Tribeca
Global Natural Resources

Monthly NTA Statement

Investment Update as at 30 September 2019

Performance Update

The Company's NTA decreased by -0.54% in September (from $147.8m to $147.0m). September proved to be another rollercoaster month for the resources sector. During the first week of September there was a clear rotation out of growth into value stocks which included cyclicals such as natural resources. This benefitted the Company's bullish positioning with base metals and energy stocks rallying intra-month. This rotation was short-lived with focus soon back on trade tensions and global growth concerns which saw investor positioning hit fresh lows in some commodities such as copper by month end.

While frustrating, we take comfort in the knowledge that there is significant, high-quality torque in the portfolio that will move significantly higher should these rotations be sustained. We continue to see significant asymmetry in the portfolio with major risk groupings in base metals, energy and uranium all trading on multi-year lows with significant upside given the disconnect with robust fundamentals we observe at the commodity and company level. The key macro driver needed for a sustained rally in our portfolio remains a softer USD which we see rolling over on further rate cuts by the US federal reserve.

Strong fundamentals, supportive valuations and extreme investor positioning remain evident in the resources sector and we retain a net long listed equity exposure of ~40%.

Within the listed equities the biggest positive contributors to performance for the month included bulk commodity producers (+0.26%), and services (+0.58%) but was insufficient to offset the drag from diversified miners (-0.31%), oil & gas (-0.14%), and soft commodities (-0.60%). The Company's credit positions detracted (-0.15%) on sector specific credit spread mark-to-market adjustments.

10 Largest Long Equity Holdings

Worley Parsons Ltd	WOR AU
TECK Resources Ltd	TECKB CA
Oil Search Ltd	OSH AU
Yellow Cake PLC	YCA GB
Freeport-McMorgan Copper	FCX US
OZ Minerals Ltd	OZL AU
Iluka Resources Ltd	ILU AU
Lundin Mining Corp	LUN CA
DHT Holdings Inc	DHT US
Euronav NV	EURN US

Source: Tribeca Investment Partners

Key Details as at 30 September 2019

ASX Code	TGF
Listing Share Price	$2.50
Share Price	$1.93
Shares on Issue	63 million
Market Capitalisation	$121.6 million
Listing Date	12 October 2018

Net Tangible Assets (NTA) Per Share

NTA Pre-Tax	$2.2905
NTA Post-Tax	$2.3342

Source: Citco Fund Services

Net Performance (Post-Tax)

1 Month	-0.54%
Financial YTD	-2.96%
Total Return Since Inception	-6.63%

Sydney
Level 23, 1 O'Connell Street
Sydney NSW 2000 Australia
T +61 2 9640 2600

Singapore
Level 16, Singapore Land Tower
50 Raffles Place, Singapore 048623
T +65 6320 7718

