

# TERRACAPITAL

## NATURAL RESOURCE FUND

JANUARY 2016

	Terra Res. Fund	ASX All Ords	ASX 300 Mining	ASX Small Res.
1 Month	0.7%	-5.4%	-10.2%	-4.6%
3 Month	2.4%	-3.5%	-24.4%	-12.0%
FYTD	-12.9%	-5.0%	-30.9%	-23.2%
Gross Incept (p.a.)	21.7%	7.3%	-11.7%	-20.7%
Unit Price	\$1.7395			

### FUND PERFORMANCE

During the month the ASX 300 Metals and Mining lost another 10.2% and the ASX Small Resources Index dropped 4.6%. The ASX All Ords were lower 3.5% for the month. Against this backdrop the Fund was up 0.7%.

The Unit Price is currently \$1.74.

### MARKET OVERVIEW

Equities had a dreadful start to the year with the S&P/ASX 200 falling -5.5%. Global market weakness was the culprit with Australia following poor leads offshore. The commodity markets once again resumed their loss leadership with Materials and Energy falling -9.1% and -6.5% respectively, as concerns around Chinese growth intensified. The result saw a defensive bid with outperformance seen by REITS (+0.2%), Telcos (+0.7%) and Utilities (+0.7%).

Growth fears were confirmed via a decline in Australian 10 year bond yields from 2.9% to 2.6% and the A\$ falling to a low of AUDUSD 0.683 during the month. At worst the decline saw the peak (5331) to trough (4804) move the ASX 200 by ~10%.

At an economic level there was little to offset the weakness over the first few weeks. Headline CPI data came in at 0.4% QoQ in 4Q15, to be 1.7%YOY, in line with our expectations; however, labor force estimates revealed a small - 1.0k decline in employment in December, with the large surge in employment from November broadly unchanged.

Global Markets' shocking start to the year was dominated by threats of slower growth in China and a precipitous drop in oil which saw US\$7.8trillion being wiped off in the first two weeks.

Volatility and caution remained the overarching themes this month; however, shares globally came off their lows towards the end of the month on hopes the Federal Reserve will slow the pace of future interest rate hikes. Characterised by a retreat from risky assets, US markets finished the month lower with the Dow (-5.5%), S&P500 (-5.1%) and NASDAQ (-7.86%) all down for the month.

Closer to home, the Shanghai Comp (-22.65%), Nikkei (-7.96%) and Hang Seng (-10.2%) fell as news from China heightened fears the economy was slowing and attempts to prevent panic failed. China factory activity shrank for the tenth straight month and a ban on share sales by major shareholders was put in place.

Japan introduced negative interest rates for the first time and pledged to keep increasing the monetary base at an annual pace of ¥80trillion to help revive the "deflationary mindset".

### COMMODITY OVERVIEW

Brent crude and iron ore finished the month down -4.47% and -1.42%, respectively.

Base metals were mixed with lead (-4.18%), copper (-3.06%), nickel (-2.27%) and platinum (-2.08%) having negative performances whilst Gold (+5.3%), Silver (+3.02%), tin (+2.03%), zinc (+0.87%) and aluminium (+0.8%) closed the month on a high.

### OUTLOOK

Last month we spoke about there being opportunities in parts of the resource market and that we had cash ready to deploy. During January we continued to focus on Australian listed, Australian domiciled gold producers which paid off for us during the month as the global economic back-drop gave an extra kick to already strongly performing companies.

Given the macroeconomic outlook and sentiment to gold companies we think this may be a fruitful area for us in the months ahead.

We thank you for your continued support.