

# TERRA CAPITAL

## NATURAL RESOURCE FUND

JULY 2016

	1M	3M	FYTD	1Y (rolling 12mths)	3Y (p.a.)	Inception (annualised)	Inception (cumulative)
Terra Natural Res. Fund	9.15%	21.3%	9.15%	87.1%	32.7%	26.7%	322.6%
ASX All Ords	6.3%	7.1%	6.3%	4.2%	8.5%	9.1%	69.6%
ASX 300 Mining	9.1%	7.1%	9.1%	6.4%	-2.7%	-4.8%	-25.7%
ASX Small Resources	9.6%	20.5%	9.6%	45.4%	-2.9%	-11.6%	-52.7%
Unit Price	\$2.8714						

### FUND PERFORMANCE

During the month the ASX 300 Metals and Mining was up 9.1% and the ASX Small Resources Index was up 9.6%. The ASX All Ords were up 6.3% for the month. Against this backdrop the Fund was up 9.15% after fees.

The Unit Price is currently \$2.8714

### GLOBAL MARKETS OVERVIEW

Global markets ground their way higher in July as expectations around additional global monetary policy support continued to underpin risk assets in general and equity markets more specifically. The positive sentiment was supported late in the month by a stronger than expected US reporting season and some solid growth data which provided increased comfort that the US economy is gradually on the mend (despite politics attempting to derail the balance) and pushed the S&P500 to a new record high (+3.7%).

European markets were broadly stronger (Eurostoxx +5.1%) as BREXIT fears evaporated and concerns around bank recapitalizations (Italy) proved inconsequential (whether this be reality or not).

A wait and see decision by the BOE did not prove to be a hurdle for the UK market with the FTSE250 (domestically focused UK companies) now only a whisker away from pre-BREXIT levels. The FTSE100 (externally focused UK companies) which recovered BREXIT losses within a week continued to move higher (+3.4%) despite the pound remaining flat against the greenback over the month. Japan was, for the most part, the high beta market as expectations around a BoJ led stimulus package drove the Yen weaker and equities higher. The outcome (announced by the BoJ on Friday 29th) proved disappointing (no increase in its annual bond purchases

of 80trn but more than a doubling in equity ETF purchases to 6tn and a doubling of dollar lending facilities with fiscal stimulus yet to be announced). Markets reversed course on the announcement, particularly the Yen, but not enough to wipe out a solid gain for the Nikkei (+6.4%)

### COMMODITY OVERVIEW

31-Jul-16	Price	July Mv't
Copper (USD/tn)	4,853.0	0.54%
Zinc (USD/tn)	2,243.0	6.70%
Nickel (USD/tn)	10,640.0	13.01%
Gold (USD/Oz)	1,350.9	2.20%
Oil (WTI USD)	40.6	-14.32%
Aluminium (USD/tn)	1,616.0	-1.20%
Lead (USD/tn)	1,824.0	2.47%
Tin (USD/tn)	17,850.0	4.66%

Noteworthy movements were Oil, which recorded its biggest monthly decline this year as US crude inventories and gasoline stockpiles swelled. Oil (WTI) was down 19% from its early June high but remained up significantly from the YTD lows of US\$26/bbl and some way from breaching levels that would again ignite broader fears of commodity price driven deflation.

Gold had a turbulent month – in line with risk aversion – rising to a YTD high (US\$1366oz) before falling to an intra-month low (US\$1316) and then recovering somewhat after a disappointing BoJ monetary policy decision.

### OUTLOOK

During the month Terra attended numerous site visits in WA and the Diggers and Dealers conference in Kalgoorlie

# TERRACAPITAL

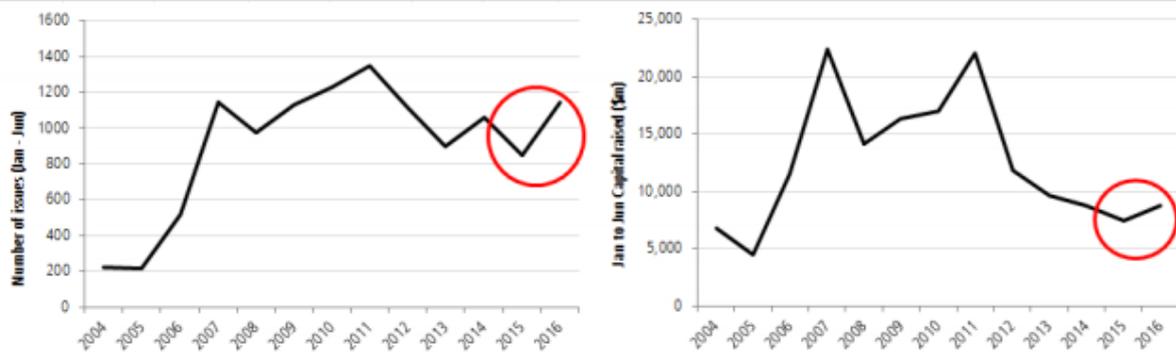
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where for the first time in years, there was an air of optimism and even confidence.

Unsurprisingly, lithium and gold stocks were the popular booths at the conference with all sorts of companies and assets coming out of the wood work as overall sentiment improves. UBS recently produced the below charts showing the uptick in ECM (Equity Capital Markets) activity in terms of number of issues and dollars raised during this calendar year.

**Figure 1: Metals & Mining Sector ECM activity on the rise**



Source: Reuters, UBS-e

Overall the tailwinds of cheaper labour, lower staff turnover, better equipment and skills availability, lower fuel costs and lower exchange rate are all helping. The outcome of these positives is an increase in the number of opportunities for the Fund.

Whilst mentioning opportunities we thought we should highlight the following article about 2016's top IPOs published by Business Insider. Across both Funds we were fortunate enough to be in 3 of the Top 5 including being the largest single investor in the Abundant Produce IPO capital raise.

<http://www.businessinsider.com.au/the-3-top-performing-australian-ipos-youve-never-heard-of-2016-7>

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