

# SMARTLINK RUPIAH EQUITY FUND

## August 2019

**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		9.08%
Best Month	Jul-09	14.70%
Worst Month	Oct-08	-19.00%

**Portfolio Breakdown**

Equity	89.53%
Mutual Funds - Equities	2.68%
Cash/Deposit	7.79%

**Top Five Stocks Holding**

Bank Central Asia	10.38%
Bank Rakyat Indonesia	8.16%
Telekomunikasi Indonesia	6.25%
Bank Mandiri Persero	4.73%
Hanjaya Mandala Sampoerna	4.56%

**Key Fund Facts**

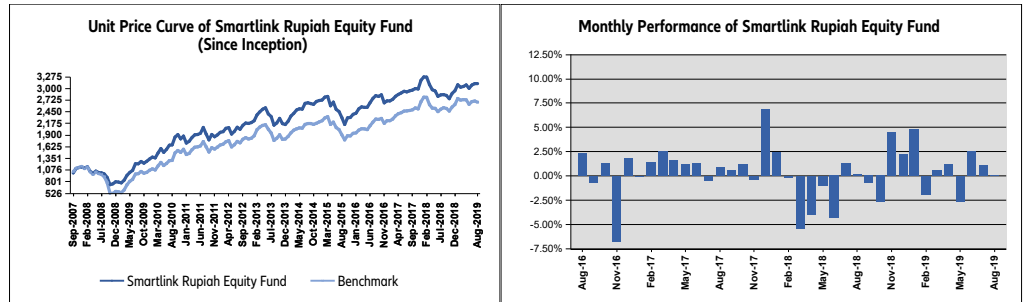
Fund Size (in bn IDR)	IDR 10,143.95
Risk Profile	Aggressive
Launch Date	01 Sep 2007
Fund Currency	Indonesian Rupiah
Pricing Frequency	Daily
Bid-Offer Spread	5.00%
Management Fee	2.00% p.a.

Price per Unit	Bid	Offer
(As of Aug 30, 2019)	IDR 2,961.38	IDR 3,117.24

Managed by PT. Asuransi Allianz Life Indonesia

	1 Month	3 Months	6 Months	1 Year	3 Years	YTD	Since Inception
Smartlink Rupiah Equity Fund	0.01%	3.71%	2.80%	9.08%	10.00%	5.73%	211.72%
Benchmark*	-0.97%	1.92%	-1.78%	5.15%	17.50%	2.16%	168.01%

\*Jakarta Composite Index (JCI)


**Manager Commentary**

Central Bureau Statistics of Indonesia (BPS) announced Aug 2019 inflation at +0.12% mom (vs consensus inflation +0.17%, +0.31% in July 2019). On yearly basis, inflation was +3.49% yoy (vs consensus inflation +3.51%, +3.32% in July 2019). Core inflation was printed at +3.30% yoy (vs consensus inflation +3.17%, +3.18% in July 2019). The contributor of this inflation was the increment of school fees ahead of new school academic year and gold price which was affected by global gold price. In the Board of Governors' Meeting on 21st and 22nd Aug 2019, Bank Indonesia cut the BI 7-day Reverse Repo Rate by 25bps to be 5.50%, while also cut the Deposit Facility (DF) and Lending Facility (LF) rates by 25bps to be 4.75% and 6.25%, respectively. This policy expected to boost the increasing of economic growth. Rupiah depreciated by -1.50% to 14,237/USD at end of August 2019 from 14,026/USD in previous month. Indonesia's trade balance recorded deficit amounting to USD -0.63mn in July 2019 vs previous month surplus USD 0.196bn. The deficit was contributed by import for oil & gas sector, especially oil products, while the surplus from export of non-oil & gas sector declined compared previous month. Non-oil and gas trade balance in July 2019 recorded surplus USD 0.079bn, declining than the previous month which was resulting surplus amounting to USD 1.164bn. Meanwhile, oil and gas trade balance still recorded deficit to USD -0.142bn in July 2019, slightly better than deficit on June 2019 amounting to USD -0.967bn. The deficit was caused by higher oil products imports. Indonesia's official foreign reserve as of Aug 2019 was at USD 126.4billion, higher than July 2019's number at USD 125.9billion. The increment in the reserve assets per Aug 2019 was due to higher export earnings from oil and gas.

The JCI ended the month lower at 6,328.47 (-0.97% MoM). Market laggards were HMSP, BMRI, BBRI, BBNI, and ASII as they fell -11.22%, -9.09%, -4.69%, -9.14% and -4.64% MoM respectively. The stock market closed in negative territory due to further escalation of US-China trade war in which both will raise tariffs on September 1, 2019 which intensifies negative future implication of an already declining global Purchasing Managers Index (PMI) trends. To date global PMI has inched below 50 and the global trade volumes has experienced the biggest decline since the GFC. On the domestic front, the continuation of the BI rate cut by 25 bps also did not help to boost positive sentiment in the stock market. Investors were also quite disappointed with the results of the 2020 Draft State Budget, where the reduction in the government's budget deficit to 1.67% of GDP (vs. 1.93% in 2019) which suggests no consumption tailwind from a fiscal standpoint. Note that monetary expansionary translates to a lesser impact towards underleveraged economies such as Indonesia. The government however, is still hopeful that the GDP growth going forward will be fueled by FDI however the risks on such reliance is relatively high given the cautious global backdrop where corporates globally are pausing expansions especially post the weak PMI. Sector wise, the Finance Sector was the worst performing sector during the week, declining 4.54% MoM. Ticker wise, AGRS (Bank Agris) and OCAP (Onix Capital) were the laggards, depreciating 23.08% and 21.15% MoM respectively. This was followed by the Miscellaneous Industries Sector which dropped 4.14% WoW. Ticker wise, POLY (Asia Pacific Fibers) and IMAS (Indomobil Sukses Internasional) posted 25.58% and 22.59% MoM losses respectively. On the other hand, the best sector during the week was the Basic Industry Sector, which recorded a gain of 5.59% MoM. Ticker wise, TPIA (Chandra Asri Petrochemical) and INRU (Toba Pulp Lestari) were the movers which rose 40.64% and 26.05% 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.

**Disclaimer:**

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