

AUGUST 28, 2020

# ATRAM Unicapital Diversified Growth Fund, Inc.

(Formerly ATRAM Dynamic Allocation Fund, Inc.)



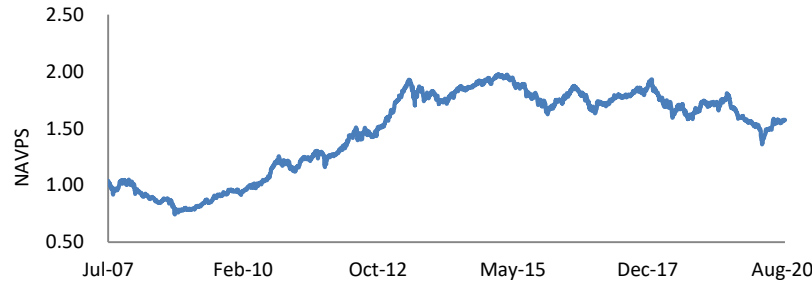
## Investment Objective

The Fund is invested in selected fixed income and stocks, actively managed for maximum growth and designed for those who seek an investment with a moderate risk. It is designed to provide total returns consisting of current income and capital growth through investments in a diversified portfolio of debt and equity securities from domestic issuer.

<b>Fund Manager</b>	ATRAM
<b>Bloomberg Ticker</b>	PROPBAL PM
<b>Inception Date*</b>	16 July 2007
<b>Currency</b>	PHP
<b>Fund Size</b>	82.61 Million
<b>NAVPS</b>	1.5758
<b>Domicile</b>	Philippines
<b>Asset Class</b>	Phil. Fixed Income & Equities
<b>Reference Benchmark</b>	50% PSEi & 50% Bloomberg Phil. Sovereign 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

\* ATR Asset Management (ATRAM) took over management of the Fund effective January 1, 2012. ATRAM renamed the fund on January 15, 2015. Formerly the Optima Balanced Fund, Inc.

## Performance Overview



## Cumulative Performance %

	1 Mo	1 Yr	3 Yrs	5 Yrs	YTD	Since TO
Fund	0.94%	-6.21%	-11.83%	-13.84%	0.81%	52.43%

## Annualized Performance %

	1 Yr	2 Yr	3 Yrs	4 Yrs	5 Yrs
Fund	-6.21%	-4.03%	-4.11%	-3.60%	-2.94%

## Calendar Year Performance %

	2015	2016	2017	2018	2019	2020 YTD	Since TO
Fund	-10.10%	-4.13%	11.86%	-11.39%	-5.35%	0.81%	52.43%
BM	-1.70%	0.63%	12.22%	-8.44%	11.80%	-8.03%	101.20%
+/-	-8.40%	-4.76%	-0.35%	-2.95%	-17.16%	8.84%	-48.77%

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	-0.59	-0.42	-0.30	0.38
Information Ratio	0.22	-0.55	-0.81	-0.49
Standard Deviation	10.05%	9.09%	8.64%	9.83%
Tracking Error	8.11%	5.94%	4.75%	4.61%

Note: 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%.

Data from PMI numbers were hopeful, as they showed major economies were back at expansionary territory. The economy of Germany shrank less than feared in the 2nd quarter, suggesting the impact of the pandemic may not be as bad as expected. The Federal Reserve also unveiled a new approach on average inflation targeting, which may allow inflation to temporarily overshoot the 2% target. These signals, along with positive developments in the vaccine efforts, continue to support optimism in the markets. However, virus concerns, geopolitical tensions and the upcoming US elections remain key risks. Global equity markets returned positive for August. The S&P 500 index led the charge with a total return of 7.19% while the MSCI Europe index returned 2.96% (in USD terms). Emerging markets also fared well with the MSCI Emerging Markets index returning 2.24%. The MSCI Asia Pacific index returned 5.13% (in USD terms). The PSEi lagged broad markets as the index detracted 55 bps in local currency terms MoM.

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 total return gain of 41 bps MoM in August.

Sovereign bond yields moved higher, as US 10-year Treasury yields rose 17 bps on a MoM basis to close August at 0.70%. The differential between the US 10-year and 2-year Treasury yields also widened by 15 bps. Global investment grade spreads traded within a range, while high yield spreads experienced further spread tightening. The broad global credit and high yield indices returned -23 bps and 1.64%, respectively.

