TerraCapital
NATURAL RESOURCE FUND

November 2017

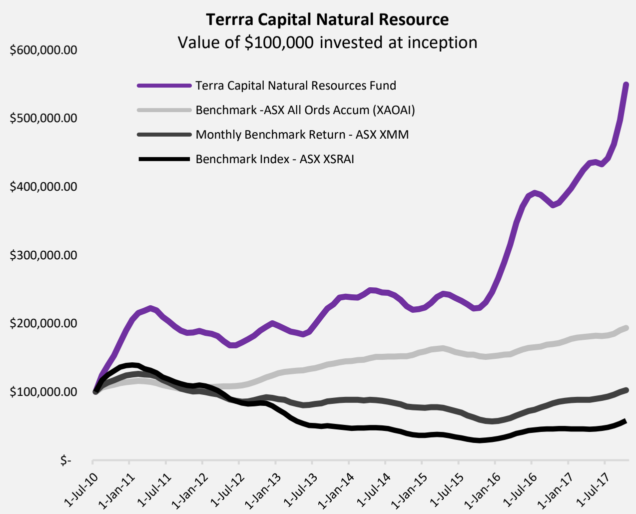
	1M	3M	6M	FYTD	1Y (rolling 12mths)	3Y (p.a.)	Inception (p.a.)	Inception (cumulative)
Terra Natural Res. Fund	10.5%	26.9%	29.4%	29.4%	60.9%	37.2%	25.8%	449.3%
ASX All Ords	1.9%	6.1%	7.4%	7.4%	14.8%	9.2%	9.3%	93.4%
ASX 300 Mining	2.8%	4.8%	17.2%	17.2%	21.6%	10.9%	0.3%	2.2%
ASX Small Resources	8.1%	17.9%	29.9%	29.9%	29.7%	18.8%	-7.1%	-42.0%
Unit Price (lead series)	$3.15							

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

Fund Details

NAV	3.1472	
Entry Price	3.1472	
Exit Price	3.1472	
Fund Size	64.9M	
APIR Code	TER0001AU	
	Terra NRF	**Small Res. Index**
Sharpe ratio (3Y)	1.35	0.59
Sortino ratio (3Y)	1.59	0.67
Std Deviation (3Y)	25.60%	27.15%
% Positive Months (3Y)	63.89%	58.33%

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 – 5 year investment time horizon.

Industry Exposure

Cobalt	17.4%
Base metals	14.4%
Gold	14.8%
Lithium	16.1%
Fertilisers	9.6%
Coal	5.8%
Oil and Gas	3.7%
Silver	1.8%
Uranium	2.4%
CASH	14.0%

Performance + Overview

The Fund returned 10.5% after fees for the month of November 2017. Since inception (July 2010) the Fund has returned +449.3% after fees vs. the small resources accumulation Index -42.0%.

The Unit Price is currently $3.15

Monthly Performance by Calendar Year

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%	1.3%	13.4%	10.5%		**49.6%**

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TERRACAPITAL
NATURAL RESOURCE FUND

NOVEMBER 2017

AUSTRALIAN MARKETS OVERVIEW

Australian equities were once again caught up in continued euphoria that has engulfed risk assets as further evidence of economic improvement, confidence around US tax cuts and a continuation of relatively dovish central bank signalling helped propel markets to another month of fresh highs – albeit with a hint of higher volatility.

Domestically, the announcement of a Royal Inquiry into the Banking sector proved to be a sizeable negative drag on Banks and the overall market late into the month (with the index falling -0.7% on November 30th). However, this was not enough to unwind what were very broad-based gains across cyclicals and rate sensitive areas (in line with declining bond yields).

At a sector level, performance was led by Energy (+4.7%), which continued to rally off the back of a rising oil price - supported by strong global products demand, declining global stocks and the anticipation that OPEC would extend its nine-month production curbs, which were set to expire in March (confirmed by OPEC on the turn of the month). Real Estate (+4.6%) was the other large cap standout finally reversing its loss leadership that has prevailed for the majority of the year. In part, the sector was supported by the substantial decline in the 10-year bond yield (falling 17bps to 2.50%) as the market continued to back out the prospect of the RBA following the Fed with early rate hikes. This also supported other rate sensitive areas (Utilities +3.1%) with the exception of Telco's which were dragged lower by TLS (-3%), which offset further gains in both TPM (+10%) and VOC (+9%).

