirement Portfolio Resilience	Institutional risk management and Risk-Pricing Discipline
☒ Sequence of Returns Risk and Retirement Portfolio Resilience	Sequencing-Risk Awareness
☒ Behavioural Survivability and Retirement Portfolio Resilience	Behavioural Survivability
☒ Retirement Portfolio Construction: Pairing Growth with Retirement Portfolio Resilience	Retirement Portfolio Construction and Resilience Across Market Environments

Together, these papers progressively build the evidence base and practical application of Retirement Portfolio Resilience as a framework for the prudent stewardship of retirement capital.

Each paper examines one dimension of retirement investing before integrating the concepts into the broader Retirement Portfolio Resilience framework.

Educational Progression



For further information about the Retirement Portfolio Resilience Framework, including supporting research, educational resources and the complete publication series, visit:

<https://www.gyrostat.com.au/2026-05-29-Retirement-Portfolio-Resilience-Framework-Final.pdf>

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