BetaShares

YMAX Commentary – 2019 January (December Option Period)
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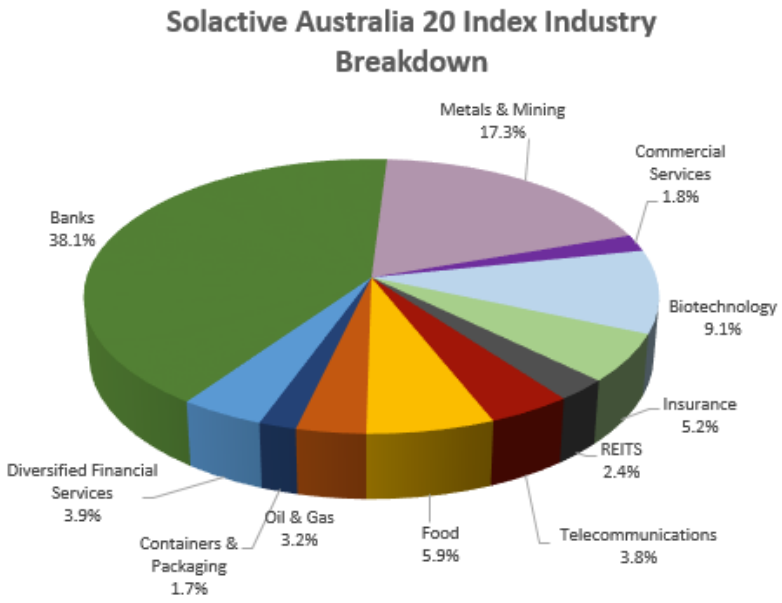

Source: Bloomberg as at 20 December 2018

YMAX	
NAV per unit (November 29)	$8.21
NAV per unit (December 20)	$7.91
December Option Period Returns	
YMAX Total Return	-3.73%
Solactive Australia 20 Index	-4.10%
Over/(Under) Performance	0.37%
December Options at Inception	
1-Mth Implied Vol	20.1%
Portfolio Delta	-0.22
% Portfolio Written	72%
January Options at Inception	
1-Mth Implied Vol	20.4%
Portfolio Delta	-0.24
% Portfolio Written	76%
Distributions Per Unit (by ex-date)	
1-Oct-18	$0.285
2-Jul-18	$0.129
3-Apr-18	$0.163
2-Jan-18	$0.184

The YMAX total return was -3.73% between 29 November 2018 and 20 December 2018 ("December Option Period" or "Period"). The Solactive Australia 20 Index ("Index") total return was -4.10% over the same Period, and as a result YMAX outperformed the Index by +0.37%.

Equity markets experienced a significant correction following a recalibration of US interest hike expectations and increased skepticism over a US/China trade resolution. Federal Chairman Jerome Powell signaled that the US benchmark interest rate was close to neutral and the market interpreted this as a signal that the US economy was losing some of its momentum. A softer than forecasted US GDP print confirmed this view and what followed was a broad-based stock market sell off, with the exception of defensive sectors such as Utilities and Real Estate. The S&P 500 Index had its worst December since 1931, down -9.03%. Amazingly, the 3 to 5 year segment of the US Treasury curve marginally inverted on the back of the economic slowdown expectations. Global stock markets were not spared and also sold off as investors took flight to safety.

For YMAX the defensive names held up – Scentre Group, Transurban Group and Wesfarmers all delivered positive returns. However, none of these names challenged any of their option strikes and resulted in full premium capture to the Fund. Despite the market rout, iron ore prices remained firm as hopes for further Chinese stimulus resulted in firmer futures prices. Rio Tinto, South32 and BHP Billiton delivered gains, although only BHP Billiton challenged its option strike price and resulted in a net buy back cost. BHP Billiton's significant buy-back programme and pending special dividend provided major support for its stock price.

Implied volatilities edged higher following the broad-based market weakness and averaged over 20% for at-money call options on the YMAX portfolio. January options were written approximately 5.33% out-the-money on 76% of the portfolio.

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