

## February Fund Performance & Market Commentary

The Delbrook Resource Opportunities Fund returned **+2.5% in February** vs. a -3.2% decline in the S&P Metals & Mining ETF, the closest benchmark we track. Performance was equally attributable to long and short positions, with longs returning +1.9% and the shorts adding +1.1% on a gross basis.

Entering February, the Fund reduced long exposure to precious metals in anticipation of increased probability of a move by the US Federal Reserve. This call was accurate as the implied probability of a March rate increase moved from the mid 40% range to 85% by the end of February. Accordingly, the GDV (Gold Miners ETF) declined 4.5% during the month. Looking forward, we see the path for precious metals as volatile, with headwinds from tightening US monetary policy being offset by rising inflation and increased geopolitical uncertainty.

Base metals continue to be selectively in favor, with supply side disruptions and depletion being the key themes in the copper and zinc markets. Copper continues to benefit from a strike at the Escondida mine in Chile, the world's largest copper mine, and by supply disruptions at Freeport-McMoran's Grasberg mine due to hostilities with the Indonesian government. The zinc market remains in supply deficit with limited capacity available within the next foreseeable future. The Fund is positioned to benefit from trends in these two metals and believe that 2017 will see prices continue to grind higher.

Bulk commodities, specifically coal and iron ore are areas to take profits. We believe the iron ore complex has much greater downside risk given shaky Chinese demand and the potential for further government mandated blast furnace curtailments to meet environmental objectives. Similar government involvement in the coal sector will determine the course for prices and overly optimistic expectations will correct if Chinese production curtailments do not come to fruition.

On February 14th, 2017 Delbrook brought forward a plan to replace the entrenched management and board of Rapier Gold in order to create value for our Unitholders. To date, we have received very strong support for our plan and believe that we will succeed at the company's annual general meeting on March 30th. We have significant plans for the Company, should we be able to insert a stronger, more experienced board, focused on maximizing shareholder value. We believe this is a significant opportunity for Unitholders and will provide updates in due course.

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

Sincerely,



Matthew Zabloski