

# SmartWealth US Dollar Equity IndoAsia Fund

## August 2016


**BLOOMBERG: AZUSIAS: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 80 - 100% in equity instruments (directly through stocks and / or through equity mutual funds) and 0 - 20% in short-term instruments (such as deposits). Furthermore, the fund shall be invested in equity instruments in the Asia Pacific region, excluding Japan, not exceeding 20% of the fund. This fund is a conversion of the Smartwealth IndoAsia Equity Fund (IDR). The unit price for the USD is calculated using the Bank Indonesia's middle rate.

**PERFORMANCE INDICATOR**
**Return Performance**

Last 1-year period	<b>24.43%</b>
Best Month	<b>14.32% Oct-15</b>
Worst Month	<b>-11.54% Aug-13</b>

**Portfolio Breakdown**

Equity	<b>86.85%</b>
Cash/Deposit	<b>13.15%</b>

**Top Five Stocks Holding**

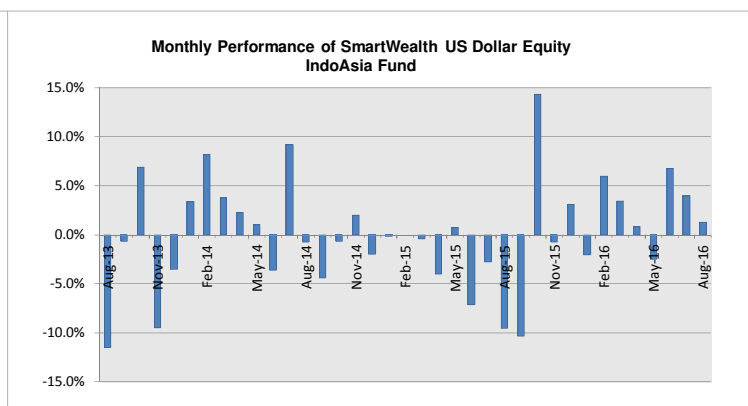
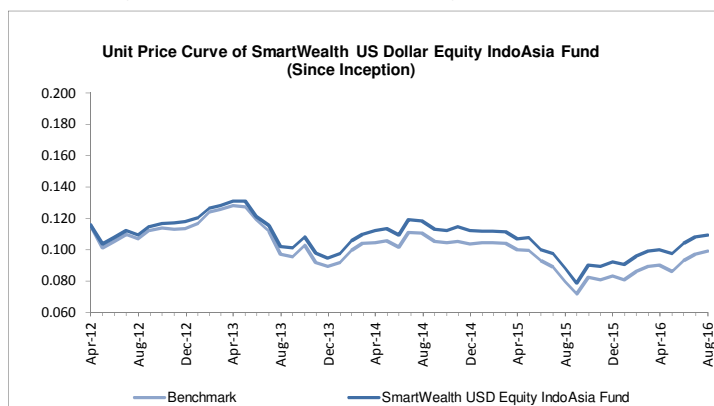
Telekomunikasi Indonesia	<b>6.75%</b>
Hanjaya Mandala Sampoerna	<b>6.20%</b>
Bank Central Asia	<b>5.97%</b>
Unilever Indonesia	<b>4.62%</b>
Bank Rakyat Indonesia Perser	<b>4.23%</b>

**Country Breakdown (Stock)**

Indonesia	<b>73.30%</b>
Philippines	<b>0.00%</b>
Hongkong	<b>5.43%</b>
South Korea	<b>2.71%</b>
Malaysia	<b>0.94%</b>
Singapore	<b>1.96%</b>
Taiwan	<b>2.52%</b>
Thailand	<b>0.00%</b>

	1 Month	3 Months	6 Months	1 Year	3 Years	YTD	Since Inception
SmartWealth USD Equity IndoAsia Fund	<b>1.30%</b>	<b>12.42%</b>	<b>14.30%</b>	<b>24.43%</b>	<b>7.35%</b>	<b>18.63%</b>	<b>-5.44%</b>
Benchmark*	<b>2.14%</b>	<b>15.10%</b>	<b>15.24%</b>	<b>24.51%</b>	<b>2.04%</b>	<b>19.19%</b>	<b>-14.29%</b>

\*80% Jakarta Composite Index (JCI) and 20% MSCI AC Far East Ex-Japan Index (MXFEJ)


**KEY FUND FACTS**

<b>Fund Size (in mn USD)</b>	: USD 43.30
<b>Risk Profile</b>	: Aggressive
<b>Launch Date</b>	: 01 May 2012
<b>Fund Currency</b>	: US Dollar
<b>Managed by</b>	: PT. Asuransi Allianz Life Indonesia

<b>Pricing Frequency</b>	: Daily
<b>Price per Unit (As of Aug 31, 2016)</b>	<b>Bid</b> USD 0.1040
	<b>Offer</b> USD 0.1095
<b>Bid-Offer Spread</b>	: 5.00%
<b>Management Fee</b>	: 2.00% p.a.

