September 2016 Performance Summary

"Charlie and I have always preferred a lumpy 15 percent to a smooth 12 percent return" Warren Buffett

Monthly Performance Review

Totus Alpha Fund Founder's Series units fell 5.3% in September, the ASX 300 Accumulation Index was up 0.5% for the month. For the quarter the fund finished up 5.7% net of fees just marginally ahead of the market which was up 5.2% over the same period.

The poor showing in September can be put down to 3 things. A long position in TPG Telecom which downgraded earnings for the 1st time in 5 years (we have largely exited the position), selling pressure in our sustainable yield long positions (which we trimmed during the month) & strength in resources and bank shares (where we are persevering with our shorts).

2016 has been a frustrating year for long short investors as the wave of central bank liquidity and Chinese stimulus since February has dampened volatility and lifted share prices almost regardless of what is happening with earnings. Banks have been happy to "extend and pretend" rather than write down bad debts and with much of the developed world experiencing negative interest rates, equities have attracted inflows as basically the only game in town for investors seeking a return. As a result our shorts have cost us dearly so far this year.

The good news for our fund is that there appears to be a growing realisation amongst policy makers that central banks are nearing the limits of their ability to support growth and that negative rates are bad for banks (the economy's plumbing). In recent weeks global interest rates have started to rise and we also have started to see a pick up in the US$ (a stronger US$ has traditionally been good for our portfolio). The Chinese authorities appear to be easing back on supply restrictions which have driven bulk commodities higher while gradually introducing property curbs which should help our shorts in that space. Volatility (as measured by the VIX) has been creeping higher which has also been good for us historically.

Top contributors in September were a short position in OFX Group +0.62% (Earnings Risk) and long positions in Challenger +0.47% (Ageing Population) and Northern Star +0.42% (Gold). Biggest detractors were a long position in TPG Telecom -1.66% (Scarce Growth) and short positions in BHP Billiton -0.60% (Commodities) and Amaysim -0.40% (Earnings Risk).

Fund Facts

The Totus Alpha Fund is an Australian domiciled equity long/short absolute return fund with a minor futures and offshore equities component.

Inception date:	2 April 2012
Total return:	170.3% net of all fees
Minimum investment:	$250,000
Redemption:	Monthly (post 12 month "soft lock-up")
Prime Broker:	Bank of America Merrill Lynch, Morgan Stanley
Fund Administrator:	Citco Fund Services
Fund Auditor:	Ernst & Young
Fund Custodian:	Bank of America Merrill Lynch, Morgan Stanley
Legal Advisor:	Henry Davis York
Fees:	2% Management, 20% Performance
Hurdle rate:	Founder Series units have a hurdle rate on performance fees set at the RBA cash rate
High water mark:	Yes
Best benchmark:	Absolute return
Fund Manager:	Totus Alpha Management Pty Ltd
Address:	Level 8, 139 Macquarie Street Sydney NSW 2000
Phone:	+61 2 8072 9945
Email:	enquiries@totuscapital.com.au
Web:	www.totuscapital.com.au

Performance Quality Measures
(since inception vs. the ASX 300 Accumulation Index)

	Totus Alpha Fund	**ASX 300 Accumulation Index**
Alpha	**25.3071% (annualised)**	
Beta	**0.0803**	
Correlation	**0.0602**	
Sharpe ratio	**1.39**	**0.63**
Sortino ratio	**2.85**	**0.97**
Maximum Drawdown	**-17.87%**	**-13.45%**

Performance Summary (net of all fees)

	Totus Alpha Fund Accumulated	**ASX300 Accumulation**
Latest month (September)	**-5.3%**	**0.5%**
Calendar year to date	**-6.3%**	**6.5%**
One year rolling	**6.7%**	**13.5%**
Total since inception	**170.3%**	**52.2%**
Annualised return	**24.7%**	**9.8%**

Month-end Position & Theme Exposures

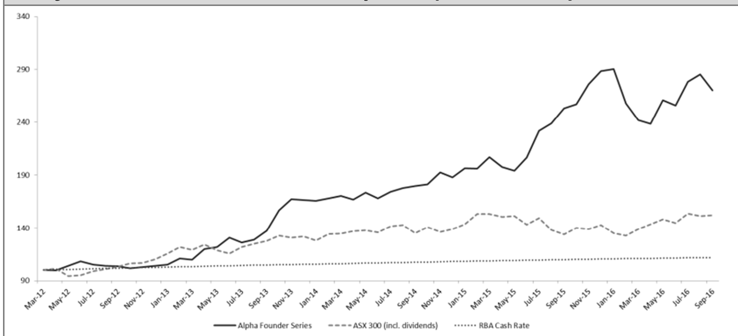
As at 30 September, the fund had a net exposure of 21.1% and a gross exposure of 266.8%. The fund held 111 positions (56 long and 55 short).

Major investment exposures were as follows:

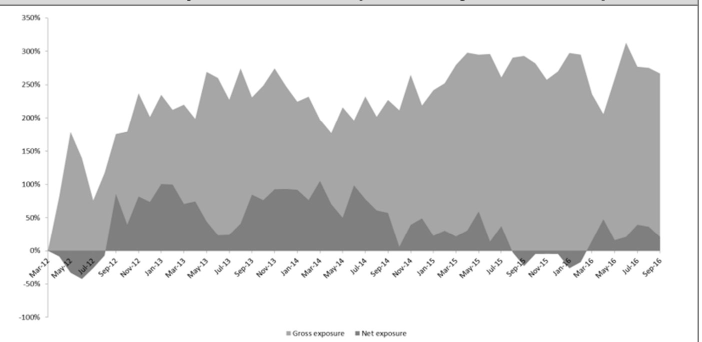
Longs: Scarce Growth 49.2%, Online 31.2%, USD Beneficiaries 15.0%

Shorts: Commodities 16.8%, Earnings Risk 16.5%, Roll Ups 10.6%

Performance Chart Since Inception (Base = 100)



Gross & Net Exposures Chart (as a % of Net Assets)



*Return (%)**	*Jan*	*Feb*	*Mar*	*Apr*	*May*	*Jun*	*Jul*	*Aug*	*Sep*	*Oct*	*Nov*	*Dec*	*YTD*
2012				-0.08	4.13	4.07	-2.77	-1.04	-0.34	-1.92	1.02	1.26	4.17
2013	1.13	5.31	-1.06	9.21	1.84	7.21	-3.49	2.10	6.49	14.16	6.69	-0.39	60.14
2014	-0.59	1.44	1.43	-2.15	3.99	-3.02	3.70	2.02	1.02	0.87	6.14	-2.31	12.83
2015	4.60	-0.20	5.53	-4.53	-1.76	6.33	12.21	3.00	6.15	1.52	7.37	4.50	53.51
2016	0.67	-11.27	-6.15	-1.37	9.36	-1.98	8.82	2.58	-5.31				-6.33

**All returns quoted are for Founder's Series units*