Web: www.tribecaip.com/lic
Email: TGFinvestors@tribecaip.com
ABN: 16 627 596 418

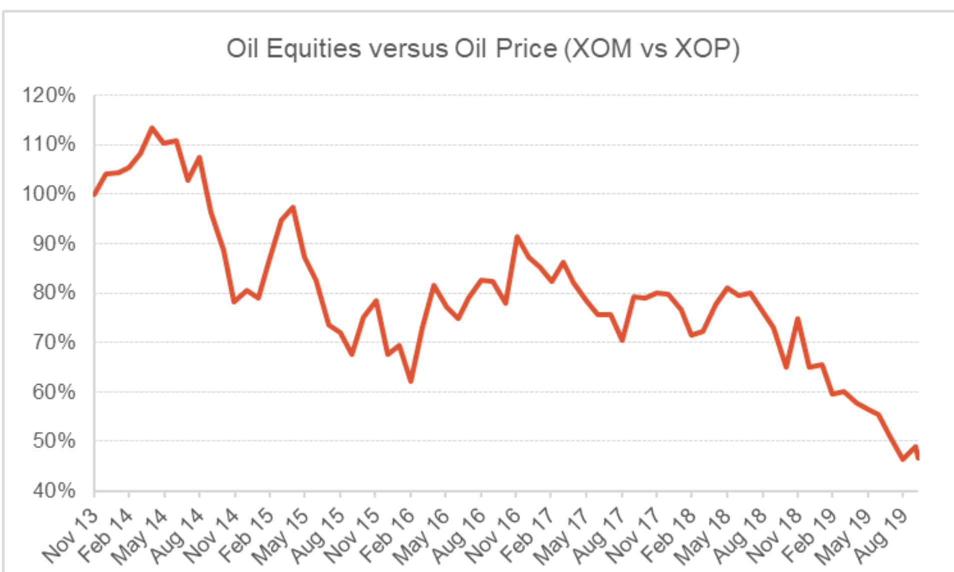
Oil Markets

One of the biggest head scratchers during September was the oil price. Despite experiencing the largest supply shock in history, crude prices finished down on the month. The Iranian led attack on the key Abqaiq–Khurais oil processing facility in Saudi Arabia initially sent oil prices spiking. The facility processes 7% of total global oil production and highlighted the risks to oil supply where investment in new production outside of US shale has been almost non-existent. To this end, it was expected a geopolitical risk premia might enter the oil price given Iran remains under US sanctions and the fact that the previously impregnable facility had now been breached by drones no less. This, came at a time that Saudi ARAMCO was beginning marketing of their upcoming IPO. It is worth noting, the Vale dam wall failure in Brazil at the beginning of this year represented an impact on the seaborne iron ore market of less than 5% of the traded market but sent iron ore prices up 50%.

Despite evidence of more sustained damage to the facility and speculation that production would not be fully restored for months, rather than weeks, commodity traders decided to let the macro do the talking and began selling oil again to a level below the pre-attack price even in the face of continued inventory draws in the US. In fact, evidence emerged that Saudi Arabia has been forced to meet the shortfall with different grades of oil, reducing inventories and cutting refinery production domestically. This has been seen in the Singapore refining spreads which spiked on the back of the lower production in the refining segment in Saudi Arabia.

If nothing else, the attack has had a positive impact on reducing global oil inventories, a key overhang, and we estimate the potential for around 50 million barrels of crude that has been taken out of storage, a not inconsequential lift of 150 thousand barrels per day of incremental supply required to be produced ex-Saudi Arabia. It would also not surprise us to see countries, particularly in Asia, look to raise their strategic petroleum reserves (SPRs) in order to not impact their refining sectors and potentially run short of crude. This will have a positive impact on underlying crude demand as ARAMCO looks to restore full operational ability.

Thus, equity price performance for oil producers continued to underperform the commodity, highlighting a lack of appetite from equity investors. Value has been apparent in the sector for much for much of 2019 and this will come to the fore once investors focus on fundamentals again including a potential rotation into value equities within the natural resources space, as was seen in the industrial names during September. Further geopolitical incidents in the Middle East will likely drive market concerns around security of supply. It is interesting to read about the potential capture of Saudi troops in Yemen and whether this escalates the situation, with Iran a key supporter of the Yemen uprising that the Saudis are trying to stamp out.



Source: Bloomberg

One factor that seems to be gaining some traction is for further OPEC cuts in order to help the oil price. It is our view, supported by discussions with key Middle Eastern experts that the current ARAMCO IPO timetable is achievable for 2020, unlike in the past. The key change has been the listed bond issued to acquire a stake in SABIC (Saudi Arabia Basic Industries) which required compliance with stock market listing rules in major markets, including the Tokyo Stock

Exchange where it will be dual-listed alongside Saudi Arabia. This will mean the Saudis will want an oil price that maximises the value of the company as we head into 2020.

At the same time, continued commentary from US shale highlights issues emerging in the key basins around infill drilling (drilling in close proximity to producing wells), capital discipline being shown by independent producers and the decline in both rig count and well completion crews. The ability for oil production in the US to continue to grow beyond 2020 seems challenged unless companies begin to increase capital spending plans which seems unlikely in the current environment.