**MANAGER COMMENTARY**

Markets in Asia in August remained volatile but ended the month on positive sentiment. The month started on a cautious mood due to hawkish talk from several Fed officials ahead of Jackson Hole summit and on concerns the BOJ has run out of tools to stimulate the economy. However, weaker than expected non-farm payroll data from the US assuage concerns of a September rate hike and markets subsequently responded favourably. The Hong Kong and China markets were the top performers following Beijing's approval of the long-anticipated Shenzhen-Hong Kong Connect stock scheme, which should be implemented by end-2016. Australia, Philippines and Singapore underperformed in Asia as the former was dragged by concerns of banking headwinds and the risk of rate hikes in the US. The Philippines market saw some profit-taking after recent outperformance whilst Singapore market continued to be dragged by a weakening economy and the deteriorating oil and gas sector.

Central Bureau Statistics of Indonesia (BPS) announced Aug's deflation at -0.02% mom (vs consensus inflation +0.02%, inflation +0.69% in Jul 2016) mostly was caused by lower food ingredients, communication and transportation cost also financial services. On yearly basis, inflation lower to 2.79% YoY (vs consensus 3.02%, 3.21% in Jul 2016). Core inflation printed at 3.32% YoY, lower than previous month (3.49% in Jul 2016). In the Board of Governors' Meeting on 18-19 Aug 2016, Bank Indonesia maintained its 7-day Reverse Repo Rate at 5.25%, Deposit Facility (DF) however reduced the Lending Facility (LF) by 100bps from 7.00% to 6.00%. Rupiah depreciated by -1.57% to 13,300/USD at end of July as opposed to 13,094/USD previous month. Trade balance booked a surplus of +US\$0.6bn (non-oil and gas surplus +US\$1.07bn, oil and gas deficit US\$-0.48bn) in Jul 2016. Export fell by -17.02% YoY mostly driven by a reduction in exports of jewelry, while imports fell by -11.56% YoY. FX Reserves rose by US\$2.13bn from US\$111.41bn in Jul 2016 to US\$113.54bn in Aug 2016 on the back of revenue from tax, and oil-gas, as well as proceeds from Bank Indonesia's FX bills, known as SBBI. Reserves are sufficient for 8.7months imports or 8.3months imports and government external debt payments.

The JCI (Jakarta Index) closed higher in August, gaining +3.26% MoM to close at 5,386.08 for the month. Movers were HMSP, BMRI, ASII, ICBP, and TPIA which recorded gain of +9.64%, +11.14%, +5.50%, +15.99%, and +78.69% MoM respectively. Meanwhile the laggards were EXCL, PGAS, GGRM, ISAT, and INDF which fell -23.45%, -8.21%, -4.63%, -9.49%, and -4.80% MoM respectively. The equity market continued to stay in positive territory, driven by foreign inflow amounting US\$3bn YTD. Strong inflow wasn't merely driven by the euphoria of tax amnesty program, but also supported by bold moves from Minister of Finance by cutting state expenditure of IDR 130tn as 2016 tax revenue target will likely be missed by IDR 219tn. Such moves showed that she brooks no nonsense in imposing budgetary discipline, which become another major positive for the index. Going forward, further improvements in the macroeconomic environment, stronger IDR, stable inflation and lower interest rate that will further support economic growth and corporate earnings. However, the execution of the tax amnesty is now the biggest concern, especially given the aggressive target of IDR 165tn. Investors were also concerned about the valuation as market has increased 23% YTD in USD terms, which makes risk-reward is not too attractive at this level. Bottom line, structural story on Indonesia is indeed evolving but will take time as it will be depend on the success of the implementation of the tax amnesty and how the current government continues to push infrastructure projects and encourage new investment to the manufacturing sector to replace the strong dependency on commodity exports. Sector wise, the Basic Industry Sector was the best performing sector this month, appreciating by +12.52% MoM. SMBR (Semen Baturaja) and TPIA (Chandra Asri Petrochemical) were the movers; gaining by +91.98% and +78.69% MoM respectively. This was followed by the Financial Sector that posted +5.95% MoM gains, driven by BEKS (Bank Pundi) and NISP (Bank NISP) which rose +83.52% and +55.13% MoM respectively. On the other side, Infrastructure Sector was the worst performing sector this month, losing by -3.68% MoM. LEAD (Logindo) and EXCL (XL Axiata) were the laggards, falling -24.68% and -23.45% MoM respectively.

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