

Equity Fund Commentary

Market Environment

Indonesian stock market rebounded strongly in July with JCI up 4.3% month-on-month. The index hit a 52 week high at 5.127 on July 21st, following the announcement of Jokowi-JK as the winner by the General Elections Commission. The index has gained 19.1% since the beginning of the year, turning Indonesia into the second highest performing market in the region after India.

Foreign investors rushed to the market to buy Indonesian equities with total net purchase of USD 1.1 billion during the month. This brings YTD total foreign net inflows of USD 4.9 billion, the highest on record.

Fund Performance

Panin Asset Management's equity funds outperformed the index in July as the funds benefited from the rally. Our firm has also successfully introduced a new product to our equity fund family with the launch of Panin Dana Ultima earlier in June.

Panin Dana Maksima, Panin Dana Prima, Panin Dana Ultima, and Panin Dana Syariah Saham recorded positive return of 5.9%, 5.6%, 6.5%, and 7.5% respectively during the month.

Outlook

After a thrilling few months, we are pleased that the election process had gone relatively smooth without any major hiccups. The firm inflows clearly suggested that investors reacted positively on the result, despite a lot of work still needs to be done on the macro side.

With the elections are mostly behind us, we are turning our attention back to the fundamentals. On macro level, we think that Indonesia remains relatively vulnerable to US rate hike and therefore, we see urgency for the government to address weak trade balance. The latest move by Jakarta's Deputy Governor to reduce the availability of subsidized fuel in the capital is a positive sign in limiting oil imports. On earnings, most companies displayed strong revenue growth during the first-half, although we see rather consistent pressure on costs which limit growth in bottom line. We attributed the strong topline as a reflection of resilient domestic consumption – consistent with Q2 private consumption (GDP) which grew 5.6% year-on-year.

In terms of outlook, we stay optimistic on equities for the remainder of 2014 on the back of lower domestic equity risk premium. Nevertheless, we think that volatility is likely stay on tension on geopolitics and macroeconomic data, and thus investors could use this opportunity to enhance their return by buying on dips.

EQUITY FUNDS	MORNINGSTAR	INCEPTION	AuM (IDR bn)	1 month	YTD	1 Year	3 Years
Panin Dana Maksima	★★★★	Apr-97	6.592	5.9%	20.5%	6.8%	18.1%
Panin Dana Prima	★★★★	Dec-07	1.456	5.6%	18.8%	6.8%	25.9%
Panin Dana Ultima	NA	Jun-13	415	6.5%	-	-	-
Panin Dana Syariah Saham	NA	Jul-12	395	7.5%	22.1%	6.6%	-
BALANCED FUNDS							
Panin Dana Bersama	★★★★	Feb-09	458	6.4%	7.8%	-5.4%	10.6%
Panin Dana Bersama Plus	NA	Dec-11	951	4.6%	18.6%	7.2%	-
Panin Dana Unggulan	★★★★	Jun-05	330	2.5%	11.5%	8.3%	18.1%
Panin Dana US Dollar	★★★	Dec-07	125	3.8%	16.4%	9.7%	2.5%
Panin Dana Syariah Berimbang	NA	Sep-12	70	6.6%	18.2%	3.8%	-
Jakarta Composite Index (IHSG)				4.3%	19.1%	10.4%	23.2%
LQ45				5.5%	22.1%	12.5%	19.0%
Indonesia Syariah Equity Index (ISSI)				4.8%	16.4%	8.5%	26.1%

 As of July 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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