

# ATRAM PHILIPPINE EQUITY SMART INDEX FUND

## KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT



As of March 31, 2020

www.atram.com.ph

### FUND FACTS

|                               |              |   |                              |
|-------------------------------|--------------|---|------------------------------|
| <b>Classification</b>         | Equity Fund  | <b>Net Asset Value per Unit (NAVPU)</b> | Php 79.991945                |
| <b>Launch Date</b>            | 1 March 2016 | <b>Total Fund NAV</b>                   | Php 230.01 M                 |
| <b>Minimum Investment</b>     | Php 50       | <b>Dealing Day</b>                      | Daily                        |
| <b>Additional Investment</b>  | Php 50       | <b>Redemption Settlement</b>            | Trade Date + 3 Business Days |
| <b>Minimum Holding Period</b> | None         | <b>Early Redemption Charge</b>          | None                         |

### FEES<sup>1</sup>

|                           |                                 |                                    |                         |
|---------------------------|---------------------------------|------------------------------------|-------------------------|
| <b>Trustee Fees</b> 1.97% | <b>Custodianship Fees</b> 0.02% | <b>External Auditor Fees</b> 0.01% | <b>Other Fees</b> 0.12% |
| ATRAM Trust               | Citibank                        | SGV and Co.                        | (Transaction Fees)      |

<sup>1</sup> As a percentage of average daily NAV for the quarter valued at Php 408,396,312.29

### INVESTMENT OBJECTIVE AND STRATEGY

The Fund is designed to generate excess returns compared to its benchmark through an enhanced index approach, combining the elements of passive and active management.

### CLIENT SUITABILITY

A client suitability process shall be performed prior to participating in the Fund to guide the prospective Investor if the Fund is suited to his/her investment objectives and risk tolerance. Clients are advised to read the Declaration of Trust/Plan Rules of the Fund, which may be obtained from the Trustee, before deciding to invest.

The ATRAM Philippine Equity Smart Index Fund is suitable only for investors who:

- have a high risk appetite
- are comfortable with the volatility and risks of an equity fund
- have a long-term investment horizon
- are seeking to invest in Philippine equity securities

### KEY RISKS AND RISK MANAGEMENT

You should not invest in this Fund if you do not understand or are not comfortable with the accompanying risks.

**Market Risk.** Factors (e.g. macroeconomic developments, political conditions) that affect the overall performance of financial markets may lead to lower prices of securities and losses for investors. ATRAM Trust adopts an active investment management strategy which incorporates market and fundamental research to help mitigate market risk.

**Equity Risk.** The Fund investments mainly in equity securities, the prices of which fluctuate daily, sometimes dramatically, which could result in significant losses. ATRAM Trust takes into account fundamentals, diversification, investment correlation, macroeconomic and sector outlook when constructing portfolios.

**Counterparty Risk.** The Fund is exposed to risks arising from solvency of its counterparties (e.g. custodian, broker, banks) and their ability to respect the conditions of contracts or transactions. ATRAM Trust only deals with reputable and financially stable accredited counterparties.

**Liquidity Risk.** Liquidity risk occurs when certain securities in a fund's portfolio may be difficult or impossible to sell at a particular time which may prevent the redemption of investment in a fund until its assets can be converted to cash. ATRAM Trusts invests the portfolio in very liquid securities in order to minimize liquidity risk.

**Reinvestment Risk.** When income is received from the investments, or when the investments are sold and reinvested, there is a risk that the return would be lower than the return realized previously.

- THE UIT FUND IS NOT A DEPOSIT AND IS NOT INSURED BY THE PHILIPPINE DEPOSIT INSURANCE CORPORATION (PDIC).
- RETURNS CANNOT BE GUARANTEED AND HISTORICAL NAVPU IS FOR ILLUSTRATION OF NAVPU MOVEMENTS/FLUCTUATIONS ONLY.
- WHEN REDEEMING, THE PROCEEDS MAY BE WORTH LESS THAN THE ORIGINAL INVESTMENT AND ANY LOSSES WILL BE SOLELY FOR THE ACCOUNT OF THE CLIENT.
- THE TRUSTEE IS NOT LIABLE FOR ANY LOSS UNLESS UPON WILLFUL DEFAULT, BAD FAITH OR GROSS NEGLIGENCE.

