

# ATRAM Alpha Opportunity Fund, Inc.

June 30, 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>177.32 Million</b>
NAVPS	<b>1.3172</b>

\*Date of conversion from money market fund

## Performance Overview



Figures as of 06.30.2016

Cumulative Performance %						
	1 Mo	1 Yr	3 Yrs	5 Yrs	YTD	Since Incept.
<b>Fund</b>	5.71	-4.73	-0.05	n.a.	12.42	16.50

NAVPS				
	31-Mar-16	29-Apr-16	31-May-16	30-June-16
<b>Fund</b>	1.2019	1.1912	1.2461	1.3172

## Manager's Report

The Philippine Stock Exchange Index (PSEi) jumped by 5.33% in June as confidence in the new administration surged after President Duterte's economic team reassured business and financial communities of continued reform and increased investments, especially in the agriculture and infrastructure sectors. Even more remarkable is the PSEi's rally in the aftermath of the United Kingdom's (UK) shocking decision to leave the European Union (EU). The rally initially diverged from most equity markets' sharp decline on a wave of risk off sentiment.

Foreign buying further accelerated in June to \$309mn as the optimism in the country prevailed against sour global economic outlook. As a result, foreign fund inflows reached \$637mn year-to-date helped by intermittent market on close (MOC) orders and various index rebalancing (i.e. FTSE quarter rebalancing and MSCI's SECB down weight). Rodrigo Duterte formally took over as the Philippine president with the election promise of overwhelming crime, corruption and bureaucratic red tape reduction.

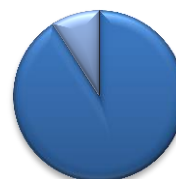
The ATRAM Alpha Opportunity Fund rose by 5.71% and underperformed the MSCI Small Capitalization index by 2.96% in June. The fund's underweight positions in Double Dragon (DD) and Premium Leisure Corp (PLC) pulled fund performance as investors stayed bullish on DD's ongoing projects. On the other hand, the improvement in Entertainment City's gross gaming revenue improved the sentiment across casino-related names.

The Philippines' intact economic fundamentals and growth story, plus its limited economic linkages (i.e. trade and OFW remittances) with the UK and EU have made the country the logical choice for growth-seeking funds in a fragile-growth world. At the same time, the new administration is perceived to be good for business and has stated that it will honor all of the previous administration's contracts. We expect the market to view the change as a welcome tailwind, until proven otherwise. However, we continue to be on the lookout for any shift in sentiment that might serve as a catalyst for any market pullback.

We will continue to monitor flows (and take advantage) to take profit should the index remain closer to the 8000 level. We expect some consolidation in the short term and expect 2Q earnings reports, which will be due out in late July/early August, to be a catalyst for any further upward move in the market.

## Portfolio Analysis

### Composition of the Fund



- Equities (91%)
- Cash/Money Market (9%)

### Sector Exposure

Power & Utilities	22%	Holding Firms	7%
Consumer	20%	Construction	7%
Property	13%	Transportation	5%
Gaming	9%	Others	8%

### Top Ten Holdings

First Gen Corporation	9.2%
D&L Industries, Inc.	8.1%
Bloomberry Resorts Corporation	8.0%
Manila Water Company, Inc.	7.3%
Cosco Capital, Inc.	6.7%
Cebu Air, Inc.	5.3%
Robinsons Retail Holdings, Inc.	4.4%
Vista Land & Lifescapes, Inc.	3.9%
Max's Group, Inc.	3.8%
Metro Retail Stores Group, Inc.	3.7%

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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							12.42	16.50

Performance	Risk-adjusted Returns & Statistics				Portfolio Analytics*		
	2016 YTD	Since launch		1 yr	Since launch		
Fund	12.42%	16.50%	Risk-adjusted return	(0.07)	0.31	Percentage of positive months	50.00%
Benchmark	23.83%	48.41%	Information ratio	(1.31)	(0.54)	Average gain in positive months	4.87%
Over/under performance	-11.41%	-31.91%	Standard deviation	24.80%	18.77%	Sharpe ratio	0.11
						Correlation with reference BM	0.81
						Beta (relative to reference BM)	0.86
						Jensen's Alpha (relative to reference BM)	-4.97%

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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