



GYROSCOPE CAPITAL MANAGEMENT GROUP

# LOW VOLATILITY

Q2 2023



# ABOUT GYROSCOPE

## OUR PHILOSOPHY

At Gyroscope we believe a structured investment process, driven by data, results in an efficient portfolio and provides our clients with robust, risk managed solutions.

## OUR NAME

A gyroscope provides stability and maintains reference direction in navigation systems, automatic pilots, and stabilizers. We chose the name Gyroscope because we are committed to building stability for our clients' capital.

## OUR FOCUS

We are driven to create risk-managed and equity income investment solutions, offering concentrated, highly structured portfolios designed to achieve specific investment objectives.



## FIRM OVERVIEW

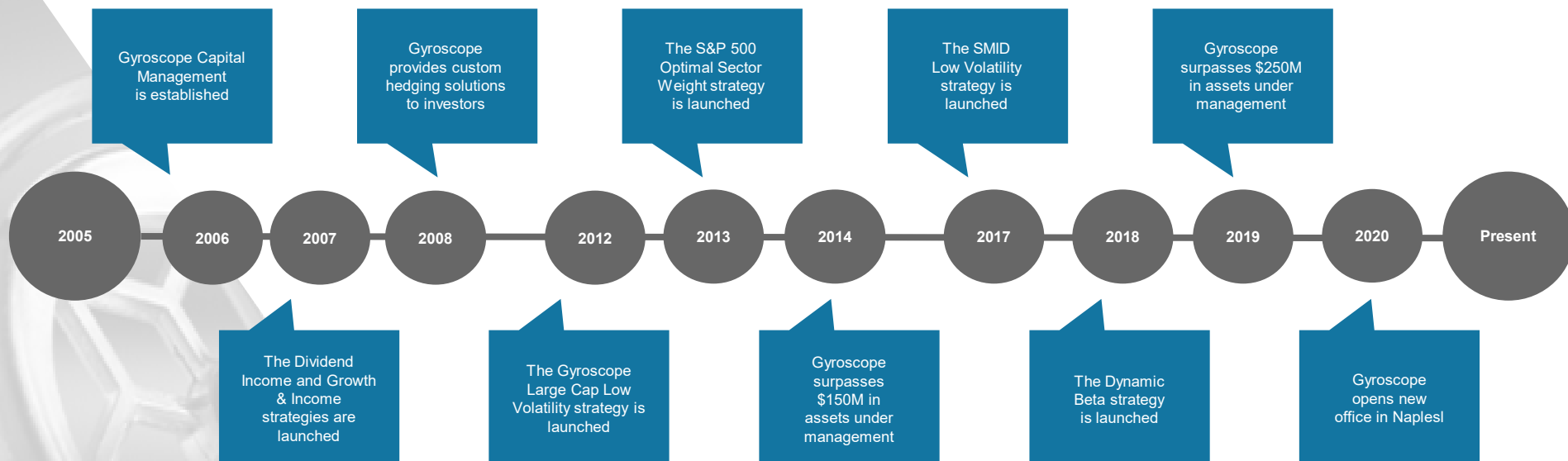
- **EQUITY RISK MANAGEMENT EXPERTISE**
- **LOW VOLATILITY AND EQUITY INCOME SOLUTIONS FOR INDIVIDUALS & INSTITUTIONS**
- **12+ YEAR HISTORY OF PROVIDING FOCUSED PORTFOLIOS**
- **APPROXIMATELY \$345MM IN AUM AS OF 12.31.21**
- **SEC REGISTERED INVESTMENT ADVISER\***
- **GYROSCOPE CLAIMS COMPLIANCE WITH THE GLOBAL INVESTMENT PERFORMANCE STANDARDS (GIPS®)**
- **RECEIVES VERIFICATION FROM ACA\*\***
- **BASED IN NAPLES, FLORIDA**

\* SEC registration does not constitute an endorsement of Gyroscope Capital by the Commission nor does it indicate that Gyroscope Capital has attained a particular level of skill or ability.

\*\* Gyroscope Capital Management Group claims compliance with the Global Investment Performance Standards (GIPS®). Please refer to the disclosures on page 20 for more information on verification.



# GYROSCOPE THROUGH THE YEARS



“Since day one, Gyroscope has been dedicated to bringing the best of portfolio construction—quantitatively implemented and actively monitored—to our investors.”

Michael J. Egan, Founder, Gyroscope



# THE GYROSCOPE DIFFERENCE

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## **WE ARE QUANTAMENTAL MANAGERS**

We combine the best aspects of quantitative analysis and fundamental review in our portfolio management.

## **WE ARE ACTIVE MANAGERS**

We believe our investment process adds value through the construction of concentrated portfolios.

## **WE PLACE AN EMPHASIS ON MANAGING RISK**

It's in our screening, our research process, and portfolio management.

## **WE BELIEVE IN THE IMPORTANCE OF INCOME**

Income can provide a cushion to volatility in the marketplace.

## **WE SEEK TO AVOID BIAS IN OUR PORTFOLIOS**

We are not thematic investors—we are data driven.



# HOW WE INVEST

**SOLUTION  
DEFINITION**

**PORTFOLIO  
PARAMETERS**

**DYNAMIC  
SCREENING/  
SCORING**

**INVESTMENT  
SELECTION**

**MONITORING  
&  
REBALANCING**

## LOW VOLATILITY

Focus on low volatility stocks with low beta, enhanced through dynamic screening, seeking to maximize upside capture and to minimize downside capture.

