

ATRKE Alpha Opportunity Fund, Inc.

June 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	232.36 Million
NAVPS	1.3826

*Date of conversion from money market fund

Performance Overview



Figures as of 06.30.2015

Cumulative Performance %						
	1 Mo	1 Yr	3 Yrs	5 Yrs	YTD	Since Incept.
Fund	-4.19	-3.08	n.a.	n.a.	-16.88	22.29
NAVPS						
	31-Mar-15	30-Apr-15	29-May-15	30-June-15		
Fund	1.5240	1.5204	1.4431	1.3826		

Manager's Report

The month of June was marked by weak volumes and a lack of fresh local catalysts for the Philippine stock market. Heavy foreign selling pushed the index below 7,400 for the first time since Jan 2015, but a market rally towards the end of the month brought the index to close at 7,580.46, a mere 16 points lower or down 0.2% month-on-month. The month's top performing index stocks were Aboitiz Power (+5.8%), Metro Pacific Investments (+5.1%) and Metropolitan Bank & Trust (+5.0%) while the worst performing were Emperor Inc (-12.4%), Bloomberg Resorts Corp (-11.2%) and Petron Corp (-11.1%).

Net foreign outflows amounted to US\$258M during the month, bringing the YTD net inflow figure to US\$409M by the end of June, from a high of \$1.1 billion in early April. Volatility in global capital markets and uninspiring local news flow kept investors on the sidelines with average daily volumes dropping by 23% from a month earlier. Average daily value turnover in June came in at US\$148M compared to last year's average of close to US\$200M.

Inflation rose 1.6% in May 2015, the lowest in 20 years as food prices continue to ease. Core inflation printed at 2.2% in the month of May vs. 2.5% in April. While the headline inflation fell short of the government's 2-4% target range, the YTD average still remains anchored at 2.2%. As such, at the latest Monetary Board meeting, authorities kept benchmark rates unchanged for the sixth time in a row, as widely expected by investors. Overnight borrowing and lending rates were kept steady at 4.0% and 6.0%, respectively. The BSP however adjusted anew their inflation forecasts for this year and next, trimming down to 2.1% from 2.3% for 2015 and to 2.5% from 2.6% for 2016.

The BSP also reported that the country's current account surplus more than doubled to \$3.3 billion in the first quarter of the year, from \$1.5 billion in the same period in 2014. Also, OFW remittance rose by 5.1% year-on-year to \$2 billion in April 2015. This brought cash remittances for January to April this year to \$7.8 billion, higher by 5.4% compared to the same period in 2014.

The Alpha Opportunity Fund shed 4.2% in June. Fund performance was mainly dragged by gaming such as Melco Crown and Bloomberg which dropped 37% and 11%, respectively after the gaming industry received several earnings downgrades by sell-side analysts. Top financial and industrial picks, in particular Eastwest Bank, Petron, and Megawide, which concurrently fell around 12% on local fund outflows, also contributed to the fund's negative performance. Holdings in Xurpas (+13.8%), Philippine National Bank (+11.0%) and Double Dragon Properties Corp (+6.4%) helped off-set the negative returns.

We remain cautious in the short term. Second quarter corporate earnings may continue to lag expectations. The banks have already guided for slower profit growth in 2Q from 1Q on lower trading gains and decelerating loans growth. Expect foreign outflows continue to weigh down the market. The event risks involving Greece, and the recent correction in the Chinese equity market bull-run, which again sent global markets reeling recently, are causing investors worldwide to prefer safe haven investments over riskier assets.

Portfolio Analysis

Composition of the Fund



■ Equities (93%)
■ Cash/Money Market (7%)

Sector Exposure

Construction	21%	Mining & Oil	10%
Gaming	16%	Power/Utilities	9%
Information Technology	12%	Retail	8%
Financials	11%	Others	7%

Top Ten Holdings

Xurpas Inc.	11.8%
Eel Corporation	10.3%
Petron Corporation	9.0%
Robinsons Retail Holdings, Inc.	8.0%
Bloomberg Resorts Corporation	8.0%
East West Banking Corporation	6.7%
Melco Crown (Philippines) Resorts Corporation	5.0%
Nickel Asia Corporation	4.3%
Philippine National Bank	4.2%
Lafarge Republic Inc.	4.1%

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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%							-16.88%	22.29%

Performance			Risk-adjusted Returns & Statistics			Portfolio Analytics*	
	2015 YTD	Since launch		1 yr	Since launch	Percentage of positive months	50.00%
Fund	-16.88%	22.29%	Risk-adjusted return	(0.14)	0.52	Average gain in positive months	4.38%
Benchmark	4.62%	42.12%	Information ratio	(0.72)	(0.40)	Sharpe ratio	0.29
Over/under performance	-21.50%	-19.83%	Standard deviation	14.79%	16.04%	Correlation with reference BM	0.66
						Beta (relative to reference BM)	0.78
						Jensen's Alpha (relative to reference BM)	-2.90%

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	Philippine Stock Exchange Index	Custodian	HSBC
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

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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