ATRAM Trust Corporation

8th Floor, 8 Rockwell Building, Hidalgo Drive, Rockwell Center, Makati City, 1210

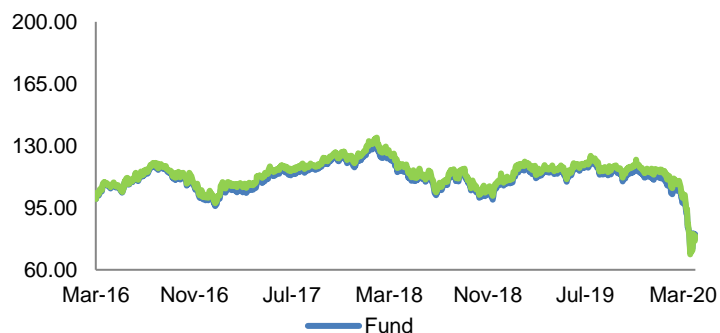
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**Legal and Tax Risk.** The interpretation and implementation of laws and regulations are constantly changing and they may change with retroactive effect. There is no certainty that investors will be compensated for any damage or loss incurred as a result of legal or regulatory changes. ATRAM Trust keeps up to date on regulatory developments and consults tax and legal professionals on the interpretation of new laws and regulations.

***Investors should be aware and understand that all investments involve risk and that there is no guarantee against losses on investments made in the Fund. The Fund Manager employs strategies to mitigate risks, however, there is no assurance that no loss will be incurred.***

### FUND PERFORMANCE AND STATISTICS as of March 31, 2020

(Purely for reference purposes and is not a guarantee of future results)



#### NAVPU over the past 12 months

|         |            |
|---------|------------|
| Highest | 122.549916 |
| Lowest  | 70.453972  |

#### Statistics over the past 12 months

|                    |        |
|--------------------|--------|
| Standard Deviation | 18.89% |
| Beta               | 0.86   |
| Information Ratio  | 0.50   |

#### Cumulative Performance (%)

|            | 1 Mo   | 3 mos  | 6 mos  | 1yr    | 3 yrs  |
|------------|--------|--------|--------|--------|--------|
| Fund       | -18.30 | -29.24 | -29.45 | -31.09 | -24.42 |
| Benchmark* | -21.61 | -31.91 | -31.60 | -32.82 | -27.22 |

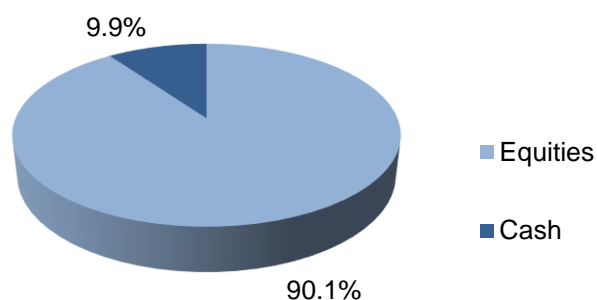
\*Philippine Stock Exchange Index (PSEi)

**Standard Deviation** measures how widely dispersed the fund's returns are away from the average return of the fund.

**Beta** of a fund measures its relationship with the benchmark. A beta of 1 means the fund's returns generally mirror the pattern of its benchmark's return. A zero beta means that the fund's pattern of return is completely unrelated with the benchmark; a negative beta indicates the choice of benchmark may be inappropriate.

**Information ratio** measures reward-to-risk efficiency of the portfolio relative to the benchmark. The higher the number, the higher the reward per unit of risk.

