

# ATRAM Alpha Opportunity Fund, Inc.

July 31, 2017



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## Investment Objective

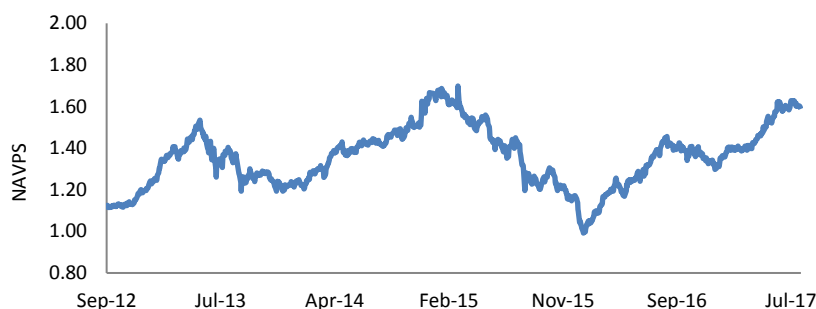
The Fund's investment objective is growth through capital appreciation. The Fund seeks to deliver returns over the long term by investing primarily in equity securities, with a focus on companies with strong growth potentials which are not included in the Philippine Stock Exchange Composite Index (PSEi). 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	ATR AM
Bloomberg Ticker	ALPHAOP PM
Inception Date*	17 September 2012
Currency	PHP
Fund Size	369.46 Million
NAVPS	1.5881

\*Date of conversion from money market fund

## Performance Overview



Figures as of 07.31.2017

### Cumulative Performance %

	1 Mo	1 Yr	3 Yrs	5 Yrs	YTD	Since Incept.
Fund	0.24	14.75	9.83	n.a.	20.28	40.47

### Annualized Performance %

	1 Yr	2 Yrs	3 Yrs	4 Yrs
Fund	14.75	4.66	3.18	3.51

## Manager's Report

The Philippine Stock Exchange Index (PSEi) finally broke through the 8,000-resistance level during the last week of July and managed to close at 8,018.05 for a 2.23% month-on-month (MoM) gain. President Duterte's second state of the nation address (SONA) proved to be a non-event as he focused on the ongoing drug war. However, he beseeched Congress to pass the tax reform bill in full to fund the administration's centerpiece "build, build, build" infrastructure program and urged mining companies to pay the right taxes. Early in the month, local funds were the leading buyers but they were replaced by the latter part of July as foreign funds started to consistently buy up the market. Foreign inflows decelerated to \$38.4 million (from \$385.8 million in June) but were enough to provide the needed push for the resistance break. Year-to-date flows now stand at \$446.5 million inflow on a net basis.

The ATRAM Alpha Opportunity Fund was up by 24 basis points (bps) and outperformed its benchmark by 149 bps in July. Overweight exposures on EEI Corp (EEI) and zero weight on First Gen Corp (FGEN) were the main reasons for the relative outperformance. EEI rallied by 26.75% MoM as sentiment on infra-related companies was bolstered yet again by President Duterte's plan to increase infrastructure spending up to 7% of Philippine gross domestic product (GDP). On the other hand, FGEN declined 8.47% MoM as investors continued to sell down the stock after its weak first quarter earnings. Further souring sentiment, FGEN's subsidiary, Energy Development Corp (EDC) still has not restored half of its 700-megawatt capacity in Leyte after the July 6 earthquake.

Despite the lack of clear catalysts, the PSEi is now well within striking distance of its all-time high. We anticipate the market to trade between 7,700 and 8,100 as the ghost month of August approaches. We expect the market to show some weakness in both price and value turnover this coming August if the last 6 years will be any guide. (The PSEi was down 5 times during the month of August over the last 6 years.) Second quarter corporate earnings will take the spotlight next month as investors determine whether earnings can justify the current PSEi level. In terms of fund strategy, we are positioned to be resilient to various market scenarios. While at the same time utilizing our cash reserves as we tactically add to our preferred names.

## Portfolio Analysis

### Composition of the Fund



Equities (91%) Cash (9%)

### Sector Exposure

Property	19%	Retail	9%
Power & Utilities	15%	Financials	8%
Construction	13%	Consumer	6%
Gaming	12%	Others	9%

### Top Ten Holdings

Manila Water Company, Inc.	12.7%
Vista Land & Lifescapes, Inc.	8.5%
Bloomberry Resorts Corporation	8.2%
Cebu Air, Inc.	5.8%
Filinvest Land, Inc.	4.9%
Robinsons Retail Holdings, Inc.	4.7%
Eagle Cement Corp.	4.3%
Philippine National Bank (PNB)	4.2%
Melco Resorts and Entertainment (Philippines) Corp.	4.1%
Megawide Construction	3.5%

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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
2017	5.55	-0.47	2.55	4.48	7.20	-0.55	0.24						20.28	40.47

Performance	2017		Risk-adjusted Returns & Statistics			Portfolio Analytics*	
	YTD	Since launch		1 yr	Since launch		
Fund	20.28%	40.47%	Risk-adjusted return	1.33	0.49	Percentage of positive months	50.85%
Benchmark	5.34%	46.28%	Information ratio	1.87	(0.06)	Average gain in positive months	4.67%
Over/under performance	14.94%	-5.81%	Standard deviation	10.80%	17.42%	Sharpe ratio	0.27
						Correlation with reference BM	0.78
						Beta (relative to reference BM)	0.83
						Jensen's Alpha (relative to reference BM)	0.27%

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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