

# ATRKE Alpha Opportunity Fund, Inc.

July 31, 2015



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## 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	234.72 Million
NAVPS	1.4497

\*Date of conversion from money market fund

## Performance Overview



Figures as of 07.31.2015

Cumulative Performance %						
	1 Mo	1 Yr	3 Yrs	5 Yrs	YTD	Since Incept.
<b>Fund</b>	4.85	0.26	n.a.	n.a.	-12.85	28.22
NAVPS						
	30-Apr-15	29-May-15	30-June-15	31-July-15		
<b>Fund</b>	1.5204	1.4431	1.3826	1.4497		

## Manager's Report

Philippine equities investors grappled with concerns that weighed on global markets in the past month, i.e. the Greek debt impasse and the volatile Chinese equities markets. The Philippine Stock Exchange Index (PSEi) closed 0.19% lower at 7,550. Volumes were weak at \$150m, compared to the previous month's \$161m. The absence of upside catalysts had investors focusing on second quarter corporate earnings results and on expectations for the latest GDP figure slated for release on August 27. Foreigners continue to be net sellers for a 4th straight month with over \$190m net selling in July, bringing YTD net foreign buying to just over \$210m from a peak of \$1.1bn.

Investors remain unforgiving of earnings disappointments as the banking sector was hit hard after BDO Unibank Inc (-7.4% mom) reported 2Q profits that were slightly behind target. Security Bank (-7.8%) and Metropolitan Bank & Trust Co (-6.0%) were subsequently sold down even before they released their own earnings results. Meanwhile, share prices in Semirara Mining and Power Corporation (SMPC) and parent DMCI Holdings Inc. plunged by -16.2% and -9.9% respectively after government authorities ordered the suspension of operating activities at the Panian coal mine following an accident that killed 7 workers. Foreign selling focused on ALL (\$38.70m), BDO (\$33.80m), SCC (\$26.87m), TEL (\$23.68m), and SECB (\$22.29m).

SM Prime Holdings Inc (+7.4%) was the top gainer this month as investors shifted to defensive names with strong earnings clarity. Telcos (TEL +4.7%, GLO +2.8%) were also key outperformers during the month. Gaming names (MCP +5.6%, BLOOM +9.7%) bounced back from recent lows, while LT Group Inc (+6.8%) rose after partner Philip Morris highlighted expectations for strong operating companies income growth from its Philippine business.

On the macroeconomic front, inflation rose 1.2% in June vs 1.6% in May. Lower inflation was attributed to slowing food inflation and falling oil prices. The fiscal surplus widened to Php67.3bn in May from Php52.6bn in April, bringing the surplus to Php86.4bn for the first 5 months of the year. OFW remittances grew stronger than expected at 5.8% in May to USD\$2.1bn. On the other hand, persistent weakness in imports and exports data continues to pose risks to domestic demand and fixed investment.

The Alpha Opportunity Fund gained 4.85% in July outperforming its benchmark by 5.04%. The fund's returns can mostly be attributed to its holding in the gaming names with positions in Melco Crown and Bloomberry Resorts Corp contributing 2.42% and 0.88% to returns respectively. Petron was also a top driver of performance for July, contributing 0.97% to the fund's net return for the month. The fund took a hit on its holdings in the mining sector with Semirara Mining, Nickel Asia, and Philex Mining Corp contributing negatively to returns by a total of -1.15%.

We expect corporate earnings results to continue to drive investor sentiment in the short term. Broad-based US dollar strengthening, which has the Peso depreciating from this year's high of 45.70 as of end July, may be a headwind for the equity market given an index make up that does not include exporters or direct beneficiaries of this scenario. This runs counter to the overall macro, where overseas remittances and attraction of outsourcing into the country are enhanced by a weaker peso. In terms of valuation, the PSEi trading at 19-20x earnings as of July-end levels of 7500-7600, is more expensive relative to its peers in the region. Malaysia and Singapore are trading at 16x PE and 14x PE, respectively.

## Portfolio Analysis

### Composition of the Fund



- Equities (90%)
- Cash/Money Market (10%)

### Sector Exposure

Financials	18%	Consumer	9%
Power & Utilities	16%	Gaming	8%
Construction	11%	Mining & Oil	7%
Property	9%	Others	11%

### Top Ten Holdings

Security Bank Corporation	12.6%
Petron Corporation	9.2%
Vista Land & Lifescapes, Inc.	7.0%
D&L Industries, Inc.	6.8%
First Gen Corporation	4.5%
Nickel Asia Corporation	4.4%
Bloomberry Resorts Corporation	3.9%
Cebu Air, Inc.	3.9%
Philippine National Bank	3.9%
Megawide Construction Corporation	3.7%

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## Monthly Performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Year	Cumulative
<b>2012</b>	-	-	-	-	-	-	-	-	-0.87%	0.75%	1.74%	5.02%	6.71%	6.71%
<b>2013</b>	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%
<b>2014</b>	-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%
<b>2015</b>	0.09%	-3.28%	-5.36%	-0.24%	-5.08%	-4.19%	4.85%						-12.85%	28.22%

Performance			Risk-adjusted Returns & Statistics			Portfolio Analytics*	
	2015 YTD	Since launch		1 yr	Since launch		
Fund	-12.85%	28.22%	Risk-adjusted return	0.09	0.61	Percentage of positive months	51.43%
Benchmark	4.42%	41.85%	Information ratio	(0.47)	(0.25)	Average gain in positive months	4.40%
Over/under performance	-17.27%	-13.63%	Standard deviation	15.51%	15.99%	Sharpe ratio	0.38
						Correlation with reference BM	0.64
						Beta (relative to reference BM)	0.77
						Jensen's Alpha (relative to reference BM)	-1.01%

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>	Philippine Stock Exchange Index	<b>Custodian</b>	HSBC
<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

## 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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