

# ATRAM Alpha Opportunity Fund, Inc.

August 31, 2016



www.atram.com.ph

## Investment Objective

The Fund's investment objective is growth through capital appreciation. The Fund seeks to deliver returns over the long term by investing primarily in equity securities, with a focus on companies with strong growth potentials which are not included in the Philippine Stock Exchange Composite Index (PSEi). The Fund may also invest a portion of its assets in other securities such as fixed income, bonds and currencies depending on prevailing market conditions.

## Fund Facts

Fund Manager	<b>ATR AM</b>
Bloomberg Ticker	<b>ALPHAOP PM</b>
Inception Date*	<b>17 September 2012</b>
Currency	<b>PHP</b>
Fund Size	<b>212.83 Million</b>
NAVPS	<b>1.4242</b>

\*Date of conversion from money market fund

## Performance Overview



Figures as of 08.31.2016

Cumulative Performance %						
	1 Mo	1 Yr	3 Yrs	5 Yrs	YTD	Since Incept.
<b>Fund</b>	2.90	11.14	12.95	n.a.	21.55	25.97

  

NAVPS				
	31-May-16	30-June-16	29-July-16	31-Aug-16
<b>Fund</b>	1.2461	1.3172	1.3840	1.4242

## Manager's Report

The Philippine Stock Exchange Index (PSEi) weakened 2.21% last August as the unexciting 2Q earnings failed to justify rich market valuation. In addition, foreign funds took \$32mn out of the equities market, snapping a three month inflow that started after President Duterte's election. The outflow was partly due to the increased chances of a US interest rate hike this year. Higher interest rates abroad usually discourage foreign money investments in the Philippines, and emerging markets as a whole.

The ATRAM Alpha Opportunity Fund was up (+2.90% month-on-month) and underperformed the MSCI Philippine Small Capitalization Index by 0.09% basis points in August. The overweight positions in EEI Corp (EEI) and Petron Corp (PCOR) were the main drag in performance. Investors took profits on EEI after its 26% rally in July. On the other hand, sentiment on PCOR soured after the Department of Finance proposed an additional P6/liter excise tax on oil which may lower sales volume.

Last month, we trimmed our positions on our top performers (MWIDE and MRSGI) whilst adding exposure to NIKL, MWC and CHP. These growth stocks were sold down due to regulatory hurdles (MWC) and weaker than expected earnings (CHP) but we anticipate a recovery in their growth trajectory in the years ahead. In doing so, we utilized about 1% of our cash reserve as we maintained our tactical underweight.

Given the strong run up in the market since February this year, increased attention on the government's ability to deliver its promises, and the impending US rate hike, we expect the index to test the near-term support at 7550. In addition, the international community's increasing concern on the Philippine government's unconventional methods used on its "War on Drugs", might negatively affect investor sentiment.

## Portfolio Analysis

### Composition of the Fund



- Equities (93%)
- Cash/Money Market (7%)

### Sector Exposure

Power & Utilities	24%	Holding Firms	7%
Consumer	21%	Gaming	7%
Property	13%	Transportation	5%
Construction	9%	Others	7%

### Top Ten Holdings

Manila Water Company, Inc.	10.3%
D&L Industries, Inc.	9.4%
First Gen Corporation	8.4%
Cosco Capital, Inc.	6.9%
Bloomberry Resorts Corporation	5.7%
Cebu Air, Inc.	5.3%
DoubleDragon Properties Corp.	4.1%
Max's Group, Inc.	3.9%
Metro Retail Stores Group, Inc.	3.7%
Vista Land & Lifescapes, Inc.	3.6%

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Monthly Performance %														
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Year	Cumulative
2012	-	-	-	-	-	-	-	-	-0.87	0.75	1.74	5.02	6.71	6.71
2013	7.89	6.58	0.04	6.92	-4.23	-7.27	4.97	-8.85	-0.89	2.57	-3.72	-0.91	1.36	8.16
2014	-0.04	5.69	-1.56	9.86	-1.52	3.68	1.36	-2.30	5.22	2.20	-0.30	9.84	36.02	47.13
2015	0.09	-3.28	-5.36	-0.24	-5.08	-4.19	4.85	-11.61	-6.08	6.63	-6.06	-2.80	-29.56	3.64
2016	-11.85	5.46	10.34	-0.89	4.61	5.71	5.07	2.90					21.55	25.97