## EQUITY INCOME

Offering both value and growth strategies, focused on income and supported by covered call premiums on individual issues.



# GYROSCOPE SOLUTIONS

SOLUTION	CATEGORY	FORMAT	BENCHMARK	CONCENTRATION
Large Cap Low Volatility	Low Volatility	SMA, UMA	S&P 500 Total Return Index	30-40 Securities
SMID Low Volatility	Low Volatility	SMA, UMA	S&P 1000 Total Return Index	30-40 Securities
Dividend Income	Equity Income	SMA	CBOE S&P 500 BuyWrite Index	20-40 Securities
Growth & Income	Equity Income	SMA	CBOE S&P 500 BuyWrite Index	20-40 Securities
S&P 500 Optimal Weight	Equity Income	SMA	CBOE S&P 500 BuyWrite Index	11 Securities



## MEET THE TEAM



### **ANTHONY L. CIRILLO CFA** **PORTFOLIO MANAGER, TRADER**

Mr. Cirillo has served in this role since 2016. He joined the Sub-Adviser to expand the firm's analytics and security selection capabilities. His principal duties include the selection and trading of option contracts, the development and implementation of financial models, monitoring and maintenance of client accounts, and research on securities. Prior to joining the Sub-Adviser, Mr. Cirillo was employed with the private-equity firm SK2 Capital, where he worked as an Investment Analyst. Mr. Cirillo holds a Bachelor of Science degree in Finance from Florida Gulf Coast University and holds the Chartered Financial Analyst (CFA®) designation.



### **ROBERT M. CARR CIPM** **PORTFOLIO MANAGER, HEAD TRADER**

Mr. Carr joined Gyroscope Capital Management Group in 2008. Mr. Carr has been a Lead Portfolio Manager and Senior Trader since 2010 and has been instrumental in the development of the underlying multi-factor models and option overlay. Mr. Carr also developed and implemented the Large Cap Low Volatility, S&P 500 Optimal Weight and Optimized Listed Option strategies on behalf of Gyroscope Capital Management Group. Mr. Carr also acts as a member of the Investment Committee and serves as Gyroscope's GIPS Compliance Officer. Mr. Carr received a Bachelor of Science degree in Chemical Engineering from the University of Florida, Master of Business Administration degree from Florida Gulf Coast University and obtained the Certificate in Investment Performance Measurement (CIPM®) designation from the CFA Institute.





## MEET THE TEAM



### **KEVIN M. ERNDL** **PRINCIPAL, CHIEF EXECUTIVE OFFICER**

Kevin serves as Principal & Chief Executive Officer and Senior Portfolio Manager for Capital Portfolios' Global Core Strategy\* since 2016. Previously, Mr. Erndl was a Portfolio Manager for UBS and Morgan Stanley and was a research analyst at Vanguard's Quantitative Equity Group. Mr. Erndl holds a Bachelor of Arts degree in Economics from the University of North Carolina at Chapel Hill with Academic All ACC and All ACC Honors.



### **BLAINE M. FERGUSON** **PRINCIPAL, CHIEF OPERATING OFFICER**

Blaine is the Principal & Chief Operating Officer of Gyroscope Capital Management and Capital Portfolios.\* Previously, Blaine worked as a Financial Advisor for Smith Barney in Atlanta, GA, and served as a Commissioned Officer and helicopter pilot in the United States Marine Corps. Mr. Ferguson holds a Bachelor of Science degree from West Virginia University, and an MBA from Boston University.



