

SMARTLINK RUPIAH EQUITY FUND

December 2018

BLOOMBERG: AZRPEQF:IJ

Investment Objective

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

Investment Strategy

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

Return Performance

Last 1-year Period		-7.75%
Best Month	Jul-09	14.70%
Worst Month	Oct-08	-19.00%

Portfolio Breakdown

Equity	91.44%
Cash/Deposit	8.56%

Top Five Stocks Holding

Bank Central Asia	9.34%
Bank Rakyat Indonesia	7.06%
Bank Mandiri Persero	6.35%
Hanjaya Mandala Sampoerna	5.41%
Astra International	4.79%

Key Fund Facts

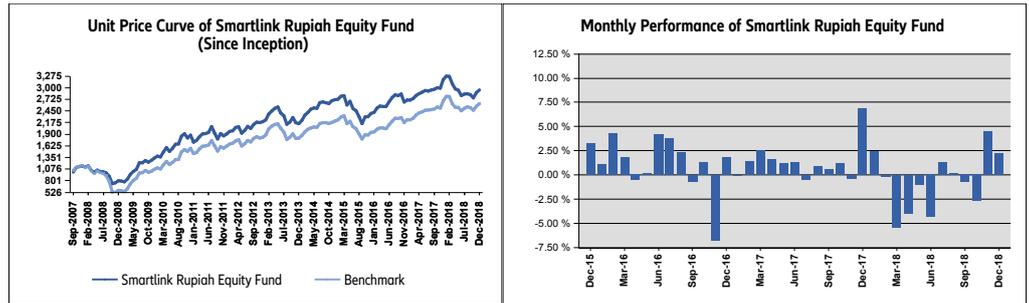
Fund Size (in bn IDR)	IDR 9,778.24
Risk Profile	Aggressive
Launch Date	01 Sep 2007
Fund Currency	Indonesian Rupiah
Pricing Frequency	Daily
Bid-Offer Spread	5.00%
Management Fee	2.00% p.a.

Price per Unit	Bid	Offer
(As of Dec 31, 2018)	IDR 2,800.94	IDR 2,948.36

Managed by PT. Asuransi Allianz Life Indonesia

	1 Month	3 Months	6 Months	1 Year	3 Years	YTD	Since Inception
Smartlink Rupiah Equity Fund	2.17%	3.90%	4.69%	-7.75%	23.22%	-7.75%	194.84%
Benchmark*	2.28%	3.65%	6.82%	-2.54%	34.87%	-2.54%	162.33%

*Jakarta Composite Index (JCI)



Manager Commentary

Central Bureau Statistics of Indonesia (BPS) announced December 2018 inflation at +0.62% mom (vs consensus inflation +0.53%, +0.27% in Nov 2018). On yearly basis, inflation was +3.13% yoy (vs consensus inflation +3.01%, +3.23% in Nov 2018). Core inflation was printed at +3.07% yoy (vs consensus inflation +3.07%, +3.03 in Nov 2018). The inflation was contributed by increment of food stuff prices (especially, chicken meat and egg price). In the Board of Governors' Meeting on 19th and 20th December 2018, Bank Indonesia kept the BI 7-day Reverse Repo Rate unchanged on 6.00%, while also maintaining the Deposit Facility (DF) and Lending Facility (LF) rates at 5.25% and 6.75% respectively. Rupiah depreciated by -0.99% to 14,481/USD at end of December 2018 from 14,339/USD in previous month. Indonesia's trade balance recorded deficit amounting to USD -2.050 billion in November 2018 vs consensus deficit USD -1.820 billion. Non-oil and gas trade balance in November 2018 recorded deficit USD -0.583bn, worse than the previous month which was deficit amounting to USD -0.4bn. Meanwhile, oil and gas trade balance recorded deficit to USD -1.46bn in Nov 2018, higher than deficit on Oct 2018 amounting to USD -1.42bn. This month deficit was the worst deficit since June 2017, which was mainly caused by the decrement of exports income of palm oil, pulp & paper, and crude oil. Indonesia's official foreign reserve as of December 2018 was at USD 120.7 billion, higher than the November 2018 which stood at USD 117.2 billion. The increment in the reserve assets in December 2018 was caused by the foreign exchange income from oil & gas income, withdrawal of government external debt, and global bonds issuance.

The JCI ended the month higher at 6,194.5 (+2.28% MoM). Market movers were UNVR, CPIN, TPIA, TOWR, and INDF as they rose 7.46%, 21.43%, 11.27%, 31.43% and 12.88% MoM respectively. The index and overall EM continued to be positive on the back of improvement in US-China trade talks and weakening oil prices. On the domestic front, the strength in CPO price, higher social spending, and IDR currency stabilization provided some positive tailwind towards purchasing power confidence for 2019. However, despite the sentiment turning bullish on emerging markets, volatility is expected to remain driven mainly by external developments. Investors are still keeping a close check towards the developments of trade tariffs, energy prices and slower economy growth in China which is undergoing a major shift in its economic characteristics. Sector wise, the Agriculture Sector was the best performing sector during the week, gaining 6.47% MoM. Ticker wise, IIKP (Inti Agri Resources) and DSNG (Dharma Satya Nusantara) were the movers, appreciating 26.98% and 22.75% MoM respectively. This was followed by the Basic Industry Sector which rallied 6.19% MoM. Ticker wise, YPAS (Yanaprima Hastapersada) and IKAI (Intikeramik Alamasri Industri) posted 56% and 31.78% MoM gains respectively. On the other hand, the worst sector during the week was the Miscellaneous Industries Sector, which recorded a decline of 2.2% MoM. Ticker wise, HDTX (Panasia Indo Resources) and ESTI (Ever Shine Textile) were the laggards which fell 23.64% and 19% MoM respectively.

Our portfolio strategy leans towards a more a value approach where risk/reward is still the bottom up main focus. Generally speaking, we have been selective on equities that have 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.

Disclaimer:

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