

SMARTLINK RUPIAH EQUITY FUND

October 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 | | -16.18% |
| Best Month | Jul-09 | 14.70% |
| Worst Month | Oct-08 | -19.00% |

Portfolio Breakdown

| | |
|-------------------------|--------|
| Equity | 91.48% |
| Mutual Funds - Equities | 3.11% |
| Cash/Deposit | 5.41% |

Top Five Stocks Holding

| | |
|--------------------------|--------|
| Bank Central Asia | 13.99% |
| Bank Rakyat Indonesia | 7.63% |
| Unilever Indonesia | 6.20% |
| Telekomunikasi Indonesia | 6.03% |
| Bank Mandiri Persero | 5.18% |

Key Fund Facts

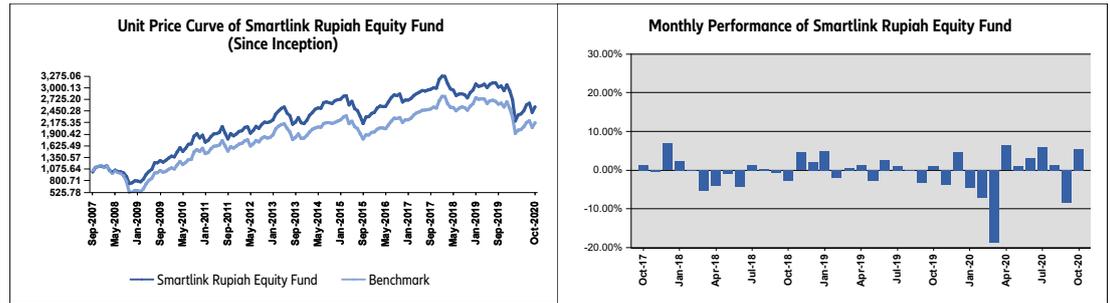
| | |
|-----------------------|---------------------|
| Fund Size (in bn IDR) | IDR 8,659.55 |
| Risk Profile | Aggressive |
| Launch Date | 01 Sep 2007 |
| Fund Currency | Indonesian Rupiah |
| Pricing Frequency | Daily |
| Bid-Offer Spread | 5.00% |
| Management Fee | 2.00% p.a. |
| Custodian Bank Name | Bank HSBC Indonesia |
| Total Unit | 3,574,452,820.3519 |

| Price per Unit | Bid | Offer |
|----------------------|--------------|--------------|
| (As of Oct 27, 2020) | IDR 2,422.62 | IDR 2,550.13 |

Managed by PT. Asuransi Allianz Life Indonesia

| | 1 Month | 3 Months | 6 Months | 1 Year | 3 Years | YTD | Since Inception |
|------------------------------|---------|----------|----------|---------|---------|---------|-----------------|
| Smartlink Rupiah Equity Fund | 5.52% | -1.89% | 8.25% | -16.18% | -15.04% | -16.97% | 155.01% |
| Benchmark* | 5.30% | -0.42% | 8.73% | -17.66% | -14.61% | -18.59% | 117.18% |

*Jakarta Composite Index (JCI)



Manager Commentary

Central Bureau Statistics of Indonesia (BPS) announced Oct 2020 inflation at +0.07% mom (vs consensus inflation +0.07%, -0.05% in Sep 2020). On yearly basis, inflation was +1.44% yoy (vs consensus inflation +1.45%, +1.42% in Sep 2020). Core inflation was printed at +1.74% yoy (vs consensus inflation +1.82%, +1.86% in Sep 2020). After three months consecutively deflation, finally this month recorded inflation which was supported by the inflation of volatile food group, especially increment on horticulture plants price, such as: chili and onion, while administered price group still recorded deflation on the back of declining of electricity and transportation cost. While the core inflation is lower compared last month on the back of declining of global gold price. In the Board of Governors' Meeting on 12-13 Oct 2020, Bank Indonesia hold the BI 7-day Reverse Repo Rate at 4.00%, and also hold the Deposit Facility (DF) and Lending Facility (LF) rates at 3.25% and 4.75% level, respectively. This policy is expected to maintain Rupiah stability amid low inflation. Rupiah appreciated by +1.53% from 14,918 at end of Sep 2020 to 14,690 at end of Oct 2020. Indonesia's trade balance recorded surplus amounting to USD +2,438mn in Sep 2020 vs previous month surplus USD +2,327mn. The higher number of trade surplus was affected by increment on commodity price, such as: CPO, iron, and steel. The import number grew by +7.7% MoM which was caused by increment of oil imports and machineries (hospital equipment). Non-oil and gas trade balance in Sep 2020 recorded surplus USD +2,908mn, which was higher than the previous month that recorded trade surplus amounting to USD +2,666mn. Meanwhile, oil and gas trade balance still recorded deficit to USD -470mn in Sep 2020, which was higher than the deficit on Aug 2020 amounting to USD -388mn. Indonesia's economy contracted by -3.49% YoY in Q3 2020 (vs previous -5.32%, consensus -3.20%), but recorded positive growth by +5.05% QoQ (vs previous -4.19%, consensus 5.55%) which was supported by the relaxation of PSBB in July - September 2020. With this negative YoY growth, Indonesia's officially enter recession for the first time since 1998 Asian Financial Crisis. The YoY negative growth was contributed by the contraction on household consumption growth by -4.04% YoY, while only government spending grow positively by 9.72% YoY. Indonesia's official foreign reserve as of October 2020 was at USD 133.4 billion, lower than September 2020's number at USD135.2 billion. The decrement of foreign reserve was caused by the payment of external debt.

The JCI ended the month higher at 5,128.23 (+5.3% MoM). Market movers were BBKA, ASII, BMRI, BBRI, and TPIA as they rose 6.83%, 21.64%, 16.43%, 10.53% and 11.11% MoM respectively. Global stock markets continued its decline in October due to record high COVID-19 new cases in Europe which have triggered most European Countries to enforce another lockdown. Meanwhile, investors were concerned on the narrow US election results that would effectively result in a divided house of senate also weighed on capital market sentiments. Policy direction under this scenario will be divided and lack clarity on direction. Meanwhile on the Indonesian shores, investors responded positively to the passing of the Omnibus Bill in the hope that Indonesia will attract Foreign Direct Investment (FDI) particularly those that are related to the EV value chain. In addition, the easing of the Large Scale Social Distancing in Jakarta also boosted investors' confidence as it would had an impact on economy recovery given that Indonesia's economy is 60% consumption driven. Sector wise, the Miscellaneous Industries Sector was the best performing sector during the month, gaining 16.79% MoM. Ticker wise, SSTM (Sunson Textile Manufacturer) and ASII (Astra International) were the movers, appreciating 32.21% and 21.64% MoM respectively. This was followed by the Finance Sector which rallied 9.61% MoM. Ticker wise, BKSW (Bank QNB Indonesia) and BNL (Bank Permata) posted 81.16% and 76.72% MoM gains respectively. On the other hand, the worst sector during the month was the Consumer Sector, which recorded a decline of 1.30% MoM. Ticker wise, UNVR (Unilever) and ICBP (Indofood CBP) were the laggards which fell 3.40% and 4.22% MoM respectively.

Portfolio strategy wise, we have started to progressively shift to increase non defensives cyclical exposures on economic recovery expectation in 2021. 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.

About Allianz Indonesia

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