## Fund Attribution & Positioning

The ATRAM Dynamic Allocation Fund was up 94 bps MoM in August. In terms of asset allocation, we remained defensive with an underweight to Local Equities and overweight to Local and Global Fixed Income, Global Equities and Gold.

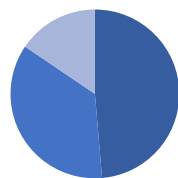
## Market Outlook

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. We still see pockets of opportunities in deep value, high quality names locally where we see higher upside potential and stronger earnings rebound for 2021.

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 maintain a slight underweight duration position and will look to adjust the portfolio in parts of the curve where we see value.

In the global markets, we continue to monitor the progress of the vaccine development, virus containment, passing of the US fiscal stimulus and risks of second waves. Geopolitical tensions between the US and China, and the United Kingdom and the European Union, as well as the upcoming US elections also remain key factors to watch. Our global equities allocation remains in sectors like technology and health care, which have shown resilience in the pandemic cycle. For global fixed income, we are prudent with our positions and apply a barbell approach to US Treasuries. We also hold an overweight to gold to hedge against global risks and possible inflation.

Composition of the Fund



- Equities (48.65%)
- Fixed Income (35.83%)
- Cash (15.52%)

Equity Sector Exposure

ETFs	27.81%	Property	2.53%
Power & Utilities	6.29%	Retail	1.80%
Telecommunications	4.20%	Consumer	0.99%
Holding Firms	3.77%	Others	1.25%

Top Ten Holdings

Holdings	Asset Class	Fund %
RTB 5-13 2.625% 12Aug2025	Fixed Income	29.2%
iShares S&P 500 Information Technology ETF	Equities	12.1%
SPDR Gold Shares ETF	Equities	7.8%
Manila Water Company, Inc.	Equities	4.4%
Xtrackers MSCI World Health Care ETF	Equities	4.1%
iShares 1-3 Year Treasury ETF	Fixed Income	3.8%
Philippine Long Distance Company	Equities	2.7%
iShares 10-20 Year Treasury ETF	Fixed Income	2.4%
SM Investments Corporation	Equities	2.3%
iShares Gold Producers ETF	Equities	1.9%

Monthly Performance %

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Year	Cumulative
2012	2.77%	3.53%	4.78%	3.14%	-1.76%	1.00%	0.39%	-2.90%	3.73%	2.05%	3.61%	2.40%	24.90%	55.63%
2013	4.97%	4.14%	4.09%	2.96%	-0.65%	-4.02%	3.04%	-3.88%	-0.66%	3.25%	-2.31%	-2.31%	8.30%	68.55%
2014	0.13%	2.48%	0.26%	3.16%	-0.42%	0.75%	0.42%	1.00%	1.80%	0.24%	0.76%	-0.09%	10.95%	87.00%
2015	1.98%	-0.83%	-0.03%	-1.65%	-1.13%	-1.34%	0.96%	-3.39%	-3.37%	0.94%	-2.91%	0.35%	-10.10%	68.11%
2016	-3.35%	-0.30%	4.38%	-0.74%	1.91%	3.45%	1.49%	-1.71%	-1.51%	-2.55%	-4.95%	0.10%	-4.13%	61.17%
2017	3.37%	-0.66%	0.43%	2.12%	1.24%	0.12%	0.75%	-0.27%	1.68%	1.21%	-1.23%	2.59%	11.86%	80.29%
2018	0.79%	-3.09%	-3.04%	-1.52%	-3.03%	-3.31%	3.57%	1.36%	-4.48%	-1.11%	1.73%	0.44%	-11.39%	59.75%
2019	4.75%	-1.90%	1.89%	-0.03%	0.45%	0.60%	1.03%	-4.79%	-4.22%	-0.68%	-1.73%	-0.48%	-5.35%	51.20%
2020	-3.02%	-1.12%	-5.61%	5.49%	1.62%	2.62%	0.31%	0.94%					0.81%	52.43%

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	57.59%
Average Gain in Positive Months	2.22%
Sharpe Ratio	-0.12
Correlation with Reference BM	0.91
Beta (relative to reference BM)	0.80
Jensen's Alpha (relative to reference BM)	-2.06%

\*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*.