

### Investment Objective

The Fund is designed to seek total returns through current income and long-term capital growth through investment in listed and non-listed fixed income and equity securities of Philippine companies and debt obligations of the Government of the Republic of the Philippines and its instrumentalities.

<b>Fund Manager</b>	ATRAM
<b>Bloomberg Ticker</b>	KABUHAY PM <Equity>
<b>Inception Date*</b>	5 December 1995
<b>Currency</b>	PHP
<b>Fund Size</b>	681.15 Million
<b>NAVPS</b>	2.0419
<b>Domicile</b>	Philippines
<b>Asset Class</b>	Phil. Fixed Income & Equities
<b>Reference Benchmark</b>	50% PSEi & 50% BPI Philippine Government Bond Index
<b>Management &amp; Distribution Fee</b>	1.75% p.a.
<b>Risk &amp; Investor Profile</b>	Moderate Risk
<b>Dealing Frequency</b>	Daily

\*ATRAM assumed control of the fund on August 31, 2003. Formerly The Mutual Fund Company of the Philippines, Inc.

Note: ATRAM has changed its benchmark from HSBC Phil. Local Bond Index to Bloomberg Philippine Sovereign Bond Index as of May 1, 2016.

### Performance Overview



### Cumulative Performance %

	1 Mo	1 Yr	3 Yrs	5 Yrs	YTD	Since TO
Fund	0.05%	-12.01%	-14.10%	-8.04%	-6.38%	262.96%

### Annualized Performance %

	1 Yr	2 Yr	3 Yrs	4 Yrs	5 Yrs
Fund	-12.01%	-6.08%	-4.94%	-3.83%	-1.66%

### Calendar Year Performance %

	2015	2016	2017	2018	2019	2020 YTD	Since TO
Fund	-9.19%	3.90%	10.84%	-10.09%	-1.27%	-6.38%	262.96%
BM	-1.70%	0.63%	12.22%	-8.44%	11.80%	-8.03%	350.58%
+/-	-7.48%	3.28%	-1.38%	-1.64%	-13.07%	1.65%	-87.63%

Note: Prelim figures as of October 26, 2018 for Philippine Fixed Income benchmark. Index-related issues due to the shift in platform/pricing from PDEX to Bloomberg still being resolved. Performance figures are net of fees and taxes.

### Risk Adjusted Returns Statistics

	1 Yr	3 Yr	5 Yr	Since TO
Risk Adjusted Return	-0.99	-0.49	-0.14	0.76
Information Ratio	-0.83	-1.11	-0.73	-0.30
Standard Deviation	12.15%	9.37%	9.06%	10.85%
Tracking Error	5.18%	3.71%	3.43%	4.37%

Note: Fund returns adjusted for dividends declared. Risk-adjusted returns and risk statistics are all annualized.

### Manager's Review

The Philippine Stock Exchange Index (PSEi) was down 75 basis points (bps) month-on-month (MoM) to end the month at 5,884.18. The index traded the range around the 6,000 level for most of the month as investors continued to be wary of the economic recovery of the Philippines. Most of the news revolved around the re-imposition of the stricter Modified Enhanced Community Quarantine (MECQ) in Metro Manila for two weeks in the first half of August. This renewed concerns that the path to recovery may take even longer, as businesses continue to operate at a limited capacity. Despite the economy switching back to a General Community Quarantine (GCQ) for the second half of the month, continued restrictions on certain sectors such as transportation and movement further dampened sentiment. On the earnings front, 2Q20 earnings plunged for PSEi constituents by 79% year-on-year (YoY) as lockdown measures severely limited business mobility. For the month, investors continued to favor defensive names in the telecom and consumer sectors. Foreign selling continued to weigh the market down for the 10th month in a row, bringing year-to-date outflows to US\$1,711.04m. As for foreign exchange, the USD closed the month at PHP 48.485, down 1.35% MoM. The USD return on the PSEi year-to-date is -20.85%.

Philippine bond yields started the month grinding lower on the back of bad economic data. The country's capital region was placed under General Community Quarantine (GCQ) once again due to rising COVID-19 cases. Philippine GDP underperformed market expectations for Q2, contracting 16.5% YoY vs the market's estimate of -9.4%. Bureau of Treasury's (BTR) latest issuance of a retail treasury bond (R513) ballooned to over 516 billion PHP, a historically large issuance. A pause in monetary policy, as well as a less aggressive Bangko Sentral ng Pilipinas (BSP) bond buyback program led long-end bond yields to bounce back off the lows by 2-3 bps higher to end the month. The BPI Philippine Government Bond Index registered a month-on-month gain of 19 bps in August.

