

YMAX Commentary - July 2016 (June Option Period)
Adviser Use Only
YMAX: ASX

| | |
|------------------------|----------|
| NAV per unit (May 26) | \$9.2681 |
| NAV per unit (June 23) | \$9.0036 |

June Option Period Returns

| | |
|--------------------------|--------|
| YMAX Total Return | -2.85% |
| S&P/ASX 20 Total Return | -3.38% |
| Over (Under) Performance | 0.53% |

June Options at Inception

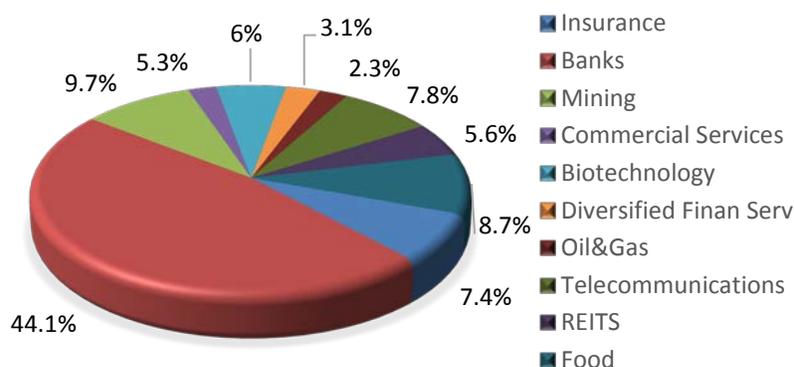
| | |
|---------------------|--------|
| 1-Mth Implied Vol. | 21.23% |
| Portfolio Delta | -0.19 |
| % Portfolio Written | 89% |

July Options at Inception

| | |
|---------------------|--------|
| 1-Mth Implied Vol. | 23.75% |
| Portfolio Delta | -0.19 |
| % Portfolio Written | 79% |

Distribution Per Unit History (by ex-date)

| | |
|----------------|----------|
| 1 April 2015 | \$0.2004 |
| 1 July 2015 | \$0.1608 |
| 2 October 2015 | \$0.2940 |
| 1 January 2016 | \$0.2639 |
| 4 April 2016 | \$0.2111 |

ASX 20 INDUSTRY ALLOCATION


Source: Horizons ETFs, as at 27 June 2016.

The YMAX total return was -2.85% between 26 May 2016 and 23 June 2016 ("June Option Period" or "Period"). The S&P/ASX 20 Index ("S&P/ASX 20" or "Index") total return was -3.38% and YMAX outperformed by 0.53% in the June Option Period. The Index gave back the bulk of the previous period's positive performance as 15 of 20 YMAX names had

negative performance over the current Period. The Index oscillated until approximately 7 June 2016 before then falling about -4.46% to a Period low close at 16 June 2016. The Index rallied 2.62% after 16 June 2016 into the final days of expiry. The broader market recovery that had begun in February lost some steam as a number of poor Chinese manufacturing and service data points may have contributed to the selling pressure. Most sectors reversed course as financials, energy, materials and telecom companies performed poorly in the June Period. The YMAX healthcare constituent, CSL Limited (“CSL”), pulled back sharply after soaring in the prior option period. Heavily weighted YMAX banking names underperformed the S&P/ASX 200 Financial Index, subsequently contributing to some of the fund’s underperformance versus the broader Index. A roughly 0.46% rally in crude oil again did little to help our energy constituent, Woodside Petroleum (“WPL”), which fell sharply in the Period. YMAX REITs names were some of the few equity winners in the portfolio. However, weakness across most sectors provided YMAX with the right environment for a very high 93% call premium capture rate in the June Option Period. Weakness in most YMAX constituents provided an opportunity to inexpensively repurchase some of the written call options, resulting in positive option premium for the Period and reduced risk to the portfolio. Calls were also inexpensively repurchased in S&P/ASX 200 index options into market weakness, leading to a 90% premium capture rate. Some roll down coverage was achieved during the Period, providing extra income to the portfolio. Domestic single name and Index implied volatility levels in the YMAX portfolio increased from the prior option period. Overall weighted average call implied volatility in the portfolio increased from 21.23% at the beginning of the June Option Period, to a level of 23.75% as at 24 June 2016. This is consistent with the tendency for implied volatility, or general option pricing levels, to rise into market weakness. This resulted in YMAX writing call strikes slightly farther from the money (“OTM”) for the commencement of the July option cycle. The S&P/ASX 200 index implied volatility was higher than at the roll into June option positions, approximately 15.6% as at 24 June 2016. Weakness in some YMAX constituents provided an opportunity to inexpensively repurchase a proportionate number of written call options, resulting in reduced risk to the portfolio. July options were written approximately 5.71% OTM on 79% of the portfolio, with a -0.19 portfolio delta as at 27 June 2016.

