

SMARTLINK RUPIAH EQUITY FUND

May 2020

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		-20.76%
Best Month	Jul-09	14.70%
Worst Month	Oct-08	-19.00%

Portfolio Breakdown

Equity	80.73%
Mutual Funds - Equities	3.39%
Cash/Deposit	15.88%

Top Five Stocks Holding

Bank Central Asia	11.69%
Unilever Indonesia	6.88%
Telekomunikasi Indonesia	6.27%
Bank Rakyat Indonesia	5.65%
Merdeka Copper Gold	4.38%

Key Fund Facts

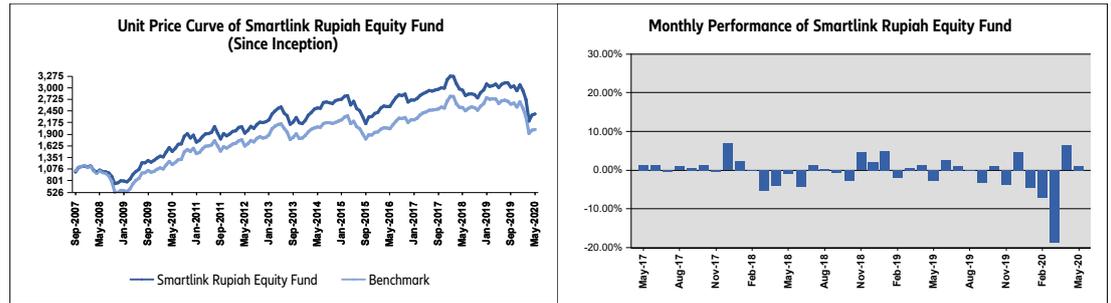
Fund Size (in bn IDR)	IDR 7,976.15
Risk Profile	Aggressive
Launch Date	01 Sep 2007
Fund Currency	Indonesian Rupiah
Pricing Frequency	Daily
Bid-Offer Spread	5.00%
Management Fee	2.00% p.a.
Custodian Bank Name	Bank HSBC Indonesia
Total Unit	3,525,001,661.6087

Price per Unit	Bid	Offer
(As of May 29, 2020)	IDR 2,262.74	IDR 2,381.83

Managed by PT. Asuransi Allianz Life Indonesia

	1 Month	3 Months	6 Months	1 Year	3 Years	YTD	Since Inception
Smartlink Rupiah Equity Fund	1.11%	-12.49%	-18.75%	-20.76%	-17.77%	-22.45%	138.18%
Benchmark*	0.79%	-12.82%	-20.93%	-23.44%	-17.16%	-24.54%	101.31%

*Jakarta Composite Index (JCI)



Manager Commentary

Central Bureau Statistics of Indonesia (BPS) announced May 2020 inflation at +0.07% mom (vs consensus inflation +0.10%, +0.08% in April 2020). On yearly basis, inflation was +2.19% yoy (vs consensus inflation +2.20%, +2.67% in April 2020). Core inflation was printed at +2.65% yoy (vs consensus inflation +2.80%, +2.85% in April 2020). The inflation on May 2020 is the lowest inflation in festive season (Ramadhan & Idul Fitri) since 1998 which the food prices usually increased and could lead higher inflation, but in this year, there was deflation on volatile food group (declining of onion and chicken egg prices). In the Board of Governors' Meeting on 18-19 May 2020, Bank Indonesia hold the BI 7-day Reverse Repo Rate at 4.50% level, and also hold the Deposit Facility (DF) and Lending Facility (LF) rates at 3.25% and 5.25% level, respectively. This policy is to support the rupiah stability, even though there are still room for Bank Indonesia to cut their benchmark rate. Rupiah appreciated by +2.79% to 14,733/USD at end of May 2020 from 15,157/USD previous month. Indonesia's trade balance recorded deficit amounting to USD -345mn in April 2020 vs previous month surplus USD +743.4mn. The trade deficit was caused by increment in non-oil and gas import where the increment was on importing electrical machinery (medical equipment supply). While the export number also lower on the back of lower coal export number which is caused by the weak price of commodity. Non-oil and gas trade balance in April 2020 recorded deficit USD -100.7mn, while the previous month recorded trade surplus amounting to USD +1,676mn. Meanwhile, oil and gas trade balance still recorded deficit to USD -243mn in April 2020, which was lower than the deficit on March 2020 amounting to USD -932.6mn. Indonesia's official foreign reserve as of May 2020 was at USD 130.5billion, higher than April 2020's number at USD 127.9billion. The increment of foreign reserve was affected by withdrawal external government debt and also the placement of banks' foreign currency in Bank Indonesia.

The JCI ended the month higher at 4,753.61 (+0.79% MoM). Market movers were ASII, HMSP, BBRI, CPIN, and SMGR as they rose 23.9%, 21.63%, 8.06%, 25.54% and 23.27% MoM respectively. The Index closed the month in the positive territory as global equity market sentiment improved over several globally positive sentiments as continuation of plateauing daily infection numbers of COVID-19 cases and encouraging leading economy indicators globally which points out to recovery. The global manufacturing PMI rose in May, to 42.0 from 39.7 in April, which indicates economy showed signs of recovery despite some developing countries only beginning to relax social distancing measures halfway thru May. The pace of the recovery in the services sector continued at a faster than expected pace for now. Consumer activity in US has been recovering since mid-April and it has sustained going into the month of May. On the domestic front in Indonesia, government began to re-open some regions despite infection rates still being relatively high. While health concerns remain and 2nd wave or prolonged high infection rates still in question, economic impact is positive to Indonesia's largely consumption driven economy. The relaxation measures allow to what was regions that contributed 25-35% to GDP to recover in its productivity. Market has somewhat already largely priced in the bad news looking at the way market behaved, there was also some foreign flows buying into the market towards the tail end. However, how the longer term trajectory of the economic recovery will be determined from a combination of health issues, government monetary & fiscal policies which effectively determines purchasing power in the short to medium run. Sector wise, the Miscellaneous Industries Sector was the best performing sector during the month, gaining 17.02% MoM. Ticker wise, TFCC (Tifico Fiber Indonesia) and PBRX (Pan Brothers) were the movers, appreciating 85.95% and 80.82% MoM respectively. This was followed by the Construction, Property and Real Estate Sector which rallied 10.21% MoM. Ticker wise, IDPR (Indonesia Pondasi Raya) and SMDM (Suryamas Dutamakmur) posted 32.26% and 30.67% MoM gains respectively. On the other hand, the worst sector during the month was the Infrastructure, Utilities and Transportation Sector, which recorded a decline of 5.63% MoM. Ticker wise, INDY (Indika Energy) and BUKK (Bukaka Teknik Utama) were the laggards which fell 19.5% and 14.56% 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 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.

About Allianz Indonesia

PT Asuransi Allianz Life Indonesia was founded in 1996 and is part of Allianz Asia Pacific which has been present in the region since 1910. Allianz Group is a leading insurance company and asset manager in the world with over 129 years of experience and provides a variety of personal and insurance services, companies, ranging from property, life and health insurance to credit insurance and business insurance services globally.

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