

# SMARTLINK RUPIAH EQUITY FUND

## May 2021

**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	27.45%
Best Month	Jul-09 14.70%
Worst Month	Oct-08 -19.00%

### Portfolio Breakdown

Equity	89.91%
Mutual Funds - Equities	2.99%
Cash/Deposit	7.10%

### Top Five Stocks Holding

Bank Central Asia	11.42%
Bank Rakyat Indonesia	7.87%
Bank Jago	5.96%
Elang Mahkota Teknologi	5.31%
Telekomunikasi Indonesia	5.28%

### Key Fund Facts

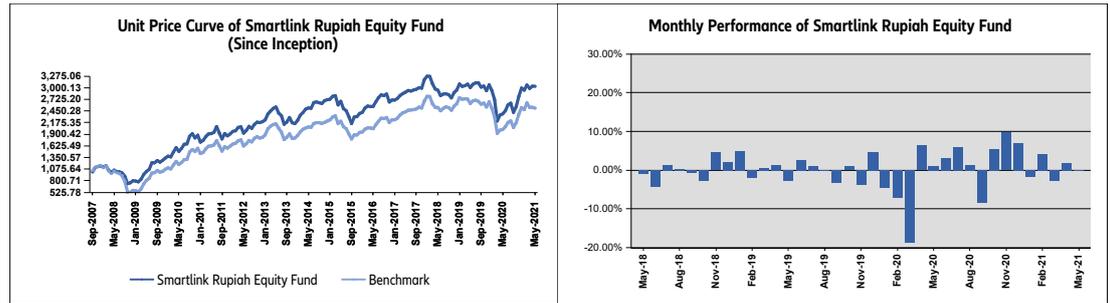
Fund Size (in bn IDR)	IDR 10,328.11
Risk Profile	Aggressive
Launch Date	01 Sep 2007
Fund Currency	Indonesian Rupiah
Pricing Frequency	Daily
Bid-Offer Spread	5.00%
Management Fee	2.00% p.a.
Custodian Bank Name	Bank HSBC Indonesia
Total Unit	3,581,458,952.0544

Price per Unit	Bid	Offer
(As of May 31, 2021)	IDR 2,883.77	IDR 3,035.55

Managed by PT. Asuransi Allianz Life Indonesia

	1 Month	3 Months	6 Months	1 Year	3 Years	YTD	Since Inception
Smartlink Rupiah Equity Fund	-0.10%	-0.99%	8.50%	27.45%	3.09%	1.38%	203.56%
Benchmark*	-0.80%	-4.72%	5.97%	25.11%	-0.60%	-0.53%	151.87%

\*Jakarta Composite Index (JCI)



### Manager Commentary

Central Bureau Statistics of Indonesia (BPS) announced May 2021 inflation at +0.32% mom (vs consensus inflation +0.29%, +0.13% on April 2021). On yearly basis, inflation was +1.68% yoy (vs consensus inflation +1.67%, +1.42% on April 2021). Core inflation was printed at +1.37% yoy (vs consensus inflation +1.30%, +1.18% on April 2021). The May inflation was improved which was affected by the higher core inflation due to higher global gold price, and the higher inflation on administered price group which was caused by the higher transportation cost on the Idul Fitri Season. The BI Board of Governors agreed on 24-25 May 2021 to hold the BI 7-Day Reverse Repo Rate to be 3.50%, and also hold the Deposit Facility (DF) and Lending Facility (LF) rates to be 2.75% and 4.25%, respectively. This policy is to maintain Rupiah stability in the middle of global uncertainty and also the lower inflation. Rupiah appreciated against USD by +1.12% from 14,453 at end of April 2021 to 14,292 at end of May 2021. Indonesia's trade balance recorded surplus amounting to USD +2,194mn in April 2021 vs previous month surplus USD +1,568mn. The better trade surplus was caused by the higher export number on non-oil and gas on the back of higher CPO export to China in line with global economics recovery. Non-oil and gas trade balance in April 2021 recorded surplus USD +3,261mn, which was higher than the previous month that recorded trade surplus amounting to USD +2,941mn. Meanwhile, oil and gas trade balance still recorded deficit to USD -1,067mn in April 2021, which was lower than the deficit on March 2021 amounting to USD -1,373mn. Indonesia's official foreign reserve as of May 2021 was at USD 136.4billion, lower than March 2021 number at USD 138.8billion due to government's foreign debt payments.

The JCI ended the month lower at 5,947.46 (-0.80% MoM). Market laggards were TPIA, BRIS, BRPT, BMRI, and POLL as they fell 21.34%, 16.45%, 9.72%, 2.83% and 33.02% MoM respectively. Regional equity markets reversed to negative territory in May as US inflation jumped to its highest level in nearly four decades in April 2021 at 4.2% YoY, supply shortages, manufacturing bottleneck as well as low-base effect fuelled the reversal. The higher than expected inflation numbers triggered investors' concern on faster than expected policy tightening from the central banks. Additionally, surge in COVID-19 infection cases in ASEAN countries such as Malaysia and Singapore suggesting for another round of mobility restriction also fueled another negative sentiment towards the equity market within ASEAN. Within Indonesia equity market, JCI Index fell below 6,000 level as investors' anticipate on COVID-19 cases potentially spiking post-festive season. That said, daily cases still look manageable at 5-6k cases per day (vs. 8-10k/day in Jan-21) while the hospital bed occupancy rates are still below 40% (vs. 85-90% in Jan-21). Higher vaccination rate would still be key in containing the virus spread and prevent further increase in death cases caused by the virus. Valuation wise, current market valuation stands at 16.5x FY21 P/E, which seems fair in our view given the expectation of a stronger economic recovery post the higher vaccination roll-out (expectation in 2H21) and potential upcoming Indonesian tech IPOs in 2H21 which typically do not use P/E as a valuation method. Sector wise, the Basic Material Sector was the worst performing sector during the month, declining 6.33% MoM. Ticker wise, TPIA (Chandra Asri Petrochemical) and SMBR (Semen Baturaja) were the laggards, depreciating 21.34% and 14.72% MoM respectively. This was followed by the Properties and Real Estate Sector which dropped 5.85% MoM. Ticker wise, LPKR (Lippo Karawaci Tbk PT) and LPCK (Lippo Cikarang) posted 23.36% and 21.53% MoM losses respectively. On the other hand, the worst sector during the month was the Technology Sector, which recorded a gain of 19.08% MoM. Ticker wise, NFCX (NFC Indonesia) and DMMX (Digital Mediatama Maxima Tbk) were the movers which rose 110.91% and 100.81% MoM respectively.

Portfolio strategy wise, we have started to progressively shift to increase non defensives cyclical exposures on economic recovery expectation in 2021 and 2022. Generally speaking, our preference on equities that have pricing power, efficient balance sheet and good corporate governance has not changed regardless of condition. 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

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