

YMAX Commentary - October 2016 (September Option Period)

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YMAX: ASX

NAV per unit (August 25)	\$9.2077
NAV per unit (September 29)	\$9.1909

September Option Period Returns

YMAX Total Return	-0.18%
S&P/ASX 20 Total Return	-0.07%
Over (Under) Performance	-0.11%

August Options at Inception

1-Mth Implied Vol.	15.84%
Portfolio Delta	-0.18
% Portfolio Written	84%

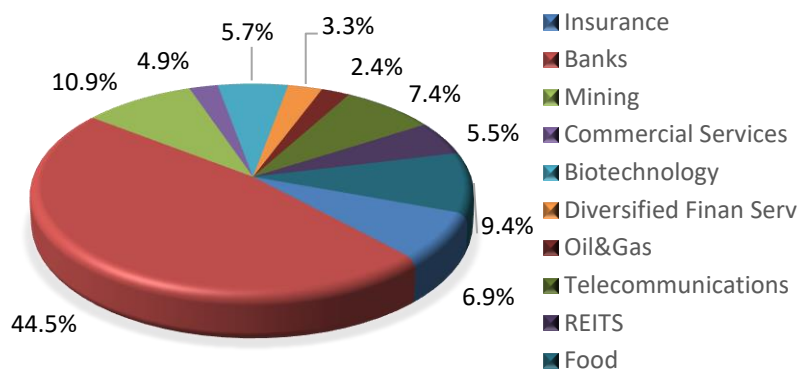
September Options at Inception

1-Mth Implied Vol.	16.68%
Portfolio Delta	-0.20
% Portfolio Written	85%

Distribution Per Unit History (by ex-date)

1 July 2015	\$0.1608
2 October 2015	\$0.2940
1 January 2016	\$0.2639
4 April 2016	\$0.2111
1 July 2016	\$0.1841

ASX 20 INDUSTRY ALLOCATION



Source: Bloomberg, as at 25 August 2016.

The YMAX total return was -0.18% between 25 August 2016 and 29 September 2016 ("September Option Period" or "Period"). The S&P/ASX 20 Index ("S&P/ASX 20" or "Index") total return was -0.07% and YMAX underperformed by -

0.11% in the September Option Period. The final performance results belied large swings in the Index that were observed in the period. The Period immediately kicked off with a steady and steep drop that would see the Index fall approximately 6% by 13 September 2016, before rebounding and retracing all the losses into the final days of expiry. Consumer Staples, Health Care and Materials sectors reacted positively while Energy, Industrials and Telecommunications sectors retreated. Bank performances were again mixed while iron ore names impressed to the upside. Once again, dispersion in individual name performances (names moving in sharply opposite directions) resulted in some higher buyback costs despite an Index that finished relatively unchanged for the Period. A broad-based firming of option pricing resulted in a weighted-average call implied volatility in the portfolio that increased from 15.84% at the beginning of the September Option Period, to a level of 16.68% as at 29 September 2016, the end of the Period. S&P/ASX 200 index implied volatility was relatively unchanged from the prior period, approximately 14.26% as at 29 September 2016. All September Index option coverage was bought back inexpensively ahead of the expiry on 15 September 2016. New option coverage was added in the days following Index expiry, which impacted overall performance due to the staggered expiry approach for single name and Index options. Over longer time periods an impact of this nature will smooth out and become less perceptible. Some single name roll down coverage was achieved during the Period, providing a minimal amount of additional income to the portfolio. YMAX wrote call strikes farther out-of-the-money ("OTM") for the commencement of the October option cycle. October options were written approximately 3.59% OTM on 85% of the portfolio, with an -0.20 portfolio delta as at 29 September 2016.

Banks (portfolio weight: 44.5%)

The sector continues to be the most significant equity component in the portfolio and, therefore, contributes greatly to overall YMAX performance. Banking sector performance was again mixed in the September Option Period with two names up and two down. The overall average result bettered the S&P/ASX 200 Financial Index which was -1.25% lower in the period. Australia and New Zealand Bank ("ANZ") and National Australia Bank ("NAB") once again increased, 3.61% and 1.66%, respectively, during the September Option Period. Commonwealth Bank of Australia ("CBA") and Westpac Banking Corp ("WBC") headed the other way, falling -0.68% and -1.45%, respectively, in the same period. Implied volatility in most banking names was softer at the end of the Period. All written premiums were retained into this lackluster performance.