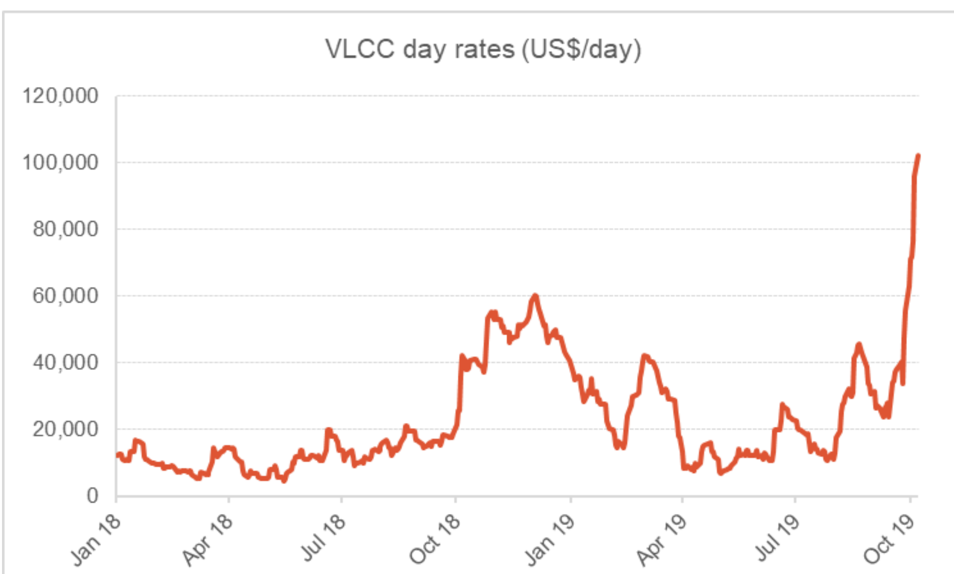
As a result, free cashflow is emerging in some US independent oil producers and the yields will become attractive for those value investors willing to believe a change in producer attitudes. It feels that we are approaching the point where growth investors have exited the space and value investors are starting to enter.

Shipping

Shipping was caught in the geopolitical crosshairs in a positive way in September providing some momentum to the sector which has flowed through into October. Post the ARAMCO attacks, refiners and traders scrambled for vessels and crudes from different regions. As we have pointed out in previous discussions, the Straits of Hormuz is pivotal to oil supply. With Saudi Arabia having production issues and Iran under sanctions, the only large producer in the region is Iraq with limited spare capacity. As a result, buyers needed to look elsewhere for crude supply. This meant vessels being diverted from the Gulf of Arabia to West Africa and the U.S. As we have discussed previously, short term dislocations in trade, so long as they are not sustained, have a positive impact on shipping rates.

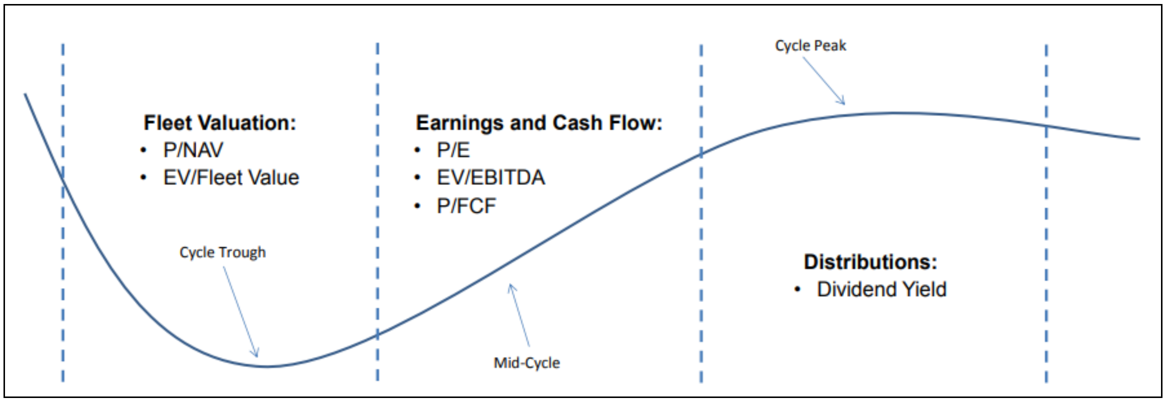
In addition, the US has tightened up sanctions on Iran with one Chinese shipping company, COSCO, having their entire fleet sanctioned for non-compliance - an event that has sent shipping day rates up over five-fold to $100k per day versus $10k per day a mere 2 months ago. The market has seen 29 VLCCs taken out of the market. Combined with the "Tanker Wars", we have seen material numbers of vessels impacted by geopolitical games.