## FIRM PARTNERS

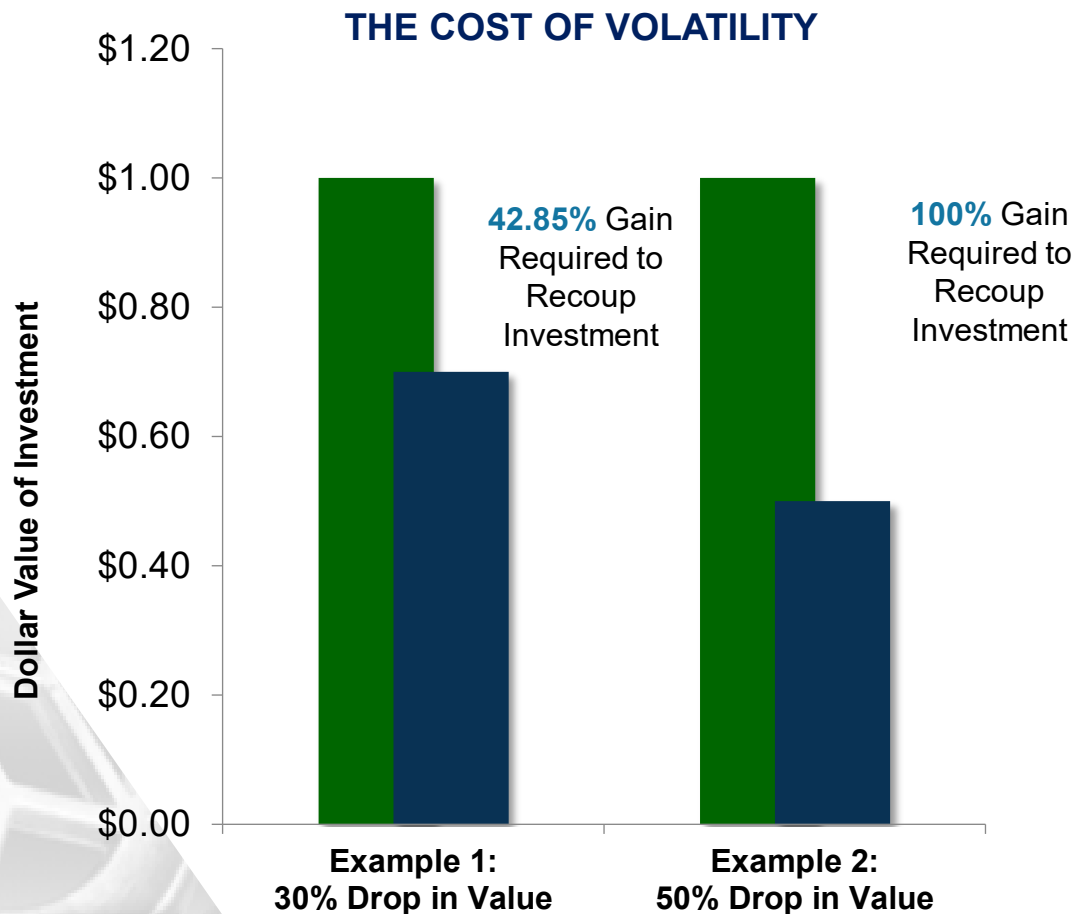




**LOW VOLATILITY SOLUTIONS**



# VOLATILITY DRAG



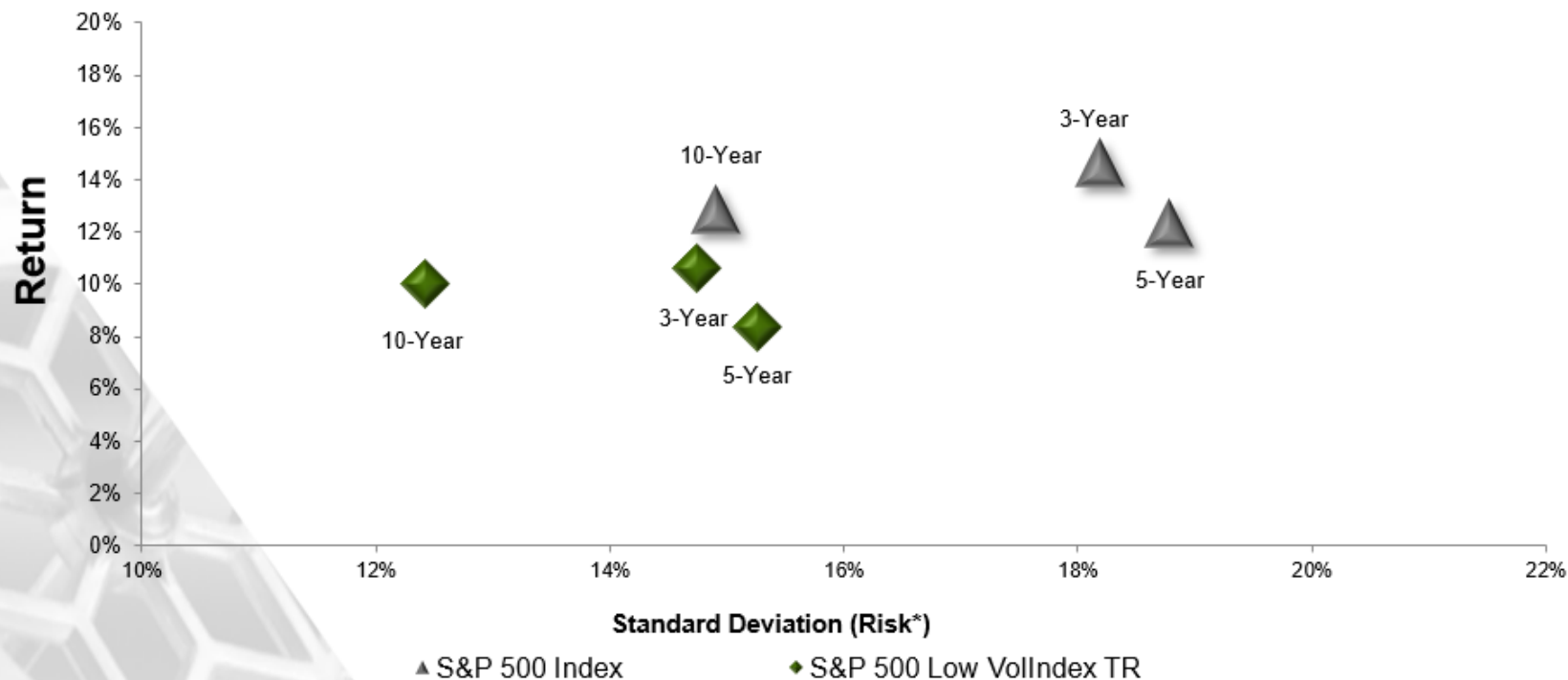
***VOLATILITY DRAG IS THE COMPOUNDING EFFECT OF LOSSES THAT IMPEDE PORTFOLIO RETURNS.***