It was a mixed month for domestic economic data with business confidence hitting 20-year highs in early November backed up by stronger-than-expected building approvals and CAPEX. On the weaker side were retail sales, which were poor in both nominal and real terms with per capita sales close to 30-year lows. On top of this, the RBA kept rates on hold (1.5%) and issued a somewhat dovish set of minutes reducing the likelihood of an early hike in 2018.

GLOBAL MARKET OVERVIEW

It was another strong month for global equity markets led by the US, which posted multiple new highs despite a late month setback for the high flying FAAMG stocks (Facebook, Apple, Amazon, Microsoft and Google (Alphabet)). Further evidence of growth recovery together with excitement around Trump's proposed tax cuts and a still decidedly dovish Fed kept stocks powering higher despite growing concerns of a "momentum" bubble. The NASDAQ finished the month up 2.2% (but down from its month high) with the S&P500 rising 2.8%.

In Europe, economic conditions surged to their highest level in 17 years. The Eurozone's industrial sector is now running at its best level since 2000 with cyclical industries such as consecution continuing to show incremental improvement. Despite the strong economic data, European markets were mixed with Germany (DAX -1.6%) and France (CAC -2.4%). The UK was weaker as concerns mounted that it would be forced into significant economic compromises to follow through BREXIT. This was also seen in a further strengthening of the GBP:US$.

In Asia, Hong Kong continued its march higher with the Hang Seng (+3.3%) and up +27% on a 12-month basis. Japan was also strong (Nikkei 3.2%), while China continued to head lower following a mid-month peak. The Shanghai Comp is down 4% from its recent high after a meteoric rise of nearly 50% in the past 12 months. Following the party congress meeting, concerns have re-surfaced in light of the recent slowdown in cyclical sensitive areas (property) as well as credit.

COMMODITY COMMENTARY

Global commodity markets were mixed through November with Industrial commodities generally weaker, bulk and oil stronger and traditional safe havens (gold) perversely rising despite further evidence of global cyclical improvement. In part, some of the commodity moves can be explained by a weaker US$, which is failing to gain much traction from expectations of improving US growth and pending rate hikes but commodity-specific drivers do appear to be the dominant driver of commodity returns despite the growth backdrop.

Oil was a major gainer over the month (Brent +2.7%, WTI +5.1%) with prices underpinned by strong global products demand, declining global stocks and, earlier in the month, the anticipation that OPEC would extend its nine-month production curbs, which were set to expire in March (confirmed by OPEC on the turn of the month).

After a brutal August-September period, which saw Iron Ore enter a bear market, prices continued to rise through November with the benchmark rising from US$59.50t to US$69.00t for a gain of 17%. Copper was broadly flat (-1.2% at ~US$6808t) through November despite significant price fluctuations, while other Chinese growth sensitive assets came under more substantial downward pressure as concerns around industrial demand out of China following the party Congress meeting continued to weigh on prices. Nickel (-9.8%) and Aluminium (-5.0%) were the largest causalities.

PORTFOLIO COMMENTARY

While we have recorded another strong month of performance in the Fund with some of our larger positions adding low single digit percentages to overall fund performance, we are yet to see upticks in many of our key holdings. Given we entered some of these positions at (what we consider to be) very low valuations, we see the potential for strong movements in the coming months as cash flows towards small resource stocks.

Last month I highlighted that the S&P/ASX Small Resources Index (XSR), had recorded 7 consecutive weekly gains. The research, from Andrew McCauley of Veritas Securities noted that weekly upward

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streaks of this length, historically provided a statistically significant average 1-year return of 26.30%, with a robust win rate of 8 from 8.

Interestingly, as at the end of November, Andrew notes that the S&P/ASX Small Resources Index (XSR) had recorded 5 consecutive calendar month increases. Since 1991, a monthly winning streak of this length is unusual, having only occurred on 5 independent occasions.

The forward return profile, following 5 consecutive monthly gains, dovetails nicely with the historical record provided by the weekly streak data. The conditional 4-month average return of 10.55% is inviting, as is the faultless winning percentage. In addition, 6 months after 5 consecutive monthly gains in the XSR provides an average return of 16.55%.

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

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