



GYROSCOPE CAPITAL MANAGEMENT GROUP

# S&P 500 OPTIMAL WEIGHT

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

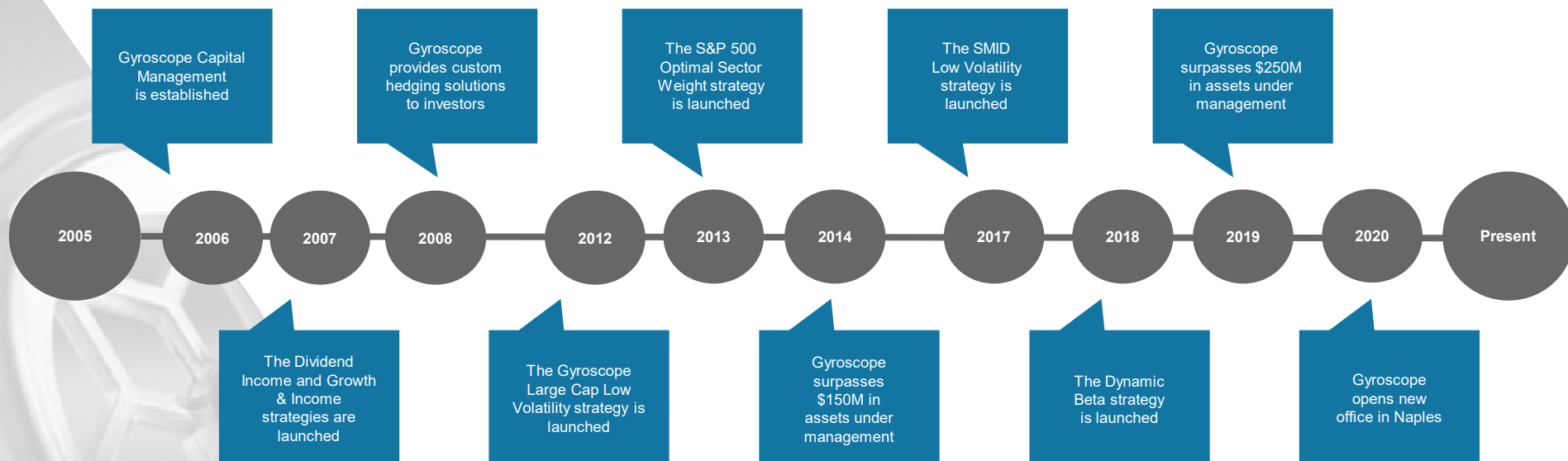
- **EQUITY RISK MANAGEMENT EXPERTISE**
- **LOW VOLATILITY AND EQUITY INCOME SOLUTIONS FOR INDIVIDUALS & INSTITUTIONS**
- **12+ YEAR HISTORY OF PROVIDING FOCUSED PORTFOLIOS**
- **APPROXIMATELY \$345MM IN AUM AS OF 12.31.22**
- **SEC REGISTERED INVESTMENT ADVISER\***
- **GYROSCOPE CLAIMS COMPLIANCE WITH 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 15 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

Focused 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

Gyroscope also provides custom hedging solutions including Optimized Listed Options (OLO™) and Covered Call Transition (CCT) strategies.



## 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





# S&P 500 OPTIMAL WEIGHT PROFILE

**SECTOR MOMENTUM,  
INCOME, BROAD U.S  
EQUITY EXPOSURE**

Existing financial literature documents that sector indexes exhibit price momentum. Persistence in sector returns may allow a sector rotation strategy based on momentum to be abnormally profitable over intermediate horizons. Covered call sales provide income and limited downside protection. Investors are invested in all 11 GICS sectors at all times.

**COMMITMENT**

Michael Egan, the Founder of Gyroscope, has traditionally invested a notable percentage of personal assets into the S&P 500 Optimal Weight Strategy in addition to investments in all other Gyroscope Capital model portfolio strategies.

**TRANSPARENCY**

Gyroscope Capital claims compliance with the Global Investment Performance Standards (GIPS®). Also, Gyroscope Capital's Portfolio Managers make themselves available to articulate the investment process and answer advisor/investor questions.

**TEAM &  
PROPRIETARY MODEL**

A team of investment and business professionals, complimented by a proprietary stock selection model, who take a “quantamental” (the combination of quantitative and fundamental investment styles) approach to unlock value.



# S&P 500 OPTIMAL WEIGHT PHILOSOPHY

## Portfolio Construction Criteria

### 11 Sector SPDR® ETFs



#### Why SPDR® ETFs?

Gyroscope believes that SPDR® ETFs tend to provide favorable trading volume, pricing, and option volume relative to peers.

