

Allisia Rupiah Equity Fund

October 2016



BLOOMBERG: AZSRPEQ:IJ

INVESTMENT OBJECTIVE

The objective of this fund is to provide long term maximum investment yield.

INVESTMENT STRATEGY

To achieve the investment objective, this fund shall be invested 0-20% in short-term sharia instruments such as deposits sharia, sharia SBI, sharia SPN, and / or money market mutual funds) and 80 - 100% the sharia based equity instruments in accordance to OJK's decision (either directly through sharia stocks or through sharia equity mutual funds).

PERFORMANCE INDICATOR

Return Performance

Last 1-year Period **25.51%**
 Best Month **14.81%** Jul-09
 Worst Month **-12.99%** Oct-08

Portfolio Breakdown

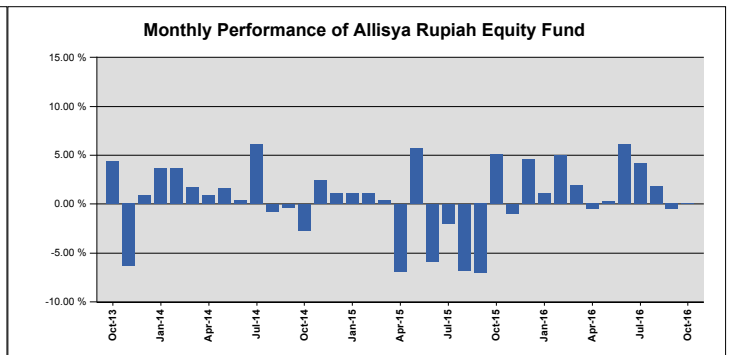
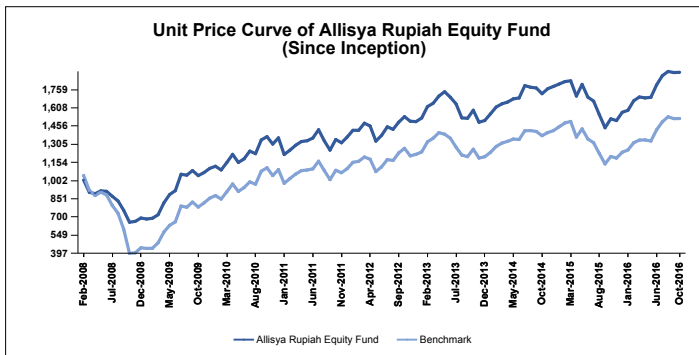
Equity **97.10%**
 Sharia Cash/Deposit **2.90%**

Top Five Stocks Holding

Telekomunikasi Indonesia	19.45%
Astra International	15.42%
Unilever Indonesia	14.42%
Indofood CBP Sukses Makmur	4.48%
Indofood Sukses Makmur	3.88%

	1 Month	3 Months	6 Months	1 Year	3 Years	YTD	Since Inception
Allisia Rupiah Equity Fund	0.11%	1.50%	12.60%	25.51%	19.84%	21.17%	90.28%
Benchmark*	0.03%	1.83%	13.26%	26.24%	20.17%	22.63%	51.83%

*Jakarta Islamic Index (JII)



KEY FUND FACTS

Fund Size (in bn IDR) : IDR 780.82
Risk Profile : Aggressive
Launch Date : 01 Feb 2008
Fund Currency : Indonesian Rupiah
Managed by : PT Asuransi Allianz Life Indonesia

Pricing Frequency : Daily
Price per Unit (As of Oct 31, 2016) : **Bid** IDR 1,807.61 **Offer** IDR 1,902.75
Bid-Offer Spread : 5.00%
Management Fee : 2.00% p.a.

MANAGER COMMENTARY

Central Bureau Statistics of Indonesia (BPS) announced Oct's inflation at 0.14% mom (vs consensus inflation +0.12%, +0.22% in Sep 2016) mostly was caused by higher process food, beverages, cigarette and tobacco. On yearly basis, inflation higher to 3.31% YoY (vs consensus 3.30%, 3.07% in Sep 2016). Core inflation printed at 3.08% YoY, lower than previous month (vs 3.21% in Sep 2016). In the Board of Governors' Meeting on 20 Oct 2016, Bank Indonesia cut its 7-day Reverse Repo Rate by 25bps from 5.00% to 4.75%, also Deposit Facility (DF) from 4.25% to 4.00% and Lending Facility (LF) from 5.75% to 5.50%. Rupiah depreciated by -0.41% to 13,051/USD at end of Oct as opposed to 12,998/USD previous month. Indonesia economic growth in third quarter 2016 was increased 3.20% QoQ (5.02% YoY compared to previous quarter at 5.19% YoY) which largely led by growth in transportation and warehousing business sector. By expenditure, Non-Profit Institutions for Serving Households (LNPR) and household consumption were the main drivers while investment continued to ease and net export ebbed. Trade balance booked a surplus of +US\$1.2169bn (non-oil and gas surplus +US\$1.898bn, oil and gas deficit US\$-0.6811bn) in Sept 2016. Export fell by -0.59% YoY mostly driven by a reduction in jewelry, while imports fell by -2.26% YoY. FX Reserves down by USD 0.63bn from US\$115.67bn in Sept 2016 to US\$115.04bn in Oct 2016 on the back of revenue from tax and proceeds from Bank Indonesia's FX bills, known as SBBi. Reserves are sufficient for government external debt payments.

The JII (Jakarta Islamic Index) closed slightly higher in October at 739.91, gaining +0.03% MoM. Large cap stocks such as UNTR, ADRO, PTBA, AKRA, and PWON contributed to the MoM gain, all of which rose by +22.18%, +31.54%, +23.64%, +10.08%, and +6.67% MoM respectively. Indonesian equities traded sideways as the investors have largely priced in 3Q16 earning result. 25bps rate cut by the central bank wasn't bringing much positive sentiment to the market. Albeit positive. Foreign booked US\$174.4mn outflows in October. Most investors were waiting for the 3Q16 GDP number which is expected to moderate as well. On the global front, investors are currently facing two major uncertainties, the US presidential election and potential Fed Fund Rate hike in Dec-16. Should Donald Trump win the election, we would expect global market to react negatively as policy uncertainty looms, especially on fiscal and trade policies which essentially have global ramifications. On that front, potential for market to correct is on the high side as locally the JCI valuation and expectation looks toppish as well. In addition, a potential external risk faced by the market heightens as well. Sector wise, the Mining Sector was the best performing sector this month, appreciating by +13.66% MoM. ADRO (Adaro Energy) and PTBA (Tambang Batubara) were the movers; gaining by +31.54% and +23.64% MoM respectively. This was followed by the Trading and Distribution Sector that posted +1.95% MoM gains, driven by UNTR (United Tractor) and AKRA (AKR Corporindo) which rose +22.18% and +10.08% MoM respectively. On the other side, Infrastructure Sector was the worst performing sector this month, falling by -2.70% MoM. TLKM (Telekomunikasi Indonesia) and PGAS (Perusahaan Gas Negara) were the laggards, losing -2.09% and -10.80% MoM respectively.

Our portfolio strategy leans towards a more defensive approach where risk/reward is still the bottom up main focus. Generally speaking, we have increased our cash levels and bottom up select equities that has pricing power, relatively low gearing and well-disciplined corporate governance. We are putting a larger emphasis on managing earnings expectations to a more conservative approach rather than growth seeking and assess value on that front also bearing in mind forex, leverage exposures and cash flow generation ability.