Mining (portfolio weight: 10.9%)

Iron ore names remain heavily weighted in the YMAX portfolio. The broader S&P/ASX 200 Materials Index again performed well up 3.85%. YMAX iron ore names performed even better. BHP Billiton ("BHP") and Rio

Tinto ("RIO") were higher by 6.51% and 5.60%, respectively, in the September Option Period. Implied volatilities fell into this underlying strength. Strength in BHP resulted in some higher buyback costs in the name but overall sector premium capture was positive. Implied volatility in this sector is still the most elevated in YMAX.

Food (portfolio weight: 9.2%)

Performances in the two YMAX food constituents were mixed in the September Period. Woolworths ("WOW") retreated by -7.31% while Wesfarmers ("WES") moved up by 1.12% over the Period. On average, this was worse than the S&P/ASX 200 Consumer Staples sector performance which managed to eke out a 0.35% over the same period. Somewhat surprisingly WOW implied volatility was relatively unchanged into this underlying weakness.

Telecommunications (portfolio weight: 7.4%)

Telstra Corporation ("TLS"), the sole portfolio constituent in the telecommunications sector, continued to struggle and fell -1.90% in the Period. Yet this was improved over the broader S&P/ASX 200 Telecommunications Index which fell -4.73%. This resulted in a net positive option premium contribution to the portfolio. 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 was slightly higher into the equity weakness.

Insurance (portfolio weight: 6.7%)

YMAX insurance names were very weak for the second consecutive period. Suncorp Group Ltd. ("SUN"), AMP Group Ltd. ("AMP"), QBE Insurance Group ("QBE") and

Insurance Australia Group Ltd ("IAG") all decreased by -3.52%, -2.94%, -6.33%, and -2.83% respectively in the September Period. Implied volatilities moved up in these names, as expected. The sector's performance resulted in a net option premium contribution to the portfolio. We continue to use a staggered duration approach in a few of these names in order to maintain low, yet nearer-the-money, multi-month coverage for the group.

Biotechnology (portfolio weight: 5.7%)

The only constituent in the biotechnology sector is CSL Ltd. ("CSL"). CSL fell -1.49% in the September Period. A small roll down was executed following a buy-back of inexpensive September options. This position ended in-the-money on a late period surge in the stock price. Implied volatility in the name was slightly lower for the roll into October call positions.

REITS (portfolio weight: 5.1%)

Westfield Corporation ("WFD") and Scentre Group ("SCG") are the two YMAX constituents in this sector. WFD again retreated by -6.93% and SCG reversed course with a more significant -7.78% drop during the Period. The movement resulted in a positive option premium contribution to the portfolio. Efforts continue to be made to stagger coverage in REIT names over the two near-term expiry months to maximize option premium benefits. The addition of S&P/ASX 200 Index coverage has allowed YMAX to benefit from lower coverage, in lower volatility names like SCG, which has kept buybacks to a minimum. Both WFD and SCG implied volatilities were roughly unchanged at the end of the period.

Oil & Gas (portfolio weight: 2.4%)

Australia's biggest oil producer, Woodside Petroleum ("WPL"), is the sole YMAX oil and gas constituent. WPL pulled back -4.72% in the September Period. West Texas Intermediate ("WTI") crude oil was relatively volatile but ultimately directionless over the same period. WPL options finished the September Option Period OTM, resulting in net position option premium to the YMAX portfolio. WPL implied volatility rose slightly.

Diversified Financial Services (portfolio weight: 3.3%)

Macquarie Group Ltd ("MQG") is this sector's only constituent. MQG again advanced by 3.02% in the September Option Period. This resulted in slightly challenged strikes yet still net positive option premium to the portfolio. Implied volatility increased in the Period.

Commercial Services (portfolio weight: 4.9%)

Toll road operator, Transurban Corp ("TCL"), fell again in the period by -3.30% in the September Option Period. Brambles ("BXB") also retreated by -5.96%. TCL and BXB call writing resulted in a net positive option premium contribution to the portfolio. Despite this weakness TCL and BXB near-month implied volatility levels were slightly lower at the close of the Period.

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