



GYROSCOPE CAPITAL

— MANAGEMENT GROUP —

S&P 500 Optimal Weight Strategy

9/30/2019

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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 President of Gyroscope, has traditionally invested a notable percentage of personal assets into the S&P 500 Optimal Sector 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 and 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.

The information supplied on this page is supplemental to the compliant presentation. Past performance is not indicative of future results.

Call Option Premium Component



The Chicago Board Options Exchange (CBOE) website references five different studies* which confirm that a passive covered call strategy can provide superior risk-adjusted returns compared to a long-only equity strategy.

- Every study concluded that the CBOE BuyWrite Index (a widely used proxy for Covered Call Strategies) achieved roughly the same annualized return as the S&P 500 over the long term, but at substantially lower risk (28-33% lower average standard deviation);
- Each study covers a different time period, ranging from 16 to 26 years;
- Gyroscope incorporates this call option premium component to its strategy to generate additional portfolio income.

EXECUTIVE SUMMARY OF KEY HIGHLIGHTS

- Consistent performance for the covered call strategy (CBOE BuyWrite Index) vs. the performance of the traditional return on the S&P 500 Index. Significant risk reduction for the covered call strategy.
- Lower volatility. The CBOE BuyWrite Index had 11% less volatility than the S&P 500 Index over the 16-year period.
- Long-term performance. The CBOE BuyWrite Index has outperformed the S&P 500 Index over the 16-year period.
- Lower risk. The CBOE BuyWrite Index has a lower risk profile than the S&P 500 Index over the 16-year period.

FOUR INDICES THAT SELL OPTIONS FOR INCOME

Index	Total	Annualized Return	Standard Deviation	Sharpe Ratio	Probability of Loss
CBOE BuyWrite Index	100	10.2%	11.5%	0.88	10%
S&P 500 Index	100	10.2%	17.5%	0.58	20%
10-Year Treasury Note	100	6.5%	3.5%	1.86	0%
10-Year Treasury Note + 10% Leverage	100	7.1%	11.5%	0.61	10%

Highlights from Case Study on BXM Buy-Write Options Strategy

What is a Buy-Write Strategy?

A "Buy-Write" strategy also known as a "covered call" is an investment strategy where the investor buys a stock or a basket of stocks and then sells call options that cover the stock position. The strategy can be used to generate additional income from the stock position while maintaining the long-term growth potential of the stock position. The strategy is most commonly used in the form of a covered call on the S&P 500 Index.

The BXM Index:

The CBOE BuyWrite Index (BXI) is a benchmark index designed to track the performance of a hypothetical buy-write strategy on the S&P 500 Index. As of 2002, the methodology of the BXI Index is based on 11 buying on S&P 500 index and selling call options on the S&P 500 Index. The call has a 10% strike price and a 10% delta. The call has a 10% strike price and a 10% delta. The call has a 10% strike price and a 10% delta.

The CBOE S&P 500 BuyWrite Index (BXM) A Review of Performance

Executive Summary

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An Historical Evaluation of the CBOE S&P 500 BuyWrite Index Strategy

The Buy-Write Strategy

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Russell Research

Capturing the volatility premium through call overwriting

Overwriting call overwriting strategies on volatile stocks in the investment toolbox. They can provide income, attractive risk-adjusted returns and the potential for a return during market downturns. In this paper, we explore call overwriting, the impact of strategy construction and performance across various market environments.

From Russell's vantage point we are growing conviction in the marketplace for introducing long term investors. Covered call overwriting is an essential tool for investors and can be used in an increasing number of situations to enhance portfolio returns and provide superior risk-adjusted returns. The only investors who are missing out on this opportunity are those who are not using it. In this paper, our objective is to increase basic strategy effectiveness, enhance portfolio returns and provide superior risk-adjusted returns. Below are three strategies that should be added to the investor's toolbox. These strategies should be added to the investor's toolbox. These strategies should be added to the investor's toolbox.