#### Weight Restrictions

- GICS Sector concentration maximum and minimum limits may not be higher/lower than the maximum/minimum values of the S&P 500 GICS Sector weights over the last ten years.

#### Portfolio Rebalance

- The Optimal Weight Portfolio is rebalanced quarterly according to the GICS Sector distribution that would have maximized returns over the preceding twelve-month period.

#### Covered Call Sales

- Strategic covered calls are sold on ETF positions. Calls are written based upon the tradeoff between:
  - potential price appreciation participation
  - and option premium income generation.



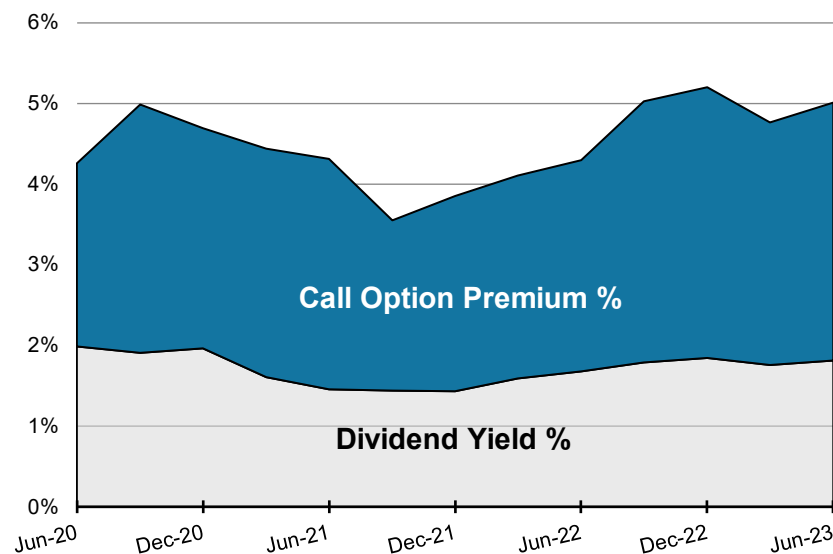
# S&P 500 OPTIMAL WEIGHT CHARACTERISTICS & RETURNS

As of 6/30/2023

	S&P 500 OPTIMAL WEIGHT PORTFOLIO	CBOE S&P 500 BUYWRITE
3-Year Beta (vs. S&P 500)	0.91	0.57
Dividend Yield (LTM)	1.81%	1.57%
Call Option Yield (LTM)	3.20%	*NA
Number of Stocks	11	503
Number of Option Positions	9-11	1
3-Year Standard Deviation	16.70%	11.74%

\*Not Calculable as the Index does not break this measurement out and does not provide the underlying information for Gyroscope to calculate.

## 3 YR TRAILING 12 MTH ROLLING DISTRIBUTION YIELD



The income represented in this graph is generated on a monthly basis versus the starting monthly balance.

ANNUALIZED RETURNS					
	SINCE INCEPTION 5/1/2013	YTD	1 YR	3 YR	5 YR
S&P 500 Optimal Weight (Gross of Fees)	11.63%	12.40%	18.19%	14.87%	11.87%
S&P 500 Optimal Weight (Net of Fees) <sup>†</sup>	10.79%	11.98%	17.30%	14.01%	11.03%
CBOE S&P 500 BuyWrite Index (BXM)	6.01%	10.47%	9.02%	10.56%	4.42%

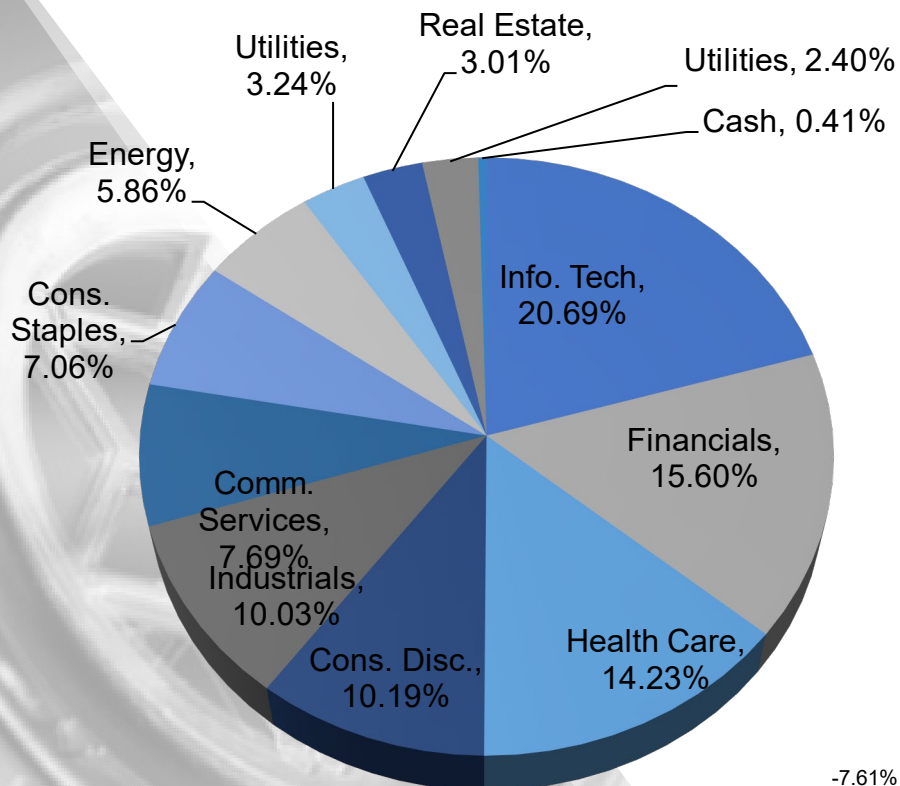
<sup>†</sup> Net fee is calculated by deducting the highest applicable model fee (75 bps) from the gross return for each quarter.



