

Monthly Commentary

In life and investing you either win or you learn, and in August we learnt a lot. An overweight bet on steel-making commodities (met coal in particular) caused all our negative performance. Outside of resources, the book was basically flat.

The big issue for met coal was a(nother) growth scare in China happening at the same time as a seasonal low point for demand ahead of post-monsoon restocking in India. This weak short-term demand environment overwhelmed any good news in the space and there has been plenty. In recent weeks there have been two Australian met coal asset-level sell-downs to Japanese and Indian steel makers at hefty premiums to prices paid just a few months earlier. There were also reports of over 30 separate groups signing up to the Anglo American met coal sale process despite a jewel in its crown being shut down due to a mine fire and likely to never open again. There is a major disconnect between the prices people are willing to pay for these irreplaceable scarce assets in public and private markets. This should result in a good opportunity for value transfer from the impatient to the patient; however, we acknowledge that our sizing to this bet was wrong - in hindsight - when we added to the position in July post news of the Anglo American mine fire.

Despite lacklustre (and in numerous cases declining) earnings, many large cap stocks went up (experienced multiple expansion) during the month as they a) out-operated their smaller weaker competitors, and b) benefited from index and valuation insensitive buying. The good news is that outside of resources and large cap stocks we are finding some good businesses at reasonable prices to add to our long book. Mid cap shorts continue to work with a steady stream of overpriced junk finding its way up the ASX as per normal.

A consolation prize after a tough month was news last night that Realestate.com is considering a cash and scrip bid for Rightmove which is a 6%+ position in the portfolio. Hopefully, a sign of better things to come.

For further information on the strategy, performance and topical investment ideas, look out for our semi-annual update video which will be available in the coming weeks.

Monthly Stock Contribution

Contributors		
CME Group	Long	+0.7%
Capricorn Metals	Long	+0.5%
Flight Centre	Short	+0.3%
Detractors		
Stanmore Resources	Long	-1.0%
Jupiter Mines	Long	-0.9%
Whitehaven Coal	Long	-0.8%

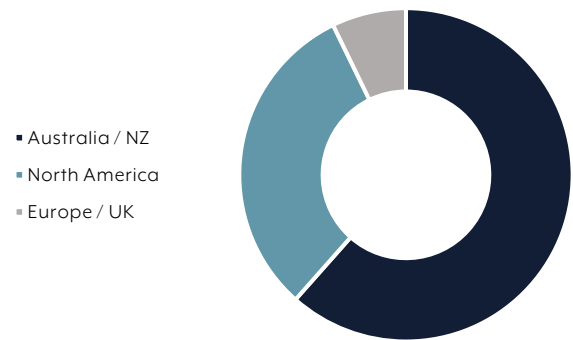
Performance Summary (net of all fees)

	Totus Alpha Fund	ASX 300 Accum. Index
1 month	-5.8%	0.4%
Calendar year to date	0.0%	9.0%
1 year	1.0%	14.6%
3 years p.a.	5.3%	6.4%
5 years p.a.	5.0%	8.0%
10 years p.a.	10.2%	8.0%
Total since inception	368.7%	207.8%
Since inception p.a.	13.2%	9.5%

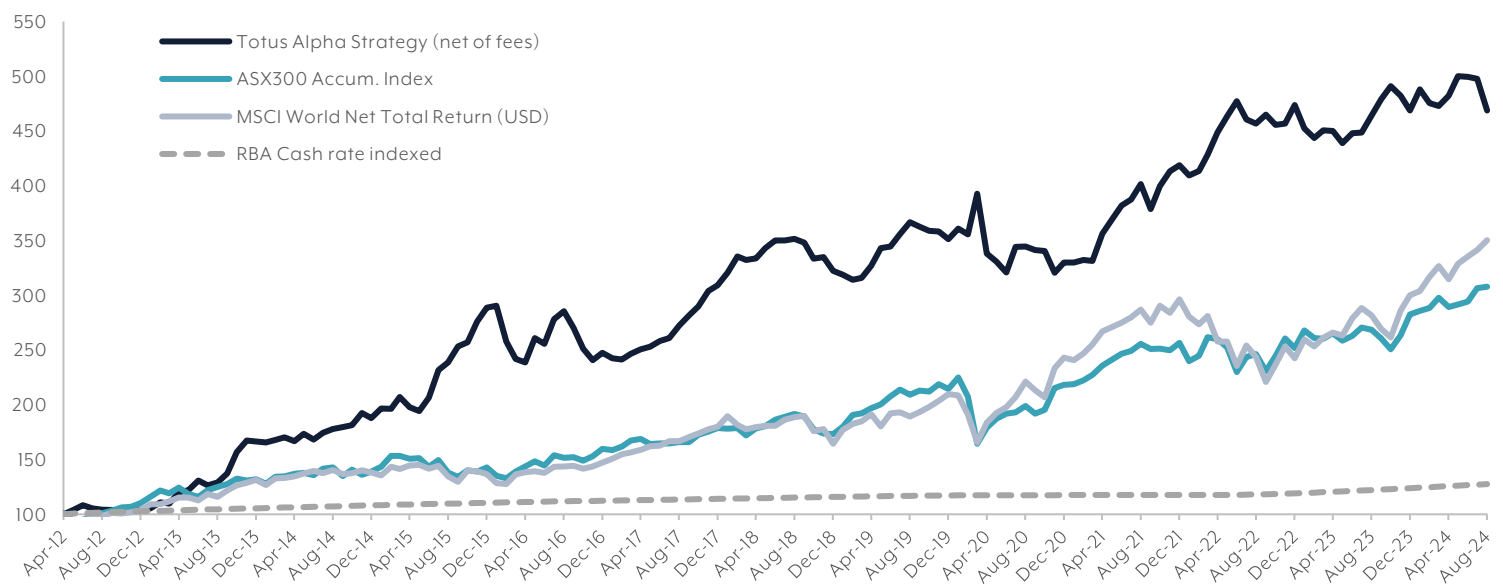
Portfolio Exposure (regional breakdown)

