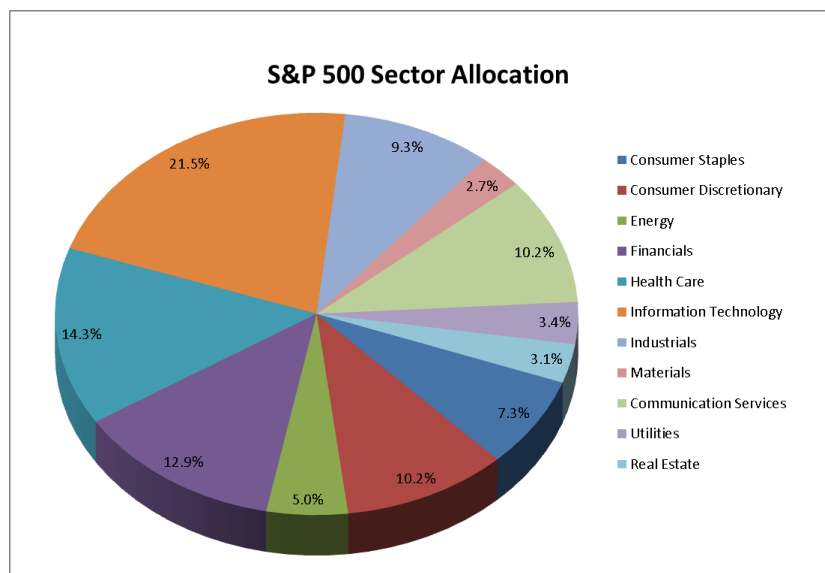


## UMAX commentary – July 2019 (June Option Period)

### Adviser Use Only



Source: Bloomberg, as of 21 June 2019

#### UMAX: ASX

NAV per unit (June 21)	\$20.3170
NAV per unit (May 17)	\$19.8692

#### June Option Period Returns

UMAX Total Return	2.25%
S&P 500 Total Return	2.74%
Over (Under) Performance	-0.49%

#### June Options at Inception

1-Mth Implied Vol.	13.7%
Portfolio Delta	-0.24
% Portfolio Written	94%

#### July Options at Inception

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

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

1 April 2019	\$0.3117
2 January 2019	\$0.2896
1 October 2018	\$0.2290
2 July 2018	\$0.2706

The UMAX total return was 2.25% between 17 May 2019 and 21 June 2019 ("June Option Period" or "June Period"). The S&P 500® Index (the "S&P 500" or "Index") had a total return of 2.74%, in AUD terms, during the same June Period. Stocks recovered strongly from May's relentless one-month swoon. Investors may have been bolstered by dovish signals from the US Federal Reserve, as the prospect of a stimulus backstop to support equities took hold. All sectors in the Index had a positive return in the month of May, with Materials, Utilities and Healthcare leading the way. Materials names responded positively to an almost 10% move up in gold bullion. Technology names responded well, as usual, to renewed investor confidence. Fear gauge measures fell and the one-month at-the-money options volatility closed at 12.9% on 21 June 2019. The new July 2019 options were written with approximately 95% coverage, 2.4% out-of-the money and to an initial portfolio delta of -0.23.

#### **Information Technology (Index weight: 21.5%)**

The Information Technology sector, a consistent highlight for the Index in 2019 thus far, powered higher, advancing 4.2% during the June Option Period. The advance was broad as only 12 of the 68 names traded lower during the period. Semiconductor names were mixed, however, with stalwarts Micron ("MU") and Qualcomm ("QCOM") retreating by -7.79% and -10.77% respectively during the period, while more cutting edge manufacturers Analog Devices ("ADI") and Maxim Integrated advanced by 12.73% and 8.99% respectively in the cycle.

#### **Financials (Index weight: 12.9%)**

Financials rose in the June Period as well, rising by 1.5% despite a flattening yield curve. Diversified financial service names such as E\*Trade ("ETFC") reacted well to the market recovery, possibly anticipating bolstered revenues from increased retail trading.

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

The Real Estate sector resumed its rally, rising 3.5% in the June Period. Only 7 of 32 constituent names fell in the period. Pockets of uncertainty do remain, however, as

interest rate sensitive high-end mall owner Macerich Co (“MAC”) plunged -19.09% in the period.

#### **Healthcare (Index weight: 14.3%)**

Healthcare names soared as the sector rose a sector-best 6.2% in the June Period. Strength was seen across the board as healthcare service, biotechnology and healthcare product names took flight. Only 6 of 62 constituent names fell in the June Period.

#### **Consumer Discretionary (Index weight: 10.2%)**

The Consumer Discretionary sector rallied 3.2% in the June Option Period. Retail names performed well - big box store Target Corp (“TGT”) advanced by 23.57% in the period. Weakness was certainly observed in the area of cruising, as leisure time companies Royal Caribbean Cruises (“RCL”), Carnival Corp (“CCL”) and Norwegian Cruise Line (“NCLH”) slid -8.04%, -10.21% and -13.13% respectively in the period.

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

The Industrial sector showed strength into the broader risk-on equity environment, adding 3.2% in the June Option Period. Heavy machinery and construction equipment makers Deere & Company (“DE”) and Caterpillar (“CAT”) rose 21.85% and 9.07% respectively in the period. Only a handful of industrial names were down in the period - Kansas City Southern (“KSU”), JB Hunt (“JBHT”) and Fedex (“FDX”) fell -2.01%, -7.40% and -2.69% in the options cycle.

#### **Consumer Staples (Index weight: 7.3%)**

The Consumer Staples sector continued higher, albeit by less than most other sectors. It rose 1.7% in the June Option Period. Corona beer maker Constellation Brands retreated by -10.28% in the period.

#### **Energy (Index weight: 5.5%)**

Energy names continued to lag the broader market, the sector tying with telecoms as the least impressive sector performance in the June Period, with a rise of 0.5%. Oil and natural gas prices did not help, as crude and gas slid -8.7% and -16.91% in the same period. More than half the names in the sector fell in the period but heavier weighted names like Chevron (“CVX”) were positive and managed to steady overall performance.

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

The Materials sector soared in the June Period with chemical and mining names cheering the risk-on environment. Industrial chemicals conglomerate Dupont De Nemours (“DD”) rose 13.88% in the period. Newmont Gold (“NEM”) powered higher by 21.25% as gold bullion managed another solid upside performance of nearly 10% in the same period.

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

The Communication Services sector rallied yet again with a 0.5% gain in the June Period. The performance was stronger than the overall sector performance would indicate. Media, advertising and internet names rose strongly while internet heavyweight Alphabet Inc slid several percent in the period.

#### **Utilities (Index weight: 3.4%)**

The traditionally contrarian utilities sector refused to be left out of the rally, blasting higher by 4.3% in the June Option Period. A mere 1 of 28 constituents fell in the current option cycle.

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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