October 2016 Performance Summary

"Don't judge each day by the harvest you reap but by the seeds that you plant" Robert Louis Stevenson

Monthly Performance Review

Totus Alpha Fund Founder's Series units fell 7.1% in October, the ASX 300 Accumulation Index was down 2.2% for the month.

At Totus our process is to find medium to long term investment themes and then invest in securities that have concentrated exposures to those themes. One of longest and most powerful investment themes in markets over the last 35 years has been declining interest rates. The fund has benefited from this yield compression through our holdings of dividend paying (sustainable yield) and (scarce) growth companies. In recent weeks we have seen more and more signals that this trend of declining yields may be coming to end. The Trump victory looks to have all but confirmed this trend change. The focus of policy makers is now turning from monetary stimulus (generally good for bonds and growth stocks) to fiscal stimulus (bad for bonds, expensive growth stocks and potentially good for cyclicals).

Turning points are never easy and recent volatility has been painful (as the largest investor in our fund we feel it too) but it is also an opportunity. A rising rate environment is likely to open up a number of new avenues for the fund on both the long and short side. Recent volatility has seen a number of quality businesses that we know very well (e.g. Smart Group, Google, Ramsay Healthcare, Bapcor) sold off despite recently providing encouraging trading updates to the market. Valuations of these companies have already returned to what we see as highly attractive entry levels.

What are we doing about it? We have pulled back our gross exposure, largely exited our long positions in the infrastructure and REIT space and greatly reduced our short positions in resources. We have selectively added to cyclical, financial and US$ exposures (all of which are likely to benefit from a rising US interest rate environment) while shorting overpriced yield proxies and de rating growth stocks.

Top contributors in October were a long position in Shriro +0.68% (Sustainable Yield) and short positions in Estia +0.65% (Roll Ups) and Coca-Cola Amatil +0.28% (Structural Change). Biggest detractors were long positions in Smartgroup -2.23% (Scarce Growth), Bapcor -1.60% (Scarce Growth) and Altium -0.81% (Online).

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:	151.1% 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	**22.522% (annualised)**	
Beta	**0.1191**	
Correlation	**0.0870**	
Sharpe ratio	**1.21**	**0.58**
Sortino ratio	**2.35**	**0.88**
Maximum Drawdown	**-17.87%**	**-13.45%**

Performance Summary (net of all fees)

	Totus Alpha Fund Accumulated	ASX300 Accumulation
Latest month (October)	**-7.1%**	**-2.2%**
Calendar year to date	**-13.0%**	**4.2%**
One year rolling	**-2.3%**	**6.3%**
Total since inception	**151.1%**	**48.9%**
Annualised return	**22.2%**	**9.1%**

Month-end Position & Theme Exposures

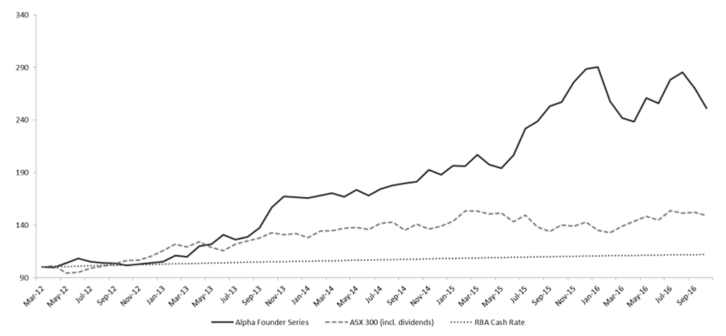
As at 31 October, the fund had a net exposure of 25.2% and a gross exposure of 206.0%. The fund held 115 positions (58 long and 57 short).

Major investment exposures were as follows:

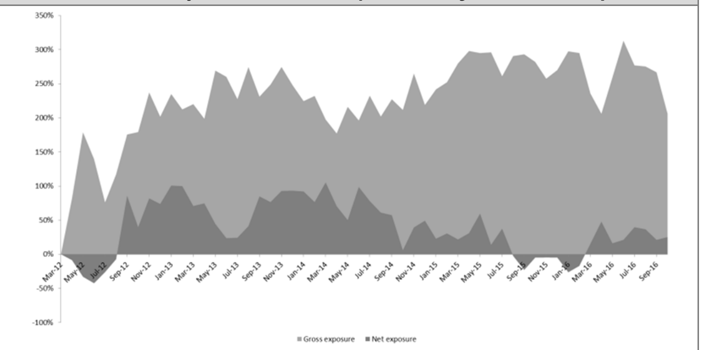
Longs: Scarce Growth 47.1%, Online 24.1%, USD Beneficiaries 12.1%

Shorts: Earnings Risk 13.0%, Roll Ups 11.6%, Fund Managers 8.5%

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	-7.08			-12.96

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