

# ATRAM Alpha Opportunity Fund, Inc.

May 31, 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. It is suitable for investors who have a medium to long-term investment horizon and who are willing to accept risk. The Fund is classified as a high risk investment.

## Fund Facts

Fund Manager	ATR AM
Bloomberg Ticker	ALPHAOP PM
Inception Date*	17 September 2012
Currency	PHP
Fund Size	170.70 Million
NAVPS	1.2461

\*Date of conversion from money market fund

## Performance Overview



Figures as of 05.31.2016

Cumulative Performance %						
	1 Mo	1 Yr	3 Yrs	5 Yrs	YTD	Since Incept.
<b>Fund</b>	4.61	-13.65	-12.32	n.a.	6.35	10.22
NAVPS						
	29-Feb-16	31-Mar-16	29-Apr-16	31-May-16		
<b>Fund</b>	1.0893	1.2019	1.1912	1.2461		

## Manager's Report

The Philippine Stock Exchange Index (PSEi) jumped 3.67% in May after the successful conclusion (i.e. clean and fast) of the Philippine national elections. Investors cheered Rodrigo Duterte's clear mandate as it removed the possibility of any credible electoral protests that can introduce future instability. Duterte garnered 39% of the votes, compared to his closest rival who only got 23% of the total. In addition, markets heaved a sigh of relief when the presumptive president's team presented his eight-point economic agenda which was generally perceived as a continuation of Aquino's well-regarded policies.

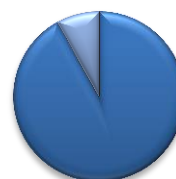
Foreign buying jumped to \$285mn partly due to a JGS placement and the weight increase (1.51% to 1.56%) of the Philippines in the MSCI World Index. As a result, foreign fund inflows got a boost to \$328mn year-to-date. The Philippine economy grew 6.9% year-on-year in the first quarter of 2016 in an apparent continuation of strong growth during election years. Healthy finances and sound fundamentals will allow the incoming administration to better proceed with its agenda of real change.

The ATRAM Alpha Opportunity Fund gained 4.61% and underperformed the MSCI Small Capitalization Index by 2.70% in May. The fund's underweight positions in Double Dragon (DD) and Security Bank (SECB) were the key drag as these companies performed strongly on the back of the inclusion of SECB and increase in weight of DD in the MSCI standard index.

We are rebalancing the fund to shift away from our biggest holding (SECB) as the stock has reached fair value, in our view. Rather than adding new names to fund, we decided to increase our exposures to our preferred names that offer more attractive valuations. With limited earnings catalysts in the near-term, we believe that sentiment will be mainly influenced by the external events such as the Federal Open Market Committee (FOMC) meetings in the US, and the EU referendum in the United Kingdom. We have ended the month with a higher than usual cash levels as we stagger our purchases to take advantage of any opportunities in this market environment. We continue to favor the industrial (i.e. power, construction, and consumer) sector but are also concerned that valuations are quickly moving higher across the broader market. We will be monitoring earnings closely as the first quarter number were underwhelming and well below the streets expectations.

## Portfolio Analysis

### Composition of the Fund



- Equities (92%)
- Cash/Money Market (8%)

### Sector Exposure

Financials	19%	Media	7%
Power & Utilities	16%	Holdings Firms	7%
Consumer	16%	Construction	6%
Property	9%	Others	12%

### Top Ten Holdings

Security Bank Corporation	14.5%
Robinsons Retail Holdings, Inc.	7.8%
D&L Industries, Inc.	7.2%
Cosco Capital, Inc.	6.6%
First Gen Corporation	6.6%
Cebu Air, Inc.	5.4%
Manila Water Company	5.2%
ABS-CBN Holdings Corp. – PDR	4.6%
Megawide Construction Corp.	3.9%
Double Dragon Properties Corp.	2.9%

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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								6.35	10.22

Performance	Risk-adjusted Returns & Statistics				Portfolio Analytics*	
	<b>2016 YTD</b>	<b>Since launch</b>		<b>1 yr</b>	<b>Since launch</b>	
Fund	6.35%	10.22%	Risk-adjusted return	(0.48)	0.23	Percentage of positive months 48.89%
Benchmark	13.96%	36.58%	Information ratio	(1.38)	(0.48)	Average gain in positive months 4.83%
Over/under performance	-7.61%	-26.36%	Standard deviation	24.27%	18.78%	Sharpe ratio 0.04
						Correlation with reference BM 0.81
						Beta (relative to reference BM) 0.87
						Jensen's Alpha (relative to reference BM) -4.68%

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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