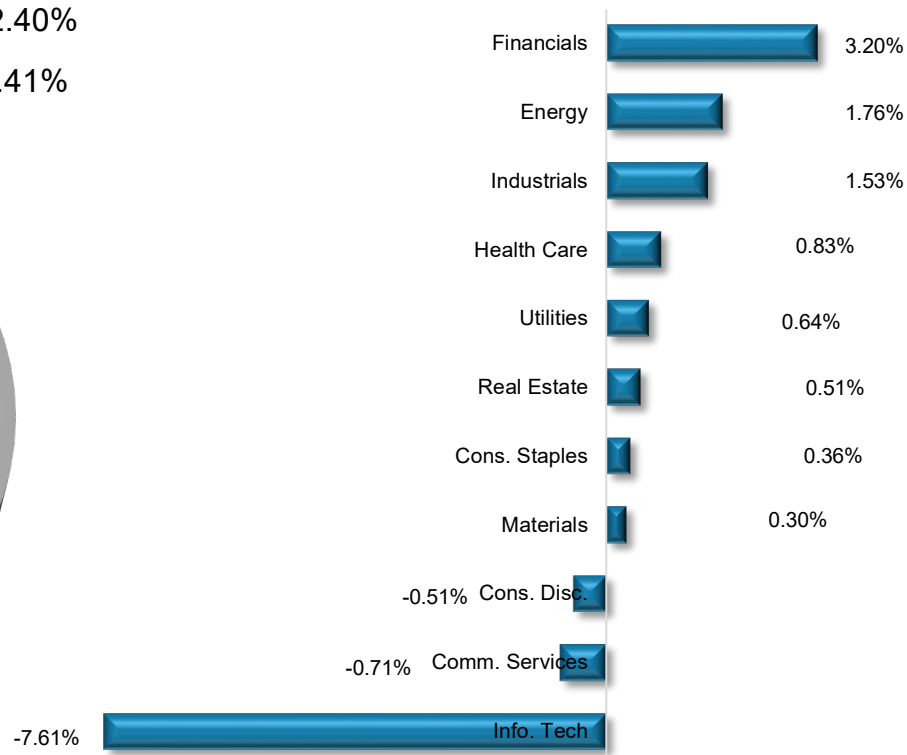
# S&P 500 OPTIMAL WEIGHT SECTOR WEIGHTS

As of 6/30/2023

## STRATEGY SECTOR ALLOCATION



## S&P 500 RELATIVE GICS SECTOR ALLOCATION



This sample portfolio is representative of an existing client's account invested in the S&P 500 Optimal Sector Weight Composite on 6/30/2023 but may not reflect each client's account. In addition, each client may have slight variations in holding percentages and option overlay securities depending on the date of their initial investment and features such as reinvestment of dividends, etc. The information supplied on this page is supplemental to the compliant presentation. Past performance is not indicative of future results.



# S&P 500 OPTIMAL WEIGHT SECTOR COMPOSITE

Annual Composite Performance Results								
Year End	Total Firm Assets (millions)	Composite Assets (USD) (millions)	Number of Accounts	Gross	Net Model Composite Fee	S&P 500 Buy-Write Index	Composite 3-Yr St Dev of Gross Returns	Benchmark 3-Yr St Dev
2022	347.8	27.16	111	-13.15%	-13.59%	-11.37%	19.71%	15.89%
2021	292.6	23.83	78	26.56%	25.93%	20.47%	16.14%	13.93%
2020	236.5	16.35	57	18.35%	17.76%	-2.75%	17.35%	14.72%
2019	283.3	14.4	54	27.85%	27.22%	15.68%	10.84%	7.95%
2018	229.3	10.22	47	-4.92%	-5.39%	-4.77%	9.60%	7.48%
2017	234.1	10.06	39	17.47%	16.88%	13.00%	8.33%	5.74%
2016	190.5	0.76	1	12.06%	11.50%	7.07%	8.93%	6.59%
2015	157.3	0.89	2	3.44%	2.93%	5.24%	N.A. <sup>1</sup>	N.A. <sup>1</sup>
2014	153.2	0.47	1	10.50%	9.95%	5.64%	N.A. <sup>1</sup>	N.A. <sup>1</sup>
2013*	80.0	0.35	1	14.42%	13.99%	6.43%	N.A. <sup>1</sup>	N.A. <sup>1</sup>

