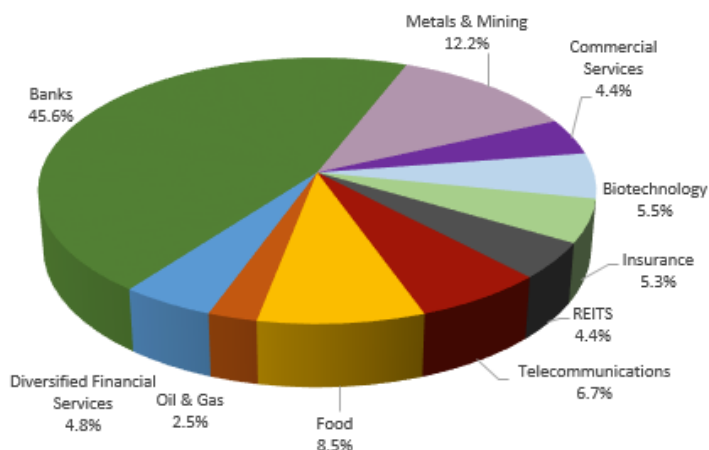


YMAX Commentary - January 2017 (December Option Period)
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S&P/ASX20 Index Industry Breakdown



Source: Bloomberg as at 22 December 2016

YMAX	
NAV per unit (November 24)	\$9.13
NAV per unit (December 22)	\$9.36
December Option Period Returns	
YMAX Total Return	2.57%
S&P/ASX 20 Index Total Return	3.53%
Over/(Under) Performance	-0.96%
December Options at Inception	
1-Mth Implied Vol	18.1%
Portfolio Delta	-0.27
% Portfolio Written	78%
January Options at Inception	
1-Mth Implied Vol	15.1%
Portfolio Delta	-0.26
% Portfolio Written	78%
Distributions Per Unit (by ex-date)	
4-Oct-16	\$0.28
1-Jul-16	\$0.18
1-Apr-16	\$0.21
4-Jan-16	\$0.26

The YMAX total return was 2.57% between 24 November 2016 and 22 December 2016 (“December Option Period” or “Period”). The S&P/ASX 20 Index (“S&P/ASX 20” or “Index”) total return was 3.53% and as a result YMAX underperformed by -0.96%. On 30 November OPEC surprised the market by striking a deal with Iran and Russia to agree on cuts in crude oil production. This sent the price of crude above \$50 a barrel and marked the highest level in 18 months. The US Federal Reserve followed through with its much anticipated interest rate hike, increasing the federal funds rate by 0.25% to 0.75%. Investors viewed this as positive given the statements by Janet Yellen projecting further moderate economic growth and inflation, whilst unemployment was projected to reach a 9 year low of 4.5%. These events aided in the stock markets continuing their upward trajectory post Trump’s November election win. Since 9 November the S&P/ASX20 Index is up an impressive 12.66% and as a result hit a 12-month high in December. Most sectors delivered positive returns in the December Period with banking stocks in particular performing very strongly, whilst mining stocks ended slightly in the red. Continued strength across most sectors resulted in a lower call premium capture rate and some capped performance in the December Option Period. Index strength challenged our S&P/ASX 200 index option coverage, resulting in higher buyback costs in all written strikes. Overall, weighted average call implied volatility in the portfolio compressed from 18.1% at the beginning of the December Option Period, to a level of 15.1% as at 22 December 2016. This is consistent with the tendency for implied volatility, or general option pricing levels, to fall into market strength. This resulted in YMAX writing call strikes slightly nearer to the money (“OTM”) for the commencement of the January option cycle. January options were written approximately 2.98% OTM on 78% of the portfolio, with a -0.26 portfolio delta as at 22 December 2016.

Banks (portfolio weight: 45.6%)

The sector continues to be the most significant equity component in the portfolio and, therefore, contributes greatly to overall YMAX performance. The banking sector was strong in the Period and all four YMAX large cap banking names advanced. Australia and New Zealand Bank (“ANZ”), National Australia Bank (“NAB”), Commonwealth Bank of Australia (“CBA”), Westpac Banking Corp (“WBC”) increased by 8.44%, 6.69%, 5.53% and 3.39% respectively, resulting in higher buy back costs on all 4 YMAX holdings. Implied volatility also declined into this strength.

