

"If you don't know who you are, the stock market is an expensive place to find out" George Goodman, aka Adam Smith

Monthly Performance Review

Totus Alpha Fund Founder's Series Units rose 2.7% net of fees in December. The ASX 300 Accumulation Index was up 4.3% in December. 2016 was the fund's worst annual return in the 5 years since launch and as significant investors in the fund and as custodians of your capital and trust it was extremely disappointing but a period of short term underperformance is not unusual given our investment process, the nature of the market in 2016 and the high base we were coming off in 2015.

Clients often ask us where are generating our performance so we have again looked at our return attribution for the last three years. The results are as follows:

Attribution (%)	2016	2015	2014
Longs	7.0	31.0	6.9
Shorts	-19.4	21.1	5.9
Index Futures and Currency	-1.9	1.3	
Total return (net of fees)	-14.3	53.5	12.8

In summary 2016 was year in which we could have done a lot better. We were too bearish all year and bearish in the wrong sectors by and large while our high quality cash generative long investments failed to keep pace with other more cyclical parts of the market however as we said in our December 2015 monthly report this time last year investors should not extrapolate these returns into the future.

2016 was the first year we have had significant negative attribution from our short book. As we head into 2017 the ASX Accumulation Index has just posted its 5th consecutive positive year while the US S&P500 has just posted its 8th straight positive year and as such we are late, not early in the cycle. Stocks have rallied strongly despite already high valuations and subdued (and in some cases weakening) earnings growth. Volatility is close to multi decade lows and both interest rates and inflation are rising. This type of environment should be conducive to long short investing. We look forward to working hard for you in 2017.

Top contributors in December were long positions in Bapcor +1.33% (Scarce Growth), SmartGroup + 0.86% (Value) and McMillan Shakespeare +0.53% (Value). Biggest detractors were a short positions in G8 Education -0.54% (Roll Ups) and long positions in Hansen -0.39% (Online) and Altium -0.30% (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:	147.4% 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
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Performance Quality Measures

(since inception vs. the ASX 300 Accumulation Index)

	Totus Alpha Fund	ASX 300 Accumulation Index
Alpha	21.2999% (annualised)	
Beta	0.1050	
Correlation	0.0765	
Sharpe ratio	1.14	0.69
Sortino ratio	2.19	1.06
Maximum Drawdown	-17.87%	-13.45%

Performance Summary (net of all fees)

	Totus Alpha Fund Accumulated	ASX300 Accumulation
Latest month (December)	2.7%	4.3%
Calendar year to date	-14.3%	11.8%
One year rolling	-14.3%	11.8%
Total since inception	147.4%	59.7%
Annualised return	21.0%	10.4%

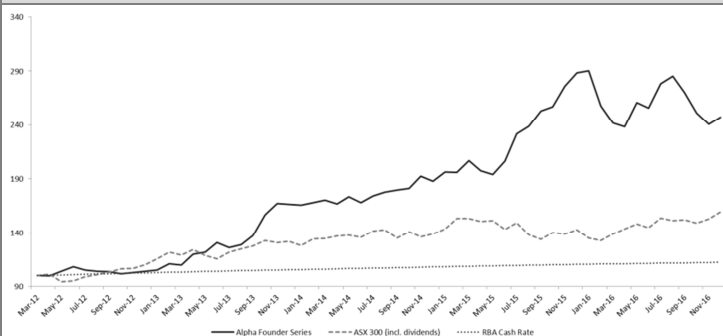
Month-end Position & Theme Exposures

As at 31 December, the fund had a net exposure of 57.2% and a gross exposure of 213.4%. The fund held 105 positions (47 long and 58 short).

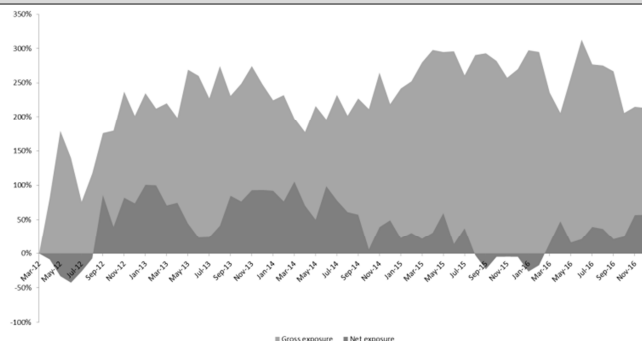
Major investment exposures were as follows:

Longs: Value 32.3%, Online 28.8%, Scarce Growth 23.7%
Shorts: Earnings Risk 19.7%, Rising Rates 16.2%, Commodities 7.8%

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	-4.12	2.74	-14.26

*All returns quoted are for Founder's Series units