

"Predicting rain doesn't count, building arks does" Warren Buffett

Monthly Performance Review

Totus Alpha Fund Founder's series units rose 2.2% net of fees in March. The ASX 300 Accumulation index was up 3.3% for the month. If you have picked up an Australian newspaper in the last 6 weeks you would no doubt be aware that housing has become an even hotter topic than normal of late. This has led to an increase in questions from our investors on our thoughts and the portfolio implications of a potential softening in Australian house prices. Trying to predict how the portfolio would perform under any hypothetical housing slump scenario is difficult however we can make some observations.

We have no strong view about the timing or severity of any broad based downturn in house prices however we are monitoring lead indicators such as affordability, clearance rates, building approvals and loan growth. There are some areas of the market that already looked stretched to us, for example Brisbane new build apartments and Western Sydney housing. We have short positions in a Brisbane based fund manager with a portfolio of unfinished apartment projects and a regional bank that has enjoyed significant non cash gains on its deferred home equity business in Sydney and Melbourne.

In the event that broad based home price weakness spreads to Sydney and Melbourne detached housing then it is fair to say that we would look to exit our (modest) long position in the Big Four Aussie banks. Falling house prices are also likely to be a major headwind for discretionary retailers, building materials and consumer finance companies and we would look to opportunistically short housing exposed companies in those spaces. Given the amount of housing debt outstanding and the size of that debt relative to the capital of our banks it would not be a surprise to see falling house prices bring on a recession and/or a meaningful stock market correction in Australia. The fund currently has 25% of its capital in US stocks. This could meaningfully increase if the housing situation deteriorates.

Top contributors in March were long positions in Shiro +0.86% (Value) and Vita Group +0.48% (Value), and a short position in Quintus +0.64% (Promoters). Biggest detractors were short positions in Spotless -0.39% (Earnings Risk), Woodside -0.32% (Energy) and G8 Education -0.30% (Roll Ups).

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: 146.6% 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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 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	19.876% (annualised)	
Beta	0.1101	
Correlation	0.0803	
Sharpe ratio	1.12	0.78
Sortino ratio	2.16	1.23
Maximum Drawdown	-17.87%	-13.45%

Performance Summary (net of all fees)

	Totus Alpha Fund Accumulated	ASX300 Accumulation
Latest month (March)	2.2%	3.3%
Calendar year to date	-0.3%	4.7%
One year rolling	2.0%	20.2%
Total since inception	146.6%	67.2%
Annualised return	19.8%	10.8%

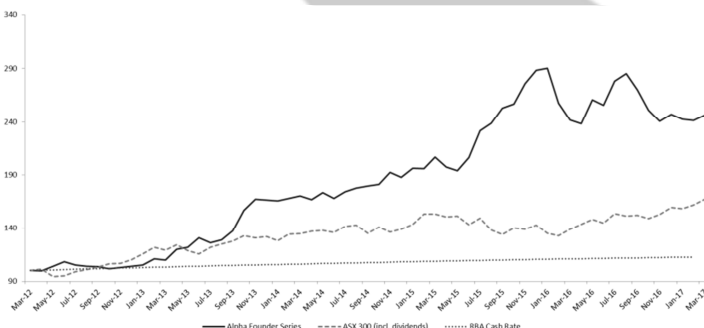
Month-end Position & Theme Exposures

As at 31 March, the fund had a net exposure of 37.8% and a gross exposure of 219.1%. The fund held 105 positions (45 long and 60 short).

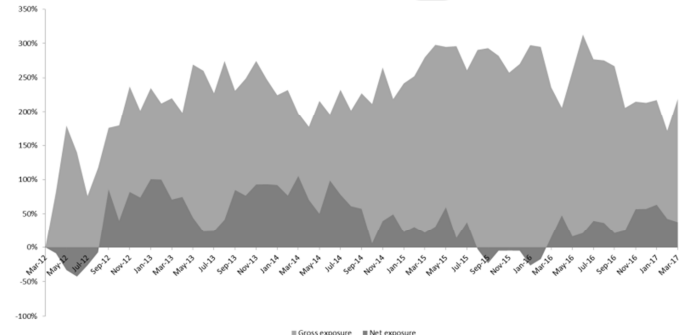
Major investment exposures were as follows:

Longs: Value 31.8%, Internet & Cloud 20.4%, Scarce Growth 14.3%
 Shorts: Earnings Risk 18.6%, Commodities 16.0%, Roll Ups 9.8%

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
2017	-2.00	-0.46	2.19										-0.31

*All returns quoted are for Founder's Series units