# THE RISK/RETURN FALLACY

As of 6/30/2023

## S&P 500 LOW VOLATILITY TR INDEX VS. S&P 500 TR INDEX – RISK/RETURN



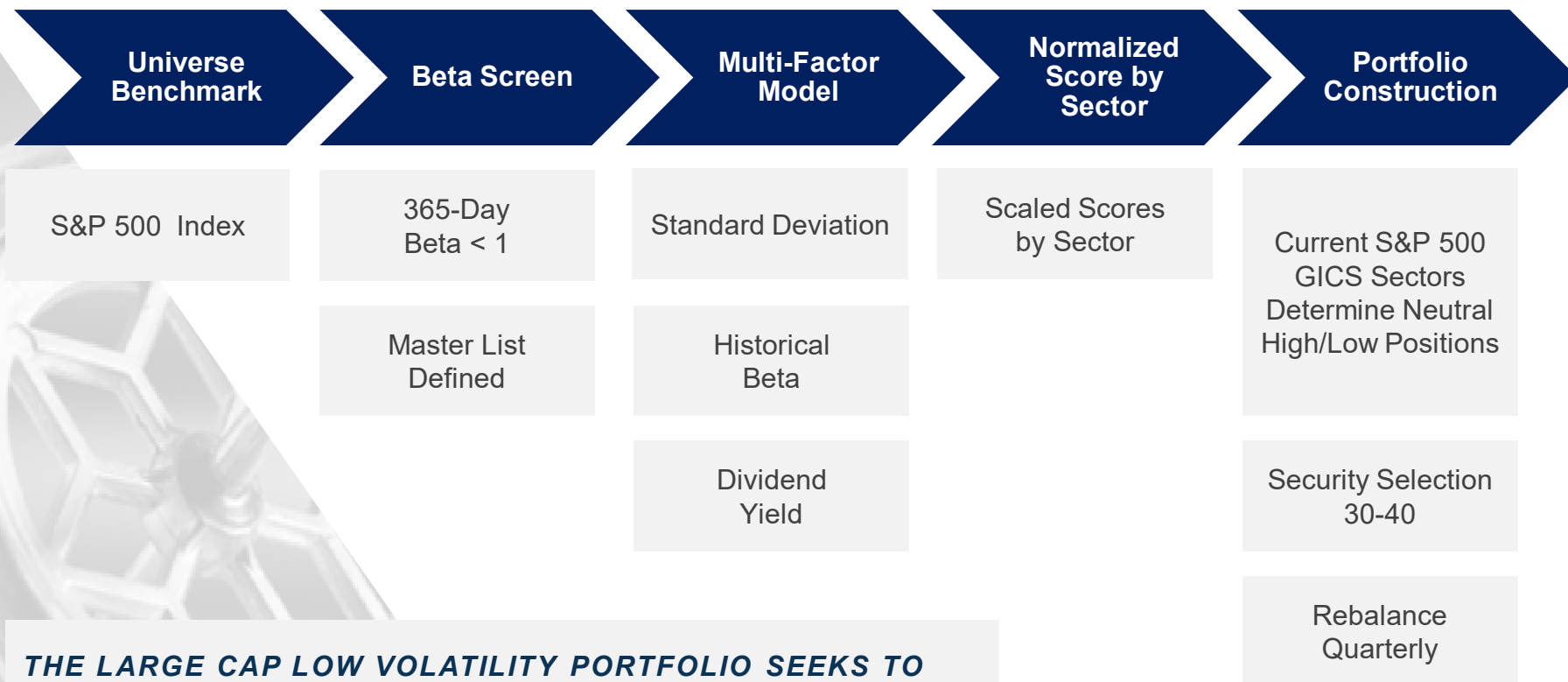
**DESPITE A SIGNIFICANT DIFFERENCE IN STANDARD DEVIATION ACROSS ALL TIME PERIODS, THE OVERALL RETURN PROFILE REMAINS LARGELY THE SAME.**

\*As measured by standard deviation

Source: S&P Dow Jones Indices S&P 500 Low Volatility Index Fact Sheet as of 6/30/2023. Monthly Factsheet available at: <http://us.spindices.com/indices/strategy/sp-500-low-volatility-index>



# LARGE CAP LOW VOLATILITY PROCESS



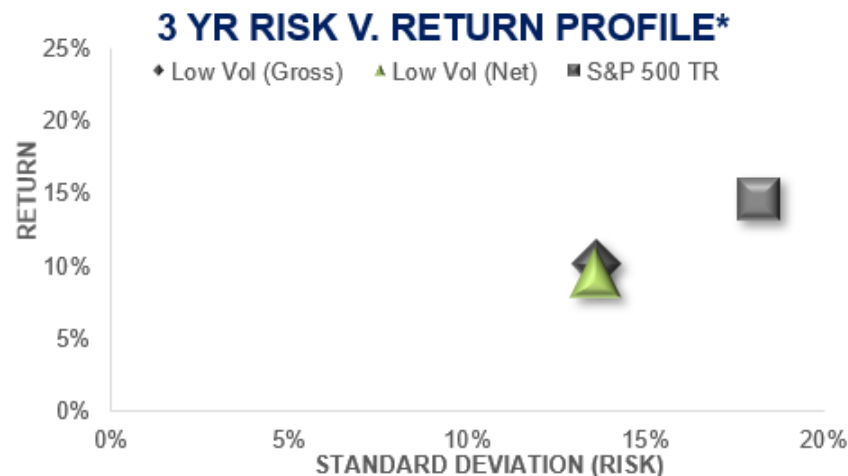
**THE LARGE CAP LOW VOLATILITY PORTFOLIO SEEKS TO ACHIEVE MARKET RETURNS AT A LOWER LEVEL OF RISK BY REDUCING EXPOSURE TO MARKET VOLATILITY AND ACHIEVING CONSISTENT RISK-ADJUSTED INVESTMENT PERFORMANCE OVER THE LONG-TERM.**



