

Equity Fund Commentary

Market Environment

A pretty exciting month for Indonesian equities in November as investors patiently waited for the anticipated increase in subsidized fuel. After starting the month on a weaker tone, declining for 6 days in a row on relatively weak Q3 earnings and prolonged fuel price adjustments, the index rebounded strongly from its month low of 4.965 to close at 5.150 shortly after Jokowi announced cut in fuel subsidies. The gain of 1.2% during the month was to a large extent driven by investors' improved appetite, which saw USD 0.4 billion foreign inflows into Indonesian equities during the month.

Notwithstanding the fact that Indonesia only managed to print GDP growth of 5.01% in Q3, there was little impact to equity prices, suggesting that softer growth had already been priced in. Based on our observation, equity risk premium has started to decline, which we suspect was partly driven by the unexpected decline in oil price and bold move by Jokowi to increase fuel price during his first month in the office.

The most remarkable twist in November was the sharp decline oil price. OPEC's reluctance to cut production was a bit of a shock to some, a move that was less ordinary in the past. Lower oil price could have serious impact to shale oil industry and other marginal oil players, particularly in the US where most producers base their investments on oil price closer to USD 90.

Fund Performance

In November, Panin Asset Management's equity funds reported strong performance with Panin Dana Maksima, Panin Dana Prima, Panin Dana Ultima, and Panin Dana Syariah Saham posted monthly returns of +4.0%, +2.5%, +2.7%, and +3.8% respectively.

Outlook

As we are coming to year end, it is obvious that the key attention during this final phase of 2014 has been the sharp decline in oil price. After peaking at USD 115 in June, Brent price slide by more than 40% to below USD 70 at the end of November. This has taken a lot of investors by surprise, including us. The question now is how should we interpret lower price and the impact to the economy? It is clear to us that the answer is not straight line. Net oil export country may suffer from lower income, whereas net oil importer would likely to benefit. Nonetheless, the biggest winner should be consumer who will benefit from reduction in fuel costs and lower inflation.

Focusing our attention to Indonesia, lower oil price could be a game changer in a sense that it will not only improve current account balance through lower imports, but companies too will benefit from lower input costs. Longer-term however, low oil price may hinder new exploration in the country where lifting has been falling. At this juncture, the decline in oil price gives a huge breathing space for Indonesia in light of the increasing likelihood of US policy tightening in 2015.

EQUITY FUNDS	MORNINGSTAR	INCEPTION	AuM (IDR bn)	1 month	YTD	1 Year	3 Years
Panin Dana Maksima	★★★★★	Apr-97	5.893	4.0%	25.8%	25.8%	39.7%
Panin Dana Prima	★★★★	Dec-07	1.705	2.5%	21.8%	22.0%	41.3%
Panin Dana Ultima	NA	Jun-13	702	2.7%	-	-	-
Panin Dana Syariah Saham	NA	Jul-12	364	3.8%	23.7%	23.0%	-
BALANCED FUNDS							
Panin Dana Bersama	★★★★★	Feb-09	463	3.1%	12.6%	12.6%	27.1%
Panin Dana Bersama Plus	NA	Dec-11	929	3.1%	22.8%	22.8%	39.7%
Panin Dana Unggulan	★★★★★	Jun-05	331	3.5%	17.7%	19.1%	30.8%
Panin Dana US Dollar	★★★	Dec-07	59	1.7%	20.2%	22.8%	9.3%
Panin Dana Syariah Berimbang	NA	Sep-12	68	3.8%	20.5%	19.8%	-
Jakarta Composite Index (IHSG)				1.2%	20.5%	21.0%	38.6%
LQ45				2.1%	24.6%	25.7%	35.0%
Indonesia Syariah Equity Index (ISSI)				1.6%	15.6%	16.1%	37.3%

 As of Oct 31st, 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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