

ATRAM Alpha Opportunity Fund, Inc.

September 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	ATR AM
Bloomberg Ticker	ALPHAOP PM
Inception Date*	17 September 2012
Currency	PHP
Fund Size	211.90 Million
NAVPS	1.3958

*Date of conversion from money market fund

Performance Overview



Figures as of 09.30.2016

Cumulative Performance %

	1 Mo	1 Yr	3 Yrs	5 Yrs	YTD	Since Incept.
Fund	-1.99	15.98	11.69	n.a.	19.13	23.46

NAVPS

	30-June-16	29-July-16	31-Aug-16	30-Sept-16
Fund	1.3172	1.3840	1.4242	1.3958

Manager's Report

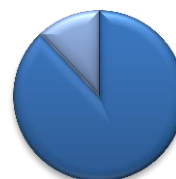
The Philippine Stock Exchange Index (PSEi) fell for the second straight month when it slid 2.02% in September. Several factors fueled the market weakness led by the stream of domestic political developments and uncertainties brought by the impending tax reform agenda and abrupt policy shifts unveiled by President Duterte. Furthermore, investor sentiment turned sour due to the Davao bombing, the sharp depreciation of the Philippine Peso (against the US dollar), and the looming US Federal Reserve interest rate-hike. Foreign funds took out \$361mn (excluding the \$91mn URC block related to its recent acquisition) in September that encompassed 25 days of consecutive outflows which reduced the year-to-date (YTD) foreign inflow to \$660mn.

The ATRAM Alpha Opportunity Fund declined by 1.99% month-on-month (MoM) but outperformed the MSCI Philippine Small Capitalization Index (MSCI) by 60 basis points in September. The outperformance was driven by the overweight in Megawide Construction Corp (MWIDE), and underweight positions in Vista Land & Lifescapes Inc (VLL). After its 21.65% August advance, MWIDE (+16.76%MoM) sustained its rally in September which brought its YTD gain to 156.13%. However, company management announced that they will re-issue about 17% of the company's outstanding shares by year-end to fund additional infrastructure projects.

Last month, we added our exposure in the infrastructure and power sectors, while taking profit from our holdings in the consumer sector. The tactical increase in cash was done to hedge against risks. Despite the recent changes in our model portfolio, it does not alter the general themes that we prefer. We still anticipate the Philippine economy to grow along the current trend despite the torrent of sentiment-busting headline attention. We believe the infrastructure and financial sectors will be key beneficiaries of the administration's accelerated fiscal spending plan. Nevertheless, we remain cautious ahead of the government's execution of its policies (e.g. tax reforms, accelerated infrastructure spending, and the creation of new alliances).

Portfolio Analysis

Composition of the Fund



■ Equities (88%)
■ Cash/Money Market (12%)

Sector Exposure

Power & Utilities	23%	Gaming	7%
Consumer	20%	Holding Firms	6%
Construction	12%	Financials	5%
Property	9%	Others	6%

Top Ten Holdings

Manila Water Company	10.8%
D&L Industries, Inc.	9.1%
First Gen Corporation	8.3%
Cosco Capital, Inc.	5.9%
Bloomberry Resorts Corporation	5.4%
Cemex Holdings Philippines, Inc.	5.3%
Cebu Air, Inc.	4.7%
Metro Retail Stores Group, Inc.	3.9%
Megawide Construction Corporation	3.8%
Max's Group, Inc.	3.4%

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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				19.13	23.46

Performance	Risk-adjusted Returns & Statistics				Portfolio Analytics*		
	2016 YTD	Since launch		1 yr	Since launch		
Fund	19.13%	23.46%	Risk-adjusted return	0.82	0.37	Percentage of positive months	51.02%
Benchmark	24.78%	49.55%	Information ratio	(1.22)	(0.40)	Average gain in positive months	4.80%
Over/under performance	-5.65%	-26.09%	Standard deviation	20.83%	18.41%	Sharpe ratio	0.18
						Correlation with reference BM	0.80
						Beta (relative to reference BM)	0.85
						Jensen's Alpha (relative to reference BM)	-3.38%

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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