

# ATRAM Alpha Opportunity Fund, Inc.

July 29, 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>186.01 Million</b>
NAVPS	<b>1.3840</b>

\*Date of conversion from money market fund

## Performance Overview



Figures as of 07.29.2016

### Cumulative Performance %

	1 Mo	1 Yr	3 Yrs	5 Yrs	YTD	Since Incept.
<b>Fund</b>	5.07	-4.53	0.04	n.a.	18.12	22.41

### NAVPS

	29-Apr-16	31-May-16	30-June-16	29-July-16
<b>Fund</b>	1.1912	1.2461	1.3172	1.3840

## Manager's Report

The Philippine Stock Exchange Index (PSEi) continued its sharp rise and ended July just shy of 8,000 after trying to breach the all-time high of 8,127 several times in the latter part of the month. Investor optimism is running high after President Duterte continued to obtain the public's trust after he enumerated his administration's priorities in the State of Nation Address (SONA). Duterte's trust rating, based on Pulse Asia, is the highest among post-EDSA presidents which stems from his overarching election promise of eradicating crime and corruption and improving public service, specifically infrastructure and transportation projects.

Foreign buying remains elevated and has breached the \$1bn mark, year-to-date. In July, \$418mn flowed into the equity market as the Philippine economic fundamentals suggest above average growth, both from a historical (versus average Philippine economic growth) basis and compared to emerging market peers. However, local investors seem to regard 8,100 as an opportunity to take profits and aggressively sold into the rally.

The ATRAM Alpha Opportunity Fund rallied 5.07% and outperformed the MSCI Philippine Small Cap index by 488 basis points in July. The overweight positions in Megawide Construction Corp (MWIDE) and Metro Retail Stores Group (MRSGL) provided outperformance while underweight positions in index heavyweights, SM and AGI somewhat detracted. MWIDE, long been illiquid and ignored by most fund managers and equity brokers alike, rallied 70% in July after President Duterte put infrastructure spending as one of his main priorities. On the other hand, MRSGL's 38% month-on-month rally came as promised tax reforms (cut in corporate and income tax) and envisaged benefits of increased government spending led investors to prefer the consumer sector as higher income expectation will likely accelerate expenditures.

Given the new government's plans, we expect the continuation of Philippine economic growth to be maintained. However, we are looking closely on the execution of the said plans, especially the proposals of altering the Constitution and changing the form of government to Federalism. Locally, we expect second quarter earnings releases to be the main market catalyst while partly affected by historically low returns and volume brought by the "Ghost Month" phenomenon in August. At the same time, we anticipate foreign funds to favor Philippine companies as the chances of interest-rate hikes by major central banks around the world continue to dwindle due to weaker than expected economic growth.

In terms of portfolio movements, we have mostly maintained our positions while participating in the Cemex IPO. We believe that the company, being one of the top cement companies in the country will benefit from the anticipated infrastructure boom.

## Portfolio Analysis

### Composition of the Fund



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

### Sector Exposure

Power & Utilities	21%	Holding Firms	7%
Consumer	21%	Gaming	6%
Property	12%	Transportation	6%
Construction	11%	Others	9%

### Top Ten Holdings

First Gen Corporation	9.2%
D&L Industries, Inc.	8.0%
Cosco Capital, Inc.	6.8%
Manila Water Company, Inc.	6.7%
Cebu Air, Inc.	5.6%
Megawide Construction Corporation	5.5%
Bloomberry Resorts Corporation	5.4%
Metro Retail Stores Group, Inc.	4.9%
Vista Land & Lifescapes, Inc.	4.2%
Robinsons Retail Holdings, Inc.	4.1%

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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						18.12	22.41

Performance	Risk-adjusted Returns & Statistics				Portfolio Analytics*		
	2016 YTD	Since launch		1 yr	Since launch		
Fund	18.12%	22.41%	Risk-adjusted return	(0.06)	0.37	Percentage of positive months	51.06%
Benchmark	24.07%	48.70%	Information ratio	(1.35)	(0.42)	Average gain in positive months	4.88%
Over/under performance	-5.95%	-26.29%	Standard deviation	24.85%	18.71%	Sharpe ratio	0.18
						Correlation with reference BM	0.80
						Beta (relative to reference BM)	0.85
						Jensen's Alpha (relative to reference BM)	-3.60%

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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