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JULY

Gyrostat Market Overview

Uncertainty and Anticipated Volatility Remains

There remains considerable uncertainty in the market outlook, with a broad range of potential outcomes. Our focus is on leveraging current market conditions—including the relatively low cost of portfolio protection—to construct strategies that offer peace of mind, regardless of equity market direction.

Amid rising concerns around volatility and drawdown risk, there is a renewed emphasis on risk management and portfolio resilience in the face of potential market dislocations. Today's environment presents a timely opportunity to rebalance retirement portfolios and implement protection—whether through self-directed methods or embedded within risk-managed funds.

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Properly structured, protection strategies are uncorrelated with equity markets and can generate positive returns during periods of market decline.

Retirement investors cognitive biases

One of the most persistent cognitive biases in retirement portfolio construction is *domain ignorance*—the tendency to apply prudent risk management in some areas of life while neglecting it in others.

Most individuals routinely insure their homes, cars, health, and lives, fully recognizing the need to guard against low-probability, high-impact events. Yet when it comes to investment portfolios—arguably the most vital asset for sustaining retirement—many overlook comparable protections.

This inconsistency rarely stems from a lack of caution, but rather a psychological misclassification: investment risk is viewed as a pathway to returns rather than a potential threat to lifestyle sustainability.

The result is often an underprotected portfolio exposed to market volatility, despite the availability of effective portfolio protection strategies that function much like insurance—providing peace of mind, downside resilience, and the potential for better long-term outcomes.

Our approach considers current market conditions through a risk management lens, seeking to achieve these goals via diversified portfolio construction, rather than relying on the fragility of market predictions.

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Markets at Highs, Yet Risk Remains Mispriced

Despite many global equity markets trading at or near record highs, risk remains systematically underpriced. From the perspective of traditional portfolio theory, these conditions signal an opportune moment to rebalance—shifting from growth-oriented assets to more defensive allocations to maintain long-term strategic balance.

For lower-risk investors, particularly retirees, replacing passive long-only equity exposure (with a beta close to 1) with a risk-managed absolute return strategy—such as Gyrostat—can offer true diversification beyond conventional asset class splits. Importantly, when the cost of protection is low, as indicated by volatility measures like the VIX, the entry point becomes particularly compelling.

Current Market Opportunity:

With volatility at relatively low levels and market complacency elevated, the cost of protection is also low — making it an ideal time for forward-looking investors to act.

Source: Google Finance -INDEXCBOE: VIX

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Realized volatility has been similar to the past 5 years

Despite alarming media headlines, realised volatility over the past four years has been at or below historical averages. While this has benefitted passive investors, it is unlikely to persist. Market calm often precedes significant corrections.

Much like insurance — which is non-correlated and only valuable when needed —protection-first philosopies ensures that portfolios are resilient in the face of market declines.

The Proactive vs Reactive Investor

Investor Type	Behavior	Risk Exposure
Proactive	Rebalances into absolute return strategies while risk is low	Minimised
Reactive	Responds after market falls when protection is costly or unavailable	Elevated

Now is the opportunity for the proactive investor – one who seeks to protect lifestyle, income, and capital through a forward-looking portfolio design.

There is a natural movement in stock prices because of changes in investor sentiment towards a particular stock. Academics refer to this as “Brownian motion”.

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At Gyrostat, we capture stock-specific data on the number of times the stock moves within a +-2% range, and the number of times the stock 'gaps' on the open. With a protection always in place strategy, the more movements in the underlying asset– volatility, the greater the profit potential, with the protection level then adjusted to 'lock in profits' and close any risk within the pre-defined risk parameter.

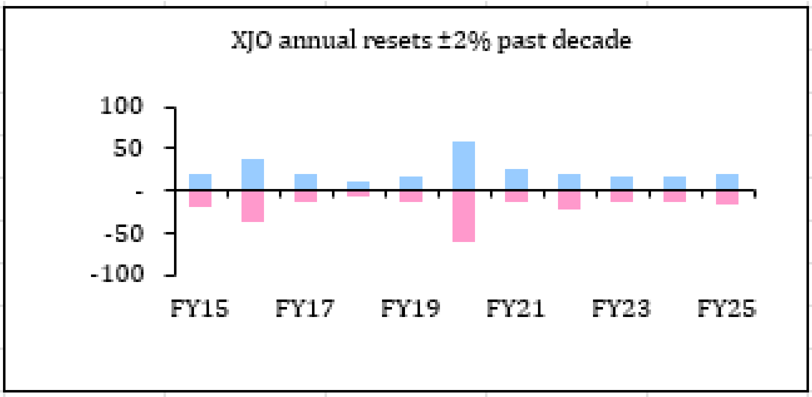
During 2025, by historical standards, there has not been significantly more volatility than in prior years.

