

# SMARTLINK RUPIAH EQUITY FUND

## November 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	-3.50%
Best Month	Jul-09 14.70%
Worst Month	Oct-08 -19.00%

### Portfolio Breakdown

Equity	85.39%
Cash/Deposit	14.61%

### Top Five Stocks Holding

Bank Central Asia	9.37%
Bank Rakyat Indonesia	6.58%
Bank Mandiri Persero	5.56%
Hanjaya Mandala Sampoerna	5.29%
Telekomunikasi Indonesia	5.19%

### Key Fund Facts

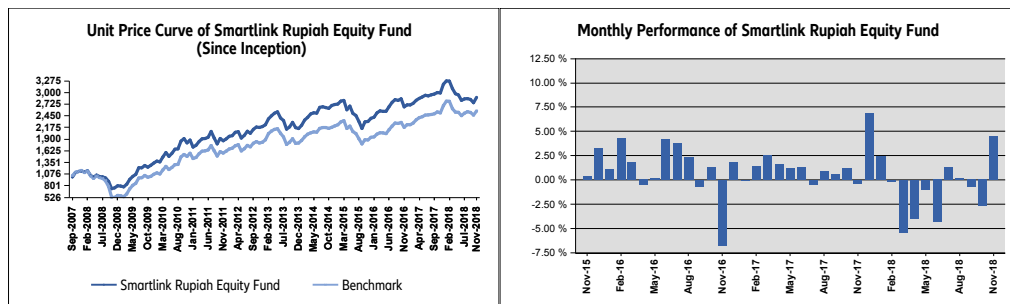
Fund Size (in bn IDR)	IDR 9,446.18
Risk Profile	Aggressive
Launch Date	01 Sep 2007
Fund Currency	Indonesian Rupiah
Pricing Frequency	Daily
Bid-Offer Spread	5.00%
Management Fee	2.00% p.a.

Price per Unit	Bid	Offer
(As of Nov 30, 2018)	IDR 2,741.56	IDR 2,885.85

Managed by PT. Asuransi Allianz Life Indonesia

	1 Month	3 Months	6 Months	1 Year	3 Years	YTD	Since Inception
Smartlink Rupiah Equity Fund	4.52%	0.98%	-2.00%	-3.50%	24.49%	-9.71%	188.59%
Benchmark*	3.85%	0.63%	1.21%	1.75%	36.20%	-4.71%	156.47%

\*Jakarta Composite Index (JCI)



### Manager Commentary

Central Bureau Statistics of Indonesia (BPS) announced November 2018 inflation at +0.27% mom (vs consensus inflation +0.23%, +0.28% in Oct 2018). On yearly basis, inflation was +3.23% yoy (vs consensus inflation +3.17%, +3.16% in Oct 2018). Core inflation was printed at +3.03% yoy (vs consensus inflation +2.99%, +2.94 in Oct 2018). The inflation was contributed by increment of food stuff prices (onion prices), airfares, and non-subsidized fuel prices. In the Board of Governors' Meeting on 14-15 November 2018, Bank Indonesia raised the BI 7-day Reverse Repo Rate by 25bps to 6.00%, while also raised the Deposit Facility (DF) and Lending Facility (LF) rates by 25 bps to 5.25% and 6.75% respectively. Rupiah appreciated by +5.68% to 14,339/USD at end of November 2018 from 15,202/USD in previous month. Indonesia's trade balance recorded a USD -1.820 billion deficit in Oct 2018 vs consensus USD +0.227 billion surplus. Non-oil and gas trade balance in Oct 2018 recorded deficit USD -0.4bn, worse than the previous month which was surplus amounting to USD 1.297bn. Meanwhile, oil and gas trade balance recorded deficit to USD -1.42bn in Oct 2018, higher than deficit on Sep 2018 amounting to USD -1.07bn. The deficit trade balance was affected by increment of global crude oil price and IDR depreciation. Indonesia's consumption of oil and gas kept increasing while the domestic production kept decreasing, thus government imported more crude oil. Indonesia's official reserve assets at the end of November 2018 were at USD 117.2 billion, slightly higher than the end of October 2018 which stood at USD 115.2 billion. The increment in the reserve assets in November 2018 was caused by the amount of foreign exchange income from oil & gas income and withdrawal of government external debt that were bigger than the amount of government external debt repayment and rupiah stabilization.

The JCI ended the month higher at 6056.12 (+3.85% MoM). Market movers were BBRI, BBCA, ASII, BMRI, and BBNI as they rose 14.92%, 10.15%, 8.23%, 8.03% and 16.04% MoM respectively. The emerging market moved positively last month on the back of positive midterm election results and dovish comments from Fed Chairman, Jerome Powell. Decline in oil prices by 22% MoM has also increased risk appetite towards Emerging Market as it suggests tailwind towards EM's overall trade balance. On the Indonesia front, 3Q18 Current Account Deficit (CAD) release suggests a peak where the lower oil prices also help brighten the prospects of future CAD data releases. The change in tone of the Fed in regards to the magnitude of future rate hikes certainly helped ease IDR currency pressure to IDR 14.3k/USD (from IDR 15.2k/USD last month) similar to other EM currencies. Equity flows also reversed positively, as seen on the net foreign inflows of US\$600mn (versus US\$223mn net outflows in Oct-18). Despite the sentiment turning bullish on emerging markets, volatility remains as external factors development remained fluid. Investors are still keeping a close check towards the developments of trade tariffs and energy prices. Sector wise, the Construction, Property and Real Estate Sector was the best performing sector during the week, gaining 9.14% MoM. Ticker wise, PTTP (Pembangunan Perumahan Persero) and ADHI (Adhi Karya Persero) were the movers, appreciating 39.47% and 39.11% MoM respectively. This was followed by the Finance Sector which rallied 8.55% MoM. Ticker wise, BBTN (Bank Tabungan Negara Persero) and BBNI (Bank Negara Indonesia Persero) posted 25.94% and 16.04% MoM gains respectively. On the other hand, the worst sector during the week was the Mining Sector, which recorded a decline of 7.02% MoM. Ticker wise, HRUM (Harum Energy) and MITI (Mitra Investindo) were the laggards which fell 30.36% and 29.58% MoM respectively.

Our portfolio strategy leans towards a more 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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