TERRA CAPITAL
NATURAL RESOURCE FUND

AUGUST 2017

	1M	3M	6M	FYTD	1Y (rolling 12mths)	3Y (p.a.)	Inception (p.a.)	Inception (cumulative)
Terra Natural Res. Fund	-0.4%	2.0%	2.3%	2.7%	8.3%	19.8%	22.7%	332.8%
ASX All Ords	0.8%	1.3%	2.6%	1.0%	8.9%	5.4%	8.7%	82.2%
ASX 300 Mining	5.5%	11.8%	9.7%	12.2%	32.1%	3.7%	-0.3%	-2.4%
ASX Small Resources	7.1%	10.2%	4.5%	10.2%	11.0%	-0.2%	-9.4%	-50.8%
Unit Price	$ 2.48							

Terra Capital Natural Resource Fund movements are shown after fees. Inception: 1st July 2010

FUND DETAILS

NAV	$2.4800
Entry Price	$2.4800
Exit Price	$2.4800
Fund Size	$46.7M
APIR Code	TER0001AU
Fund % Positive Months (3Y)	56%
Index % Positive Months (3Y)	50%

Further information on the ratios can be found HERE.

FUND STRATEGY

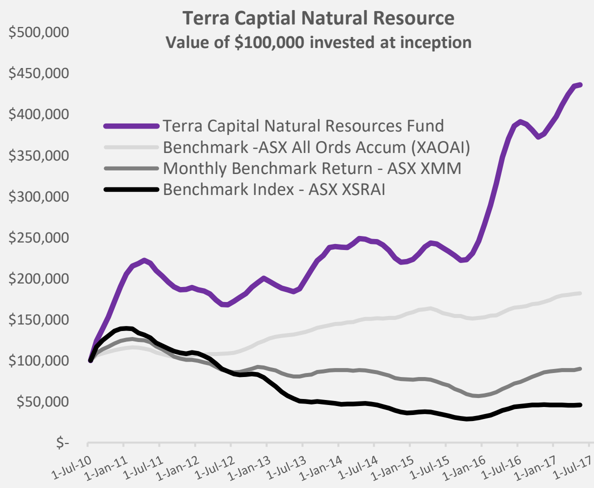
The Fund is a global, long only mining and energy fund established in July 2010. The Fund's strategy is fundamentally driven, high conviction, high concentration and we pride ourselves on our relationships with our investors. Terra Capital's research driven process and true active management is complimented by a focus on risk management.

The objective of the Fund is to return in excess of 10% p.a. after fees over a 3-5yr investment time horizon.

PERFORMANCE + OVERVIEW

The Fund returned -0.4% after fees for the month of August 2017. Since inception (July 2010) the Fund has returned +332.8% after fees vs. the small resources accumulation Index -50.8%.

The Unit Price is currently $2.48



INDUSTRY EXPOSURE

Gold	18.4%
Cobalt	16.1%
Lithium	14.4%
Base metals	16.2%
Fertilisers	8.3%
Coal	4.8%
Oil and Gas	2.5%
Silver	1.5%
Uranium	1.3%
CASH	16.5%

MONTHLY PERFORMANCE BY CALENDAR YEAR

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
2010							5.6%	4.6%	16.0%	10.1%	11.8%	20.3%	**68.4%**
2011	0.6%	17.1%	6.1%	-2.0%	-6.1%	-4.7%	2.7%	-4.7%	-10.4%	6.0%	-10.5%	-0.4%	**-6.3%**
2012	11.5%	7.6%	-4.6%	-11.1%	-6.2%	-7.7%	-3.1%	17.4%	13.9%	1.2%	-3.3%	-5.5%	**10.2%**
2013	5.8%	7.4%	10.8%	-24.0%	-3.6%	-6.3%	14.9%	7.4%	28.3%	-2.4%	-1.8%	-6.6%	**30.0%**
2014	-2.1%	16.3%	0.5%	-6.6%	-1.2%	7.0%	0.9%	-1.1%	-4.8%	-1.7%	-9.7%	-0.2%	**-2.8%**
2015	-6.4%	11.5%	10.3%	2.5%	0.6%	5.4%	-15.0%	-5.4%	1.5%	4.2%	-2.5%	4.2%	**11.1%**
2016	0.7%	13.2%	16.3%	14.4%	3.5%	7.3%	9.1%	-5.4%	-0.6%	-4.6%	-10.0%	1.0%	**45.1%**
2017	8.0%	13.6%	8.7%	-3.7%	-4.1%	-0.7%	3.1%	-0.4%					**24.4%**

TerraCapital
NATURAL RESOURCE FUND

August 2017

Australian Markets Overview

The Australian equity market absorbed a hugely volatile reporting season trading remarkably flat, bouncing off an index low of ~5680 five times through the month but also failing to break 5800 on the upside. The ASX200 finished - 0.1% but with significant sector return variation. 2018 Industrial earnings growth was cut from 11.1% down to 6.3% while 2018 earnings for Resources was upgraded from -15.9% to +6.0%. LPT's (from 4.3% to 3.8%) and Banks (~2.5%) saw 2018 growth estimates stay flat.

