

YMAX Commentary - September 2016 (August Option Period)

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YMAX: ASX

NAV per unit (July 28)	\$9.2125
NAV per unit (August 25)	\$9.2077

August Option Period Returns

YMAX Total Return	-0.05%
S&P/ASX 20 Total Return	-0.18%
Over (Under) Performance	0.13%

August Options at Inception

1-Mth Implied Vol.	18.49%
Portfolio Delta	-0.19
% Portfolio Written	86%

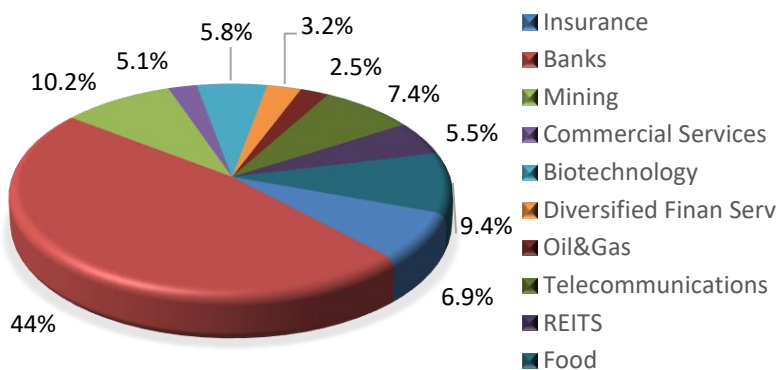
September Options at Inception

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

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 29 July 2016.

The YMAX total return was -0.05% between 28 July 2016 and 25 August 2016 ("August Option Period" or "Period"). The S&P/ASX 20 Index ("S&P/ASX 20" or "Index") total return was -0.18% and YMAX outperformed by 0.13% in the August

Option Period. The August Option period could have been considered an uneventful period with equities consolidating following a significant gain in the prior cycle. The Period began with some brief volatility as the Period's 2.6% trading range was established in the first five days of trading. New one year highs for the Index were reached at 1 August 2016 before stocks were perhaps pulled down by the weight of their lofty achievement. Equities then stabilized and traded mostly sideways into an exceptionally low period of realized volatility. Anemic market movement in US markets was echoed throughout most major world market indices. Neither oil volatility nor an RBA rate cut could convince the Index to move in any significant way. The true story, however, was in individual sectors and names, which dispersed fairly well, resulting in an Index that did little overall. Consumer Staples, Energy and Materials sectors reacted positively while Healthcare, Industrials and Telecomm retreated. Decade low earnings weighed on iron ore name Rio Tinto Ltd ("RIO") while soaring iron prices seemed to propel fellow competitor BHP Billiton ("BHP") to 10 month highs. Bank performances were very mixed. Despite reasonable earnings and a large announced share buyback Telstra ("TLS") fell sharply in the August Option Period. Some of these crosscurrents led to higher buyback costs in a few portfolio names. By the end, a broad-based compression of option pricing resulted in a weighted-average call implied volatility in the portfolio that fell from 18.49% at the beginning of the August Option Period, to a level of 15.84% as at 25 August 2016. Domestic single name implied volatility levels decreased on balance from the prior option period. S&P/ASX 200 index implied volatility was also lower than at the roll into August option positions, approximately 11.4% as at 25 August 2016. S&P/ASX 200 index option coverage was fully captured and rewritten to September positions. 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 nearer to the money ("OTM") for the commencement of the September option cycle. September options were written approximately 3.52% OTM on 84% of the portfolio, with an -0.18 portfolio delta as at 26 August 2016.

Banks (portfolio weight: 44%)

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 mixed in the August Option Period with two names up and two down. This echoed the S&P/ASX 200 Financial Index which was 0.45% higher in the period. Australia and New Zealand Bank ("ANZ") and National Australia Bank ("NAB") increased 4.19% and 4.93%, respectively, during the August Option Period. Commonwealth Bank of Australia ("CBA") and Westpac Banking Corp ("WBC") headed the other way falling -4.88% and -1.46%, respectively, in the same period. Implied volatility in banking names all fell sharply into the broader option pricing compression that was observed in the period. Positive equity performances in ANZ and NAB resulted in some higher buyback costs and net negative premium contributions for the portfolio.

