

# ATRAM Alpha Opportunity Fund, Inc.

June 30, 2017



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## Investment Objective

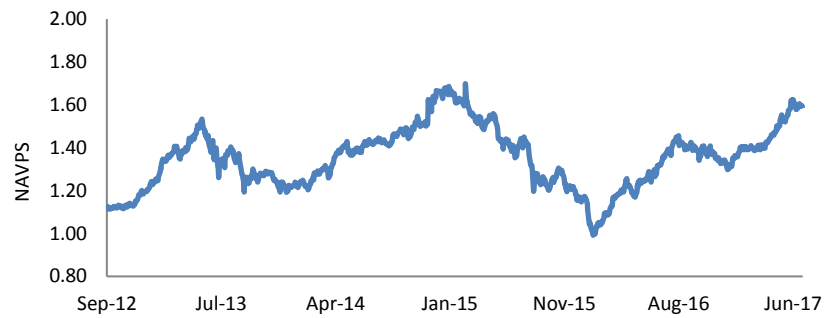
The Fund's investment objective is growth through capital appreciation. The Fund seeks to deliver returns over the long term by investing primarily in equity securities, with a focus on companies with strong growth potentials which are not included in the Philippine Stock Exchange Composite Index (PSEi). 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	<b>ATR AM</b>
Bloomberg Ticker	<b>ALPHAOP PM</b>
Inception Date*	<b>17 September 2012</b>
Currency	<b>PHP</b>
Fund Size	<b>360.99 Million</b>
NAVPS	<b>1.5843</b>

\*Date of conversion from money market fund

## Performance Overview



Figures as of 06.30.2017

### Cumulative Performance %

	1 Mo	1 Yr	3 Yrs	5 Yrs	YTD	Since Incept.
<b>Fund</b>	-0.55	20.28	11.06	n.a.	20.00	40.13

### Annualized Performance %

	1 Yr	2 Yrs	3 Yrs	4 Yrs
<b>Fund</b>	20.28	7.05	3.56	4.71

## Manager's Report

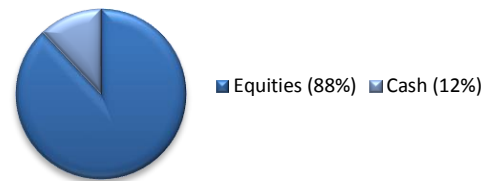
The Philippine Stock Exchange Index (PSEi) had a notably volatile June as it unsuccessfully tried to break through the all-time high of 8,102 three times. The failed attempts, mostly due to the large redemptions from local investors, eventually took a toll as foreign inflows were unable to absorb the stream of local selling whenever the index touched the 8,000 level. However, the index closed almost flat (+ 0.08% month-on-month) at 7,843 after window dressing activities during the last day of the month (and quarter) propped the market higher. Foreign inflows more than doubled from May and generated \$385.8 million worth of stocks in June, pushing the second quarter and year-to-date figure to \$757 million and \$408 million inflow, respectively.

The ATRAM Alpha Opportunity Fund was slightly down by 0.55% but outperformed its benchmark by 215 basis points in June. An off-benchmark bet on Wilcon Depot Inc (WLCON) Philippine Seven Corp (SEVN) were the main reasons for the outperformance. WLCON rallied by 38.09% month-on-month as the company's industry leadership, prospects and valuation attracted foreign investors. The stock is relatively new in the stock market as it did its initial public offering (IPO) just three months ago, where foreign participation was almost nil. As such, the stock flew as foreigners started to buy the stock after sell-side brokers promoted the name. On the other hand, SEVN was up 18.74% month-on-month as the company targets to open 400 new stores, half of which will be in Visayas and Mindanao this year. Furthermore, management guided that it will spend P3.5 billion in capital expenditure in its bid to expand product offerings, remodel existing stores and implement its 5-year plan.

In the latter part of June, the Philippine peso's sharp weakness (-1.31% month-on-month) against the US dollar, persistent rumors on President Duterte's health and the ongoing crisis in Marawi City weighed on investor sentiment. Local selling absorbed the huge foreign fund inflow given the lack of compelling positive catalysts for the overall market. Moving forward, we expect the index to trade between 7,700 and 8,000 as the market consolidates once again. Therefore, we have accumulated about 3% of cash reserves while we wait for tactical opportunities to deploy into the market while keeping our core positions unchanged.

## Portfolio Analysis

### Composition of the Fund



### Sector Exposure

Power & Utilities	17%	Construction	10%
Gaming	14%	Financials	10%
Retail	13%	Consumer	6%
Property	12%	Others	6%

### Top Ten Holdings

Manila Water Company, Inc.	11.8%
Bloomerry Resorts Corporation	8.8%
Vista Land & Lifescapes, Inc.	7.4%
Robinsons Retail Holdings, Inc.	4.8%
Melco Resorts and Entertainment (Philippines) Corp.	4.8%
Wilcon Depot, Inc.	4.7%
Semirara Mining & Power Corporation	4.3%
Philippine National Bank (PNB)	4.3%
East West Banking Corporation	4.1%
Philippine Seven Corporation	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							20.00	40.13

Performance	2017		Risk-adjusted Returns & Statistics			Portfolio Analytics*	
	YTD	Since launch		1 yr	Since launch		
Fund	20.00%	40.13%	Risk-adjusted return	1.70	0.49	Percentage of positive months	50.00%
Benchmark	6.67%	48.14%	Information ratio	2.10	(0.09)	Average gain in positive months	4.82%
Over/under performance	13.32%	-8.01%	Standard deviation	11.34%	17.57%	Sharpe ratio	0.28
						Correlation with reference BM	0.79
						Beta (relative to reference BM)	0.83
						Jensen's Alpha (relative to reference BM)	-0.01%

Note: Risk-adjusted returns and statistics are all annualized

\*Since launch

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