



NATURAL RESOURCE FUND

MONTHLY REPORT – OCTOBER 2015

	Terra Res. Fund	ASX All Ords	ASX 300 Mining	ASX Small Res.
1 Month	4.4%	4.6%	4.8%	16.2%
3 Month	0.5%	-5.5%	-5.8%	-4.2%
FYTD	-14.3%	-1.5%	-8.6%	-12.8%
Incept (p.a.)	22.2%	8.4%	-7.5%	-19.6%
Unit Price	\$1.70			

FUND PERFORMANCE

During the month the ASX 300 Metals and Mining gained 4.8% and the ASX Small Resources Index added 16.2% from a very low base. The ASX All Ords was up 4.6% for the month of October. Having been higher for most of the month before having some strong negative movement in the last few days of the month we're confident in our unit price recovery coming into the end of the year. The Fund was up 4.4% in October.

The Unit Price is currently \$1.70.

MARKET OVERVIEW

The S&P/ASX300 Accumulation Index bounced 4.4% after August and September's significant drops and overall global equity markets staged a rebound in October.

A Chinese rate cut and speculation over the prospect of looser monetary policy from several other central banks helped to support global risk appetite. US equities (S&P 500: +8.4%) rose amid a better-than-expected start to the earnings season. The Federal Reserve kept rates unchanged but indicated that a hike in December remains a possibility.

Eurozone and Japanese equities were supported by expectations that their respective central banks may soon move to ease monetary policy further. While

Emerging Markets posted positive returns, narrowly lagging developed markets.

COMMODITY OVERVIEW

Overall commodities were mildly higher during the month with gold 2.5% higher (USD), copper up 0.8%, lead 1.5% and zinc up 1%.

During the month Glencore and others removed supply from the market in certain commodities via mine closure. These cuts are crucial to create a price environment that will justify new supply and a platform for improving market sentiment.

OUTLOOK

During the month we performed strongly as a result of our holdings in Australian lithium stocks and Australian gold producers. These companies have performed strongly over the past few months and have breathed some life into an otherwise temperate ASX resources space.

Having visited both our lithium holding's projects and 4 Australian gold producers during October we have an intimate understanding of these companies operations, holding us in good stead as these stories evolve.

The market has been excited recently by Tesla's gigafactory plans and its impact on the lithium market. Benchmark Mineral Intelligence estimates that the Nevada factory could need up to 25,000 tonnes of lithium by 2020, and it's not the only gigafactory set to come online either.

There's little chance of substitution, and as lithium isn't a huge cost driver for batteries, manufacturers will be able to take a price increase over the next few years. What's more, demand from other sectors isn't going away.

TERRACAPITAL



In short, the world is going to continue to need a lot of lithium. That could be a boon for lithium companies, but major producers haven't substantially ramped up production in response to growing demand, though China is upping its game.

Despite the subdued overall performance of mining and energy stocks the remainder of our major holdings are also performing well and we believe have strong catalysts in the weeks and months ahead.

We thank you for your continued support.