

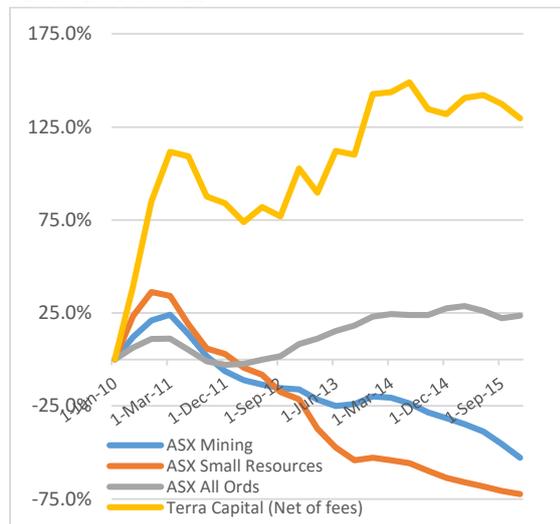


## NATURAL RESOURCE FUND

### QUARTERLY REPORT – DECEMBER 2015

	Terra Res. Fund	ASX All Ords	ASX 300 Mining	ASX Small Res.
1 Month	4.4%	2.6%	0.9%	2.1%
3 Month	6.5%	6.6%	-11.8%	7.2%
YTD	-12.6%	-0.4%	-23.1%	-19.6%
Incept (p.a.)	21.9%	8.6%	-10.2%	-20.3%
<b>Unit Price</b>	<b>\$1.73</b>			

### FUND PERFORMANCE



\*Terra Capital performance is net of fees

The ASX All Ordinaries Accumulation Index was higher 2.6% in December, while the ASX Metals and Mining Index was down 11.8% and interestingly the Small Resources Index was higher 7.2%. Against this backdrop the Fund was up 4.4% during December.

At 31 December the Unit Price stands at \$1.73.

### MARKET PERFORMANCE

The market saw profit-taking in the first half of December and the ASX200 fell to its low point for the year (4,909) on the eve of the Federal Reserve's interest rate hike decision. By mid-month, the Fed's decision to lift interest rates, coupled with a Christmas rally, saw the market deliver 9

consecutive positive days (albeit on a relatively low turnover) for the first time since Feb-15. The S&P/ASX300 Accumulation index was up 2.7% in December (YTD 2.8%). Declines were led by Energy (-7.5%) while on the other side of the ledger, a 'Santa rally' saw Retail outperform, with both Consumer Staples (+7.1%) and Consumer Discretionary (+6.3%) up. Telcos (+4.3%) rose strongly, as did Property Trusts (+4.0%), IT (+3.8%) and Financials (+3.7%).

The US Federal Reserve raised interest rates, as expected, for the first time in almost a decade (from a range of 0.00-0.25% to 0.25- 0.50%). While the markets initially took the Fed rate hike as positive growth confirmation, the decision did little to hold them up – the markets weakened post the initial euphoria, with the major indices in the US finishing the month down: Dow (-1.6%), S&P500 (-1.6%) and NASDAQ (-1.5%). Other benchmarks were hurt too – the MSCI World (-1.7%) and Nikkei (-3.5%) posted losses, while Australia was a standout outperformer.

### COMMODITY PERFORMANCE

Commodity markets continued to come under pressure, with Brent crude falling (-16.5%) to US\$35.75/bbl, reflecting weak seasonal demand and concerns around the incline of supply. Iron ore saw some positive relief, up during December (+1.4%) to US\$43.57 a tonne. Base metals performed well, with lead (+9.1%), aluminium (+4.4%), zinc (+3.1%) and copper (+2.3%) all up, with only tin (-3.4%) and nickel (-1.05%) trending down. Gold was down 0.3% in USD terms and down 1.2% in Australian dollars.

### OUTLOOK

To say 2015 was a tough year in mining and energy equities would be a tremendous understatement. BHP was down 33% (a further 16% this month), Rio Tinto down 23% (a further 12% this month) while Glencore was down 70%. Not to mention small and



mid-caps which in most cases were treated even more harshly. On the commodity side, oil saw 7 year lows, gold and most base metals were also down considerably.

Notably, with this playing out Terra Capital Natural Resource Fund was up 8.3% for the calendar year after fees.

This brings me to the point I'd like to make about current market conditions. Whilst we do not think the wider mining or energy markets are going to stage a short term recovery, there continues to be compelling investment opportunities in individual companies where the self-reinforcing negative selling pressures have exhausted themselves and the stage has been set for strong returns over the short, medium and long term. We continue to meet with a significant number of companies, scouring the market for these opportunities.

There also remains some compelling thematics within the resource sector. Currently the Fund is weighted heavily in lithium, fertilizer and Australian gold stocks. We are happy to discuss these themes with our investors at any time.

We would like to thank investors for their continued support.