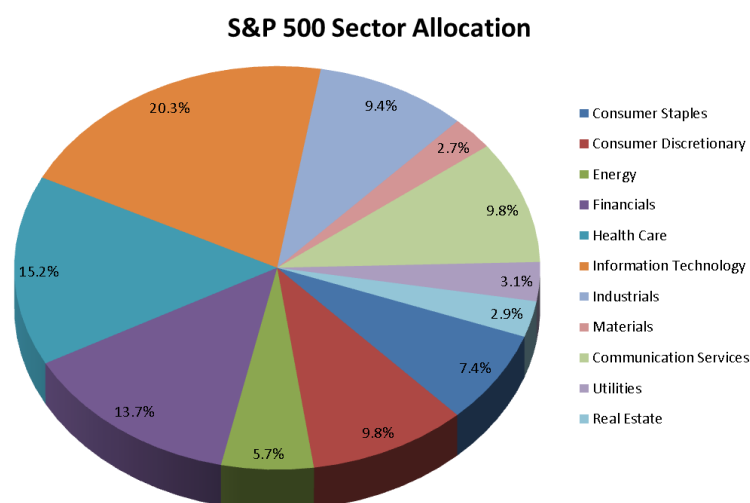


**UMAX commentary – January 2019 (December Option Period)**  
**Adviser Use Only**



Source: Bloomberg, as of 16 November 2018.

**UMAX: ASX**

NAV per unit (November 16)	\$19.0654
NAV per unit (December 21)	\$17.5058

**December Option Period Returns**

UMAX Total Return	-8.18%
S&P 500 Total Return	-8.67%
Over (Under) Performance	0.49%

**December Options at Inception**

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

**January Options at Inception**

1-Mth Implied Vol.	25.9%
Portfolio Delta	-0.22
% Portfolio Written	95%

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

2 January 2019	\$0.2896
1 October 2018	\$0.2290
2 July 2018	\$0.2706
2 April 2018	\$0.2386

The UMAX total return was -8.18% between 16 November 2018 and 21 December 2018 (“December Option Period” or “December Period”). The S&P 500® Index (the “S&P 500” or “Index”) had a total return of -8.67%, in AUD terms during the same December Period. What started earlier in the year as a minor correction in stock prices over an increasingly acrimonious trade war between the United States and China, became a full blown market correction in U.S. stocks during the December Period. What is normally a strong seasonal period for the stock market, was anything but this time around. All sectors in the Index declined during the December Period, as stocks from all industries came under heavy pressure. Of all the names in the Index, only 18 were higher during the December Option Period, which is extremely one-sided. Of the 18 stocks that traded higher, half were in the defensive utilities sector. What started off as a strong year for U.S. markets in 2018 has ended in the worst month of December since 1931. These types of markets do allow covered call strategies to outperform. Call options tend to be sold for higher premiums and often expire out-of-the-money as volatility increases and markets trade lower. During both the December Period and the previous November Period, the fund captured most of the call premium sold and outperformed the Index. The CBOE VIX® Index (“VIX”) remained elevated throughout the December Period, averaging a level greater than 20 for the second consecutive period. Furthermore, the VIX ended above 30 on 21 December 2018, the first time this has happened since the VIX spike 10 months ago in February. The one-month at-the-money options volatility closed at 25.9% on 21 December 2018. The new January 2019 options were written with approximately 95% coverage, 4.9% out-of-the money and to an initial portfolio delta of -0.22.

**Information Technology (Index weight: 20.0%)**

The Information Technology sector was one of the seven sectors that lost more than 10% during the December Option Period. This was the third straight period of losses

for the sector, where many stocks now look oversold. Broadcom Inc. (“AVGO”) was the only stock that traded higher during the December Period, returning 3.1%.

**Financials (Index weight: 13.2%)**

While Financials had mostly avoided the market selloff in the previous November Period, such was certainly not the case during the December Period. All 67 names in the sector were down during the December Option Period, a very rare occurrence. The sector returned -14.5% during the December Period.

**Real Estate (Index weight: 3.1%)**

The Real Estate sector gave up all of its impressive gains from the previous November Option Period. All sectors were lower during the December Period, and the real estate sector was no exception. The sector returned -6.7% during the December Period. While the loss was large in absolute terms, it was much better on a relative basis, being the second best performance of any sector in the Index.

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

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

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

The Consumer Discretionary sector slid -1.2% in the December 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 December 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 fell sharply, down -10.1% for the period. Only a single name out of 33 sector constituents managed to post a gain. 17 names fell by more than -10%. Conagra Brands ("CAG") plunged -33.02% in the December Option Period.

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

Oil fell sharply for the second consecutive month, down -19.6% in the December Option Period. Energy sector names plunged in tandem, to also post a second consecutive sector-worst -16.2% performance. Even natural gas, which had been performing well, gave back some recent gains. As a result all 30 energy sector constituents fell, with a startling 17 of those names falling by more than -20%.

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

The Materials sector also fell sharply with a -11.7% drop in the December Option Period. No sub-sector was spared as only 1 of 25 constituents, a gold miner, managed a small gain. Chemicals were particularly hard-hit with Abermarle Corp ("ALB") and Mosaic ("MOS") falling -25.89% and -22.12% respectively in the period.

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

The Communication Services sector fell sharply by -9.7% in the December Period, weighed down by the internet and media names. Heavyweights Facebook Inc. ("FB") and Netflix Inc. ("NFLX") were again once down, falling -10.45% and -13.91% respectively in the period.

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

While the Utilities sector did fall slightly it managed to weather the storm, relatively speaking. Utilities edged lower by -1.3% as electric, gas and water providers experienced slight gains and losses in the December Period. While electrical name P/G & E Corp continued to fall in the face of the California fire tragedy, Edison International retraced some of the previous period's lost ground by posting a 3.18% gain.

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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