At the same time, the fourth quarter of the year is the time when refineries tend to build inventories ahead of the winter heating season in the northern hemisphere, hence, trade of crude is at a seasonal high around November and into December which sends rates higher. Added to this is the impact of scrubber installations for IMO2020 compliance taking available fleet offline, which has created the perfect storm highlighting how tight crude tanker markets are.



Source: Bloomberg

It is not surprising in recent weeks, that the equity market has now begun to reflect just how tight the market is and the issue that most of these companies were trading below the resale value of their ships. We believe that we are still in the early stages of an oil tanker bull market which should extend into 2020.



Source: Morgan Stanley

To this point, we are close to entering the early mid-cycle phase where shipping equities are priced off cashflow, although we do note that we are still seeing asset valuation as the key metric in the market. Once we enter a period of cashflow-driven valuation, that typically signifies mid-cycle for the sector. However, as history has shown, equities typically overshoot as retail investors are lured into the high dividend yields that can present. In the past, it was not uncommon for dividend yields to hit greater than 50%. At this point, we will look to exit our exposure to the tanker space but this would appear to be within 2020. The issue being the vessel owners typically begin ordering new vessels and leveraging at the top of the cycle which leads to a collapse in prices as new vessels are delivered. Lead times from order to delivery are around 18 months. However, we have yet to see any pickup in new vessel orders.

Part of the possible reason for not seeing new vessel orders is due to IMO2030 (as distinct from IMO2020). A VLCC has a useful economic life of 20 years which is being reduced due to emission standard changes. IMO2030 is an industry directive to reduce greenhouse gas emissions by 40% by 1 January 2030. Vessel owners don't want to take the risk that their newbuild ship, delivered in 2021/22, will be obsolete within 10 years as they will not receive a payback on their capital. As such, newbuilds could be getting held back until there is more clarity. In all likelihood the only way to achieve compliance with the IMO2030 directive is for ships to run LNG over bunker fuel. However, this cannot be retrofitted to ship's engines.

This development could see the crude tanker bull market extend longer than anticipated and will also make older vessel resales more valuable, again having a material positive effect on asset values and therefore company share prices. The key will be to monitor new vessel orders over the coming 12 months to see if this will be the case or if the ship owners will behave as they always do by ordering vessels at the top of the market with debt. The Company has ~9% invested in a basket of shipping names that we see having at least 50% upside from current levels.

Uranium

The uranium market appears to be stuck in a stalemate between buyers and sellers. September was yet another month of very little movement. While the fundamentals continue to sing the same song on repeat, the uranium physical traders and equity investors have the volume turned down low. Despite the release of the most bullish World Nuclear Association (WNA) Nuclear Fuel Report in almost 10 years, investors prefer to wait for the outcome of the US Nuclear Fuel Working Group report due on 10th October.

While the market continues to idle, the nuclear power industry continues to announce positive news flow. In the United States, Duke Energy (a nuclear utility), has started a process to renew 11 licenses for an additional 20 years. This extension will not be covered by their current contracts for the purchase of uranium. In Europe, France will be replacing two older reactors with new builds that will require new fuel contracts while Brazil announced the construction of 6 new nuclear reactors by 2050. India continues to announce new deals to start their aggressive nuclear power build program while China tied up yet more Kazakh supply. The world continues to grow their consumption of uranium at a time when supply is being curtailed.

While it may be a patient wait at the moment, there needs to be a pick-up in the amount of yellow cake being transacted. It is our expectation that the higher transactions will ultimately push the price higher given the scarcity of available spot material. The Company currently has ~5% exposure to uranium and on a move in spot prices from US$25/lb to US$30/lb we would expect a meaningful attribution to the Company based on current holdings.

Board of Directors		**Key Contacts**	
Bruce Loveday	Independent Chairman	Company Secretary	Kylie Osgood
Greg Clarke	Independent Director	Investor Relations	TGFinvestors@tribecaip.com.au
Judy Mills	Independent Director	Share Registry	Boardroom Pty Limited
Benjamin Cleary	Director		Level 12, 225 George Street
Craig Evans	Director		NSW 2000