Primevestfund™ Manager Report **March 2017**

Half way through this quarter, your Fund experienced its first meaningful correction in over a year. I suspect it was to be expected after an 85% up year. The associated “risk-off” event that saw some steep declines in a number of the commodity stocks, both large and small, actually generated the most excitement for me in over a year. Two of our top holdings experienced the largest portion of the overall losses as a result of completing major equity financings. Major equity financings are typically conducted at a discount to the market and usually draws away demand from the market for a period of time until the management can demonstrate that it has accretively deployed the capital. We have used this as an opportunity to take the largest concentrated holdings in the history of the Fund, with the top five holdings now approaching half of the portfolio and the top ten holdings representing over two thirds of the portfolio. This highly convicted portfolio structure will likely see a lower correlation to the overall markets and more volatile contributions from individual catalyst events.

In last March’s commentary, I outlined the most obvious commodity opportunity being in the zinc market and how we chose to capture that opportunity through a position in Trevali Mining. Since that position initiation, zinc prices have achieved recent historical highs and the Trevali share price quadrupled. Three weeks ago, Trevali made a transformative acquisition, more than doubling the size of the company, bringing on Glencore as a 25% shareholder, and becoming the largest pure play zinc company that’s publicly traded. With this acquisition, the company could generate in excess of US$150M in free cash flow this year alone at current zinc prices. The zinc market is so tight that it is likely that zinc prices could crack new highs over the next year: in that case, Trevali could generate multiples of that free cash flow number and should be awarded a premium multiple due to the scarcity value of zinc exposure for investors. This has now become our top holding and I expect that fair value over the next year is at least double that from current levels.

Oil equities have generally been shunned by investors since the beginning of the year, and there have been some unique situations that have emerged that offer large asymmetric payoffs over the next couple of years. The next quarter will provide visibility on how non-US inventories have been impacted by the OPEC cuts, and the typical seasonal strength after refinery maintenance season could provide a renewed interest in allocating capital to the space. This sentiment shift could supplement our individual catalysts opportunities as about one third of the Fund is allocated to this sector.

The weighted average market capitalizations of our top 5 holding are in excess of $1B and as our thesis proves out, the broad institutional investor appeal of these holdings should value them at significant premiums to their current values.

At the end of the quarter, the Fund holds 0% cash and 22% in short positions.

Ryaz Shariff - Portfolio Manager, Primevestfund