# LARGE CAP LOW VOLATILITY CHARACTERISTICS & RETURNS

As of 6/30/2023

	LARGE CAP LOW VOL PORTFOLIO	S&P 500 TR INDEX
Median Market Cap. (\$B)	51.28	30.61
3-Year Beta (vs. S&P 500 TR)	0.64	1.00
P/E Ratio (Trailing)	24.26	23.46
Number of Stocks	30	503
Dividend Yield (LTM)	2.37%	1.57%
Turnover**	98.78%	2.81%
3-Year Upside Capture	55.78%	100%
3-Year Downside Capture	75.20%	100%
3-Year Standard Deviation	13.63%	18.19%
3-Year Max Drawdown	-10.64%	-23.87%



\* Returns presented are annualized and are Net of fees. †As measured by standard deviation.  
 \*\* The turnover figure for the S&P 500 is the capitalization-weighted turnover for the calendar year of 2019 (the latest data for which the metric is available).

	3 YR STD. DEV.*	3 YR RETURN*	3 YR SHARPE RATIO
Low Volatility Portfolio (Gross)	13.63%	10.11%	0.74
Low Volatility Portfolio (Net)	13.63%	9.57%	0.70
S&P 500 Total Return Index	18.19%	14.60%	0.80

ANNUALIZED RETURNS						
	SINCE INCEPTION 1/1/2012	YTD	1 YR	3 YR	5 YR	10 YR
Large Cap Low Volatility (Gross of Fees)	11.86%	1.66%	4.27%	10.11%	10.04%	11.07%
Large Cap Low Volatility (Net of Fees) †	11.30%	1.40%	3.75%	9.57%	9.50%	10.52%
S&P 500 Total Return Index	13.82%	16.89%	19.59%	14.60%	12.31%	12.86%

† Net return is calculated using highest applicable model fee (75 bps).



# LARGE CAP LOW VOLATILITY PORTFOLIO CONSTRUCTION

As of 6/30/2023

## SECTOR & HOLDINGS ALLOCATION

	% of Portfolio	Index Weight		% of Portfolio	Index Weight		% of Portfolio	Index Weight
<b>Information Technology</b>	<b>24.5%</b>	<b>28.3%</b>	<b>Industrials</b>	<b>10.3%</b>	<b>8.5%</b>	<b>Utilities</b>	<b>6.2%</b>	<b>2.6%</b>
Akamai Technologies Inc. IBM Inc. Gen Digital Inc. Roper Technologies Inc. Motorola Solutions Inc. Cisco Systems Inc. Oracle Inc. Roper Technologies Inc.			Republic Services Inc. Waste Management Inc. Leidos Holdings Inc.			Consolidated Edison Inc. Duke Energy Corp.		
<b>Financials</b>	<b>9.4%</b>	<b>12.4%</b>	<b>Consumer Discretionary</b>	<b>7.0%</b>	<b>10.7%</b>	<b>Real Estate</b>	<b>6.2%</b>	<b>2.5%</b>
CME Group Inc. Progressive Corp. The Travelers Co.			McDonalds Corp. Yum! Brands Inc.			Public Storage Realty Income		
<b>Healthcare</b>	<b>16.0%</b>	<b>13.4%</b>	<b>Consumer Staples</b>	<b>6.4%</b>	<b>6.7%</b>	<b>Materials</b>	<b>3.2%</b>	<b>2.5%</b>
Amgen Inc. Becton Dickinson Co. Bristol-Myers Squibb Co. Johnson & Johnson Merck & Co. Inc.			Kellogg Co. The Hershey Co.			Corteva Inc.		
			<b>Communication Services</b>	<b>6.4%</b>	<b>8.4%</b>	<b>Energy</b>	<b>3.5%</b>	<b>4.1%</b>
			Electronic Arts Inc. Verizon Communications Inc.			Williams Companies Inc.		
						<b>Cash</b>	<b>0.9%</b>	<b>0.0%</b>

## SELL DISCIPLINE

**WE SELL WHEN A SECURITY NO LONGER PASSES ANY ONE OF THE SCREEN CRITERIA.  
WE SELL WHEN A SECURITY IS NO LONGER IN THE TOP 40% OF THE NORMALIZED SCORING MODEL.**

