TERRACAPITAL
NATURAL RESOURCE FUND

SEPTEMBER 2017

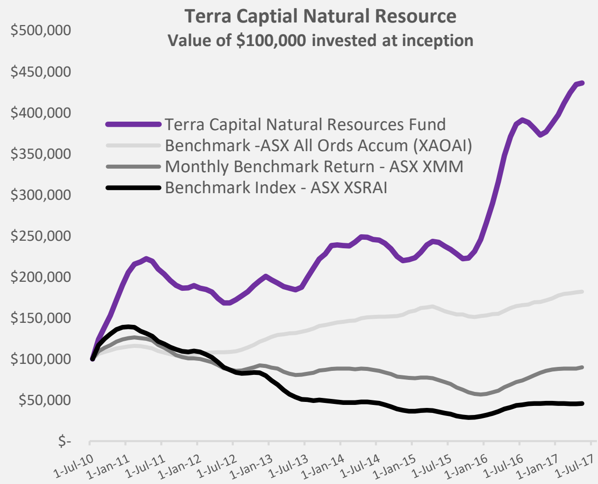
	1M	3M	6M	FYTD	1Y (rolling 12mths)	3Y (p.a.)	Inception (p.a.)	Inception (cumulative)
Terra Natural Res. Fund	1.3%	4.0%	-4.6%	4.0%	10.4%	22.4%	22.6%	338.5%
ASX All Ords	0.1%	1.0%	-0.5%	1.0%	8.5%	7.3%	8.6%	82.3%
ASX 300 Mining	-1.9%	10.0%	8.4%	10.0%	19.9%	5.5%	-0.6%	-4.3%
ASX Small Resources	2.4%	12.8%	10.6%	12.8%	8.1%	5.5%	-9.0%	-49.6%
Unit Price (lead series)	$2.51							

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

FUND DETAILS

NAV	$2.5126	
Entry Price	$2.5126	
Exit Price	$2.5126	
Fund Size	$49.4M	
APIR Code	TER0001AU	
	Terra NRF	**Small Res. Index**
Sharpe ratio (3Y)	0.69	0.10
Sortino ratio (3Y)	0.79	0.11
Std Deviation (3Y)	25.8%	28.4%
% Positive Months (3Y)	58.3%	52.8%

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 3-5yr investment time horizon.

PERFORMANCE + OVERVIEW

The Fund returned 1.3% after fees for the month of September 2017. Since inception (July 2010) the Fund has returned +338.5% after fees vs. the small resources accumulation Index -49.6%.

The Unit Price is currently $2.51

INDUSTRY EXPOSURE

Cobalt	16.8%
Base metals	15.2%
Gold	15.0%
Lithium	14.8%
Fertilisers	8.8%
Coal	4.9%
Oil and Gas	2.8%
Silver	2.1%
Uranium	1.9%
CASH	17.7%

MONTHLY PERFORMANCE BY CALENDAR YEAR

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
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%				**25.7%**

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TerraCapital
NATURAL RESOURCE FUND

September 2017

Australian Markets Overview

September proved to be another volatile month for Australian equities with the key benchmark index ending the month 0.6% lower, despite posting a number of large daily gains. Returns were most positive for the mega cap stocks (ASX20) led largely by Energy (+1.0%), Healthcare (+0.9%) and Banks (+1.4%).

At a sector level, Telecommunications Services was the most significant drag, falling a further 4.8% (TPM -11.3%, TLS -4.9%) to record an annual decline of 32%. Utilities were the second worst performers, in particular AGL (-2.6%), and APA (-5.8%). However, not all interest rate sensitive areas came under pressure with REITs among the best performers led by LLC (+10.1%) and WFD (+5.5%). Banks also performed well as the yield curve steepened due to firming expectations around Fed tightening. NAB (+4.3%), WBC (+2.1%) and BOQ (+3.1%) were particularly good and outside of the majors CYB rose a strong +9.4%.

Global Market Overview

It was generally a strong month for global equities with MSCI World rising 2.1% off the back of substantial gains from Europe (+3.2%) as well as Japan (+3.6%). US equity markets also added to the mix as they again posted record high levels (S&P500 +1.9%).

Markets were led by a continuation of strong economic data as well as the mid-month announcement by US President Trump on a new corporate and personal tax package. This led to a rally in the dollar (underperformance of EM markets) as well as firming expectations for a Fed December rate hike with further steepening of the US yield curve.

Commodity Commentary

Iron ore came under pressure this month due to steel and sinter capacity cuts, weakening steel prices and profitability even though it remains relatively good. Other factors such as increased seaborne supply as India exits the monsoon season and Rio Tinto catching up with lost production in H1 have also weighed on prices. The price of Iron ore ended the month at US$62/t down from US$76/t at the start of the month.

Oil prices have given back a little ground towards the end of the month after last month's rally at good momentum into September, where WTI hit a 7-month high of US$52.22pb on 26 September. However, WTI finished the month up by 7.2% and it currently trades around US$50.00pb, with weakness over the past week or so due to the American Petroleum Institute reporting gasoline inventories have been on the rise. It was also reported on Bloomberg that OPEC raised production in September by 120kbpd and this added to the softness in price over the past couple of weeks.

Copper and gold have been under pressure from the stronger US dollar, with both falling by 5% in the month. Aluminium held up better and ended the month flat.

Portfolio Commentary

Whilst our portfolio was positive in September we are up strongly in the first 10 days of October, predominantly due to the weighting the fund has to the energy storage/electric vehicle (EV) thematic.

The market is taking note of the company specific catalysts that are unfolding in our investee companies helped by the unavoidable press associated with the adoption of EVs.

As reported by the New York Times earlier this month China has said it will eventually ban gasoline-powered cars (rumoured for 2030). France and Britain have set a date. California is edging that way too.

This news has in turn set the world's major car companies are scrambling to prepare. General Motors has announced plans for 20 new all-electric models by 2023. Ford said it would add 13 electric models over the next few years, with a five-year investment of $4.5 billion. Volkswagen and Daimler have already pledged to build hundreds of thousands of electric vehicles in the coming years. Volvo has also said it will convert its entire line-up to either electric or hybrid vehicles and so has Dyson, the British maker of high-end vacuum cleaners and hand dryers, The WSJ reports.

This in turn has the likes of UBS upgrading lithium prices across 2018/19 (after a recent trip to China) as strong battery factory build is seen as driving demand at a time when supply will struggle to keep pace. Further, seeing deals like Great Wall Motor/Pilbara (PLS) and Tesla/Panasonic talking to Galaxy (GXY) we believe this pricing cycle continues for longer than most initially expected. We do concede though that the current industry margins will encourage new supply but we do not see this having an impact short to medium term.

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

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