

ATRAM Alpha Opportunity Fund, Inc.

October 30, 2015



www.atram.com.ph

Investment Objective

The Fund's investment objective is growth through capital appreciation. The fund seeks to deliver returns under various market conditions by investing in a range of local and international securities, providing exposure to bonds, equities, currencies, cash and other assets.

The Fund's current strategy is to deliver superior returns over the long term by investing primarily in small to middle capitalized equity securities, with a focus on companies with strong growth potentials.

Fund Facts

Fund Manager	ATR AM
Bloomberg Ticker	ALPHAOP PM
Inception Date*	17 September 2012
Currency	PHP
Fund Size	178.47 Million
NAVPS	1.2833

*Date of conversion from money market fund

Performance Overview



Figures as of 10.30.2015

Cumulative Performance %						
	1 Mo	1 Yr	3 Yrs	5 Yrs	YTD	Since Incept.
Fund	6.63	-15.52	13.65	n.a.	-22.85	13.51
NAVPS						
	31-July-15	28-Aug-15	30-Sept-15	30-Oct-15		
Fund	1.4497	1.2814	1.2035	1.2833		

Manager's Report

The Philippine Stock Exchange Index (PSEI) rebounded by 3.49%, snapping a 6-month consecutive decline to end at 7,134. The strong performance was driven primarily by the improvement in the global risk appetite and the anticipation of positive local 3Q earnings after a largely uninspiring 1H15 reports. China's central bank (PBOC), along with the European Central Bank (ECB) continued its easing bias to alter the slowing growth trajectory. This countered the hawkish rhetoric coming from the US Federal Reserve which hinted that an interest rate-hike is still possible in their December meeting, which the market has discounted prior to the release of the October Federal Open Market Committee (FOMC) meeting statement.

For the seventh straight month, foreigners remained net sellers to the tune of \$940mn year-to-date with \$67mn flowing out in October alone as funds continue to flee emerging markets. The market's average daily turnover settled at \$147mn as majority of the local market participants and long-only foreign funds await better levels to add positions. Despite the PSEI's 1.3% loss year-to-date (-5.8% in USD terms), the index still outperformed its Asian neighbors with Malaysia (-23.1%), Indonesia (-22.8%), Singapore (-15.7%) and Thailand (-14.95%) facing greater external pressures due to their export-driven economies in a slowing international growth environment. On the other hand, the Philippine economy's defensive characteristics—consumer-driven, steady USD inflows, and ample international reserves—remains supported by record low inflation (+0.4% in September) and accelerating government expenditures (+15.3% YoY) which visibly dragged the GDP's growth in the preceding quarters.

The ATRAM Alpha Opportunity fund jumped by 6.63%, stronger than the PSEI but underperformed the MSCI Small Cap Index by 0.49% in October. Holdings in Petron Corp (PCOR) and Bloomberry (BLOOM) Resorts improved the fund performance which reversed last month's underperformance. PCOR released its strong 3Q earnings which were up 58% year-to-date despite a challenging global commodities environment while BLOOM has guided better Gross Gaming Revenue (GGR) figure and benefitted from the improved gaming sector sentiment across Asia. The drag came from our underweight positions in First Gen (FGEN) and Manila Water (MWC) as FGEN continue to build plants and add capacity while MWC recovered from the severe beating after an adverse regulatory decision.

We remain slightly prudent in this market environment given the dearth of positive external catalysts. Markets remain dependent largely on foreign flows and central banks policies around the world. Emerging markets in particular, which includes the Philippines, will continue to be affected by the downbeat sentiment especially in the short-term as the chances of a US Fed December rate-hike increases. On the bright side, the Philippine economy's defensive position is seen to withstand additional external shocks compared to our neighbors.

Internally the story is much better. We expect earnings results for Q3 to be largely in line with street expectations which reduces some of the possible downside risks caused by inflated forecasts. We also see positive prospects for earnings growth in the low teens for 2016. Outflows from foreign investors also seem to be slowing. On the macro front, low interest rates, low inflation and higher GDP growth numbers are expected for the remaining months of the year. We think these positive fundamentals could be a catalyst for some bargain hunting which should result in some marginal upside for the PSEI in the short term.

Portfolio Analysis

Composition of the Fund



■ Equities (89%)
■ Cash/Money Market (11%)

Sector Exposure

Financials	18%	Consumer	8%
Property	14%	Information Technology	4%
Power & Utilities	12%	Construction	4%
Gaming	8%	Others	21%

Top Ten Holdings

Security Bank Corporation	12.8%
D&L Industries, Inc.	6.4%
Petron Corporation	6.3%
Vista Land & Lifescapes, Inc.	6.0%
Xurpas Inc.	4.4%
Cosco Capital, Inc.	4.2%
Bloomberry Resorts Corporation	4.1%
Filinvest Land, Inc.	4.1%
Cebu Air, Inc.	3.9%
Nickel Asia Corp.	3.8%

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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%			-22.85%	13.51%

Performance	Risk-adjusted Returns & Statistics				Portfolio Analytics*		
	2015 YTD	Since launch		1 yr	Since launch		
Fund	-22.85%	13.51%	Risk-adjusted return	(0.74)	0.32	Percentage of positive months	50.00%
Benchmark	-6.15%	27.50%	Information ratio	(0.58)	(0.27)	Average gain in positive months	4.52%
Over/under performance	-16.70%	-13.99%	Standard deviation	20.03%	17.56%	Sharpe ratio	0.11
						Correlation with reference BM	0.80
						Beta (relative to reference BM)	0.73
						Jensen's Alpha (relative to reference BM)	-2.52%

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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