

EXECUTIVE SUMMARY

- In 1Q, option sales proved beneficial as all options with March expirations expired without value. Overall, active sector weights had a modestly positive effect on performance relative to the S&P 500 as an overweight position in the Consumer Staples sector was the largest active weight. In the end, the Optimal Sector Weight Strategy did well to outperform both the S&P 500 Total Return Index and the Optimal Sector Weight Strategy’s benchmark, the CBOE Buywrite (BXM) Index.
- 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.

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 but are staggering the percentage distances to strike prices when re-writing covered calls to diversify our risk of missing out on a recovery while attempting to balance the risk to the downside.

COMPOSITE RETURNS

As of 3/31/2020	Since Inception 4/19/13*	QTD	YTD	1 Year	3 Year*	5 Year*
Optimal Weight (Gross)	7.93%	-18.99%	-18.99%	-6.98%	3.44%	5.57%
Optimal Weight (Net) ^	7.74%	-19.07%	-19.07%	-7.34%	3.05%	5.31%
CBOE Buy Write (BXM)	3.00%	-22.22%	-22.22%	-15.73%	-2.36%	1.42%

*Annualized Returns.

Performance is presented gross and net of advisory fees. ^Net return is calculated using the weighted average quarterly fee for the underling 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 S&P 500 Optimal Sector Weight Composite includes all portfolios that are at least 90% invested in sector momentum strategy that invests in GICS sector ETFs 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.

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