

The BluePrint by FirstMetroSec

as of August 10, 2015

Overview

The BluePrint seeks to help investors find the best plays in the Philippine stock market by focusing on what we believe are the 10 most compelling large and mid-cap stocks on a 6-12 month time horizon.

Our structured, rule-driven portfolio construction process can be described as value oriented and fundamentally driven.

The process begins with the quantitative and fundamental analysis of more than 270 stocks listed in the Philippine Stock Exchange. The stocks are then screened, scored and ranked using set criteria designed to increase investors' odds of success. Only 10 stocks make it to the final list.

The stock weightings in the portfolio are determined using the same process and adjusted to ensure sufficient diversification.



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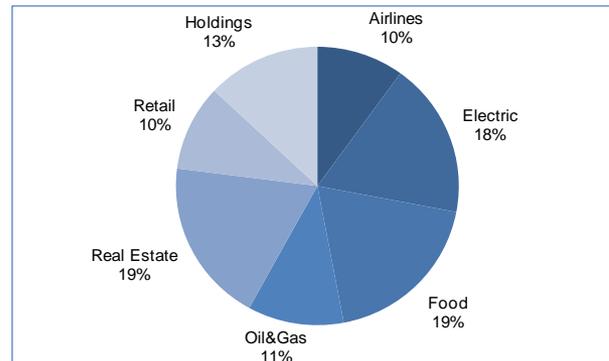
Our Current Thinking

The local equity market continued to lose ground in July, extending the losses from the previous four months. The distressing performance of Chinese stocks soured the mood of many investors, while others are playing it cautious ahead of the companies' second quarter earnings releases. Bargain-hunting was observed in some days led by local institutions but could not be sustained given lack of any compelling catalysts.

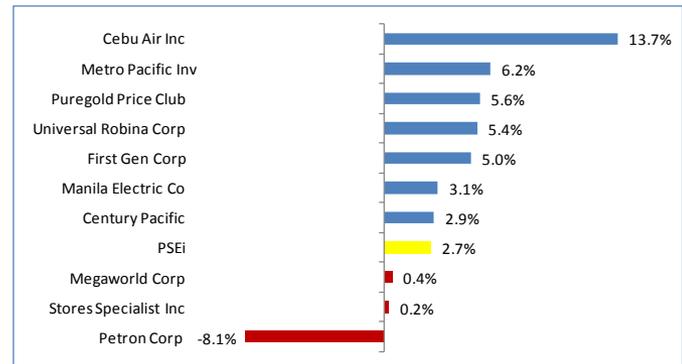
Despite this, our model portfolio gained 3.6% from inception in July 10, 2015 to August 6, 2015, beating the PSEi by 87 basis points.

Company	Sector	Index Stock (Y/N)	Portfolio Weight	Target Price	Price as of 08.06.15	% Price Upside	Div Yield 12Mo	P/E F12	P/BV
First Gen Corp	Electric	Y	10%	32.67	26.10	25%	1.3%	13.1	1.3
Megaworld Corp	Real Estate	Y	9%	6.10	4.77	28%	1.3%	14.1	1.4
Manila Electric Co	Electric	Y	8%	329.00	303.20	9%	4.7%	18.6	4.6
Metro Pacific Investments Co	Holdings	Y	13%	6.39	4.98	28%	2.1%	14.1	1.2
Petron Corp	Oil&Gas	Y	11%	14.00	7.72	81%	0.6%	14.9	0.9
Universal Robina Corp	Food	Y	9%	329.00	195.00	69%	1.6%	30.5	7.3
Cebu Air Inc	Airlines	N	10%	114.88	96.55	19%	1.5%	8.2	2.5
Century Pacific	Food	N	10%	21.61	18.52	17%	1.1%	22.1	5.5
Puregold Price Club	Retail	N	10%	49.00	38.00	29%	0.8%	21.0	3.0
Vista Land & Lifescapes	Real Estate	N	10%	8.43	7.29	16%	1.6%	9.6	1.1
Composite Portfolio			100%			33%	1.6%	16.4	2.7
PSE Index				7,803.00	7,392.59	6%	1.8%	18.8	2.7

