

EXECUTIVE SUMMARY

- In 1Q, security selection was materially unfavorable relative to the S&P 500 as cyclical shares came under heavy pressure amid unprecedented volatility. Option sales proved beneficial although the full extent of their value has yet to be reflected in client accounts as higher volatility has increased the price of options generally. In the end, the Growth & Income Strategy experienced material underperformance of its benchmark, the CBOE Buywrite (BXM).
- Capital markets, health care systems, and national governments continue to deal with the impact of a novel coronavirus, which causes the disease dubbed Covid-19. In the U.S., the S&P 500 Index experienced the fastest drop in U.S. history – falling over 33% in 23 trading sessions as investors attempted to price the uncertainty associated with this pandemic.
- Currently, President Donald Trump is considering his “biggest decision” regarding when and how to begin lifting the social-distancing measures currently in place. The decision entails a tradeoff between public health and economic health and the effects of any actions or inactions are certain to have a profound impact on life in the U.S. and capital markets around the world.

ATTRIBUTION ANALYSIS

Security selection proved unfavorable with AMZN, CNC, and PYPL outperforming and ADS, MPC and VLO underperforming. AMZN was notably strong for the quarter and is arguably perceived as a safe haven with social distancing policies in place. CNC’s performance reflects the durability of its business model and ability to navigate a recessionary environment. PYPL proved more resilient than other payment processors since it mostly serves online vendors. ADS came under heavy pressure due to concerns of lower retailer card spending and surging charge offs. ADS remained profitable in 2008-09 and may be able to do so during this crisis depending on its peak loss rate. MPC faces several challenges with the de-facto dissolution of OPEC creating uncertainty, tepid gasoline demand and near-record inventories, and losses in the high-margin market of California, which has unique gasoline requirements. VLO faces similar challenges to those of MPC but is better positioned to weather these challenges.

TOP 3	BOTTOM 3
AMZN	ADS
CNC	MPC
PYPL	VLO

PORFOLIO ACTIVITY

BOUGHT	SOLD
TSN	ULTA

In 1Q 2020, we decided to attempt to reduce risk by replacing ULTA with TSN. While we don’t have a particular issue with ULTA specifically, we decided that reducing exposure to (primarily) brick & mortar retailers was prudent in this environment given the uncertainty surrounding the space. In its place we selected TSN, which we view as better positioned from an upside/downside perspective. TSN trades at a considerable discount to both its analyst consensus target and our own internal intrinsic value estimate. Unlike some of its peers, TSN is less exposed to foodservice with the segment comprising only 35% of U.S. sales last year. Finally, and unlike ULTA, the drop in price for TSN made the shares more appealing from an income perspective for both dividend payments and option coverage.

OUTLOOK AND POSITIONING

Investors have been in awe of how quickly events surrounding the outbreak of a novel coronavirus have unfolded and the ensuing repricing in stocks. Unlike most economic shocks, there is no precedent to this crisis and thus no reference point for guidance on how to discount the risks. While we don't know what the future holds in respect to the impact from public health policies, we do know that once the dust settles investor focus will once again turn to corporate earnings. With that in mind we have become more aggressive with the sale of covered calls in an effort to generate more premium. However, we are staggering percentage distances to strike prices and expirations when re-writing covered calls to diversify our risk of missing out on a recovery while attempting to balance risk to the downside. Similarly, we have begun systematically positioning the portfolio away from more cyclical positions and towards businesses less leveraged to the business cycle (those better able to weather a recession). The purchase of TSN and sale of ULTA are products of that effort. Finally, we believe the speed and magnitude of discounting that has occurred in many stocks has created a unique opportunity to purchase highly depreciated stocks that trade at extreme discounts to even conservative estimates of intrinsic value. We intend to purchase the most attractive of these stocks as the options and equity markets provide opportune occasions to do so.

COMPOSITE RETURNS

As of 3/31/2020	Since Inception 10/1/07*	QTD	YTD	1 Year	3 Year*	5 Year*	10 Year*
Growth & Income (Gross)	3.91%	-28.82%	-28.82%	-19.52%	1.11%	2.19%	7.56%
Growth & Income (Net) [^]	3.53%	-28.97%	-28.97%	-20.21%	0.40%	1.56%	7.07%
CBOE Buy Write (BXM)	2.81%	-22.22%	-22.22%	-15.73%	-2.36%	1.42%	4.28%

*Annualized Returns.

Performance is presented gross and net of advisory fees. [^]Net return is calculated using the weighted average quarterly fee for the underlying accounts for each period. Past performance is not indicative of future returns. The U.S. Dollar is the currency used to express performance.

Gyroscope Capital Management Group, LLC, an investment advisor, does business as Gyroscope Capital Management Group and was founded in 2006.

Gyroscope Capital Management Group, LLC ("GCMG") claims compliance with the Global Investment Performance Standards (GIPS®).

The Large Cap Growth & Income Composite includes all portfolios that are at least 70% invested in our 20 stock large cap growth-oriented equities strategy with covered call sales to generate additional income and for comparison purposes is measured against the S&P 500 CBOE BuyWrite Index (BXM). 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.

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.

Prospective clients and other interested parties can obtain a copy of the Compliant Presentation and/ or a list of the firm's composite descriptions by contacting Robert Carr by phone at 1-239-219-0550 or by email at rcarr@gyroscopicapital.com.

This material 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. 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. Facts presented have been obtained from sources believed to be reliable. Past performance is no guarantee of future results.

GROWTH & INCOME STRATEGY QUICK LINKS
[FACT SHEET](#)
[STRATEGY DESCRIPTION](#)
[STRATEGY PRESENTATION](#)
[RETURNS](#)

Thank you for investing with us!