Banks (portfolio weight: 44.1%)

The sector continues to be the most significant equity component in the portfolio and, therefore, contributes significantly to overall YMAX performance. The banking sector was very weak in the June Period as all four YMAX large cap banking names fell sharply. The average loss for the banking sector was -4.70%, underperforming the S&P/ASX 200 Financial Index, which fell by -2.68%. Australia and New Zealand Bank (“ANZ”) and Commonwealth Bank of Australia (“CBA”) retreated -4.31% and -4.54% respectively, while Westpac Banking Corp (“WBC”) and National Australia Bank (“NAB”) fell -3.58% and -6.51% respectively, during the June Option Period. Implied volatility in banking names spiked into this weakness. The performance resulted in net positive premium contributions for the portfolio in all names. The aggregate result was a net positive option premium contribution to the portfolio for this sector.

Mining (portfolio weight: 9.7%)

Iron ore names remain heavily weighted in the YMAX portfolio. The broader S&P/ASX 200 Materials Index fell by -0.22% and consequently YMAX iron ore names underperformed slightly. BHP Billiton (“BHP”) and Rio Tinto (“RIO”) put in mixed performances of -1.85% and 0.70% respectively despite iron ore prices that were 12.97% higher in the June Option Period. Implied volatilities increased into the broader general increase in option pricing that was observed in equity markets in the Period. This performance resulted in net positive option

premium to the portfolio. Implied volatility in this sector remains the most elevated in YMAX.

Food (portfolio weight: 8.7%)

Performance in the two YMAX food constituents was also somewhat mixed in the June Period. Woolworths (“WOW”) moved sharply lower by -5.27% while Wesfarmers (“WES”) drifted up by 0.99% over the Period. On average, this was about in line with the S&P/ASX 200 Consumer Staples sector performance which fell -2.22% over the same period. WOW and WES implied volatility both edged up in the Period. All premiums were retained in both names as strikes were well contained going into expiry. This resulted in a positive contribution to YMAX performance.

Telecommunications (portfolio weight: 7.8%)

Telstra Corporation (“TLS”), the sole portfolio constituent in the telecommunications sector, gave back all of the previous Period’s gains and fell -5.27%, slightly improved over the broader S&P/ASX 200 Telecommunications Index which retreated by -5.43% in the same Period. The weak performance in this lower volatility name resulted in a net positive option premium contribution to the portfolio. Fortunately the addition of S&P/ASX 200 Index coverage has allowed YMAX to maintain lesser coverage in select lower liquidity and wider spread names. This methodology has kept buybacks to a minimum in TLS. TLS implied volatility moved up sharply from the previous period.

Insurance (portfolio weight: 7.4%)

YMAX insurance names performances were decidedly weak in the June Option Period. Suncorp Group Ltd. ("SUN"), Insurance Australia Group Ltd ("IAG") and QBE Insurance ("QBE") all managed to drop by -4.33%, -3.05% and -5.34% respectively over the June Period. Implied volatility moved up in each of our insurance names. The sector retreat resulted in a net positive option premium contribution to the portfolio. We continue to use a staggered duration approach in a number of these names in order to maintain low, yet nearer-the-money, multi-month coverage for the group.

Biotechnology (portfolio weight: 6%)

The only constituent in the biotechnology sector is CSL. Following an exceptionally strong May Period CSL would finish the month sharply lower in the June Option Period. CSL fell -5.86%. This resulted in a net positive option premium contribution to the portfolio. Implied volatility increased only slightly for the roll into July call positions despite the large CSL realized move.

REITS (portfolio weight: 5.6%)

Westfield Corporation ("WFD") and Scentre Group ("SCG") are the only two YMAX constituents in this sector. Both names were rare gainers in the June Period with WFD increasing by 2.36% and SCG advancing by 2.16%. In WFD these moves led to some challenged strikes but overall a net positive premium contribution for both names collectively. Efforts continue to be made in staggering coverage in these names over the two near-term expiry months to maximize option premium benefits. Lower coverage levels continue to be appropriate for SCG, as a low-priced constituent, because of the challenges in facing wide bid/ask option spreads

and targeting strike prices with a good risk-reward structure. WFD and SCG implied volatilities were both slightly higher from the previous period.

Oil & Gas (portfolio weight: 2.3%)

Australia's biggest oil producer, WPL, is the sole YMAX oil and gas constituent. While WTI crude oil ended the period with little change WPL fell sharply, decreasing by -4.01%. WPL options finished the June Option Period OTM, resulting in net positive option premium to the YMAX portfolio. WPL was one of the few names in the portfolio that had unchanged implied volatility in the period.

Diversified Financial Services (portfolio weight: 3.1%)

Macquarie Group Ltd ("MQG") is this sector's only constituent. MQG bucked the trend and powered ahead by a second consecutive YMAX best performance and a 4.67% increase in the June Option Period. The strong advance resulted in higher buyback costs in the name. Implied volatility levels increased sharply, likely in tandem with the broader strong financial sector option pricing observed, despite the strong move up.

Commercial Services (portfolio weight: 5.3%)

Relatively new sector constituent and toll road operator, Transurban Corp ("TCL"), fell by -1.17% in the June Option Period. Brambles ("BXB") also fell -3.08%. Both performances resulted in net positive option premium contributions to the portfolio. TCL and BXB near-month implied volatility levels roll into the equity weakness. The addition of S&P/ASX 200 Index coverage has allowed YMAX to maintain lower coverage in low volatility names like TCL, which has kept buybacks to a minimum in periods like the recent one.

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