Asset Consulting Group
Published January 2012

Ibbotson Associates
Published September 2004

Hewitt Ennisknupp
Published 2012

Callan Associates
Published October 2006

Russell Investments
Published July 2012

*These studies and additional research publications can be found on the CBOE website; <http://www.cboe.com/micro/buywrite/>

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

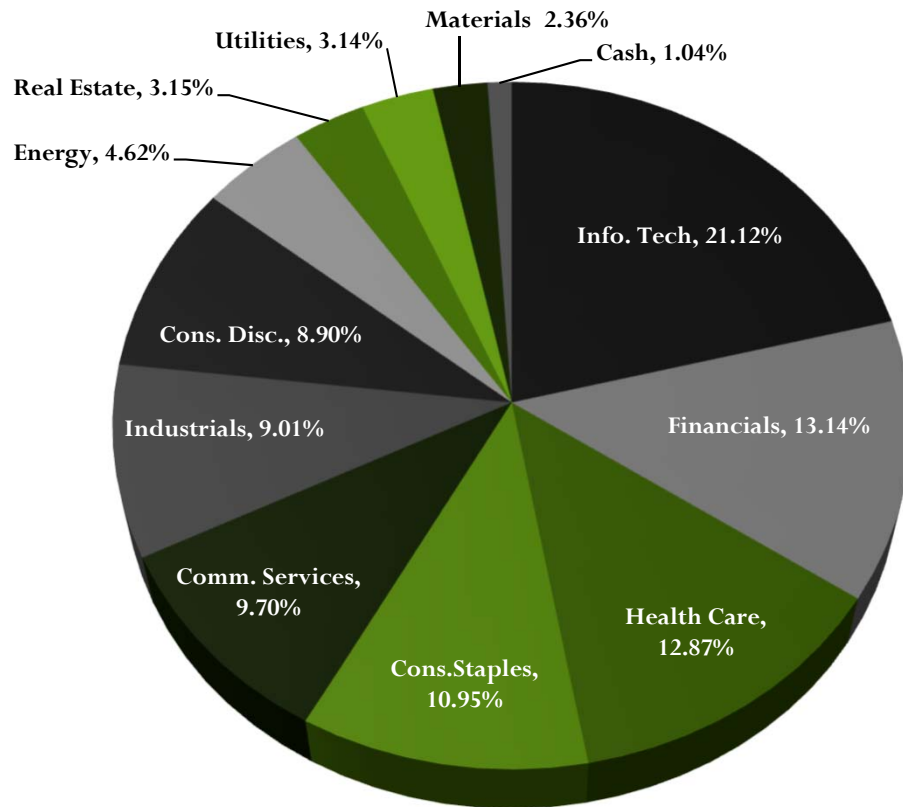
- Strategic covered calls are sold on ETF positions. Calls are written based upon the tradeoff between potential price appreciation participation and option premium income generation.

