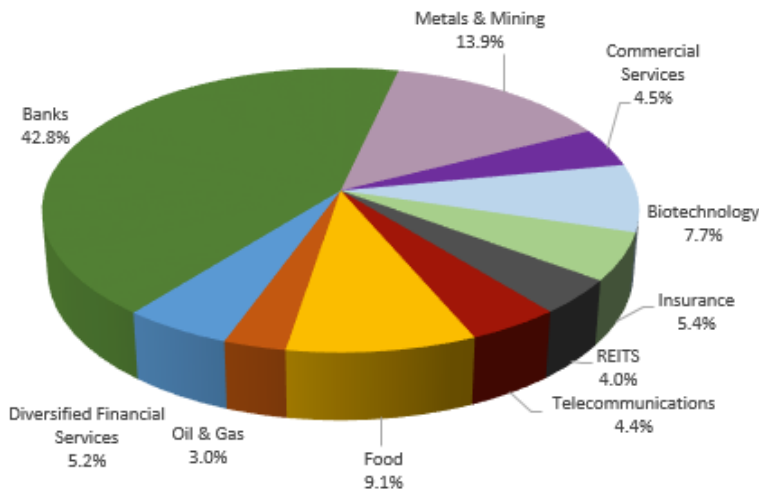


YMAX Commentary - 2018 March (February Option Period)
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S&P/ASX20 Index Industry Breakdown

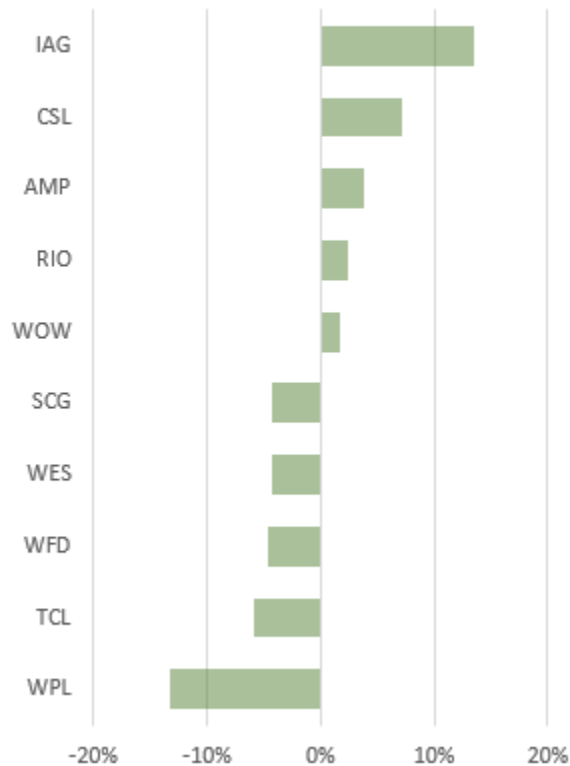


Source: Bloomberg as at 22 February 2018

YMAX	
NAV per unit (January 24)	\$8.97
NAV per unit (February 22)	\$8.86
February Option Period Returns	
YMAX Total Return	-1.23%
S&P/ASX 20 Index Total Return	-1.31%
Over/(Under) Performance	0.07%
February Options at Inception	
1-Mth Implied Vol	15.1%
Portfolio Delta	-0.24
% Portfolio Written	80%
March Options at Inception	
1-Mth Implied Vol	17.1%
Portfolio Delta	-0.26
% Portfolio Written	81%
Distributions Per Unit (by ex-date)	
2-Jan-18	\$0.18
2-Oct-17	\$0.29
3-Jul-17	\$0.15
3-Apr-17	\$0.15

The YMAX total return was -1.23% between 24 January 2018 and 22 February (“February Option Period” or “Period”). The S&P/ASX 20 Index (“S&P/ASX 20” or “Index”) total return was -1.31% over the same Period, and as a result YMAX outperformed the Index by 0.07%. The Period saw the first meaningful increase in market volatility since 2015, following a global market sell off that started on 2 February. Data showing rising inflation and wage growth surprised the market and quickly sent bond yields higher which, in turn, was followed by a sell down in global equity markets. Over the 1 week period starting from 1 February, the S&P 500 Index fell -8.5%, whilst the S&P/ASX200 Index fell by -3.27% (losses cushioned by the falling Australian Dollar). One of the largest casualties from the market selloff was short volatility exposures. A number of exchange traded products linked to short VIX Index exposure lost in excess of 90% of their values over this 1 week period. The VIX Index rallied by an astonishing 177% over 2 days, based on the closing level of 13.47 on 1 February to 37.32 on 5 February. The equity markets did recover strongly over the second half of February, but risk remained elevated as reflected in implied volatilities.

Top / Bottom 5 stock movers



Insurance Australia Group Limited (“IAG”) was the strongest YMAX performer and rallied 13.47% over the Period. A better than expected earnings announcement and management outlook sparked the surge in the share price. Unsurprisingly this strength resulted in a net buyback cost on the option positions and implied volatilities decreased on the back of the share price strength. YMAX continues to use a staggered approach in selecting option expiries and strikes for IAG.

The events that resulted in higher bond yields in early February weighed on all interest rate sensitive assets. REITs and Infrastructure stocks fall within this category and, as a result, Transurban Group (-5.91%), Westfield Corporation (-4.61%), and Scentre Group (-4.20%) all experienced negative returns. Following the Westfield announcement in December of a takeover by Unibail-Rodamco, the Fund has not written any more options positions, given the lack of liquidity in these options. For all the other names, however, none of their strike positions were challenged. Implied volatilities increased significantly over the Period.

Woodside Petroleum Limited (“WPL”) initially sold off along with the broader equities and lower crude oil prices. On 14 February the company announced a \$2.5bn capital raising in order to fund the purchase of ExxonMobil’s Scarborough LNG assets. The stock continued to sell off after the announcement as investors questioned the scale of the discounted capital raising, resulting in a return of -13.28% for the Period.

YMAX utilized S&P/ASX 200 Index option coverage which allowed the Fund to increase overall written coverage levels, whilst decreasing single stock call away risk. Given the negative performance of the S&P/ASX 200 Index over the Period, the index option strike was not challenged and hence resulted in the Fund retaining all the option premium.

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