Mining (portfolio weight: 12.2%)

Iron ore names remain heavily weighted in the YMAX portfolio. After a very strong performance in the November Period the broader S&P/ASX 200 Materials Index declined by 1.32% and YMAX constituents BHP Billiton (“BHP”) and Rio Tinto (“RIO”) were lower by 2.97% and 0.35% respectively. This resulted in a positive option contribution to the portfolio and implied volatilities in this sector are still the most elevated in YMAX.

Food (portfolio weight: 8.5%)

The S&P/ASX 200 Consumer Staples sector underperformed the broader equities market as investors continued to focus on cyclical stocks that offered value. Both names in the portfolio, Woolworths (“WOW”) and Wesfarmers (“WES”) were positive during the period although none challenged their respective strikes and therefore recorded a positive option contribution for the period.

Telecommunications (portfolio weight: 6.7%)

Telstra Corporation (“TLS”), the sole portfolio constituent in the telecommunications sector, delivered a 1.81% return for the Period whilst the broader S&P/ASX 200 Telecommunications Index was down 0.06%. This resulted in a 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. Along with the broader market the TLS implied volatility decreased from the previous period.

Insurance (portfolio weight: 5.3%)

YMAX insurance names performed very strongly over the Period with QBE Insurance Group (“QBE”) up 13.49%, Suncorp Group Ltd. (“SUN”) up 9.73% and Insurance

Australia Group Ltd (“IAG”) up 6.37%. Given the significance of its US business, QBE’s stock price benefited from rising US interest rates - increased yield on fixed income assets and implied higher discount rates on balance liabilities. Since Trump’s election victory the stock is up 35%. In addition rumours of the company being a potential takeover target added further to investor interest. YMAX’s other names SUN and IAG also experienced strong share price growth although not as much as the broad S&P/ASX 200 Insurance Index which was up 9.72% over the Period. The strong rally in all YMAX insurance names resulted in a net buy back cost on the option positions. 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: 5.5%)

The only constituent in the biotechnology sector is CSL Ltd. (“CSL”). Inconsistent month to month performances continued as CSL declined -1.03% in the December Period. This resulted in all call premiums being retained. Implied volatility decreased for the roll into January call positions.

REITS (portfolio weight: 4.4%)

Westfield Corporation (“WFD”) and Scentre Group (“SCG”) are the two YMAX constituents in this sector. After being down in 4 consecutive months, SCG surged by 7.45%. Since YMAX holds January expiries for SCG, this rally did not challenge any strikes for December expiry. Unlike the performance for SCG, WFD ended the Period flat (0.0%) and hence the portfolio retained all option premiums. Efforts continue to be made to stagger coverage in REIT names over the two near-term expiry months to maximize option premium benefits. Both WFD and SCG implied volatilities were slightly lower going into January Option Period.

Oil & Gas (portfolio weight: 2.5%)

Woodside Petroleum (“WPL”), is the sole YMAX oil and gas constituent. Despite the benefit to crude oil prices following the OPEC announcement, WPL provided only a moderate performance for the month, (up 2.11%). This was not sufficient to challenge any strikes and resulted in YMAX capturing all option premiums for the Period. Whilst remaining at attractive levels, WPL implied volatility also fell in the period.

Diversified Financial Services (portfolio weight: 4.8%)

Consistent with broader financials, both Macquarie Group Ltd (“MQG”) and AMP Group Ltd. (“AMP”) performed positively over the Period. AMP in particular



delivered strongly and was up 6.32%. Overall this stock is still down 8.85% for calendar year 2016 whilst the broader Financials Index delivered 10.27%. Both MQG and AMP challenged their respective strikes and resulted in net buyback costs to YMAX. Implied volatility levels for AMP fell sharply as the price stabilized following the significant selloff in October.

Commercial Services (portfolio weight: 4.4%)

Toll road operator, Transurban Corp ("TCL"), increased by 1.93% whilst Brambles ("BXB") also increased by 1.73%. 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 lower at the close of the period.

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