#### Portfolio Composition



#### Top Holdings

|                                   |      |
|-----------------------------------|------|
| SM Investments Corp.              | 16.2 |
| SM Prime Holdings Inc.            | 9.0  |
| Deutsche Bank Philippine Peso     | 8.8  |
| BDO Unibank Inc.                  | 8.0  |
| Ayala Land Inc.                   | 6.9  |
| Aboitiz Equity Ventures Inc.      | 5.2  |
| Bank of the Philippine Islands    | 5.0  |
| Metropolitan Bank & Trust Co      | 4.6  |
| JG Summit Holdings Inc.           | 4.4  |
| Philippine Long Distance Tel. Co. | 4.3  |

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## **OTHER DISCLOSURES**

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The Fund shall invest primarily in equity securities included in the Philippine Stock Exchange Index. The Fund may invest in exchange-listed equities and fixed income securities, securities issued or guaranteed by the Philippine Government or the BSP, tradable securities issued by any supranational entity, and deposit products. Subject to BSP guidelines, the Fund may also avail of financial derivative instruments solely for the purpose of hedging risk exposures.

Participation in the Fund may be further exposed to the risk of potential or actual conflicts of interest in the handling of in-house or related party transactions by ATRAM Trust. These transactions may include: deposits with affiliates; purchase of own-institution or affiliate obligations (e.g. stocks); purchase of assets from or sales to own institutions, directors, officers, subsidiaries, affiliates or other related interests/parties; or purchases or sales between fiduciary/managed accounts. All transactions with related parties, if any, are conducted on an arm's length basis.

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## **OUTLOOK AND STRATEGY**

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The Philippine Stock Exchange Index (PSEi) gapped down 21.61% month-on-month (MoM) to end the month at 5,321.23. The index plummeted in March as coronavirus fears rattled markets around the world. COVID-19 dominated headlines as the World Health Organization (WHO) declared a global pandemic earlier in the month as the virus started to spread around Europe and the US. Various governments around the world issued travel bans, implemented lockdowns and closed borders in order to contain the spread of the virus. As a result, markets were sold-off as investors assessed the economic impact of the protective measures moving forward. Locally, President Duterte placed the entire Luzon island under enhanced community quarantine just a few days after he placed the National Capital Region (NCR) on quarantine. The direction is to place all households under home quarantine, suspending mass transportation and only allowing a skeletal workforce for essential businesses. Land, sea and air travel are restricted while activity in specific sectors such as malls, restaurants and casinos have stopped. As for foreign exchange, the USD/PHP closed the month at 50.68, down 57 bps MoM. The USD return on the PSEi year-to-date is -31.97%.

The ATRAM Philippine Equity Smart Index Fund was down 18.30% but outperformed its benchmark by 3.31%. An underweight in Ayala Land (ALI -22.56% MoM) and Ayala Corporation (AC -29.45% MoM) were the main sources of outperformance. Both Ayala names succumbed to foreign selling as AC was the top sold name for the month as both passive and active funds redeemed from the Philippines. ALI, along with the property sector, was a concern among investors as malls remain closed and mortgages for residentials were deferred.

Entering the 2Q, we will start seeing COVID-19's actual impact on economic prints and earnings numbers both locally and globally. While the impact is known to be hugely negative, the wide dispersion of existing estimates foreshadows the volatility that lies ahead as this numbers come out. The uncertainty on how effective the current lockdown will flatten the curve is still a question and consequently on what the succeeding steps would be and how deep the further impact of these on the economy. While we may see some rebounds from the lows, this is part of volatility on both directions, and any rally might be short-lived until we see solid proof that the global coordinated lockdown is working. Past lockdown, the normalization of economic activity might not be as sharp as expected as post-lockdown measures might still involve some limits on mobility. Furthermore, we have yet to see the impact of these on businesses, particularly on small and medium enterprises, unemployment, and overall consumer and business confidence. Locally, the proactive fiscal and monetary response might cushion the otherwise catastrophic impact of COVID-19; however, risks remain as both the country and corporates measure the effect of the virus in the coming months. Our weekly monitoring allows us to keep our rules in check while keeping our costs to a minimum.

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