

ATRAM Alpha Opportunity Fund, Inc.

May 31, 2017



www.atram.com.ph

Investment Objective

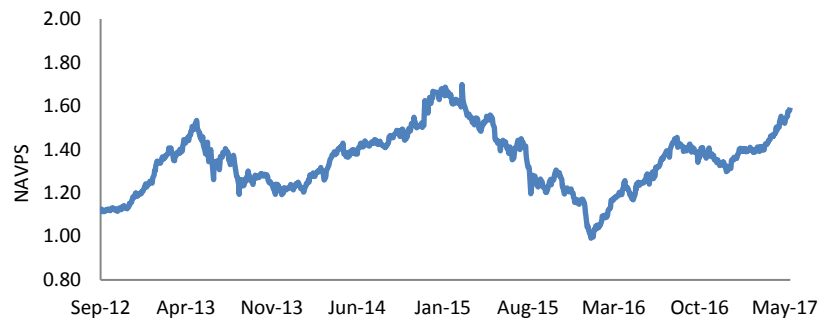
The Fund's investment objective is growth through capital appreciation. The Fund seeks to deliver returns over the long term by investing primarily in equity securities, with a focus on companies with strong growth potentials which are not included in the Philippine Stock Exchange Composite Index (PSEi). 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 | ATR AM |
| Bloomberg Ticker | ALPHAOP PM |
| Inception Date* | 17 September 2012 |
| Currency | PHP |
| Fund Size | 385.18 Million |
| NAVPS | 1.5931 |

*Date of conversion from money market fund

Performance Overview



Figures as of 05.31.2017

Cumulative Performance %

| | 1 Mo | 1 Yr | 3 Yrs | 5 Yrs | YTD | Since Incept. |
|------|------|-------|-------|-------|-------|---------------|
| Fund | 7.20 | 27.85 | 15.79 | n.a. | 20.66 | 40.91 |

Annualized Performance %

| | 1 Yr | 2 Yrs | 3 Yrs | 4 Yrs |
|------|-------|-------|-------|-------|
| Fund | 27.85 | 5.07 | 5.01 | 2.90 |

Manager's Report

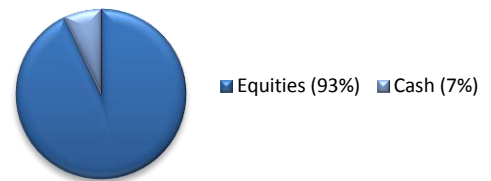
The Philippine Stock Exchange Index (PSEi) was up by another 2.30% in May to extend its winning streak to three consecutive months. The index briefly touched the 8,000-psychological resistance level as cumulative foreign flows finally turned positive for the first time since January. Foreign funds bought \$173 million worth of stocks in May that made the year-to-date flows positive at \$10.8 million from negative \$350 million at the end of the first quarter. Given the strong market, some investors found it an opportune time to take profits as the index approached the all-time high near 8,150. As such, the index corrected slightly and ended the month at 7,837.

The ATRAM Alpha Opportunity Fund shot up by 7.2% and outperformed the MSCI Philippines Small Capitalization Index by 789 basis points (bps) in May. An off-benchmark bet, 2GO Group (2GO) and underweight exposure in First Gen Corporation (FGEN) were the main reasons for the outperformance. 2GO's price more than doubled last month (+117.05% month-on-month) as optimism on logistics continued to drive the stock higher. On the other hand, FGEN went down by 11.72% month-on-month as earnings failed to meet market expectations. Net income for the first quarter of 2017 was down 11% year-on-year even without the one-off losses. Recurring earnings disappointed due to low volumes and uncontracted capacity from its San Gabriel power plant.

Corporate earnings in the first quarter of 2017 were mixed. Financials were ahead of consensus estimates due to trading gains, while the consumer sector fell behind market expectations due to margin contraction. However, sentiment improved as the tax reform bill in the House of Representatives was passed. Nevertheless, the tax bill will still need to hurdle the Senate before it can be implemented in 2018, at the earliest. Congress will reconvene on July 24 and a tougher battle in the Senate is widely expected given the "problematic" portions (e.g. excise tax on oil and sugar) due to its inflationary impact on consumer goods. By and large, the lack of negative market reaction to the declaration of Martial Law in Mindanao appears an upbeat signal for the coming months as it indicates market resiliency. In terms of fund positioning, we have taken profits from our tactical trading positions and raised cash back to double digit levels. However, we stand ready to take advantage of any opportunities that the market may offer.

Portfolio Analysis

Composition of the Fund



Sector Exposure

| | | | |
|-------------------|-----|------------|-----|
| Power & Utilities | 14% | Financials | 11% |
| Property | 13% | Consumer | 10% |
| Construction | 13% | Retail | 9% |
| Gaming | 12% | Others | 11% |

Top Ten Holdings

| | |
|---|-------|
| Manila Water Company, Inc. | 12.4% |
| Vista Land & Lifescapes, Inc. | 7.5% |
| Bloomberry Resorts Corporation | 7.2% |
| D&L Industries, Inc. | 7.0% |
| Philippine National Bank (PNB) | 5.1% |
| Cemex Holdings Philippines, Inc. | 4.5% |
| Melco Crown (Philippines) Resorts Corporation | 4.3% |
| Eagle Cement Corp. | 3.9% |
| Wilcon Depot, Inc. | 3.9% |
| Robinsons Retail Holdings, Inc. | 3.6% |

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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 | | | | | | | | 20.66 | 40.91 |

| Performance | 2017 | | Risk-adjusted Returns & Statistics | | | Portfolio Analytics* | |
|------------------------|--------|--------------|------------------------------------|--------|--------------|---|--------|
| | YTD | Since launch | | 1 yr | Since launch | | |
| Fund | 20.66% | 40.91% | Risk-adjusted return | 2.17 | 0.50 | Percentage of positive months | 50.88% |
| Benchmark | 9.64% | 52.25% | Information ratio | 1.38 | (0.13) | Average gain in positive months | 4.82% |
| Over/under performance | 11.02% | -11.34% | Standard deviation | 11.73% | 17.71% | Sharpe ratio | 0.29 |
| | | | | | | Correlation with reference BM | 0.79 |
| | | | | | | Beta (relative to reference BM) | 0.83 |
| | | | | | | Jensen's Alpha (relative to reference BM) | -0.36% |

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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