



MARKET COMMENTARY

JIM HUANG, MARKET COMMENTARY

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2018 RESOURCE MARKET OUTLOOK

The resource market in 2016 and 2017 can be best described as volatile; yet signs of hope have clearly emerged. It started with gold that broke out of a long slump after threatening to fall below \$1,000 per ounce in early 2016. This drove a great rally in gold stocks.

Late in 2016, base metals such as copper and zinc began to rally. Oil prices found a bottom as well in 2016, though the road to recovery has been winding so far. Uranium also saw some decisive actions being taken by major producers to reduce the surplus in 2017.

With the economic recovery in the US maturing, the US Federal Reserve started to increase its benchmark interest rates. This typically can cause some short term volatility in the market, as investors adjust to a world where money is not as cheap but the economy is stronger. Fortunately, corporate earnings continued to grow apace, which provides a good foundation for the overall market. The rest of the world is also improving.

Despite the shock of Brexit, Europe finally showed some positive growth and Japan also seems to be doing better as well. We also see that China's ambitious structural reforms and anti-corruption campaigns have not caused any downturn in a still robust Chinese economy.

In the oil market, the ongoing production cuts by OPEC and non-OPEC producers have finally started to bear fruit with inventories falling sharply. With better crude oil prices, US shale oil production has bounced back somewhat, but not to the extent that everyone hoped for. Demand, on the other hand, continues to be very strong and continues to force the estimates higher. As visible stockpiles in the US, the largest consumer of oil, keep falling, higher oil prices are to follow. The uranium production cuts announced by Cameco and Kazatomprom, two of the biggest producers in the world, should go a long way of shaking the buyers out of the slumber and begin to secure long term supply. Even though all the starts and stops can be very frustrating, the recovery in the resource sector has clearly taken root.

FUTURE STRATEGY

After a long unrelenting bear market, commodities and by extension resource stocks, have started a recovery process; however uneven and volatile it may be. Given the green shoots

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MAPLE LEAF FUNDS
808 - 609 Granville Street
PO Box 10357, Vancouver, BC V7Y 1G5
TEL: 1.866.688.5750
EMAIL: info@MapleLeafFunds.ca
WEB: MapleLeafFunds.ca

evident in various commodities, the Manager expects a selective rebound for commodity stocks in 2018. We will remain cautiously optimistic and seek to add exposure in times of volatility. The current focus of our funds will be low cost oil, uranium and gold.

We thank you for your continuing support.

Jim Huang, Portfolio Manager

Maple Leaf Short Duration Flow-Through Limited Partnerships
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