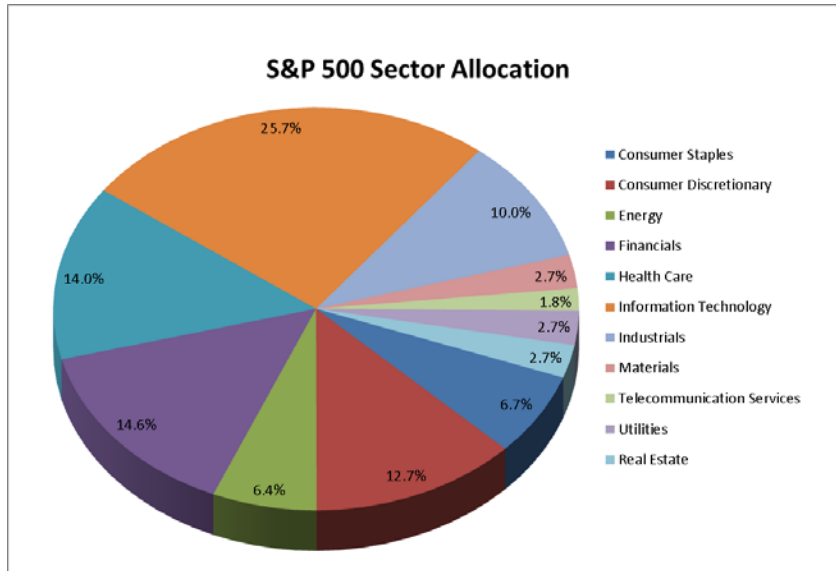


**UMAX commentary –June 2018 (May Option Period)  
Adviser Use Only**


Source: Bloomberg, as of 18 May 2018.

**UMAX: ASX**

NAV per unit (May 18)	\$18.7468
NAV per unit (April 20)	\$17.9734

**MAY Option Period Returns**

UMAX Total Return	4.30%
S&P 500 Total Return	3.86%
Over (Under) Performance	0.44%

**May Options at Inception**

1-Mth Implied Vol.	13.4%
Portfolio Delta	-0.27
% Portfolio Written	98%

**June Options at Inception**

1-Mth Implied Vol.	10.4%
Portfolio Delta	-0.25
% Portfolio Written	97%

**Distribution Per Unit History (by ex-date)**

2 April 2018	\$0.2385
2 January 2018	\$0.1688
2 October 2017	\$0.1711
3 July 2017	\$0.2073

The UMAX total return was 4.3% between 20 April 2018 and 18 May 2018 (“May Option Period” or “May Period”). The S&P 500® Index (the “S&P 500” or “Index”) had a total return of 3.86%, in AUD terms. The Index returned 1.79% in U.S. dollar terms. The May Option Period was dominated with headlines about Europe and the situation in Italy. After two months of ongoing negotiations and not being able to form a government, the market finally reacted negatively and drove the Italian 10 years yield from 1.78% at the end of April to 2.23% by the end of the May Period. The uncertainty about a potential Italian exit from the Euro, led to some volatile days during the period. The Index prevailed however, and held some key technical support levels on the 200 day moving average in early May. The market rallied from there and closed near the highs of the period. The 200 day moving average is proving to be a key support for the Index, having previously bounced off that level in February and March of this year. Despite the market rallying during the period, the covered call strategy continued to perform well as the market did not move higher than the written call strikes, allowing us to retain all of the premium received. This continues to be a good environment for covered call writing as volatilities have remained elevated while the Index continues to trade in a range. Volatility is starting to drop however and 1-month options volatility closed lower to 10.4% on 18 May 2018, a large drop of 3 percentage point compared to the April Period. The new June 2018 options were written with approximately 97% coverage, 1.7% out-of-the money and to an initial portfolio delta of -0.25.

**Information Technology (Index weight: 25.7%)**

After a tough performance during the April Period, the Information Technology sector rebounded strongly, returning 4.5% during the May Period, the second best performing sector in the Index. Sector leader, Apple Inc. (“AAPL”), was amongst the best performers in the sector, increasing 12.4% during the May Period. The semiconductors also performed well with 16 of the 18

names in the sector increasing during the May Option Period.

**Financials (Index weight: 14.6%)**

The Financial sector was close to unchanged during the May Option Period. The insurance sector, however, struggled during the May Period as first quarter earnings disappointed investors. Of the 24 insurance companies



in the Index, 19 traded lower during the May Period. Unum Group was the worst performer amongst the insurers, returning -21.0% during the May Period. The stock dropped over 15% in one day following its disappointing earnings.

#### **Real Estate (Index weight: 2.7%)**

The Real Estate sector traded 0.9% higher during the May Option Period, recouping some of the losses from the previous period. Despite the gain, the real estate sector has still been underperforming the Index year to date. The threat of higher interest rates is not a good environment for the higher rate sensitive sector.

#### **Healthcare (Index weight: 14.0%)**

The Healthcare sector mostly traded in a range and moved in lockstep with the broader market. Within the sector, however, there were large winners and losers. Cardinal Health Inc. ("CAH") was the worst performer, decreasing -14.1% during the May Period. The shares had their worst daily performance in 14 years after disappointing first quarter earnings.

#### **Consumer Discretionary (Index weight: 12.7 %)**

The Consumer Discretionary sector increased 1.8% during the May Option Period, in line with the Index. Auto parts retailers did particularly well off strong consumer confidence numbers and solid first quarter profits. O'Reilly Automotive Inc. ("ORLY") and Advance Auto Parts Inc. ("AAP") increased 22.9% and 14.0% respectively during the May Option Period.

#### **Industrials (Index weight: 10.0%)**

The Industrial sector was negatively impacted by the poor performance of Defense stocks during the May Option Period. Lockheed Martin Corp. ("LMT") disappointed investors with less than expected cash flow forecast, and this led to weakness in other defense names Raytheon Co. ("RTN") and Northrop Grumman

Corp ("NOC"). Each of these stocks was down between 7% and 9% respectively during the May Option Period.

#### **Consumer Staples (Index weight: 6.7%)**

The Consumer Staples sector fell along with other defensive sectors during the May Option Period. Given the overall strength of the economy, investors preferred more cyclical sectors during the May Period.

#### **Energy (Index weight: 6.4%)**

The Energy sector was one of the sectors that benefitted the most from investors' preference for cyclical sectors. Energy stocks rallied 6.0% during the May Option Period, the best performance of any sector.

#### **Materials (Index weight: 2.7%)**

The Materials sector returned 1.4% during the May Option Period, slightly underperforming the Index. Building materials stocks did very well however with Vulcan Materials Co. ("VMC") and Martin Marietta Materials ("MLM") returning 13.6% and 11.5% respectively.

#### **Telecommunication Services (Index weight: 1.8%)**

The Telecommunication sector was the worst performing sector in the Index during the May Period. Similarly to the previous April Period, AT&T Inc. ("T") was responsible for most of the losses, as the stock ended -7.5% lower during the May Options Period.

#### **Utilities (Index weight: 2.7%)**

The Utilities sector underperformed along with the other defensive sectors. The sector returned -3.1% during the May Period, the second worst performance.

The Fund's equity exposures continue to be obtained indirectly via its holding of one or more US-listed exchange traded funds.

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