

AUGUST 31, 2017

# ATRAM Alpha Opportunity Fund, Inc.



## 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).

<b>Fund Manager</b>	ATRAM
<b>Bloomberg Ticker</b>	ALPHAOP PM
<b>Inception Date*</b>	17 September 2012
<b>Currency</b>	PHP
<b>Fund Size</b>	386.77 Million
<b>NAVPS</b>	1.6235
<b>Domicile</b>	Philippines
<b>Asset Class</b>	Equities
<b>Reference Benchmark</b>	MSCI Phil. Small Cap Index
<b>Management &amp; Distribution Fee</b>	2.0% p.a.
<b>Risk &amp; Investor Profile</b>	High Risk
<b>Dealing Frequency</b>	Daily

\*Date of conversion from money market fund

## Performance Overview



## Cumulative Performance %

	1 Mo	1 Yr	3 Yrs	5 Yrs	YTD	Since TO
Fund	2.23%	13.99%	14.93%	n.a.	22.96%	43.60%

## Annualized Performance %

	1 Yr	2 Yr	3 Yrs	4 Yrs	5 Yrs
Fund	13.99%	12.56%	4.75%	6.52%	n.a.

## Calendar Year Performance %

	2013	2014	2015	2016	2017 YTD	Since TO
Fund	1.36%	36.02%	-29.56%	12.68%	22.96%	43.60%
BM	1.33%	22.76%	-11.78%	15.88%	5.89%	47.05%
+/-	0.03%	13.26%	-17.78%	-3.19%	17.08%	-3.45%

Note: Performance figures are net of fees and taxes. For calendar year returns, Dec. 31 NAVPS used.

## Risk Adjusted Returns Statistics

	1 Yr	3 Yr	5 Yr	Since TO
Risk Adjusted Return	1.28	0.35	0.51	0.51
Information Ratio	2.12	0.11	-0.03	-0.03
Standard Deviation	10.71%	18.09%	17.28%	17.28%
Tracking Error	8.14%	12.35%	11.11%	11.11%

Note: Risk-adjusted returns and risk statistics are all annualized.

## Manager's Review

The Philippine Stock Exchange Index (PSEi) ranged around the 8,000 level during the month and ended August at 7,958.57 for a slight 0.74% month-on-month (MoM) loss. The seasonal 'ghost month' effect was in force this year as value turnover declined by 10.52% MoM while local participation dropped below July's level. The Philippines' first recorded bird flu outbreak in Pampanga (effectively contained), along with recent spates of terrorism (i.e. Barcelona attack) and geopolitical risk (i.e. North Korea's aggressive nuclear arms testing) did not help investor sentiment. Fortunately, foreign funds provided support as they bought \$49.60 million in August and pushed year-to-date flows to \$496.10 million inflow.

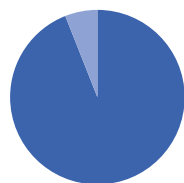
## Fund Attribution & Positioning

The ATRAM Alpha Opportunity Fund was up by 2.23% and outperformed its benchmark by 171 basis points in August. Underweight exposures on D&L Industries Inc (DNL) and overweight position in Nickel Corp (NIKL) were the main reasons for the outperformance. DNL dropped by 15.66% MoM as its second quarter earnings trailed estimates. At the same time, DNL President Alvin Lao lowered its earnings forecast from high-teen growth to single digits after a significant drop in commodity margins. Rising worldwide industrial metal prices turned around the sentiment on NIKL. NIKL was up by 20.33% MoM as it profits more than tripled from a year ago due to strong ore sales growth.

## Market Outlook

Second quarter corporate earnings were mostly in line with expectations. The base effect of the strong election-related spending last year muted year-on-year growth. The weak 2% second quarter growth dragged the PSEi's earnings growth to 3% for the first half of 2017. We expect the PSEi to consolidate in September, amid the increasing uncertainty posed by North Korea, as the market looks for more positive catalysts that can finally push the index beyond its all-time high. Nonetheless, we have utilized some of our cash reserves and added exposures to our preferred names including companies from the gaming, consumer and mining sectors.

## Composition of the Fund



■ Equities (94%)

■ Cash (6%)

## Equity Sector Exposure

Property	18%	Retail	8%
Gaming	15%	Transportation	6%
Construction	14%	Financials	6%
Power & Utilities	12%	Others	15%

## Top Ten Holdings

Holdings	Fund %
Bloomberry Resorts Corporation	11.0%
Manila Water Company, Inc.	11.1%
Vista Land & Lifescapes, Inc.	8.0%
Cebu Air, Inc.	6.2%
Filinvest Land, Inc.	5.6%
Nickel Asia Corporation	4.9%
Eagle Cement Corporation	4.2%
Robinsons Retail Holdings, Inc.	4.0%
Melco Resorts and Entertainment (Philippines) Corp.	3.9%
Megawide Construction Corporation	3.8%

## 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%
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%	-1.99%	-1.24%	-2.83%	-1.43%	12.68%	16.78%
2017	5.55%	-0.47%	2.55%	4.48%	7.20%	-0.55%	0.24%	2.23%					22.96%	43.60%

## Fund Details

NAVPS publication  
Types of shares  
Transfer Agent  
Custodian  
Fund Accountant  
Auditor

Trade date + 1  
Common  
ATR AM  
Citibank N.A. Manila  
Deutsche Bank AG, Manila Branch  
SGV & Co.

## Portfolio Analytics\*

Percentage of Positive Months 51.67%  
Average Gain in Positive Months 4.59%  
Sharpe Ratio 0.29  
Correlation with Reference BM 0.78  
Beta (relative to reference BM) 0.83  
Jensen's Alpha (relative to reference BM) 0.61%  
\*Since launch

## 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*.