Investment Strategy—Example Sector Weights*

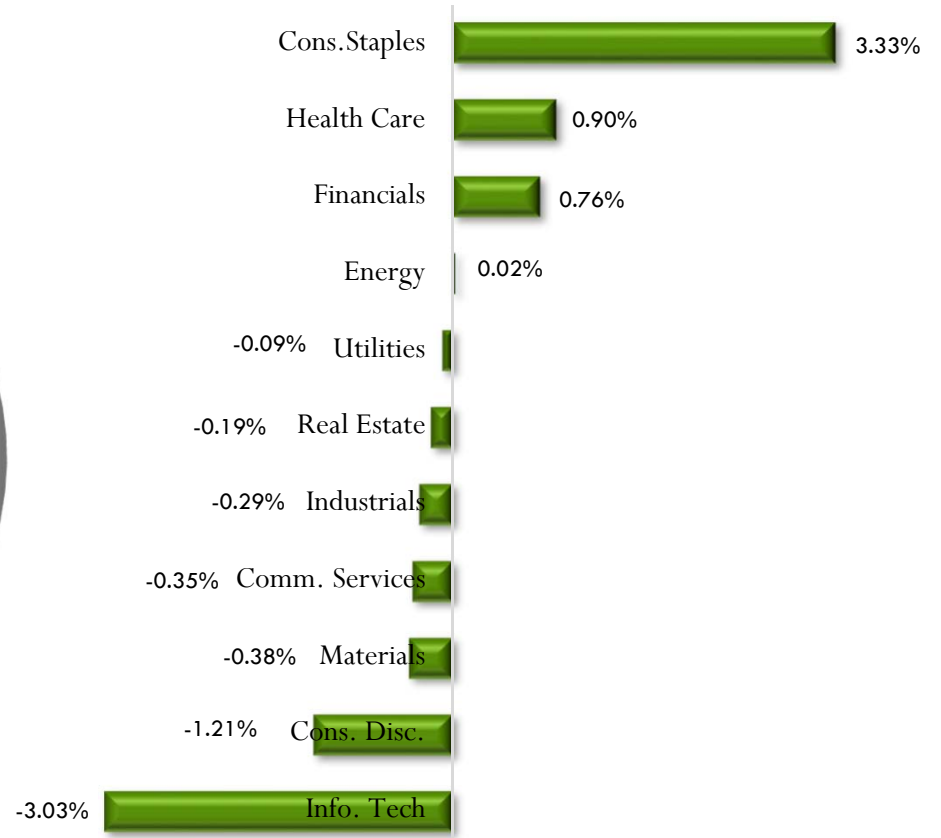


As of 9/30/2019

Strategy Sector Allocation



S&P 500 Relative GICS Sector Allocation



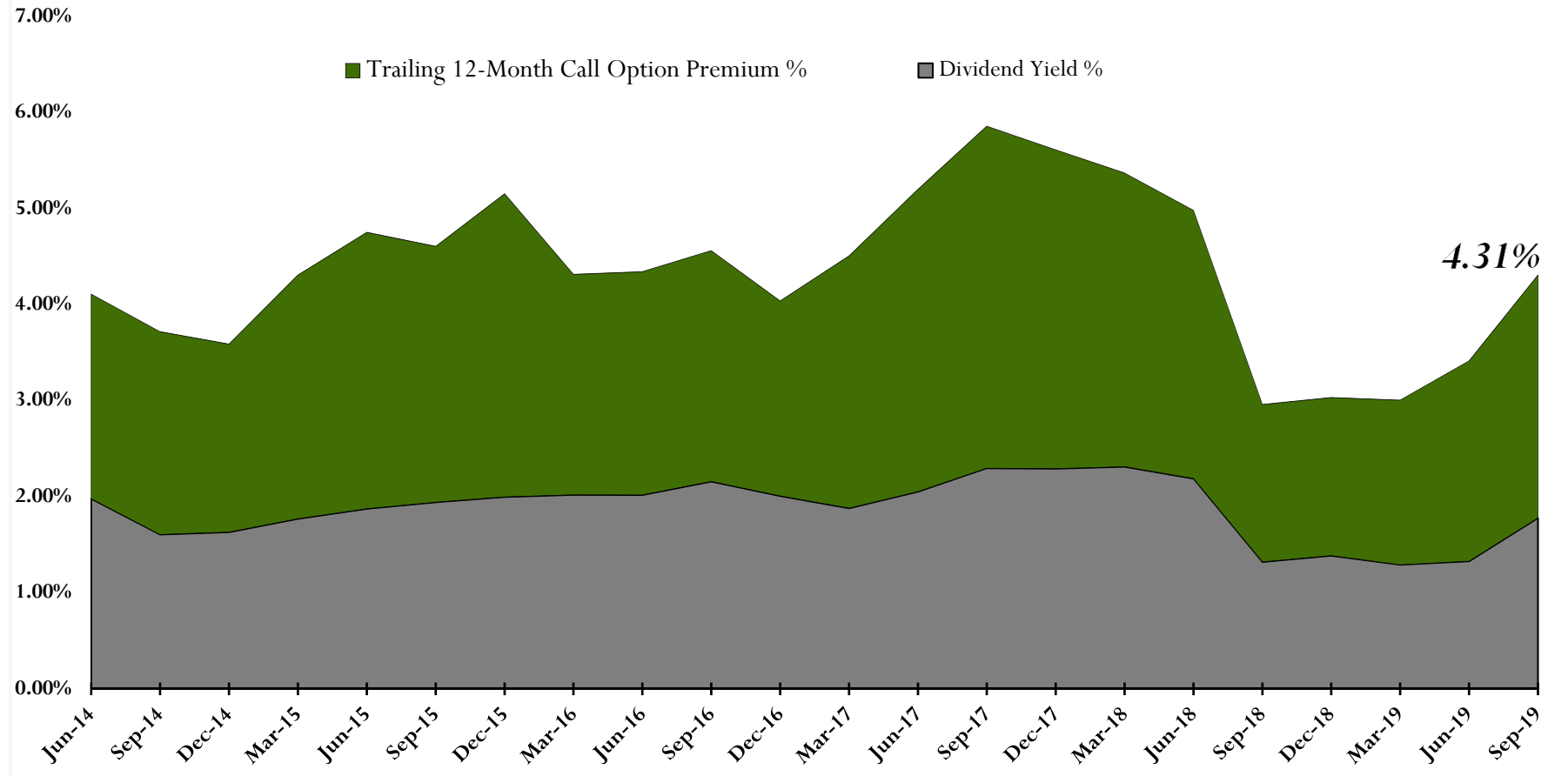
This sample portfolio is representative of an existing client's account invested in the S&P 500 Optimal Sector Weight Composite on 9/30/2019 but may not reflect each client's account. In addition, each client may have slight variations in holding percentages and option overlay securities depending on 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.