Gyrostat also offers classes C, D & E are risk managed index units in the Australian Hong Kong and Global equity markets respectively benchmarked against their respective indexes. Our track record has seen significant outperformance as realized volatility, as measured by the number of re-sets of +-2% up and down, increases.

Australia ASX200

At the index level, as at the end of June, there have been [20] upwards and [16] downward re-sets, similar to the past 5 years. The most recent spike occurred during the COVID-19 pandemic.

For the 12 months to 30 June 2025 Gyrostat class C delivered total returns after fees of 12.43% with a beta of 0.43, a slight underperformance versus the benchmark index of -0.71%



Source: Gyrostat Analysis of Published ASX Data

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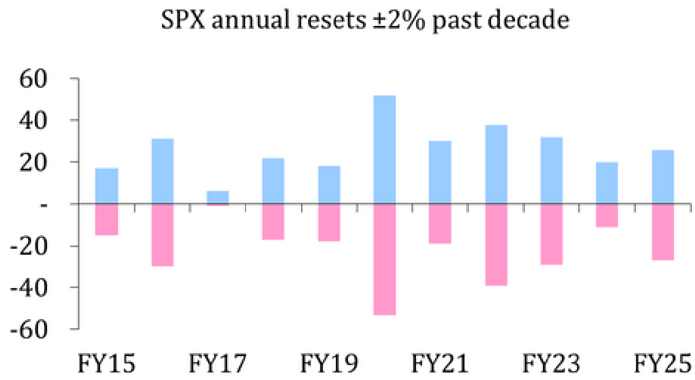
United States S&P 500

At the index level, as at the end of June, there have been [30] upwards and [39] downward re-sets, similar to the past 5 years.



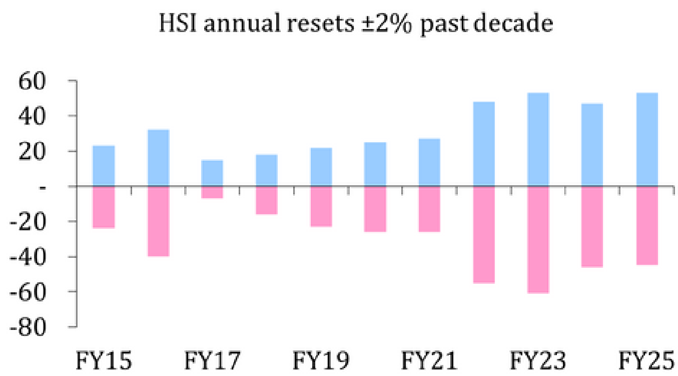
For the 12 months to 30 June 2025 Gyrostat class E delivered total returns after fees of 17.96% with a beta of 0.64, with outperformance versus the benchmark index of 1.70%

Source: Gyrostat Analysis of Published ASX Data

Hong Kong Hang Seng

At the index level, as at the end of June, there have been [53] upwards and [45] downward re-sets, similar to the past 5 years.

For the 12 months to 30 June 2025 Gyrostat class D delivered total returns after fees of 40.57% with a beta of 0.83, with outperformance versus the benchmark index of 8.85%. We have consistently outperformed the Hang Seng index each year since class inception 1 July 2022 by 10.28% pa.



Source: Gyrostat Analysis of Published ASX Data

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Outlook:

Our view remains that there is likely to be an increase in the realised volatility, which can be measured by the underlying movements of the stock price. The risks remain elevated of larger downside 'gaps' and price movements, known as sequencing risk. The current market opportunities provide lower-risk investors with the opportunity to construct a portfolio that is not reliant on predicting market outcomes and covers a broad range of market scenarios, including large market declines.