

TERRACAPITAL NATURAL RESOURCE FUND

MARCH 2018

| | 1M | 3M | 6M | FYTD | 1Y (rolling 12mths) | 3Y (p.a.) | Inception (p.a.) | Inception (cumulative) |
|-------------------------|----------|-------|-------|-------|---------------------|-----------|------------------|------------------------|
| Terra Natural Res. Fund | -0.6% | -9.4% | 24.0% | 29.0% | 18.3% | 30.6% | 24.4% | 443.8% |
| ASX All Ords | -3.2% | -3.4% | 4.5% | 5.6% | 4.0% | 4.5% | 8.7% | 90.6% |
| ASX 300 Mining | -5.0% | -3.5% | 10.7% | 21.8% | 20.1% | 11.1% | 0.8% | 5.9% |
| ASX Small Res. | -4.1% | -4.6% | 19.6% | 35.0% | 32.3% | 18.9% | -6.3% | -39.7% |
| Unit Price | \$3.1156 | | | | | | | |

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

Performance & Overview

The Fund returned -0.63% after fees for the month of March 2018. Since inception (July 2010) the Fund has returned +443.8% after fees vs. the small resources accumulation Index -39.7%.

The Unit Price is currently \$3.12

Markets

The Australian market had its worst quarter (-5.0%) since September 2015 on fears of a global trade war.

Donald Trump imposed steel and aluminium tariffs directed at China, damaging market sentiment and causing risk appetite to fall in financial markets.

All major global indices finished the month in the red, led by the Australian market given Australia's ties to China and its weighting to commodities.

Commodities

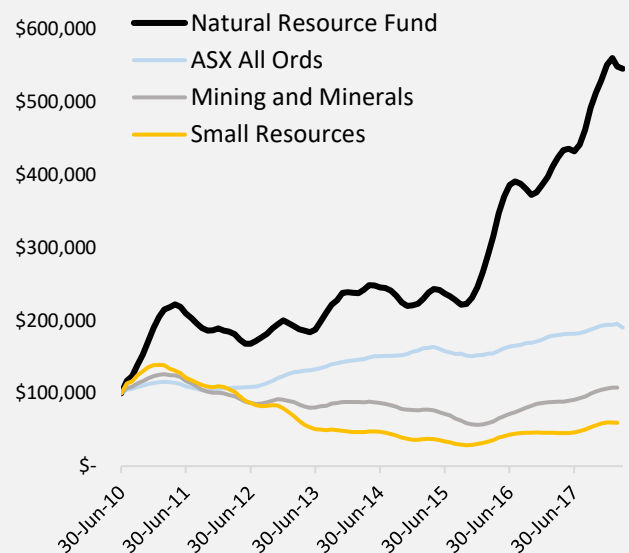
Commodities were mostly lower during the month, spooked by the potential impact of trade tensions between the US and China in particular. Whilst global economic activity remains strong and broad-based, government policy shifts, including the imposition of import tariffs, could drag on the demand growth rate for commodities.

We think Trump is more likely using the 'trade war' for domestic political purposes and prefer to watch what Trump does, not what he says.

Portfolio

During the month new additions to the portfolio helped the fund perform relatively well in what was a strong down month for resources related indices. Portfolio adjustments, including the reduction of

Value of \$100,000 invested at inception



lithium stocks during December last year, see the portfolio well positioned for the current June quarter and beyond.

One of the stocks we have recently added to the portfolio is PNG focused, multi commodity developer Mayur Resources (MRL.ASX). PNG hasn't been the best place for Australian small miners however management expertise, experience and relationships in part mitigate this risk.

The poor access and high costs of electricity within PNG means they have some of the lowest energy use per capita in the world. Historically, there is a linear correlation between energy use per capital & GDP. MRL believes they if they can bring their assets into production they will unlock low cost energy and materials for the domestic market providing significant benefits to the

MRL portfolio consists of three projects:

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1. Currently completing a Definitive Feasibility Study on the **Industrial Minerals** (cements, heavy mineral sands and limestone) project held in Orokolo Bay and planning the build of a pilot plant.
2. Prospective **Copper & Gold** porphyry system - letter of agreement with large north American developer
3. The company has delineated PNG's first JORC **Coal** resource and is seeking approval to build a power plant which will supply low cost energy to the domestic market (vertically integrated from mine to grid).

Once in production, the industrial minerals assets are expected to supply the domestic market with quicklime and cement at a much lower cost than the current market with is imported from China and Australia. These building materials will help build low cost infrastructure which will be supported by the low-cost power MRL is providing the market from their power plant (subject to approval). While not without it's risks we see this company as an exciting opportunity as it moves through development.

Natural Resource 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 deliver superior absolute returns over the medium to long term by investing in small to medium-sized companies in the mining and resources sectors.

Fund Details

| | | |
|----------------------|------------------|-------------------------|
| NAV | \$3.1156 | |
| Entry Price | \$3.1156 | |
| Exit Price | \$3.1156 | |
| Fund Size | \$74.7M | |
| APIR Code | TER001AU | |
| | Terra NRF | Small Res. Index |
| Sharpe ratio (3Y) | 1.10 | 0.61 |
| Sortino ratio (3Y) | 1.32 | 0.71 |
| Std Deviation (3Y) | 25.18% | 25.50% |
| Positive Months (3Y) | 61.11% | 58.33% |

Fund Exposure

| | | | |
|---------|-----|------------|----|
| Cobalt | 19% | Coal | 3% |
| Cash | 17% | Fertilizer | 3% |
| Gold | 15% | Oil & Gas | 2% |
| Lithium | 12% | Iron Ore | 2% |
| Other | 10% | Diamonds | 1% |
| Nickel | 9% | Uranium | 1% |
| Copper | 5% | Silver | 1% |

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