

TERRA CAPITAL

NATURAL RESOURCE FUND

JANUARY 2016

	1M	3M	FYTD	1Y (rolling 12mths)	3Y (p.a.)	Inception (p.a.)	Inception (cumulative)
Terra Natural Res. Fund	8.01%	-1.77%	-3.81%	61.05%	19.44%	22.40%	272.46%
ASX All Ords	-0.77%	5.92%	9.1%	17.09%	7.49%	8.90%	74.10%
ASX 300 Mining	6.81%	13.27%	35.6%	85.77%	2.18%	-1.20%	-7.57%
ASX Small Resources	2.94%	3.79%	9.4%	72.05%	0.42%	-10.90%	-52.80%
Unit Price	\$2.53						

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

FUND PERFORMANCE

During the month the ASX 300 Metals and Mining was up 6.8% whilst the ASX Small Resources Index was up 2.9%. The ASX All Ords were down 0.8% for the month. Against this backdrop the Fund was up 8.0%.

The Unit Price is currently \$2.53

MARKETS OVERVIEW

Despite a late month slide on the back of policy uncertainty generated by the Trump Administration, equities were generally higher through January, led by Materials and other cyclical (Discretionary, Industrials and IT over defensives such as Healthcare, Telco's and Utilities). Financials were slightly better than market performers as yield curves remained largely unchanged in the lead up to the US reporting season.

The S&P500 finished 2.0% higher and remains 6.5% above levels immediately post the US election in early November. European markets (EuroStoxx -1.8%) were broadly weaker through the month, led by France (CAC -2.3%). The FTSE was down marginally despite the GBP:US\$ cross falling to its lowest level post BREXIT.

Asia benefited from key markets being closed for Chinese New Year with the Hang Seng +6.2% and the Shanghai Comp rising 1.8%. Australia followed the US lead, declining from an intra month high of 5827 for the ASX200 to 5606 – a fall of 0.8%. This was on the back of a 10 year bond yield that was broadly unchanged at ~2.72% and an A\$:US\$ that rose significantly on the back of US\$ weakness. Other commodity producing exchanges were also beneficiaries of stronger currencies and commodity prices (Bovespa +7%).

COMMODITY OVERVIEW

It was a mixed month for commodity markets dealing with a strong swing in sentiment post Trump's inauguration. While the final few days saw a reversal in US\$ strength that should normally have been associated with firmer commodity prices, it was generally a risk off environment into the end of the month that saw Industrial commodities weaken from a very strong start.

Nevertheless, it was a broadly strong month for Industrials metals with the LME rising 5%, supported by copper (+5.2%) and aluminium (+5.4%) with nickel slightly weaker (-3.4%).

Precious metals were strong through January led by platinum and palladium which both rose 9% followed by silver (+6%) and gold (+3%).

Bulk metals continued to add to recent gains despite heading into Chinese New Year where traditionally some softening might have been expected. Iron Ore reaching its highest level since late 2014 – rising \$3.50/t to finish at \$83.50/t. Crude held firm for the second month in a row as positive sentiment following OPEC and Non-OPEC announced cuts in December has been offset by bearish inventory results. WTI fell 2% from \$53.75/bbl to \$52.63/bbl.

PORTFOLIO OUTLOOK

This month's result is in some way validation of what we have been saying for some months but not showing in our numbers.

The market's rotation away from defensive businesses over the past six months has continued and has gathered pace. Investors have been forced down the market cap curve in the search for ever elusive growth and the

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broader market has now re-positioned itself for an expected run in cyclical and value type businesses.

Our portfolio breakdown in terms of commodities (as outlined in last month's report) is leveraged to the parts of the commodity complex that have and we think will continue to perform well. Lithium and cobalt continue to outperform and our positions in gold are now delivering good performance.

There are significant catalysts for portfolio in the months ahead and the CIO is investing significantly on a personal basis this month.

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