

## Equity Fund Commentary

### Market Environment

JCI tumbled -0.9% month-on-month in October despite investors welcoming Jokowi as the 7<sup>th</sup> President of Indonesia. Domestic stock market experienced a minor setback during the month as global equities witnessed rising volatility after the IMF's downgraded global growth projection and increased the probability that the Eurozone economy will hit another recession.

It was a relatively busy period for policy makers with the US Federal Reserve ended its five year bond purchase program, having spent USD 4.5 trillion, contradicting the European counterpart which has just began the purchase of sovereign bonds as part of the stimulus measures. In Asia, the big news came from Japan following BoJ's announcement on the extension of its QE program, pushing global equity market into the green territory in the final day of October.

In another interesting development, the rapid decline in oil price (Brent) came to a surprise to many investors and business participants, dropping as much as 9.9% in a single month to close at USD 85.9 per barrel. This was unthinkable a few months ago where Brent was trading as high as USD 112 per barrel in June.

In terms of capital flows, investors continued to shy away from Indonesian equities in October, with total outflows of USD 261 million. It was the third straight month of outflow, pushing down YTD total inflows to USD 4.0 billion.

### Fund Performance

Panin Asset Management's equity funds came ahead of the benchmark in October with Panin Dana Maksima, Panin Dana Prima, Panin Dana Ultima, and Panin Dana Syariah Saham posted monthly returns of +0.7%, +1.0%, +1.7%, and +0.8% respectively.

### Outlook

As we entered the first week of November, the focus has shifted towards corporate earnings. Majority of Indonesian publicly traded companies have published third quarter results, and it is quite evident that most companies, with the exception of a few reported earnings below expectations. We attributed the slower topline growth primarily due to lengthy holiday in July, as well as the impact of presidential election which slowed down business activities, whereas rising input costs (partly due to weaker rupiah) had negative impact on bottom line.

With earnings downgrades dominating upgrades, it is rather hard to get excited on stocks considering we are currently operating in an environment where domestic macroeconomic condition is less supportive. It is therefore not surprising that we are hearing more and more bearish tone in the market. Nevertheless, let's not undermine the significance of lower oil price on Indonesia's economy and corporates. Interestingly, the IMF estimates a USD 20-a-barrel drop in oil price could increase global GDP by as much as 0.5%. Well, it is not that gloomy after all.

EQUITY FUNDS	MORNINGSTAR	INCEPTION	AuM (IDR bn)	1 month	YTD	1 Year	3 Years
Panin Dana Maksima	★★★★★	Apr-97	6.513	0.7%	20.9%	9.3%	29.6%
Panin Dana Prima	★★★★	Dec-07	1.631	1.0%	18.8%	10.1%	36.1%
Panin Dana Ultima	NA	Jun-13	685	1.7%	-	-	-
Panin Dana Syariah Saham	NA	Jul-12	364	0.8%	19.2%	7.9%	-
BALANCED FUNDS							
Panin Dana Bersama	★★★★	Feb-09	452	1.3%	9.2%	-0.4%	20.2%
Panin Dana Bersama Plus	NA	Dec-11	925	1.4%	19.1%	9.1%	-
Panin Dana Unggulan	★★★★	Jun-05	329	1.5%	13.7%	7.5%	24.4%
Panin Dana US Dollar	★★	Dec-07	58	2.6%	18.2%	11.4%	5.1%
Panin Dana Syariah Berimbang	NA	Sep-12	65	1.4%	16.1%	4.0%	-
<b>Jakarta Composite Index (IHSG)</b>				-0.9%	19.1%	12.8%	34.3%
<b>LQ45</b>				-0.6%	22.1%	15.0%	28.5%
<b>Indonesia Syariah Equity Index (ISSI)</b>				-2.0%	13.7%	8.0%	33.2%

 As of Sept 30<sup>th</sup>, 2014

This commentary reflects the view of the investment team of Panin Asset Management. The view and opinion in this report reflect the author's judgment on the date of this report and are subject to change without notice. This commentary is for information purpose only and not an endorsement of any security, mutual fund, or sector.

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