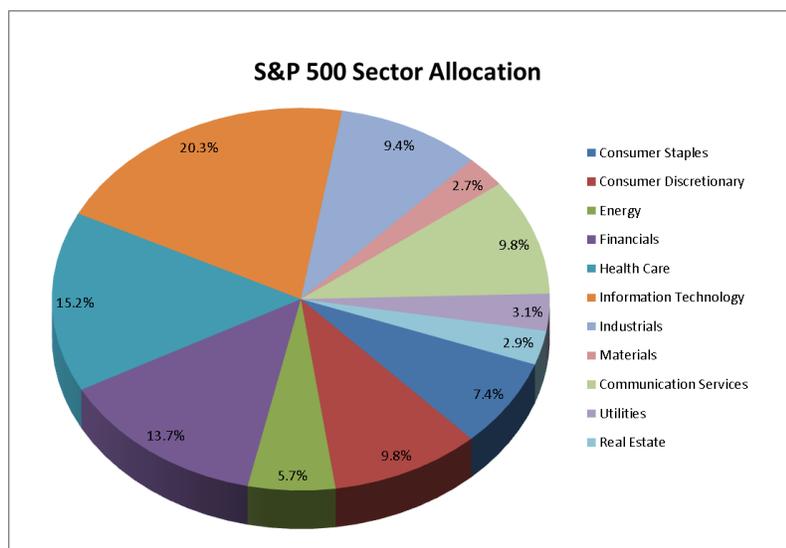


**UMAX commentary – December 2018 (November Option Period)**  
**Adviser Use Only**


Source: Bloomberg, as of 16 November 2018.

**UMAX: ASX**

NAV per unit (November 16)	\$19.0654
NAV per unit (October 19)	\$19.6332

**November Option Period Returns**

UMAX Total Return	-2.89%
S&P 500 Total Return	-3.43%
Over (Under) Performance	0.54%

**November Options at Inception**

1-Mth Implied Vol.	16.3%
Portfolio Delta	-0.23
% Portfolio Written	94%

**December Options at Inception**

1-Mth Implied Vol.	15.9%
Portfolio Delta	-0.24
% Portfolio Written	95%

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

1 October 2018	\$0.2290
2 July 2018	\$0.2706
2 April 2018	\$0.2386
2 January 2018	\$0.1688

The UMAX total return was -2.89% between 19 October 2018 and 16 November 2018 (“November Option Period” or “November Period”). The S&P 500® Index (the “S&P 500” or “Index”) had a total return of -3.43%, in AUD terms during the same November Period. The market continued to exhibit heightened volatility over the prospect of an increasingly acrimonious trade war between the United States and China. While third quarter earnings were strong overall, investors preferred to focus on the future and the uncertainty it holds. Crude oil prices, which had until now managed to avoid big losses, were not spared. The near month crude oil future decreased -18% during the period, dragging energy shares along with it. The CBOE VIX® Index (“VIX”) remained elevated throughout the November Period, averaging a level greater than 20. Markets did calm down toward the end of the November Period, with the VIX closing below 20. The elevated volatility levels have benefited the covered call strategy which earns bigger premiums for the calls sold. The 1-month at-the-money options volatility closed at 15.9% on 16 November 2018, close to the volatility level seen in October. The new December 2018 options were written with approximately 95% coverage, 3.2% out-of-the money and to an initial portfolio delta of -0.24.

**Information Technology (Index weight: 20.3%)**

The Information Technology sector returned -2.8% during the November Period. Selling was fairly indiscriminate, although semiconductor and computer names were broadly lower once again. Nvidia (“NVDA”) and Qualcomm (“QCOM”) continued to slide sharply, falling -28.25% and -14.50% respectively in the period. Despite a second straight period of poor performance,

technology stocks continue to be the best performing sector in the Index year-to-date.

**Financials (Index weight: 13.7%)**

Although Financials weathered the broader market storm, rising by 0.2% in the period, performances on an individual basis were quite mixed. About half, or 31 of 67 names in the sector, were down in the November Period.



Insurance and banking names suffering the most. Banking names Goldman Sachs (“GS”) and SVB Financial (“SIVB”) fell -10.94% and -14.79% respectively. PNC Financial Services Group (“PNC”), a Pittsburgh-based bank, bucked the trend rising 8.97% in the period.

#### **Real Estate (Index weight: 2.9%)**

The Real Estate sector outperformed the broader market with an impressive 4.8% performance in the November Period. Only 3 of 32 sector names moved lower in the period, precisely the opposite of what occurred in the October Period.

#### **Healthcare (Index weight: 15.2%)**

The Healthcare sector traded lower, returning -3.0% during the November Option Period. While the sector outperformed the Index overall, the healthcare products subsector was hit particularly hard. All stocks in this space trading lower during the November Period.

#### **Consumer Discretionary (Index weight: 9.8%)**

The Consumer Discretionary sector slid -1.2% in the November Period. Amazon.com (“AMZN”) continued to pull back following an exceptional first half performance. AMZN fell -9.67% in the cycle. Michael Kors Holdings (“KORS”) fell -20.96%, continuing a steep drop that had started in September.

#### **Industrials (Index weight: 9.4 %)**

The Industrial sector retreated by -1.9% in the November Period. General Electric Co. (“GE”), one of the worst performers of the year, continued its descent towards price levels not seen since the Great Recession in 2009. GE plunged -36.15% as deteriorating results from its financial business and power division unsettled investors.

#### **Consumer Staples (Index weight: 7.4%)**

The Consumer Staples sector rebounded sharply from the previous period’s weakness. Personal care giants

Estee Lauder (“EL”) and Proctor and Gamble (“PG”) rose 14.80% and 7.47% respectively in the November Option Period.

#### **Energy (Index weight: 5.7%)**

The Energy sector plunged a sector-worst -6.6% in the November Option Period. The sector took a clear cue from sharply lower oil prices as oil sagged -18% in the cycle. Natural gas prices, however, remained strong. The NYMEX front month natural gas futures contract increased over 31.45% during the November Period.

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

The Materials sector rebounded from a severe previous-period plunge, rising by 3.7% in the November Period. Only 4 of 24 sector names fell in the period. Packaging and Container names fared very well, as Sealed Air (“SEE”) and Packaging Corporation of America (“PKG”) advanced 14.45% and 10.38% respectively.

#### **Communication Services (Index weight: 9.8%)**

The Communication Services sector again traded lower during the November Period, dragged down by the internet and software names. Heavyweights Facebook Inc. (“FB”) and Netflix Inc (“NFLX”) were both down over 9%.

#### **Utilities (Index weight: 3.1%)**

Some Utilities sector names experienced sharp pullbacks in the November Period. Electrical industry names P/G & E Corp and Edison International plunged -50.05% and -22.56% respectively, as they became embroiled in the deadly California fire tragedy.

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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