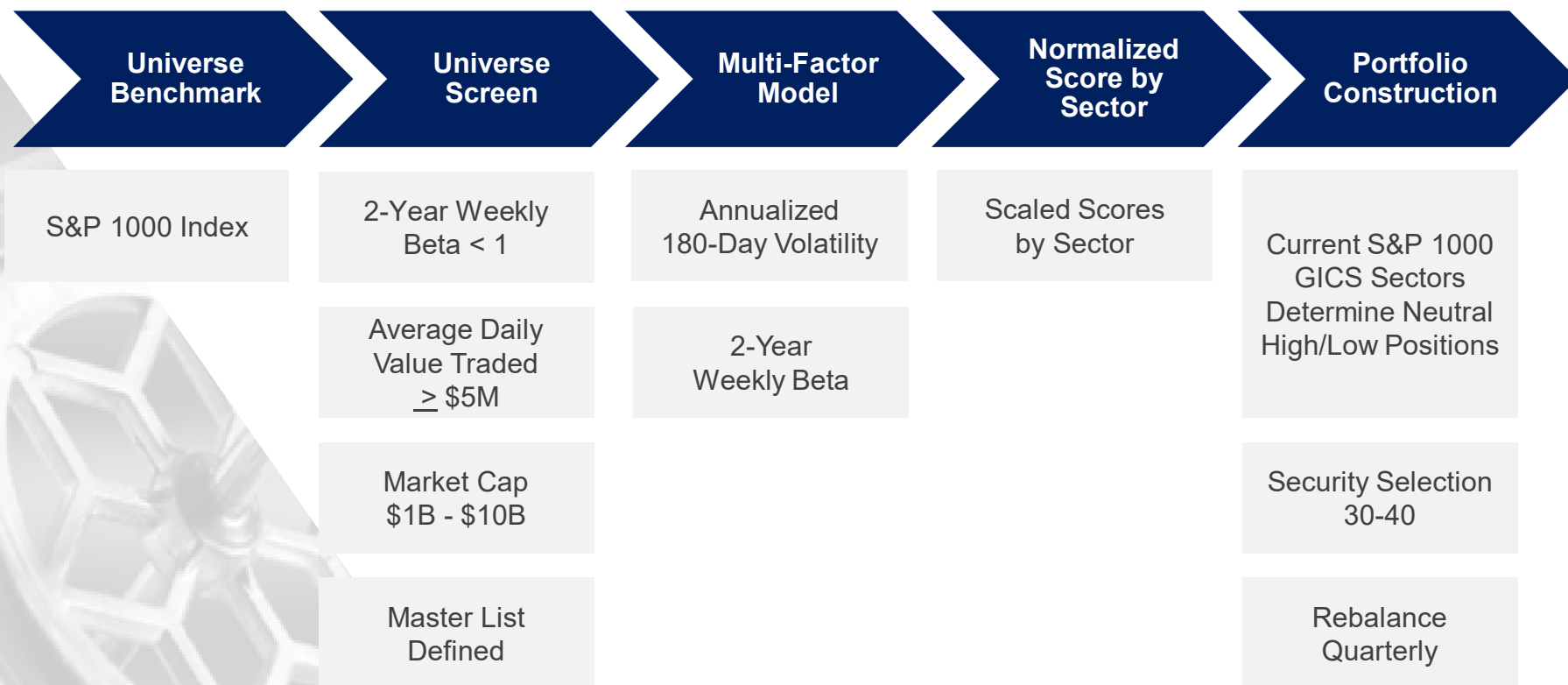
This sample portfolio is representative of an existing client's account invested in the Large Cap Low Volatility Composite on 6/30/2023 but may not reflect each client's account.

The information supplied on this page is supplemental to the compliant presentation. Please see important disclosures and definitions on pages 20-23.





# SMID LOW VOLATILITY PROCESS



**THE SMID LOW VOLATILITY PORTFOLIO SEEKS TO ACHIEVE MARKET RETURNS AT A LOWER LEVEL OF RISK BY REDUCING EXPOSURE TO MARKET VOLATILITY AND ACHIEVING CONSISTENT RISK-ADJUSTED INVESTMENT PERFORMANCE OVER THE LONG-TERM.**

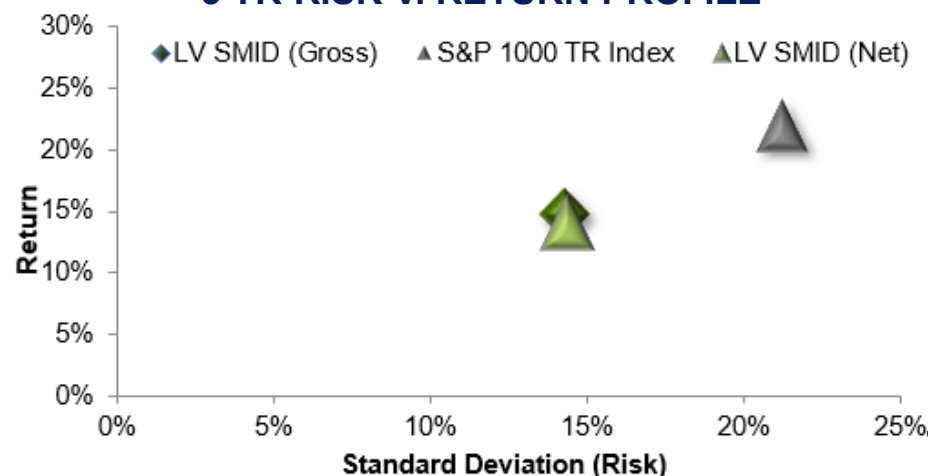


# SMID LOW VOLATILITY CHARACTERISTICS & RETURNS

As of 6/30/2023

	SMID LOW VOL PORTFOLIO	S&P 1000 TR INDEX
Median Market Cap. (\$B)	3.52	2.59
3-Year Beta (vs. S&P 1000 TR)	0.64	1.00
P/E Ratio (Trailing)	16.42	17.26
P/Sales Ratio	1.36	1.02
Dividend Yield (Indicated)	2.95%	1.73%
Number of Stocks	30	1002
3-Year Upside Capture	57.31%	100%
3-Year Downside Capture	74.79%	100%
3-Year Standard Deviation	14.54%	20.50%
3-Year Max Drawdown	-26.00%	-22.02%

## 3 YR RISK V. RETURN PROFILE\*



\* Returns presented are annualized and are Net of fees. \*\* As measured by standard deviation.

