Totus Capital alphafund

January 2017 Performance Summary

"The truth is always the strongest argument" Sophocles

Monthly Performance Review

Totus Alpha Fund Founder's Series Units fell 2.0% net of fees in January. The ASX 300 Accumulation Index was down 0.8% on the month. Looking at our attribution for the month what was notable was the number of small losses across the book without any meaningful winners to offset them. This may have been due to the steady drip feed of earnings downgrades (which the fund largely avoided) across the market which weighed on sentiment in the mid cap space where we have exposure. The move in the Aussie dollar from 0.72 to 0.76 US$ during the month was a headwind for our US$ positions during the month and our lack of long exposure to resources was unhelpful in a relative sense.

One of the things we have done well over the last 5 years is purchasing cash generative businesses during times of short term uncertainty. One part of the market that looks interesting from this angle is retail. Sentiment towards retailers is poor at present due to perceived long term headwinds from online shopping and a number of recent bankruptcies in the discretionary retail space. Share prices have reacted accordingly and expectations for the current reporting season have been rebased. We have used this pullback to initiate long positions in 2 discretionary retailers: Adairs (ADH which is down 50% in 4 months) and Vita Group (VTG which is down 36% over the same period). Both of the businesses are cheap based on historical earnings, have identifiable company specific tailwinds and in the case of ADH there has been notable insider buying in recent months.

Reporting season is now underway and we are optimistic that even an uneventful showing from oversold long positions like ADH and VTG will be enough to see share prices recover from current levels. We have already seen this with Premier Investments (a detractor to performance in January) which pre reported last week and is up over 6% month to date.

Top contributors in January were long positions in Facebook +0.91% (Online) and SmartGroup +0.35% (Value) and a short position in Mantra +0.25% (Earnings Risk). Biggest detractors were short positions in Energy World -0.35% (Promoters) and Estia -0.31% (Roll Ups) and a long position in Premier Investments -0.35% (Scarce Growth).

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:	142.4% 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
Address:	Level 8, 139 Macquarie Street Sydney NSW 2000
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Performance Quality Measures
(since inception vs. the ASX 300 Accumulation Index)

	Totus Alpha Fund	**ASX 300 Accumulation Index**
Alpha	**20.3166% (annualised)**	
Beta	**0.1134**	
Correlation	**0.0824**	
Sharpe ratio	**1.09**	**0.66**
Sortino ratio	**2.09**	**1.02**
Maximum Drawdown	**-17.87%**	**-13.45%**

Performance Summary (net of all fees)

	Totus Alpha Fund Accumulated	**ASX300 Accumulation**
Latest month (January)	**-2.0%**	**-0.8%**
Calendar year to date	**-2.0%**	**-0.8%**
One year rolling	**-16.5%**	**17.3%**
Total since inception	**142.4%**	**58.5%**
Annualised return	**20.1%**	**10.0%**

Month-end Position & Theme Exposures

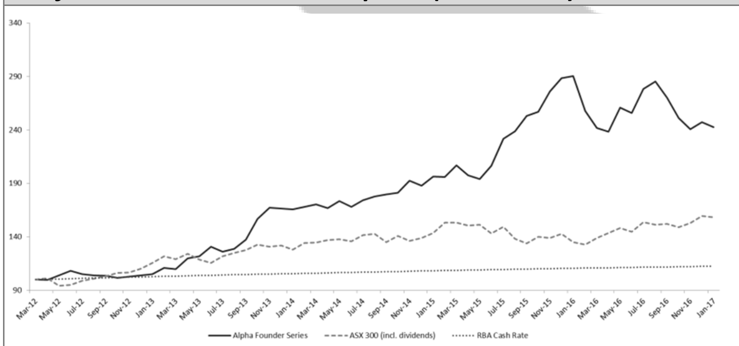
As at 31 January, the fund had a net exposure of 63.3% and a gross exposure of 217.4%. The fund held 101 positions (44 long and 57 short).

Major investment exposures were as follows:

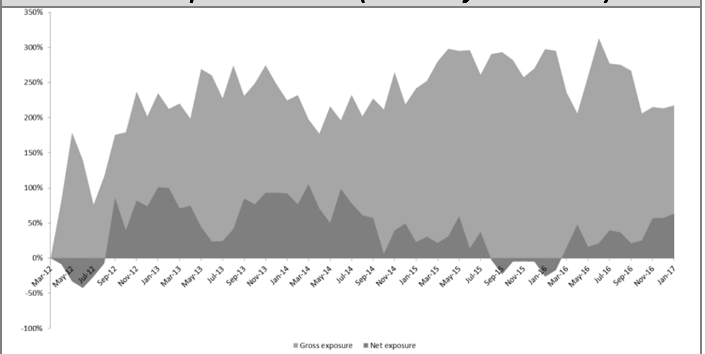
Longs: Rising Rates 35.7%, Value 31.6%, Scarce Growth 24.9%

Shorts: Earnings Risk 15.9%, Commodities 12.3% , Rising Rates 11.2%

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
2017	-2.00												-2.00

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