

# TERRACAPITAL NATURAL RESOURCE FUND

MAY 2018

	1M	3M	6M	FYTD	1Y (rolling 12mths)	3Y (p.a.)	Inception (p.a.)	Inception (cumulative)
Terra Natural Res. Fund	-0.7%	0.0%	-0.3%	29.8%	28.9%	29.5%	23.9%	447.4%
ASX All Ords	1.4%	1.2%	3.1%	10.5%	10.8%	6.4%	9.1%	99.4%
ASX 300 Mining	3.5%	7.3%	17.0%	37.5%	37.1%	14.5%	2.3%	19.6%
ASX Small Res.	3.3%	5.9%	14.8%	49.1%	49.0%	18.3%	-5.0%	-33.4%
Unit Price	\$ 3.1362							

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

## Performance & Overview

The Fund returned -0.66% after fees for the month of May 2018. Since inception (July 2010) the Fund has returned +447.4% after fees vs. the small resources accumulation Index -33.4%.

The Unit Price is currently \$3.14

## Markets

The Australian market (+0.5%) was in the black in May despite Italian politics causing some global market gyrations late in the month, reviving concerns around populism and the potential for an EU breakup.

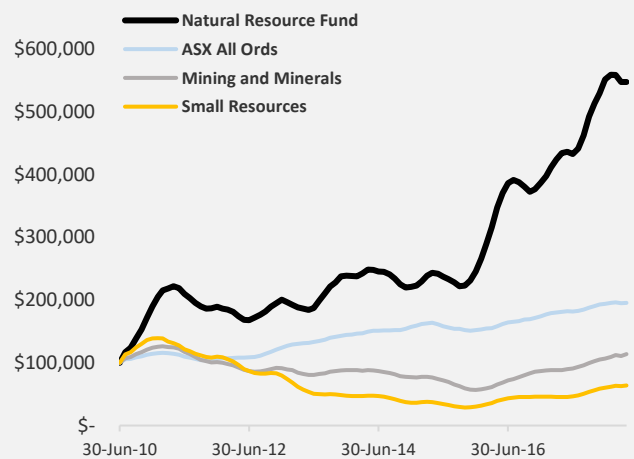
## Commodities

Commodities were mixed in May with base metals containing some of the best performers, whilst the worst performers were gold (-1.6%) and iron ore (-1.2%). Crude oil had a volatile month with WTI rising above US\$70/bbl during the month, a new high since 2014, before finishing the month down -2.2%.

Base metals were mostly higher, led by nickel (+11.3%) and lead (+5.8%). Nickel continues to be supported by forecasts of a global market deficit in 2017 and 2018. Weak production by non-nickel pig iron and strong stainless steel production have supported the deficit.

Iron ore (-1.2%) finished the month at US\$64.9/t with markets largely ignoring supply disruptions in Brazil (truck driver strikes over recent rises in fuel prices) and Canada (strike at the Iron Ore Company of Canada as miners negotiate labour conditions). Weaker steel prices and the resulting decrease in demand for iron ore outweighed recent supply disruptions.

## Value of \$100,000 invested at inception



## Portfolio

May was a slightly negative (-0.66%) month for the fund which remained resilient in a low liquidity market that put downward pressure on pricing. As we have seen in previous years investors become impatient and crystallise tax losses during this period only for liquidity and positive momentum to return in July and August.

Recently, large cap resource stocks have had an impressive upward run in contrast to small caps which continue to be hurt by the low liquidity. History has shown that the positive sentiment in large caps stocks filters down to the smaller stocks as investors look to increase their mining and energy exposure.

Over the month of May we sold down some of our smaller holdings to increase our cash position as we are expecting to see more corporate action in the sector during the second half of the year.

During May, Tawana Resources (TAW.asx) merged with their JV partner Alliance Minerals (AMI.sgx). The merger will further strengthen the Bald Hill lithium

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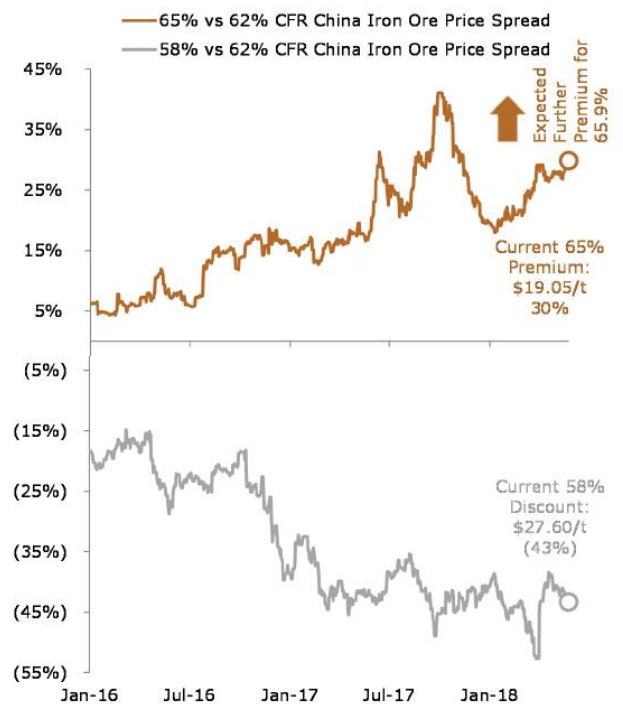
mine which we believe will be advantageous for both companies and their investors. When we met with management in mid-May and we were happy to hear that there have been minimal issues with the recently commissioned processing facility and they are continually increasing its output which is expected to be in full production by Q3. In early June TAW/AMI released a resource upgrade extending the life of the mine to 9 years.

The Fund increased its exposure to Champion Iron (CIA.asx) during the month. The manager attended a site visit last year which highlighted the unique opportunity that this company presents. CIA owns the Bloom Lake mine located in Quebec, Canada. The Company purchased the assets at the bottom of the iron ore cycle and the acquisition included significant infrastructure. As a result, the company was able to bring the mine into production relatively quickly. The Company began production earlier in the year and is ramping towards full production.

CIA is uniquely positioned to take advantage of the changing dynamics in the iron ore market. Recently the market has increasingly rewarded high grade, low impurity products. This has led to a bifurcation of prices between the high and low grade produces. As a result, CIA is a receiving a significant premium to the spot prices.

**Over the next couple of months we are aiming to raise significant capital from investors for the Natural Resource Fund as we consider the outlook for mining and energy commodities to be robust. We are available to meet in Sydney the week of the 18<sup>th</sup> of June and we will be hosting lunches and one on one meetings in Melbourne on the 25<sup>th</sup> and 26<sup>th</sup> of June and in Perth on the 27<sup>th</sup> and 28<sup>th</sup> of June. Please let us know if you would like to meet and hear the story.**

PRICE SPREAD VS. 62% IRON<sup>(1)</sup>



# TERRA CAPITAL

## NATURAL RESOURCE FUND

MAY 2018

### 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	\$3.1362
Entry Price	\$3.1440
Exit Price	\$3.1284
Fund Size	\$78.5
APIR Code	TER001AU

### Top 5 commodity exposure

Commodity	% of fund
Cobalt	18%
Gold	16%
Lithium	12%
Nickel	9%
Copper	7%

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