

Equity Fund Commentary

Market Environment

Indonesian equity market returned to negative territory in June (-0.3% month-on-month) after booking six consecutive months of positive returns from Dec '13 to May'14. It was an unexciting month for the stock market with majority of investors, both local and foreign stayed on the sideline. As many had anticipated, politics took the center stage and dominated the news throughout the month. It was clear to us that the vast majority of investors was less inclined to build new positions ahead of the presidential election in July, with the latest poll suggests that the race is getting tight.

Although it was a dismal month from performance and trading volume perspectives, total foreign flows into Indonesian equities continued in June with total purchase of +USD 229 million. Total inflows YTD has reached over USD 3.8 billion.

Fund Performance

Panin Asset Management's funds underperformed the benchmark in June as investors abandoned higher risk stocks and favor defensive ones. We attributed this mainly due to the rise in equity risk premium ahead of the presidential election. Defensive stocks outperformed with names like TLKM, KLBK, and PGAS holding up well.

Outlook

As we are entering the second half of the year, it is fair to say that Indonesian stock market had performed better than many had anticipated so far in 2014. Our initial view that improvements in macroeconomic data and new leadership regime will have positive impact on the market had been correct to some extent, although we did not anticipate the final race to presidential election will be this tight. As a result, we are seeing a surge in equity risk premium in the past two months, and this has had some impact on our performance.

The muted tone in June reflects the implication of politics towards Indonesian equity market. We are not here to argue on who we think the winner is going to be and we will not be making any political bet. Instead, we try to assess the potential impact of each candidate's economic/labor policy on our stock pick as we attempt to mitigate the downside risk, if there is any. We believe the best way to stay on course during this kind of environment is to focus on stocks with strong fundamentals and also the ones with the highest margin of safety.

EQUITY FUNDS	MORNINGSTAR	INCEPTION	AuM (IDR bn)	1 month	YTD	1 Year	3 Years
Panin Dana Maksima	★★★★★	Apr-97	6.605	-1.7%	13.8%	-7.4%	20.0%
Panin Dana Prima	★★★★★	Dec-07	1.507	-1.3%	12.6%	-6.0%	28.1%
Panin Dana Syariah Saham	NA	Jul-12	416	-2.0%	13.5%	-10.7%	-
BALANCED FUNDS							
Panin Dana Bersama	★★★★	Feb-09	437	-1.2%	1.2%	-17.6%	12.0%
Panin Dana Bersama Plus	NA	Dec-11	924	-0.7%	13.4%	-3.7%	-
Panin Dana Unggulan	★★★★	Jun-05	325	-0.2%	8.8%	-1.5%	25.6%
Panin Dana US Dollar	★★★	Dec-07	124	-2.2%	12.1%	0.5%	0.7%
Panin Dana Syariah Berimbang	NA	Sep-12	61	-2.4%	10.9%	-12.1%	-
Jakarta Composite Index (IHSG)				-0.3%	14.1%	1.2%	25.5%
LQ45				-0.2%	15.7%	2.3%	19.1%
Indonesia Syariah Equity Index (ISSI)				-0.8%	11.2%	-2.7%	28.5%

 As of May 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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