Performance	Risk-adjusted Returns & Statistics				Portfolio Analytics*		
	<b>2016 YTD</b>	<b>Since launch</b>		<b>1 yr</b>	<b>Since launch</b>		
Fund	21.55%	25.97%	Risk-adjusted return	0.60	0.41	Percentage of positive months	52.08%
Benchmark	27.79%	53.16%	Information ratio	(1.12)	(0.41)	Average gain in positive months	4.80%
Over/under performance	-6.24%	-27.19%	Standard deviation	21.84%	18.55%	Sharpe ratio	0.21
						Correlation with reference BM	0.80
						Beta (relative to reference BM)	0.85
						Jensen's Alpha (relative to reference BM)	-3.45%

Note: Risk-adjusted returns and statistics are all annualized

\*Since launch

<b>Asset Class</b>	Equities (Multi-asset)	<b>NAVPS publication</b>	Trade date + 1
<b>Domicile</b>	Philippines	<b>Investment Manager</b>	ATR AM
<b>Risk &amp; Investor Profile</b>	High Risk	<b>Transfer Agent</b>	ATR AM
<b>Reference Benchmark*</b>	MSCI Phil. Small Cap Index	<b>Custodian</b>	Citibank N.A. Manila
<b>Management &amp; distribution fee</b>	2.00% p.a.	<b>Fund Accountant</b>	Deutsche Bank AG, Manila Branch
<b>Type of shares</b>	Common	<b>Auditor</b>	SGV & Co.
<b>Dealing frequency</b>	Daily	<b>Website</b>	www.atram.com.ph

\*ATRAM has changed its benchmark from Philippine Stock Exchange Index to MSCI Phil. Small Cap Index as of August 1, 2015.

## Definitions:

**Beta** of a fund measures its relationship with the benchmark. A beta of exactly 1 means that the fund's returns generally mirror the pattern of its benchmark's returns. A beta of greater than 1 means the fund will move in the same direction as the benchmark but by a greater amount. A beta of between zero and 1.0 implies that the fund's NAVPs should generally move in the same direction as the benchmark, although in lesser magnitude. A beta of exactly zero implies that the fund's pattern of returns is completely unrelated to the movement of the benchmark's returns. A negative beta indicates that the choice of benchmark may be inappropriate, and that a different benchmark should be selected.

**Correlation** measures how closely the movements of two variables are synchronized with each other. The maximum attainable correlation of 1.0 means that a pair of variables moves in perfect lockstep, in the same direction and magnitude; at the other extreme, the minimum possible correlation of -1.0 denotes that a pair of variables moves as perfect mirror images; meanwhile a correlation of exactly zero implies that the variables behave completely independently of each other. In the analysis of investments, correlation compares the direction and magnitude of a fund's returns with the direction and magnitude of a reference benchmark's returns.

**Information Ratio** measures how much excess return over a reference benchmark's returns an investment has yielded relative to the variability of said excess returns over benchmark returns. Information ratio is computed as the ratio of the mean of the fund's excess returns over benchmark returns (i.e., the relative return) to the fund's tracking error (i.e., the relative risk).

**Jensen's alpha** is a measure of a fund's excess return over its expected return as computed using CAPM (Capital Asset Pricing Model). The expected return considers the benchmark return, the fund's beta and the risk-free rate of return. A value of 1% indicates that the fund beat its expected return by 1%.

**Risk-adjusted Return** measures how much absolute return an investment has yielded relative to the amount of absolute risk taken. Risk-adjusted return is calculated by dividing the mean (average) of a fund's return by the standard deviation of the fund's returns.

**Sharpe Ratio** is a measure of risk-adjusted performance and is defined as the ratio of excess return over the volatility of an investment. Excess return refers to the return of the investment over the risk-free rate of return. A higher ratio means better risk-adjusted performance.

**Standard Deviation** is a measure of how widely dispersed the fund's returns are away from the mean of the fund's returns. A basic and widely-used statistical concept, standard deviation is often employed as a measure of absolute risk in the analysis of investments.

**Tracking Error** is a measure of how widely dispersed the fund's excess returns over the reference benchmark's returns were with respect to the mean of the fund's excess returns over benchmark returns. Tracking error is computed as the standard deviation of the fund's excess returns over benchmark returns. Tracking error is a measure of relative risk.

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