Geography	Long	Short	Net	Gross
Australia / NZ	53%	50%	4%	103%
North America	46%	18%	28%	64%
Europe / UK	16%	0%	16%	16%
TOTAL	115%	68%	47%	183%

Gross Exposure as % of Total Exposure



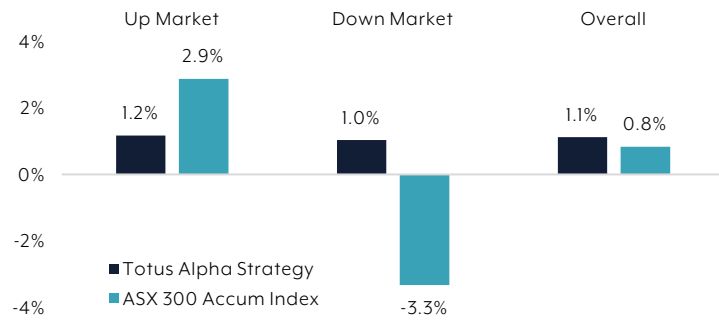
Performance Since Inception (base = 100)



Month-end Positions & Theme Exposures

Long	Short
44 positions	40 positions
Undersupplied Commodities 18%	Market Hedge 13%
Bricks to Clicks 18%	Consumer Slowdown 8%
Yield 17%	Declining Rates 7%

Average Monthly Performance



Performance Metrics (since inception)

Outperformance (p.a.) ¹	3.8%
Alpha ²	13.5%
Beta / Correlation ¹	-0.15 / -0.15
Sharpe Ratio	0.82
Sortino ratio	1.56
Average Exposure - Net / Gross	36% / 208%

Historical Monthly Performance ³

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CYTD
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%	59.91%
2014	-0.59%	1.44%	1.43%	-2.15%	3.99%	-3.02%	3.70%	2.02%	1.02%	0.87%	6.13%	-2.31%	12.83%
2015	4.60%	-0.20%	5.61%	-4.53%	-1.76%	6.33%	12.14%	3.00%	6.15%	1.52%	7.37%	4.50%	53.54%
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%	2.18%	1.59%	1.01%	2.05%	0.99%	4.45%	3.42%	2.83%	4.88%	1.78%	25.01%
2018	3.68%	4.61%	-0.99%	0.48%	2.81%	2.03%	-0.02%	0.40%	-0.94%	-4.21%	0.41%	-3.76%	4.20%
2019	-1.10%	-1.42%	0.54%	3.48%	4.94%	0.42%	3.36%	3.04%	-1.15%	-1.07%	-0.14%	-1.94%	9.00%
2020	2.71%	-1.41%	10.42%	-13.88%	-2.20%	-3.04%	7.31%	0.13%	-0.95%	-0.23%	-5.89%	2.89%	-6.12%
2021	0.04%	0.69%	-0.21%	7.47%	3.57%	3.54%	1.48%	3.61%	-5.73%	5.60%	3.35%	1.37%	27.03%
2022	-2.25%	0.96%	3.64%	4.78%	3.23%	3.01%	-3.52%	-0.82%	1.81%	-2.00%	0.22%	3.70%	13.06%
2023	-4.45%	-1.97%	1.60%	-0.14%	-2.46%	2.03%	0.15%	3.49%	3.19%	2.47%	-1.75%	-2.81%	-1.02%
2024	4.11%	-2.55%	-0.55%	1.95%	3.72%	-0.14%	-0.35%	-5.82%					-0.02%

Notes:

¹ compared to the ASX 300 Accum. Index.

² Alpha - the difference between the Fund's expected returns based on its beta and actual returns. $\text{Alpha} = R - [R_f + \beta(R_m - R_f)]$ where R = Realised Fund return; R_f = the risk-free rate; R_m = Market/index return; β = Fund's beta.

³ Post the unit conversion and removal of series performance accounting that took place on 1 November 2019, all performance numbers from 30 November 2019 are for Platform Class (APIR TOT7316AU) units, net of all fees. All performance numbers quoted prior to this time are for Founder Series Main (APIR TOT0006AU) units, net of all fees. Past performance should not be taken as an indicator of future performance.

Fund Information

Investment Strategy	Absolute return global developed market equity long short
APIR Code	TOT7316AU
Inception date	2 April 2012
Domicile / Currency	Australia / AUD
Management Fee	1.5% p.a. (excl. GST and any RITC)
Performance Fee	20% outperformance of hurdle, HWM
Hurdle	RBA Cash Rate
Minimum Investment	\$250,000
Liquidity	Monthly
Prime Broker	Morgan Stanley
Fund Administrator	Citco
Fund Auditor	EY
Platform availability	Netwealth, BT Panorama, HUB24, Mason Stevens, Powerwrap, Praemium, AMM

Contact	
Investment Manager	Totus Alpha Management Pty Ltd
Address	Level 8, 139 Macquarie Street, Sydney NSW 2000
Contact Details	ir@totuscapital.com.au / +61 2 8072 9945
Website	www.totuscapital.com.au