Energy (3.0%), Materials (4.2%), Industrials (+4.2%) and Staples (+3.7%) were all major supports. Oil & Gas was strong on better-than-expected results with a combination of production upgrades (WPL), stronger cash flow and debt reduction (OSH, STO) helping drive substantial earnings upgrades. Materials were also strong contributors, in large part a result of upgraded guidance on top of exceptionally strong cash flow.

Global Market Overview

Global equities finished the month on a positive note, led by the S&P500 which posted its 5th straight monthly gain (+0.1%). The NASDAQ posted another record high close (rising +1.6%) while the Dow Jones also recorded its fifth straight monthly rise. These gains came despite the rise in political tensions mid-month on the Korea Peninsula. Hurricane Harvey devastated the Gulf Coast but expected quickly shifted towards how this tragedy would bring together a divided government to provide relief efforts which would indirectly include tax cuts and an extension of the debt ceiling which is upcoming.

Equity markets took nothing sinister out of the Jackson Hole symposium with neither Yellen nor Draghi providing much concern for markets to expect a faster and/or more aggressive policy tightening stance. Consequently, the EUR continued to strengthen against the US$ which took finally appears to be taking some of the steam out of exporting sensitive European markets. The DAX was down 0.5%% over the month with the CAC also drifting slight lower.

Asia was the major focus over the month with Chinese and Hong Kong equities rallying strongly off the back of continued growth data from the Mainland. The Shanghai Comp rose 2.5% and is up 10% since May. The Hang Seng was a similar story rising 2.4% to post a stunning YTD return in excess of 30%. Japan was the major casualty through August as it suffered the consequences of rising North Koreas tensions. The Nikkei finished strongly in the final few days to be down only 1.4% after tracking as far as 3.4% in the red following the initial flare up in geopolitical risk.

Commodity Commentary

A positive month for commodity markets as three key forces shaped price moves. Gold received a significant boost from rising geopolitical risks because of North Korean tensions. At US$1314oz,gold has now recovered all its losses following Trump's election win and plans for tax reform and increased fiscal spending which removed deflationary fears and saw expectations for a stronger US$ improve. Gold has also seen safe haven flows as concerns around the US debt ceiling increased through August. Political wrangling is likely to ramp up as the self-imposed debt ceiling decision gets closer which could potentially keep gold well bid through the coming months.

Base metals had a strong month supported by better-than-expected growth data out of China with strength in the PMI continuing to provide evidence that growth momentum remains solid. As a result, we saw the CRB Raw Industrials index rise 2.1% supported by strong gains in Copper (6.7%) and Nickel (15.5%). Aluminium hit six-year price highs as China ramped up talked of further pollution control and the mothballing of illegal mines which has push utilization rates higher on the back of the realization that supply-side reform is taking place. Zinc also continued its supply side drive run, rising a further 12.8% through the month to be up 106% since bottoming in February 2016. In addition, continued strong steel margins pushed Iron Ore prices to a six-month high of US$76.50/tonne.

Portfolio Commentary

It was somewhat of a disappointing month relative to the performance of our comparative indices. We are not concerned with our portfolio though with several positions pending material news in the coming months. Further we're bullish on resources over the medium term and we're particularly excited about the resources market during 2018.

Key to our bullish outlook is the performance of the Chinese economy and I plan to share our thoughts on the country in these reports over the coming months. In short though, economic data has been much stronger than expected and out friends at TIS Group Research had the following summary for China numbers into August:

1. <u>July growth remained stable despite Y-o-Y declines in some indicators</u>
Compared to June, some indicators such as Industrial Value Added and Investment declined and the official PPI number for July may underestimate the actual trend of industrial prices, which have led to some misinterpretation of the situation. However, growth remains steady.

2. <u>Main drivers of growth will come from:</u>

- Real estate and public investment: Both are very active.
- Industry restructure & consumption: Both are accelerating.
- Imports and exports growth: This has been stronger than expected.

3. <u>Full-growth now forecast is about 6.8%</u>
Full-year CPI should be between 1.5% and 2%. Higher than expected H1 GDP growth and early completion of original 2017 targets have given the government room to manoeuvre in H2 to step up supply-side structural reforms and to take a much more rigorous approach to financial sector regulatory reform and deleveraging. Fiscal and monetary policy will diverge with monetary policy becoming more conservative to maintain a stable and neutral positioning.

We look forward to updating you on our progress and welcome any feedback.