

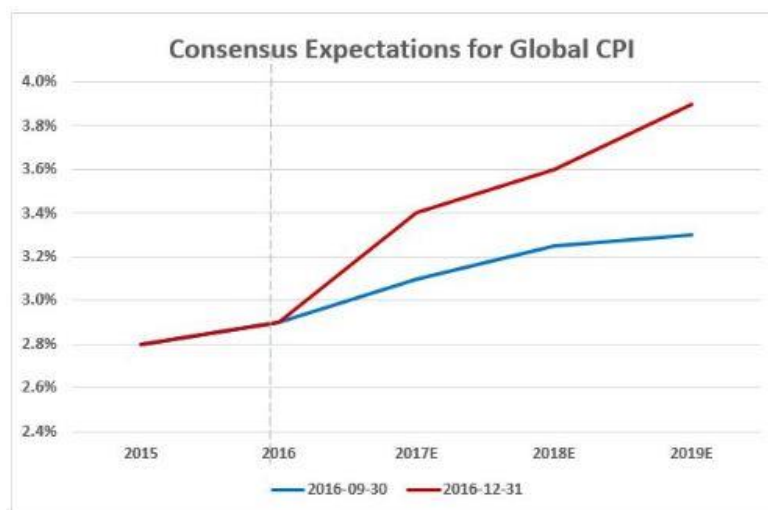
December Fund Performance & Market Commentary

While Delbrook is proud to have finished 2016 up 94.4%, we are equally excited to see the calendar turn to 2017. We believe the coming year presents a variety of unique opportunities and are eager to pursue them.

December produced a -3.8% return for the Fund, primarily as a result of our decision to increase the fund's long exposure to precious metals, in anticipation of a seasonally strong first quarter. To date in January, this trade has benefited the Fund materially. During the well documented 'Trump Trade' that took place following the US election, investors shifted exposure to equities they believed were poised to benefit from Trump's anticipated pro-business policies. The US dollar rallied over 6% on the President-elect's pro-US pontification, which resulted in a -10% decline in precious metals. We viewed the move higher in the US dollar as excessive in light of the incoming administration's US centric manufacturing platform, and believe the geopolitical rationale for precious metals is stronger than ever.

Exiting 2016, the Fund's portfolio is net long with exposure focused on precious and base metals. Our overarching thesis remains anchored to the belief that prices in these sectors will benefit from unprecedented levels of geopolitical uncertainty and the pending supply shortages of several key global commodities. Our challenge will be to continue to identify top quality opportunities, led by strong management teams, while keeping a close eye on the ever-changing macroeconomic landscape. Current factors that are influencing our views:

1. Interest Rates and Inflation Under the New US Administration: Among the key drivers behind the 'Trump Trade' was the expectation that the new administration will invest \$1 trillion dollars into domestic infrastructure over the next decade, stimulating growth and igniting reflation. In recent weeks market expectations for CPI growth have moved materially higher.



The market expects this growth and re-inflation to allow for three rate increases over 2017, starting with a 25bps increase in May.

The projected \$1 trillion in US infrastructure spending is less impressive when compared to China's total infrastructure. Moreover, while this stimulus and the resulting growth did lend support to bulk commodity prices for the better part of a half decade, the mere slowing of that growth put tremendous price pressure on bulk commodities from 2011- 2015.

It is our belief that the excitement around US growth and infrastructure spending has pushed bulk commodities price up too far and too fast. The 50% increase in the Baltic Dry Shipping Index in the aftermath of the US election was unwarranted in our view based on the initial scale and uncertainty surrounding the timing of the proposed spend (budgetary impasses are not out of the question in the absence of an approved spending bill). In fact, we believe the recent pullback in the Index is a precursor for a short term pullback in bulk commodities. While we still believe that a number of the bulk commodities are likely to outperform in the coming years due to supply constraints and stronger US growth, in the short term we are positioning the portfolio to acknowledge that the recent run may be overdone.

2. Geopolitical Events Becoming More Prominent: Germany, France, and the Netherlands will all choose new leaders over the next twelve months. The outcomes of these decisions will influence global economic stability, and play a significant role in shaping the direction of the European Union. Most recently, Italy's referendum decision to vote against Prime Minister Matteo Renzi's constitutional reforms has paved the way for the comic, Beppe Grillo's 5-Star Movement to take over the government. It's expected that Grillo will work quickly to destabilize the EU as he pursues a largely populist agenda. In contrast, Alexander Van der Bellen recently won Austria's Presidential election, narrowly defeating a far-right candidate who was quite outspoken about Austria's future in the EU. The Austrian election was a rare 'win' for EU stability. Brexit, as an event, is in the rear-view mirror; however the process of extricating Great Britain from the EU will be cumbersome and complicated and no doubt be a source of future market consternation. Uncertain markets always favour hard assets.

3. Threat of Trade Wars: The incoming administration has in short order moved its anti-trade election rhetoric to real threats of protectionist measures. The potential for increasing taxes and tariffs on imported goods now appears to be impacting decision making at a corporate level. In addition to actual allocation of investment dollars decisions, PR machines are having to promote their stateside investments (GM provides an illustrative near term example) to win favour with the incoming government. The potential impact on the global economy and the currencies of major US trading partners is significant.

The lack of clarity around future policy changes coupled with the negative implications of protectionism on global growth have started to unravel the 'Trump Trade.' Gold has rebounded substantially, and appears to have found support around \$1200/ounce USD, backed in part by the recent weakening of the USD dollar.

Now, more than ever, with its low correlation to the broader equity markets, we see a compelling case for investors to have exposure to metals and mining sectors.

As always, please contact our office at 604.229.1450 with any questions

Sincerely,



Matthew Zabloski