

SMARTLINK RUPIAH EQUITY FUND

September 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 | | -19.84% |
| Best Month | Jul-09 | 14.70% |
| Worst Month | Oct-08 | -19.00% |

Portfolio Breakdown

| | |
|-------------------------|--------|
| Equity | 88.94% |
| Mutual Funds - Equities | 3.26% |
| Cash/Deposit | 7.79% |

Top Five Stocks Holding

| | |
|--------------------------|--------|
| Bank Central Asia | 13.53% |
| Bank Rakyat Indonesia | 7.23% |
| Unilever Indonesia | 6.73% |
| Telekomunikasi Indonesia | 5.98% |
| Bank Mandiri Persero | 4.66% |

Key Fund Facts

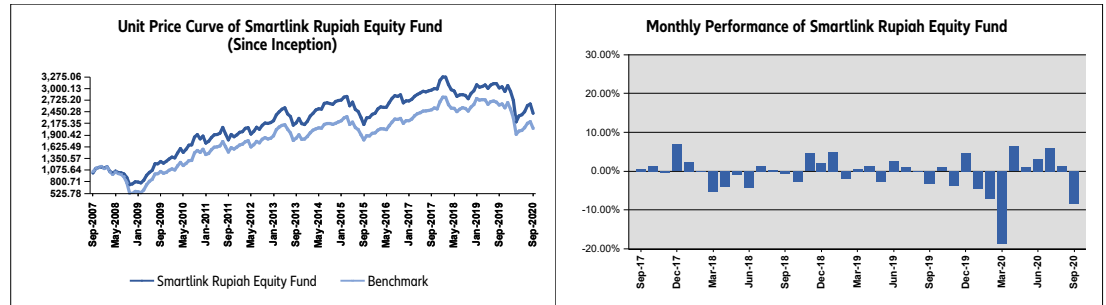
| | |
|-----------------------|---------------------|
| Fund Size (in bn IDR) | IDR 8,263.52 |
| Risk Profile | Aggressive |
| Launch Date | 01 Sep 2007 |
| Fund Currency | Indonesian Rupiah |
| Pricing Frequency | Daily |
| Bid-Offer Spread | 5.00% |
| Management Fee | 2.00% p.a. |
| Custodian Bank Name | Bank HSBC Indonesia |
| Total Unit | 3,599,108,058.4154 |

| | | |
|-----------------------|--------------|--------------|
| Price per Unit | Bid | Offer |
| (As of Sep 30, 2020) | IDR 2,295.99 | IDR 2,416.83 |

Managed by PT. Asuransi Allianz Life Indonesia

| | 1 Month | 3 Months | 6 Months | 1 Year | 3 Years | YTD | Since Inception |
|------------------------------|---------|----------|----------|---------|---------|---------|-----------------|
| Smartlink Rupiah Equity Fund | -8.34% | -1.56% | 9.13% | -19.84% | -18.49% | -21.31% | 141.68% |
| Benchmark* | -7.03% | -0.72% | 7.29% | -21.06% | -17.47% | -22.69% | 106.24% |

*Jakarta Composite Index (JCI)



Manager Commentary

Central Bureau Statistics of Indonesia (BPS) announced Oct 2020 deflation at -0.05% mom (vs consensus inflation -0.03%, -0.05% in Sep 2020). On yearly basis, inflation was +1.42% yoy (vs consensus inflation +1.40%, +1.32% in Sep 2020). Core inflation was printed at +1.86% yoy (vs consensus inflation +2.00%, +2.03% in Sep 2020). The monthly deflation was contributed by the deflation on volatile food and administered price group. The deflation on volatile food group was affected by the declining of chicken price, while the administered price group was impacted by the declining of transportation cost. In the Board of Governors' Meeting on 16-17 Sep 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 the external stability in line with their expectation that the inflation remain low. Rupiah depreciated by +2.50% from 14,554 at the end of Aug 2020 to 14,918 at end of Sep 2020. Indonesia's trade balance recorded surplus amounting to USD +2,327mn in Aug 2020 vs previous month surplus USD +3,263mn. The surplus was caused by increment on commodities prices, especially CPO price and also the increasing in export number for iron & steel, especially to China & US. However, our import number also showed recovery from the previous month by +3% MoM which could indicated the recovery on Indonesia's economic activity that was caused by the relaxation of public restriction. Non-oil and gas trade balance in Aug 2020 recorded surplus USD +2,666mn, which was lower than the previous month that recorded trade surplus amounting to USD +3,516mn. Meanwhile, oil and gas trade balance still recorded deficit to USD -338mn in Aug 2020, which was higher than the deficit on July 2020 amounting to USD -253mn. Indonesia's official foreign reserve as of September 2020 was at USD 135.2 billion, lower than August 2020's number at USD137.0 billion. The decrement of foreign reserve was caused by the payment of external debt and to stabilize the Rupiah exchange rate.

The JCI ended the month lower at 4,870.04 (-7.03% MoM). Market laggards were BBKA, BBRI, BMRI, TLKM, and HMSP as they fell -13.63%, -13.39%, -16.64%, -10.49% and -15.15% MoM respectively. Equity market declined in September as global risk-off selling re-escalated on COVID-19 resurgence in Europe and Asia, potentially triggering another lock down and disrupt economic activities once more. In addition to that, the uncertainty over the US election in November and US fiscal stimulus failed discussion triggered investors to de-risk from equity market as well. On the domestic front, the JCI was no exception especially after the Jakarta's governor announced the Large Scale Social Distancing (PSBB) due to the new daily cases reaching above 1,000 people/day. The event had dampened investor confidence as Jakarta contributes almost 20% of Indonesia's GDP, potentially delaying Indonesia's economic growth recovery in 3Q20. On a more positive note, progress for the Omnibus Law had reached 90% and expected to be completed by early October 2020. Once passed, will hopefully spur business confidence despite spikes in new cases but with vaccine lingering in the background at the same time. Sector wise, the Finance Sector was the worst performing sector during the month, declining 12.26% MoM. Ticker wise, BBKP (Bank Bukopin Tbk) and BBTN (Bank Tabungan Negara Persero) were the laggards, depreciating 26.57% and 23.81% MoM respectively. This was followed by the Miscellaneous Industries Sector which dropped 10.13% MoM. Ticker wise, GJTL (Gajah Tunggal) and PTSN (Sat Nusapersada) posted 18.52% and 16.1% MoM losses respectively. On the other hand, the best sector during the month was the Construction, Property and Real Estate Sector, which recorded a gain of 14.53% MoM. Ticker wise, MKPI (Metropolitan Kentjana) and KJIA (Kawasan Industri Jababeka) were the movers which rose 57.48% and 28.47% 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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