Optimal Weight Strategy Income History



As of 9/30/2019

12-Month Rolling Total Distribution



The income represented in this graph is generated on a monthly basis versus the starting monthly balance. Supplemental to the compliant presentation. Past performance is not indicative of future returns.

Gyroscope Capital *actively manages* the Covered Call Option overlay, capturing more option premium when opportunities arise.

Gyroscope Optimal Weight Strategy Performance



As of 9/30/2019

GYROSCOPE CAPITAL OPTIMAL WEIGHT STRATEGY - MONTHLY COMPOSITE RETURNS (NET OF FEES AND EXPENSES[†])

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2019	7.61%	2.27%	0.74%	3.62%	-5.48%	6.11%	1.59%	-1.07%					17.62%
2018	3.57%	-2.83%	-2.28%	0.35%	2.15%	0.14%	3.86%	3.04%	0.36%	-6.43%	1.72%	-9.12%	-6.21%
2017	1.62%	2.87%	-0.26%	0.88%	1.02%	0.61%	2.14%	0.19%	1.94%	0.0142	2.39%	0.42%	16.30%
2016	-3.88%	0.34%	5.90%	0.70%	2.02%	0.57%	3.01%	-0.08%	0.27%	-1.79%	2.09%	1.61%	10.95%
2015	-1.43%	5.12%	-1.53%	0.98%	1.42%	-1.84%	2.07%	-5.74%	-3.07%	0.0679	0.78%	-0.55%	2.42%
2014	-2.94%	3.77%	0.75%	0.45%	2.19%	1.24%	-1.25%	3.30%	-1.56%	1.94%	1.66%	-0.32%	9.40%
2013					2.23%	-1.14%	4.77%	-2.36%	2.11%	0.0374	2.12%	1.55%	13.57%

[^]Does not cover the full year. Investment period begins on 5/01/13.

[†] Net highest bundled fee assumes all accounts are wrap accounts and are charged the highest applicable fee; this total fee is inclusive of Gyroscope Capital's sub-advisory fee.

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Gyroscope Optimal Weight Strategy Performance



Annualized Returns (as of 9/30/2019)

	Since Inception 5/1/13	Year-to- Date	1 Year	3 Year	5 Year
Optimal Weight (Gross of Fees)	10.98%	19.17%	3.53%	10.78%	9.83%
Optimal Weight (Net of Fees) †	9.67%	17.62%	1.74%	9.27%	8.49%
CBOE Buy Write Index (BXM)	6.65%	10.88%	-1.11%	6.99%	5.92%

Annual Returns

	2013	2014	2015	2016	2017	2018
Optimal Weight (Gross of Fees)	14.42%	10.50%	3.44%	12.06%	17.47%	-4.92%
Optimal Weight (Net of Fees) †	13.57%	9.40%	2.42%	10.95%	16.30%	-6.21%
CBOE Buy Write Index (BXM)	6.43%	5.64%	5.24%	7.07%	13.00%	-4.77%

^Does not cover the full year. Investment period begins on 5/01/13.

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GIPS Disclosure



Gyroscope Capital Management Group, LLC, an SEC registered investment advisor, does business as Gyroscope Capital Management Group. Gyroscope Capital Management Group, LLC is an Independent Investment Advisory Affiliate of Moors & Cabot. Investment Advisor Representative's may be dually registered with Moors & Cabot.

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 1-866-459-9998 or by email at rcarr@moorscabot.com.

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 12/31/2018.

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 (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. The minimum account size for this composite is \$100 thousand. The Optimal Sector Weight Composite was created April 24, 2013.