	3 YR STD. DEV.*	3 YR RETURN*	3 YR SHARPE RATIO
Low Volatility Portfolio (Gross)	14.50%	11.56%	0.80
Low Volatility Portfolio (Net)	14.54%	11.00%	0.76
S&P 1000 Total Return Index	20.50%	15.35%	0.75

## ANNUALIZED RETURNS

	Since Inception 1/1/2017	YTD	1 YR	3 YR	5 YR
SMID Cap Low Volatility (Gross of Fees)	6.91%	-1.25%	2.56%	11.56%	5.50%
SMID Cap Low Volatility (Net of Fees)†	6.37%	-1.50%	2.05%	11.00%	4.98%
S&P 1000 Total Return Index	8.54%	7.99%	15.20%	15.35%	7.00%

† Net return is calculated using highest applicable model fee (75 bps).



# SMID LOW VOLATILITY PORTFOLIO CONSTRUCTION

As of 6/30/2023

## SECTOR & HOLDINGS ALLOCATION

	% of Portfolio	Index Weight		% of Portfolio	Index Weight		% of Portfolio	Index Weight
<b>Information Technology</b>	<b>7.4%</b>	<b>11.5%</b>	<b>Industrials</b>	<b>21.3%</b>	<b>21.4%</b>	<b>Utilities</b>	<b>9.7%</b>	<b>3.0%</b>
OSI Systems Inc. Insight Enterprises Inc.			Aerojet Rocketdyne Holdings Werner Enterprises Inc. CSG Systems Intl. Inc. Maximus Inc. MSC Industrial Direct Science Applications			Northwestern Corp. PNM Resources Inc. Portland General Co.		
<b>Financials</b>	<b>18.0%</b>	<b>14.3%</b>	<b>Consumer Discretionary</b>	<b>9.3%</b>	<b>14.6%</b>	<b>Real Estate</b>	<b>6.6%</b>	<b>7.5%</b>
Horace Mann Educators City Holdings Co. Hanover Insurance Group Inc. WestAmerica Bancorporation CVB Financial Corp. Northwest Bancshares Inc.			Dorman Products Inc. Graham Holdings Co. Grand Canyon Education			Easterly Government Properties Four Corners Property Trust		
<b>Healthcare</b>	<b>6.6%</b>	<b>9.9%</b>	<b>Consumer Staples</b>	<b>6.8%</b>	<b>4.5%</b>	<b>Materials</b>	<b>7.3%</b>	<b>6.9%</b>
Perrigo Co. Prestige Consumer Health			Lancaster Colony Corp. Cal-Maine Foods Inc.			Newmarket Corp. Silgan Holdings Inc.		
			<b>Communication Services</b>	<b>3.2%</b>	<b>2.2%</b>	<b>Energy</b>	<b>3.2%</b>	<b>4.3%</b>
			Tegna Inc.			DT Midstream Inc.		
						<b>Cash</b>	<b>0.6%</b>	<b>0.0%</b>

## SELL DISCIPLINE

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This sample portfolio is representative of an existing client's account invested in the SMID Cap Low Volatility Composite on 6/30/2023 but may not reflect each client's account.

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# LARGE CAP LOW VOLATILITY COMPOSITE

Annual Composite Performance Results									
Year End	Total Firm Assets (millions)	Strategy Assets under Advisement (millions)	Composite Assets (USD) (millions)	Number of Accounts	Gross	Net Model Composite Fee	S&P 500 TR Index	Composite 3-Yr St Dev of Gross Returns	Benchmark 3-Yr St Dev
2022	347.8	19.83	15.97	53	-1.25%	-1.74%	-18.11%	16.59%	21.16%
2021	292.6	15.08	13.36	42	21.78%	21.17%	28.71%	14.15%	17.41%
2020	236.5	14.03	14.39	48	2.89%	2.38%	18.40%	14.19%	18.79%
2019	283.3	6.28	12.5	43	24.87%	24.25%	31.49%	8.86%	12.10%
2018	229.3	2.28	6.59	25	1.36%	0.86%	-4.38%	9.48%	10.95%
2017	234.1	1.91	7.59	28	16.57%	15.98%	21.83%	7.79%	9.92%
2016	190.5	0.46	5.68	18	14.88%	14.31%	11.96%	8.41%	10.59%
2015	157.3	0	1.38	3	3.62%	3.11%	1.38%	8.91%	10.47%
2014	153.2	0	0.63	2	14.84%	14.26%	13.69%	8.37%	8.94%
2013	80.0	0	0.21	1	32.16%	31.50%	32.39%	N.A. <sup>1</sup>	N.A. <sup>1</sup>
2012	33.8	0	0.16	1	8.21%	7.67%	16.00%	N.A. <sup>1</sup>	N.A. <sup>1</sup>

N.A.1 Information is not statistically meaningful due to an insufficient period of time.

Returns are presented gross and net of fees and include the reinvestment of all income. Net returns are expressed as Gross Fees minus the advisory fee most applicable to a majority of accounts 50 bps. Returns are a composite of accounts invested in the Low Volatility Strategy. The investment management fee schedule for separately managed clients is between 35 to 155 bps. Actual investment advisory fees incurred by clients may vary.