### Fund Attribution & Positioning

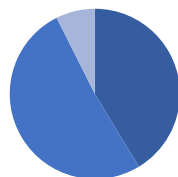
The ATRAM Philippine Balanced Fund was up 5 bps MoM in August. In terms of asset allocation, we were on average underweight equities and overweight fixed income.

### Market Outlook

The latest corporate earnings print, which is a 52.2% drop in 1H20 earnings for PSEi, prompted us to downgrade our earnings growth forecast to -40.5% in 2020 and 45% in 2021. While this is broad based, we still see pocket of opportunities in deep value, high quality names where we see higher upside potential and stronger earnings rebound for 2021. August was a crucial crossroad as we were particularly concerned over the uncertainty of the depth of the permanent damage of the pandemic to the economy and the passage of sufficient fiscal stimulus. While the Accelerated Recovery and Investments Stimulus for the Economy (ARISE) bill did not gain traction, the sharp dip in the unemployment number from 17.7% to 10.0% in July indicates lower than expected damage to the labor market. The potential curve ball remains on the health side, where any resurgence or spike in COVID-19 cases can lead to a re-imposition of a tighter lockdown. While there are indications of a flattening infection curve, we remain cautious.

For fixed income, Going into September, we see the yield curve consolidating with a slight upward bias. The BSP has already announced a massive borrowing program (over PHP 2.5 Trillion) for 2021 to put the country back on track to an economic recovery. We continue to maintain a slight underweight duration position and will look to adjust our portfolio to parts of the curve where we see value.

Composition of the Fund



- Equities (41.34%)
- Bonds (51.25%)
- Cash (7.41%)

Equity Sector Exposure

Holding Firms	12.05%	Retail	4.19%
Property	7.07%	Consumer	3.68%
Telecommunications	5.65%	Power & Utilities	2.43%
Financials	4.22%	Others	2.05%

Top Ten Holdings

Holdings	Asset Class	Fund %
RTB 5-13 2.625% 12Aug2025	Fixed Income	45.75%
SM Investments Corporation	Equity	7.15%
Philippine Long Distance Tel. Company	Equity	3.96%
Ayala Land, Inc.	Equity	3.87%
Universal Robina Corporation	Equity	3.38%
SM Prime Holdings, Inc.	Equity	3.19%
Puregold Price Club, Inc.	Equity	3.09%
Ayala Corporation	Equity	2.69%
Int'l Container Terminal Services, Inc.	Equity	2.07%
Globe Telecom, Inc.	Equity	1.68%

Monthly Performance %

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Year	Cumulative
2012	3.73%	3.46%	4.53%	2.85%	-1.93%	0.78%	0.68%	-2.46%	3.12%	1.74%	2.91%	2.03%	23.36%	246.71%
2013	4.34%	3.68%	3.72%	3.18%	-0.61%	-3.95%	2.92%	-3.62%	-0.51%	3.05%	-2.09%	-2.07%	7.78%	273.67%
2014	0.33%	2.75%	0.23%	2.72%	-0.30%	0.81%	0.53%	0.64%	1.79%	0.90%	0.86%	-0.05%	11.75%	317.58%
2015	2.28%	-0.62%	-0.59%	-1.23%	-1.31%	-1.75%	1.92%	-4.16%	-3.04%	3.70%	-3.32%	-1.16%	-9.19%	279.22%
2016	-2.59%	1.43%	5.87%	-0.56%	2.09%	3.11%	2.70%	-0.48%	-1.19%	-2.26%	-4.27%	0.44%	3.90%	294.03%
2017	2.93%	-0.64%	0.44%	2.19%	1.26%	0.28%	0.94%	-0.33%	0.98%	1.18%	-0.73%	1.91%	10.84%	336.74%
2018	0.84%	-2.00%	-2.95%	-0.78%	-2.13%	-2.96%	3.25%	0.96%	-5.48%	-1.37%	1.42%	0.94%	-10.09%	292.69%
2019	4.39%	-1.51%	2.27%	-0.01%	-0.09%	0.30%	0.89%	-1.17%	-2.00%	0.11%	-2.97%	-1.26%	-1.27%	287.70%
2020	-5.23%	-1.32%	-8.47%	5.16%	2.43%	3.08%	-1.55%	0.05%					-6.38%	262.96%

Fund Details

NAVPS publication	Trade date + 1
Types of shares	Common
Transfer Agent	ATR AM
Custodian	Citibank N.A. Manila
Fund Accountant	Deutsche Bank AG, Manila Branch
Auditor	SGV & Co.

Portfolio Analytics\*

Percentage of Positive Months	60.29%
Average Gain in Positive Months	2.66%
Sharpe Ratio	0.21
Correlation with Reference BM	0.92
Beta (relative to reference BM)	0.91
Jensen's Alpha (relative to reference BM)	-0.97%

\*Since ATRAM took over management of the fund

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*.