Primevestfund™ Manager Report **March 2018**

The first quarter of 2018 felt similar to the first quarter of the previous year. The positive momentum from the year end continued through the first month but abruptly ended half way through the quarter. This time the cause was a major gut-wrenching correction of the U.S. market. The interesting part of this correction was that the base metals commodity prices held reasonably stable at elevated levels during the correction. The equity prices of these commodity producers experienced similar corrections as equity price correlations gravitate to one during any liquidity crisis. This is actually the pre-requisite condition for the commodity investment thesis to begin. That is, commodities usually tend to run at the later stage of a business cycle, and arguably immediately preceding or following inflation. We are effectively there. At the intersection of positive fundamentals and sector rotation lies an extremely powerful influence on the sector. Whether it be the large institutional investors looking to rotate from growth to value mandates or balanced fund managers looking to hedge bond prices through commodity exposure, the follow on impact of the buying pressure will have a massive influence. An underlying theme was also nascently being vocalized by high profile U.S. early movers and other "market gurus". While we were getting optimistic about imminent improvement, Mr. Trump decided to implement large tariffs on aluminum and steel imports prompting trade war rhetoric from a global audience. This is really what caused the correction in the commodity trade. Those momentum traders that were beginning to position quickly liquated positions with an "act first, ask questions later" mindset which is true to their mandate. With even my steadfast conviction, it is still difficult to experience meaningful drawdowns but we have seen this movie before and the difficulty has always been getting the timing correct.

The copper supply/demand fundamentals continue to improve and this year should begin to see a number of future years of deficits. Our rigorous research has identified that there only exists a handful of copper development assets worldwide that are hosted in politically favourable jurisdictions and have a legitimate likelihood of becoming full-fledged mining operations generating reasonable returns. We now have built a portfolio of four companies that we believe will be among the top assets coveted by investors or suitors looking to grow inorganically. Our investing style typically sees our investing picks validated by larger companies consolidating our holdings into their operations. I will be astonished if the above referenced investments are stand alone in the next couple of years. And if they are, they should be trading at multiples of their current price.

This quarter also marked our first real effort at quasi-activist action. This was a particularly interesting learning experience with regards to the regulatory process and the cumbersome nature of having shareholders' interests lead those of entrenched management. While I would put this specific result as mildly successful in the short term, the longer-term benefits are quantifiably appealing. This sector is prime for shareholder-instigated value creation events, and with additional support, this virgin learning experience may be leveraged in the future in the appropriate circumstances.

At the end of the quarter, the Fund holds 7% cash and 16% in short positions.

Ryaz Shariff - Portfolio Manager, Primevestfund