\*For 2013, performance is from 5/1/2013 to 12/31/2013. 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. The investment management fee schedule for separately managed clients is between 40 to 100 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 Optimal Sector Weight Portfolio by contacting Robert Carr by phone at 239-219-0550 or by email at [rcarr@gyroscopicapital.com](mailto:rcarr@gyroscopicapital.com).

**Optimal Sector Weight Composite** includes all portfolios that invest in GICS Sector ETFs with covered call sales to generate additional income and for comparison purposes is measured against the CBOE BuyWrite Index (BXW). The minimum account size for this composite is \$100 thousand. The Optimal Sector Weight Composite was created and inceptioned on April 24, 2013. Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. The CBOE S&P 500 BuyWrite Index is an appropriate benchmark for the Optimal Sector Weight Portfolio Composite. The S&P 500 CBOE BuyWrite Index is a hypothetical index in consideration of a portfolio owning the S&P 500 and selling a 1 month covered call just above the prevailing index value (i.e. slightly out of the money). The call is held until expiration and cash settled at which time a new one-month, near-the-money call is written.

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 Optimal Sector Weight Composite has had a performance examination for the periods 5/1/2013 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. This material is for informational purposes only and is not intended to serve as a substitute for personalized investment advice or as a recommendation of or solicitation of any particular security, strategy, or investment product. GCMG nor its IAR's provide legal or tax advice, and nothing contained in these materials should be taken as legal or tax advice.

Return calculations use accrual basis accounting. Portfolio return calculations and valuations are based on trade settlement date. No leverage or short positions have been used in this composite. The use of derivatives in this composite is limited to the sale (and subsequent repurchase) of covered call options to generate additional premium income. The U.S. Dollar is the currency used to express performance.

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*The information supplied on this page is supplemental to the compliant presentation. Please see important disclosures and definitions on pages 15-17.*

*Past performance is not indicative of future results.*





# IMPORTANT DISCLOSURES

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](#).

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Illustrations used in this document are hypothetical. The results achieved by individual clients will vary and will depend on a number of factors including the particular underlying investments and their dividend yield, option market liquidity, interest rate levels, implied volatilities, and the client's expressed return and risk parameters at the time the service is initiated and during the term. Investors should carefully consider any strategy and be aware of all the risks, including, but not limited to, receiving back less value than they invested.

This material contained herein is for informational purposes only and is not intended to serve as a substitute for personalized investment advice or as a recommendation or solicitation of any particular security, strategy, or investment product to any single investor or group of investors. Opinions expressed are based on economic or market conditions at the time this material was written. Actual economic or market events may turn out differently than as presented. The information contained herein has been prepared from sources believed to be reliable but is not guaranteed and is not a complete summary of all available data. No investor should rely upon or make any investment decisions based solely upon the contents of the materials herein. Past performance is no guarantee of future results.

Taxes, fees and commissions do have a direct and material impact on investment strategies, may reduce the effectiveness of some strategies, and may result in the investor not achieving his or her investment objectives. The examples presented above do not take into account the tax consequences or the impact on holding period. Investors should always seek professional tax advice before engaging in any of these strategies. Gyroscope, nor its investment advisor representatives, provide legal or tax advice, and nothing contained herein should be taken as such.

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Cash flow is not guaranteed over any period. This illustration of potential cash flow from a covered call option writing program is not based on an actual portfolio. Covered call option cash flow for any portfolio will vary depending on actual portfolio positions, option premium received, individual stock price volatility, and general stock market volatility. Positions covered by call options may be called away, creating realized capital gains or losses. There can be no guarantee that the owner of the call option will not exercise prior to GCMG's attempt to repurchase a sold option. More information may be found on GCMG's Form ADV.

If the price of the stock declines by an amount greater than the premium received the position will have point-for-point loss. Therefore, this strategy should not be employed if you believe the price will decline considerably in value. If the price of the stock increases by an amount greater than the strike price, the investor will forgo any price appreciation above the strike price. Therefore, this strategy should not be employed if you believe the price will increase considerably in value.





## 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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