Gyroscope Capital Management Group, LLC ("GCMG" or the "Firm") is an investment advisory firm located in Naples, FL. GCMG is controlled by certain beneficial owners of CWA Asset Management Group, LLC d/b/a CWA Wealth Advisors ("CWA"), CWA Naples and CW Institutional which creates a conflict of interest since the beneficial owners have financial incentives to recommend investment advisory services of GCMG. Clients will incur additional fees for services but are not obligated to conduct business with or implement investment recommendations received by GCMG or any affiliate of the Firm. For additional information, please refer to Gyroscope's ADV [Part 2A](#).

Prospective clients and other interested parties can obtain a copy of the Compliant Presentation for the Large Cap Low Volatility Composite by contacting Robert Carr by phone at 239-219-0550 or by email at [rcarr@gyroscopicapital.com](mailto:rcarr@gyroscopicapital.com).

**Large Cap Low Volatility Composite** includes all portfolios that are at least 90% invested in our 30 stock portfolio that focuses on large cap equities with low-beta and low volatility and for comparison purposes is measured against the S&P 500 Total Return Index. The minimum account size for this composite is \$35 thousand. The Large Cap Low Volatility Composite was created and inception on December 28, 2011. Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. The S&P 500 Total Return Index is an appropriate benchmark for the Large Cap Low Volatility Portfolio Composite. The S&P 500 Total Return Index is a domestic equity index consisting of 500 stocks representing approximately 75% of the total U.S. equity market focusing on the large-cap sector of the U.S. equities market. It is the type of equity index that tracks both the capital gains of a group of stocks over time, and assumes that any cash distributions, such as dividends, are reinvested back into the index.

Gyroscope Capital Management Group, LLC ("GCMG") claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. GCMG has been independently verified for the periods 10/1/2007 to 12/31/2022. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The Large Cap Low Volatility Composite has had a performance examination for the periods 1/1/2012 to 12/31/2022. The verification and performance examination reports are available upon request.

The portfolios' value may diminish at any time due to adverse market conditions. Past performance is not indicative of future returns. Return calculations use accrual basis accounting. Portfolio return calculations and valuations are based on trade settlement date. No leverage, derivatives, or short positions have been used in this composite. The U.S. Dollar is the currency used to express performance.

Assets under advisement includes strategy assets that invest in a similar manner to the Large Cap Low Volatility composite but for which GCMG only provides the model and does not transact within the accounts. Strategy assets under advisement are supplemental to the compliant presentation.

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2020	236.5	2.93	1.04	6	-10.04%	-10.48%	12.98%	18.52%	24.21%
2019	282.7	2.36	1.35	8	24.48%	23.86%	25.14%	9.01%	15.10%
2018	229.3	0	0.76	5	2.91%	2.39%	-10.30%	N.A. <sup>1</sup>	N.A. <sup>1</sup>
2017	234.1	0	1.38	8	12.73%	12.17%	15.33%	N.A. <sup>1</sup>	N.A. <sup>1</sup>

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## GLOSSARY OF TERMS

**Risk** – the chance that an investment's actual return will be different than expected. Risk includes the possibility of losing some or all of the original investment. Different versions of risk are usually measured by calculating the standard deviation of the historical returns or average returns of a specific investment. A high standard deviation indicates a high degree of risk. <http://www.investopedia.com/terms/r/risk.asp>

**Volatility** – a statistical measure of the dispersion of returns for a given security or market index. Volatility can either be measured by using the standard deviation or variance between returns from that same security or market index. Commonly, the higher the volatility, the riskier the security. <http://www.investopedia.com/terms/v/volatility.asp>

**Beta** – a measure of a security's or portfolio's volatility. A beta of 1 means that the security or portfolio is neither more nor less volatile or risky than the wider market. A beta of more than 1 indicates greater volatility and a beta less than 1 indicates less. Beta is an important component of the Capital Asset Pricing Model, which attempts to use volatility and risk to estimate expected returns. <http://financial-dictionary.thefreedictionary.com/Beta>

**Standard Deviation** - a measure of the dispersion of a set of data from its mean. The more spread apart the data, the higher the deviation. Standard deviation is calculated as the square root of variance. In finance, standard deviation is applied to the annual rate of return of an investment to measure the investment's volatility. Standard deviation is also known as historical volatility and is used by investors as a gauge for the amount of expected volatility. <http://www.investopedia.com/terms/s/standarddeviation.asp>

**Up-Side Capture Ratio** – a statistical measure of an investment manager's overall performance in up-markets. The up-market capture ratio is used to evaluate how well an investment manager performed relative to an index during periods when that index has risen. <http://www.investopedia.com/terms/u/up-market-capture-ratio.asp>

**Down-Side Capture Ratio** – a statistical measure of an investment manager's overall performance in down-markets. The down-market capture ratio is used to evaluate how well or poorly an investment manager performed relative to an index during periods when that index has dropped. <http://www.investopedia.com/terms/d/down-market-capture-ratio.asp>

**Maximum Drawdown** – the maximum loss from a peak to a trough of a portfolio, before a new peak is attained. Maximum Drawdown (MDD) is an indicator of downside risk over a specified time period.

<http://www.investopedia.com/terms/m/maximum-drawdown-mdd.asp>





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