Portfolio Sector Allocation



Return Since Inception : July 10, 2015 to August 6, 2015



Rationale

Vista Land & Lifescapes Inc (PM: VLL) - the country's largest homebuilder is added to our model portfolio this month. Prospects for its flagship Vista City project looks rosy with the recent completion of the Muntinlupa-Cavite Expressway. The P50Bln Vista City project will feature office towers, medium-rise condos, residential communities and commercial centers and shall provide the company with reliable source of recurring income.

VLL replaces Stores Specialist Inc (PM: SSI).

Metro Pacific Investments Co (PM: MPI) – the infra and utility giant reported that its core net income grew 27% to P5.88B during the 1st Half of 2015. Growth remains promising with low oil price and increased motorization expected to increase traffic in toll roads of Metro Pacific Tollways Corporation; reduction in non-revenue water leaks to improve billed water volume for Maynilad; and vibrant economic activity to lift electricity sales for Meralco.

Manila Electric Company (PM: MER) – the biggest electricity retailer reported that its 1H net income climbed 22% to P11.7B. Distribution sales should remain well supported as power demand moves fairly in line with the economy. Long-term growth looks attractive as company forays into power generation. Free-float level has also increased significantly and may result to increased weight in stock market indices like PSEI and MSCI. Hefty dividend payout also looks encouraging.

Century Pacific (PM: CNPF) – profit of country's largest producer of canned foods jumped 30% to P955M on strong volume growth. Growth should remain healthy as canned goods continue to be very popular in the Philippines as a cheaper and convenient alternative to fresh food.

Puregold Price Club (PM: PGOLD) – so many things going on with the second largest grocery retailer in the country with distinct advantage of selling its goods lower than most competitors. It recently ventured into remittance business with Pure Padala and forged a joint venture agreement with Ayala Land Inc to form Ayagold which will operate mid-market supermarkets to be called Merkado. Near-term prospects looks attractive with election-spending expected to boost sale of staples, liquor and cigarettes.

Universal Robina Corp (PM: URC) – the branded snack-food and beverage giant posted a 12% growth in net profit in the 9-month period ending June 2015 to P9.65B driven by double-digit sales growth. URC is well positioned in high growth ASEAN markets while acquisition of Griffins, New Zealand's no. 1 biscuit and snack food maker create synergies with the company's branded consumer foods business.

Cebu Air Inc (PM: CEB) – the country's largest airline continues to grab market share by offering low-cost long-haul direct flights. Current oil price weakness provides the company with a short-term blessing as jet fuel accounts for most of its cost. The next 12-months looks encouraging with general elections in the horizon - expect more flights to haul campaign personnel and materials.

First Gen Corp (PM: FGEN) – company currently supplies 17% of country's electricity needs and should benefit from the impeding power shortage. Performance should improve with contributions from recently completed Avion natural gas-fired plant and higher contributions from Energy Development Corporation's Burgos Wind, Nasulo and BacMan Power Plants

Megaworld Corp (PM: MEG) – Best way to gain exposure to the bustling Fort Boni area and the BPO sector. Enjoys recurring revenues from office towers in Eastwood City in QC, McKinley Hill in Taguig, Newport City in Pasay, and Newtown in Mactan. Company is launching three new townships this year bringing the total to 20. These project completions are seen to boost company's recurring business and seal its long-term growth.

Petron Corp (PM: PCOR) – supplies 40% of the country's oil requirements. Sharp drop in crude oil price resulted in inventory losses recently but sales volume growth looks very encouraging. Crude oil volatility remains a key risk factor though this has been less pronounced. Earning quality expected to improve with the full utilization of Limay Refinery. The company is also seen as a major beneficiary of election spending as expenditure on fuel typically increase during the campaign season.

Disclosure

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