

"Life is a series of adversities and each one is an opportunity to behave well" Charlie Munger

Monthly Performance Review

Totus Alpha Fund Founder's Series Units fell 0.5% net of fees in February. The ASX 300 Accumulation Index was up 2.2% on the month. February was reporting season for the ASX and while it was disappointing to end the month with a small loss we were generally happy with how our positions reported and this has translated into a solid start for performance so far in March (please call Samantha if you would like an update).

The biggest change in markets in many years has been the recent change in the trend from declining interest rates to rising rates. This trend change is likely to have a profound effect on the performance of many sectors of the stock market in years to come. We have been hard at work ensuring that the portfolio is properly calibrated to perform in this new environment. In theory rising rates mean that investors will pay less for long dated cash flows as the opportunity cost of waiting for these cash flows has risen. What this means in a practical sense is that we have cut any residual positions in high PE (such as Domino's Pizza) and expensive defensive yield stocks (Transurban, Goodman Group) while adding to long positions at the value end of the market (Vita Group, Shiro) as well as interest rate beneficiaries such as the insurers (QBE, Medibank) and selected bank stocks (Clydesdale and Wells Fargo). In certain high PE stocks where we have noted pressure on the business or declining earnings quality we have initiated short positions (e.g. Domino's).

The fund was a major beneficiary of falling rates and we see no reason why a rising rate environment should not be an equally productive tailwind over time. Navigating turning points can be uncomfortable at times, however, with each passing day we see more and more evidence that this trend change is accelerating and we are just now starting to see the green shoots of these adjustments paying off in the portfolio.

Top contributors in February were long positions in Ramsay +0.46% (Ageing Population), Aristocrat +0.30% (Scarce Growth) and Westpac +0.29% (Financials). Biggest detractors were short positions in Estia -0.50% (Roll Ups) and Blue Sky -0.39% (Fund Managers), and a long position in Adairs -0.48% (Value).

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:	141.3% 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
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Performance Quality Measures

(since inception vs. the ASX 300 Accumulation Index)

	Totus Alpha Fund	ASX 300 Accumulation Index
Alpha	19.8159% (annualised)	
Beta	0.1091	
Correlation	0.0792	
Sharpe ratio	1.10	0.73
Sortino ratio	2.13	1.15
Maximum Drawdown	-17.87%	-13.45%

Performance Summary (net of all fees)

	Totus Alpha Fund Accumulated	ASX300 Accumulation
Latest month (February)	-0.5%	2.2%
Calendar year to date	-2.4%	1.4%
One year rolling	-6.4%	22.0%
Total since inception	141.3%	61.9%
Annualised return	19.6%	10.3%

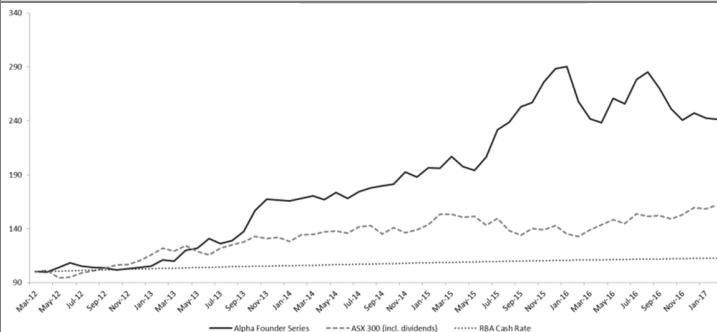
Month-end Position & Theme Exposures

As at 28 February, the fund had a net exposure of 42.7% and a gross exposure of 171.2%. The fund held 99 positions (44 long and 55 short).

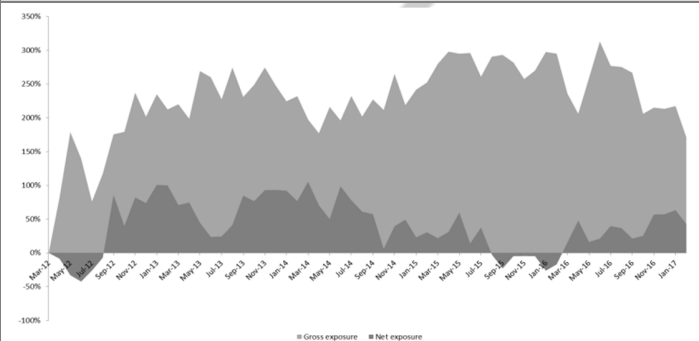
Major investment exposures were as follows:

Longs: Value 29.7%, Rising Rates 22.4%, Scarce Growth 21.3%
Shorts: Earnings Risk 11.2%, Rising Rates 11.2%, Roll Ups 6.9%

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	-0.46											-2.45

*All returns quoted are for Founder's Series units