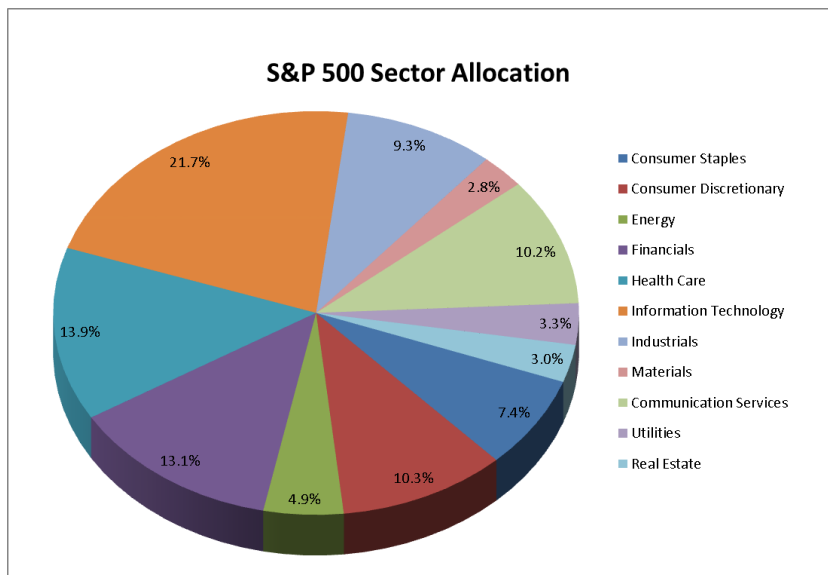


## UMAX commentary – August 2019 (July Option Period) Adviser Use Only



Source: Bloomberg, as of 19 July 2019

### UMAX: ASX

NAV per unit (July 19)	\$19.9610
NAV per unit (June 21)	\$20.3170

### July Option Period Returns

UMAX Total Return	-0.36%
S&P 500 Total Return	-0.91%
Over (Under) Performance	0.55%

### July Options at Inception

1-Mth Implied Vol.	12.9%
Portfolio Delta	-0.23
% Portfolio Written	94%

### August Options at Inception

1-Mth Implied Vol.	11.5%
Portfolio Delta	-0.16
% Portfolio Written	95%

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

1 July 2019	\$0.2826
1 April 2019	\$0.3117
2 January 2019	\$0.2896
1 October 2018	\$0.2290

The UMAX total return was -0.36% between 21 June 2019 and 19 July 2019 (“July Option Period” or “July Period”). The S&P 500® Index (the “S&P 500” or “Index”) had a total return of -0.91%, in AUD terms, during the same July Period. After 2 Periods of increased volatility during May and June, stocks settled down for most of the July Period. The Index managed to make all-time highs, a remarkable feat given existing global trade tensions. Technology stocks lead the way, with the sector being the best performing in the Index. Technology is by far the largest weighting in the Index at this time, comprising over 20% of the weighting as of 19 July 2019. Fear gauge measures continued to fall and the one-month at-the-money options volatility closed at 11.5% on 19 July 2019. The new August 2019 options were written with approximately 95% coverage, 2.8% out-of-the money and to an initial portfolio delta of -0.16.

#### **Information Technology (Index weight: 21.7%)**

The Information Technology sector, a consistent highlight for the Index in 2019 thus far, continued higher, advancing 2.9% during the July Option Period. This was the best performing sector in the Index and all the more impressive given that the sector had previously advanced over 4% in the previous period.

#### **Financials (Index weight: 13.1%)**

Financials were the second best performing sector in the Index (after the IT sector) during the July Option Period. Most of the banks reported strong second quarter earnings during the July Period fueling the rise in share prices. The sector returned 2.5% during the July Period,

aided by strong performances at Goldman Sachs (“GS”) and US Bancorp (“USB”).

#### **Real Estate (Index weight: 3.0%)**

The Real Estate sector returned -2.8% during the July Option Period. This was the worst performing sector in the Index. Crow Castle Intl Corp (“CCI”) reported disappointing earnings and was the worst performer in the sector, declining -7.6% during the July Period.

#### **Healthcare (Index weight: 13.9%)**

Healthcare stocks were the second worst performing sector during the July Period, decreasing 2.2%. The sector consolidated from the previous period’s large

gains of over 6%, when it was the best performing sector in the Index. The sector was impacted by the poor performance of the largest stock in the sector, Johnson & Johnson (“JNJ”). JNJ’s price decreased 8.3% during the July Period following disappointing earnings.

**Consumer Discretionary (Index weight: 10.3%)**

The Consumer Discretionary sector rallied 2.2% in the July Option Period. The sector followed through on some strong gains achieved in the previous June Period. Apparel stocks, however, struggled during the July Period, with three of the stocks in the subsector declining over 5%.

**Industrials (Index weight: 9.3%)**

The Industrial sector increased along with the rest of the market, but ended up only 0.4% at the end of the July Period, underperforming the Index. While the Index made a new all-time high in the July Period, the industrial sector, and in particular the transportation stocks failed to make new highs, and have not made a new high in over one year. This is a negative sign, since this sector generally leads the overall Index in a downturn.

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

The Consumer Staples sector continued higher, buoyed by the strong performance of Philip Morris International (“PM”) during the July Period. PM increased 12% during the July Option Period, on the back of strong second quarter earnings announced on July 18 that exceeded market expectations.

**Energy (Index weight: 4.9%)**

Energy names continued to lag the broader market and declined 1.4% during the July Period. Energy is the second worst performing sector in the Index year-to-

date, and a weaker global growth outlook has weakened oil prices further, sending energy shares lower during the July Period.

**Materials (Index weight: 2.8%)**

The Materials sector returned 1.3% during the July Option Period. While the materials sector comprises only 3% of the Index weight, it can arguably be seen as a bellwether of the overall economy. It is similar to the Industrials sector in its high cyclicity. While the materials sector reached a new high for the year 2019 during the July Period, it is still far from the highs set in early 2018 and remains more than ten percent below those highs.

**Communication Services (Index weight: 10.2%)**

The Communication Services sector was virtually unchanged during the July Option Period. Stocks within the sector, however, were quite volatile. Netflix Inc. (“NFLX”) was the worst performer in the sector during the July Period, returning -14.7% percent. Disappointing earnings announced on July 17 sent the shares sharply lower.

**Utilities (Index weight: 3.3%)**

Investors shunned the utilities sector during the July Option Period. The sector, mostly viewed as a safe haven by investors, underperformed the Index and returned -1.1% during the July Period. Most shares in the sector were lower, with only 5 of the 28 names having positive returns. Edison International (“EIX”) bucked the trend and returned 7.3% during the July Period, the top performer in the sector.

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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