The CBOE S&P 500 BuyWrite Index is an appropriate benchmark for the Optimal Sector Weight Portfolio Composite. The CBOE S&P 500 BuyWrite Index is a hypothetical index which invests in S&P 500 corporations and sells at-of-the money calls on the S&P 500 Index. The Optimal Sector Weight portfolio contains the common shares issued by large capitalization U.S. - based companies, or the American Depository Receipts (ADRs issued by U.S. depository banks) representing ownership in a non U.S. company. Covered calls are also sold on those positions within the portfolio. Benchmark performance for the portfolio is calculated using daily cash flows and the geometric mean of monthly returns.

Results are based on fully discretionary accounts under management, including those accounts no longer with the firm.

Returns are a composite of accounts invested in the Optimal Sector Weight Strategy. To be included in the composite, a client's portfolio must have at least 70% of the account value invested in the Strategy. 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.

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
2018	229.3	10.22	47	-4.92%	-5.39%	-4.77%
2017	234.1	10.06	39	17.47%	16.88%	13.00%
2016	190.5	0.76	1	12.06%	11.50%	7.07%
2015	157.3	0.89	2	3.44%	2.93%	5.24%
2014	153.2	0.47	1	10.50%	9.95%	5.64%
2013*	80.0	0.35	1	14.42%	13.99%	6.43%

*For 2013, performance is from 5/1/2013 to 12/31/2013

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The Optimal Sector Weight Composite performance has also been examined by an independent verifier, ACA Performance Services, for the periods 5/1/2013 through 12/31/2018. 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.

Returns are presented gross and net of fees and include the reinvestment of all income; net returns are expressed in two different formats 1. Gross Fees minus the highest bundled fee for each period. The highest bundled fee is 100 bps from 5/1/2013 to 3/31/2018; 175 bps from 3/31/2018 on; 2. Gross Fees minus the advisory fee most applicable to a majority of accounts 50 bps. The annual composite dispersion presented is an asset-weighted standard deviation calculated for the accounts in the composite the entire year.

The Investment Committee uses equity research provided by several institutions, including but not limited to Wells Fargo Securities LLC, Standard & Poor's Financial Services LLC, Credit Suisse Group

The investment management fee schedule for separately managed clients is between 50 to 175 bps. Actual investment advisory fees incurred by clients may vary.



Michael J. Egan, CFP® CIMA® - President / CIO

Mr. Egan is Founder and President of Gyroscope Capital. His principal duties include advising financial advisors and their wealthy clients regarding investment management. Prior to Gyroscope Capital, Mr. Egan founded and managed the Corporate and Executive Services Group at Legg Mason and structured and executed swap and derivative transactions totaling over \$8 billion for Fortune 50 companies at American Express/Lehman Brothers.

Mr. Egan holds a Bachelor of Arts degree in Economics from the College of William and Mary, a Masters degree in Economics from New York University, and an MBA from Duke University. He is also a graduate of the London School of Economics and Political Science's General Course Program.



Robert M. Carr, CIPM® - Lead Portfolio Manager, Head Trader

Mr. Carr joined Gyroscope Capital Management Group in 2008. Mr. Carr has been Lead Portfolio Manager and Senior Trader since 2010 and has been instrumental in the development of the underlying multi-factor models and option overlay. Since his tenure as Portfolio Manager for the Dividend Income Strategy, the assets under management have grown from \$1.31 to over \$100MM. Mr. Carr also developed and implemented the Large Cap Low Volatility, S&P 500 Optimal Weight and Optimized Listed Option strategies. Mr. Carr also acts as a member of the Investment Committee, GIPS Compliance Officer and Chief Operations Officer.

Mr. Carr received a Bachelor of Science degree in Chemical Engineering from the University of Florida and a Master of Business Administration degree from Florida Gulf Coast University.



Anthony L. Cirillo, CFA® - Portfolio Manager, Trader

Mr. Cirillo joined Gyroscope Capital in 2016 to assist with the analysis, administration and security selection for the firm's large capitalization portfolios. His principal duties include preparation of materials for the Investment Committee, monitoring and maintenance of client accounts, and research on securities. Prior to joining Gyroscope Capital, 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.

Disclaimer



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Cash flow is not guaranteed over any period. More information may be found on GCMG's Form ADV.



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