

# TERRACAPITAL NATURAL RESOURCE FUND

SEPTEMBER 2018

	1M	3M	6M	FYTD	1Y (rolling 12mths)	3Y (p.a.)	Inception (p.a.)	Inception (cumulative)
Terra Natural Res. Fund	-1.9%	-10.4%	-13.4%	-10.4%	7.4%	29.5%	20.7%	371.1%
ASX/TSX Composite**	-0.4%	-9.0%	-0.2%	-9.0%	12.5%	26.3%	-6.2%	-41.1%
ASX Small Resources	-0.1%	-6.7%	2.9%	-6.7%	23.2%	32.3%	-5.6%	-37.9%
TSX Mining & Minerals	-1.0%	-15.5%	-8.8%	-15.5%	-11.4%	12.7%	-7.9%	-49.2%
Exit Unit Price	\$2.70							

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

*\*\* ASX/TSX Resource Composite is a weighted average which best fits the mandate. 60% from ASX small resources and 40% TSX mining and minerals*

## Performance & Overview

The Fund returned -1.9% after fees for the month of September 2018. Since inception (July 2010) the Fund has returned +371.1% after fees vs. the small resources accumulation Index -37.9%.

The Unit Price is currently \$2.70

## Markets

Global equities made gains in Q3, primarily due to US market strength. Political uncertainty and trade concerns weighed on other regions. Government bond yields were broadly higher.

US equities significantly outperformed other major regions. Economic growth and earnings data remained extremely robust, ultimately overshadowing concerns surrounding the escalating US-China trade war.

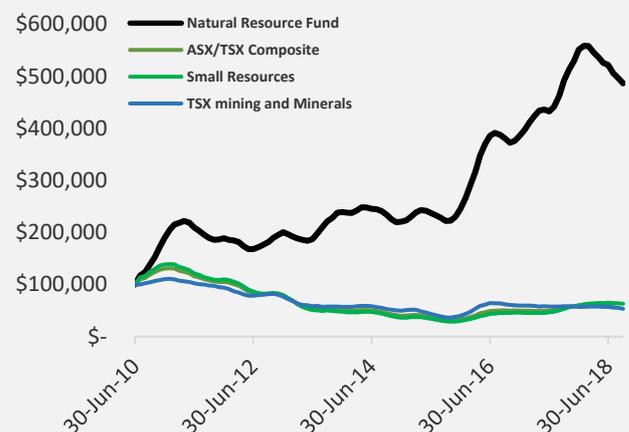
Eurozone equity gains were modest, the UK's FTSE All-Share fell over the period and Japanese equities saw strong gains amid a weaker yen and greater clarity on the medium-term policy outlook following Prime Minister Abe's re-election as his party's leader.

Emerging markets equities lost value, with US dollar strength and trade tensions weighing. China underperformed as the US implemented tariffs on a total of \$250 billion of Chinese goods.

## Commodities

In commodities, the S&P GSCI Spot Index posted a marginally negative return in Q3 with US dollar strength weighing on prices.

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



For the quarter industrial metals were weaker on global trade uncertainty. Copper was down 5.5%, while nickel (-15.6%) and lead (-15.9%) registered steeper declines.

Precious metals were also weaker during Q3, with silver and gold down 8.9% and 4.8% respectively. By contrast, the energy segment posted a positive return as spot prices for Brent crude gained 5.5% and natural gas was up 2.9%. Prices rose amid supply concerns linked to the re-imposition of US sanctions on Iran, the first phase of which took place during the month.

## Portfolio commentary

The mining and energy portfolio performance continues to belie the underlying demand and supply dynamics impacting many mining commodities.

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In a number of base metals, from which mining sentiment originates (mainly copper), the market remains finely balanced despite healthy mine performance since 2Q17 which underscores solid demand.

Due to the lack of new projects developed since 2012, new higher cost mines need to be delivered into the future to satisfy demand. This can only occur though if commodity prices rise and we expect that over the short to medium term.

Using copper as example, current year demand is showing above trend growth (2.8% YoY) as a result of strong Chinese end-use demand and a prolonged OECD industrial production cycle.

Further demand growth expected in China and other emerging markets will continue to drive an expansion in consumption. In addition, as we are all now well aware, consumer goods and new uses are emerging to provide demand upside:

- Electric vehicles and associated infrastructure
- Renewable energy
- Battery storage systems
- IT infrastructure (data centres)

At Terra we continue to do what we have done for the past 8+ years, being to pick the best stocks in the commodities we think will provide the best risk-adjusted returns over the medium to long term.

We welcome your feedback.

# TERRA CAPITAL

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### 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	\$2.7060
Entry Price	\$2.7128
Exit Price	\$2.6992
Fund Size	\$71.2
APIR Code	TER001AU

### Top 5 commodity exposure

Commodity	% of fund
Cobalt	18%
Base	16%
Gold	14%
Lithium	14%
Oil & Gas	12%

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