

# ATRAM Alpha Opportunity Fund, Inc.

December 31, 2016



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## Investment Objective

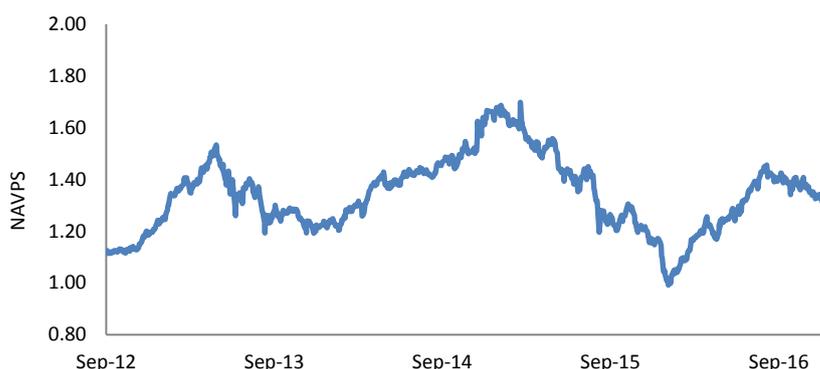
The Fund's investment objective is growth through capital appreciation. The Fund seeks to deliver returns over the long term by investing primarily in equity securities, with a focus on companies with strong growth potentials which are not included in the Philippine Stock Exchange Composite Index (PSEi). 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>289.03 Million</b>
NAVPS	<b>1.3203</b>

\*Date of conversion from money market fund

## Performance Overview



Figures as of 12.31.2016

### Cumulative Performance %

	1 Mo	1 Yr	3 Yrs	5 Yrs	YTD	Since Incept.
<b>Fund</b>	-1.43	12.68	7.96	n.a.	12.68	16.78

### NAVPS

	30-Sept-16	28-Oct-16	29-Nov-16	31-Dec-16
<b>Fund</b>	1.3958	1.3785	1.3395	1.3203

## Manager's Report

The Philippine Stock Exchange Index (PSEi) ended relatively flat in December after a late rally pushed the index back up to gain 0.88% for the month. Foreigners continued to be net sellers of local equities at around \$189mn of outflow for the fifth straight month. The foreign selling can be fairly attributed to the widespread outflow from emerging markets and into US equities brought about by bullish views on the US economy with Trump at the helm. Moreover, the heightened domestic political and regulatory uncertainties played a part as well. For 2016, the PSEi ended in the red after slipping 1.6% (-6.79% in USD terms) and rounding-out the year at 6,841 after reaching as high as 8,102 in July.

The ATRAM Alpha Opportunity Fund was down by -1.43% month-on-month but outperformed the MSCI Small Cap Index by 151 basis points in December. The underweight positions in Double Dragon (DD) and Filinvest Land (FLI) provided the bulk of the outperformance. DD fell (-12.73% month-on-month) in December as the stock continued to plummet even after a successful retail bond offering. Despite the pullback, the stock still managed to appreciate 57.38% year-to-date. On the other hand, FLI weakened 11.56% after a series of potential policy changes in the industry (i.e. reduced VAT exemptions, moratoriums on land-use conversion and new buildings (e.g. malls and condominiums), and increased property taxes) worried investors.

Last month, we continued to reduce our positions in MAXS and MRSGI whilst participating in Shakey's Pizza's (PIZZA) initial public offering. In addition, we are adding exposures to BEL, and MWC to utilize our cash reserves in a weak market. Next year, we expect investors to be cautious given the unresolved doubts (e.g. Trump's inauguration, dynamic geopolitical situation, and domestic politics permeating the markets).

Notwithstanding all the aforementioned factors, we still believe that the resiliency of the Philippine economy, as well as the equity market's improving valuation metrics will support the market in the near to medium term. As such, we are rebalancing the portfolio to be more geared towards the oversold index names while at the same time participating in sectors that will be expected to benefit from the Duterte administration's economic agenda.

## Portfolio Analysis

### Composition of the Fund



■ Equities (87%)  
■ Cash/Money Market (13%)

### Sector Exposure

Power & Utilities	26%	Gaming	8%
Consumer	17%	Transportation	3%
Property	13%	Financials	3%
Construction	10%	Others	7%

### Top Ten Holdings

Manila Water Company, Inc.	13.6%
D&L Industries, Inc.	8.5%
First Gen Corporation	7.9%
Bloomerry Resorts Corporation	7.0%
Vista Land & Lifescapes, Inc.	6.5%
Cemex Holdings Philippines, Inc.	5.0%
Shakey's Pizza Asia Ventures, Inc.	3.9%
Belle Corporation	3.7%
Cebu Air, Inc.	3.3%
Megawide Construction Corporation	3.1%

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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	-1.99	-1.24	-2.83	-1.43	12.68	16.78

Performance	Risk-adjusted Returns & Statistics				Portfolio Analytics*		
	2016 YTD	Since launch		1 yr	Since launch		
Fund	12.68%	16.78%	Risk-adjusted return	0.72	0.29	Percentage of positive months	48.08%
Benchmark	15.88%	38.87%	Information ratio	(0.47)	(0.35)	Average gain in positive months	4.80%
Over/under performance	-3.19%	-22.09%	Standard deviation	19.11%	17.98%	Sharpe ratio	0.09
						Correlation with reference BM	0.80
						Beta (relative to reference BM)	0.85
						Jensen's Alpha (relative to reference BM)	-3.03%

Note: Risk-adjusted returns and statistics are all annualized

\*Since launch

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