Mining (portfolio weight: 10.2%)

Iron ore names remain heavily weighted in the YMAX portfolio. The broader S&P/ASX 200 Materials Index slowed from the prior period but still performed well up 1.84%. YMAX iron ore names performed roughly in line. BHP Billiton ("BHP") and Rio Tinto ("RIO") were higher by 5.31% and -3.04%, respectively, in the August Option Period. Implied volatilities again fell into the broader general softening of option pricing that was observed in

equity markets in the Period. Despite strength in BHP our strikes were well contained resulting in minimal buyback costs and net positive option premium to the portfolio. Implied volatility in this sector is still the most elevated in YMAX.

Food (portfolio weight: 9.4%)

Performances in the two YMAX food constituents were positive in the August Period. Woolworths ("WOW") again soared 7.56% while Wesfarmers ("WES") moved up by 1.96% over the Period. On average, this was slightly ahead of the S&P/ASX 200 Consumer Staples sector performance which advanced 4.44% over the same period. WOW and WES implied volatility were lower in the Period. WOW's performance resulted in higher buyback costs.

Telecommunications (portfolio weight: 7.4%)

Telstra Corporation ("TLS"), the sole portfolio constituent in the telecommunications sector, gave back most of the previous period's performance and fell -8.54% in the Period. This was much worse than the broader S&P/ASX 200 Telecommunications Index which advanced fell -4.77%. 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: 6.9%)

YMAX insurance names were exceptionally weak in the August Option Period. All four YMAX names were sold off sharply on renewed higher insurance claim concerns in the aftermath of the 'Brexit' referendum. Suncorp Group Ltd. ("SUN"), AMP Group Ltd. ("AMP"), QBE Insurance Group ("QBE") and Insurance Australia Group Ltd ("IAG") fell by -4.41%, -6.85% -9.29% and -5.67% in the Period. Implied volatilities moved down in all names, despite the pullback. 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: 5.8%)

The only constituent in the biotechnology sector is CSL Ltd. ("CSL"). Inconsistent month-to-month performance persisted as CSL again reversed course from the positive performance observed in the previous option period to post a -6.89% drop in the August Period. This resulted in net positive option premium to the portfolio. Implied volatility in the name was lower for the roll into August call positions, despite the significant performance decrease.

REITS (portfolio weight: 5.5%)

Westfield Corporation ("WFD") and Scentre Group ("SCG") are the two YMAX constituents in this sector. WFD retreated by -1.22% and SCG reversed course with a -4.28% drop in 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. Fortunately, lower SCG option coverage kept the capped performance to a minimum. 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 significantly lower at the roll into September positions.

Oil & Gas (portfolio weight: 2.5%)

Australia's biggest oil producer, Woodside Petroleum ("WPL"), is the sole YMAX oil and gas constituent. WPL managed to perform well once again, increasing by a YMAX-best 10.14%. The name may have been supported by a 13% move up in West Texas Intermediate ("WTI") crude oil over the same period. WPL options finished the August Option Period ITM, resulting in higher buyback costs and net negative option premium to the YMAX portfolio. WPL implied volatility fell in the period.

Diversified Financial Services (portfolio weight: 3.2%)

Macquarie Group Ltd ("MQG") is this sector's only constituent. MQG advanced by 8.07% in the August Option Period. This also challenged strikes and resulted in higher buyback costs and net negative option premium to the portfolio. Implied volatility levels fell sharply into this underlying strength.

Commercial Services (portfolio weight: 5.1%)

Toll road operator, Transurban Corp ("TCL"), gave back most of the prior period's gains and fell -5.36% in the August Option Period. Brambles ("BXB") also retreated by -4.99%. TCL and BXB call writing resulted in a net positive option premium contribution to the portfolio. TCL and BXB near-month implied volatility levels were slightly lower at the close of the period.

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