

Equity Fund Commentary

Market Environment

Jakarta Composite Index (JCI) hit record high of 5.246 in mid-September before slipping back to close at 5.138 at the end of the month. The market was overshadowed by negative sentiments resulting from drama in the local parliament, as well as pullback in global equity markets - which saw foreign investors pulling out USD 0.6 billion from Indonesian equities during the month.

Political risk was once again back in the agenda following Red-White-Coalition's unexpected maneuver by taking advantage its domination in the parliament (upper and lower house). Undoubtedly, investors have raised some concerns over this latest political development as they question whether the new government has sufficient power to implement its policies when it takes over later this month.

The JCI managed to stay flat month-on-month in September, however the rupiah currency closed 4.3% weaker at 12.188 and 10 year government bond yield weakened 36bps to 8.5%.

Fund Performance

Panin Asset Management's equity funds underperformed the benchmark in September with Panin Dana Maksima, Panin Dana Prima, Panin Dana Ultima, and Panin Dana Syariah Saham posted monthly returns of -1.7%, -2.2%, -0.6%, and -3.5% respectively.

It was quite noticeable that defensive stocks were the clear favorites in September as uncertainty in domestic market loomed. Companies such as TLKM, UNVR, and PGAS performed reasonably well in this environment.

Outlook

The recent market development shows that Indonesian equity market remains vulnerable to a combination of external shock and internal politics. Although we do not think the latest political maneuvers will have immediate impact to the real economy, it surely increases the risk of political instability, as well as potential slower economic growth arising from suboptimal allocation on government spending and lower investments.

Looking at current condition, it will not be surprising if the market stays defensive for now given the amount of political noises. While it is rather difficult to predict the outcome of politics, we believe that the current condition, particularly regarding the stance on parliament is not necessary a reflection on what is going to look like in the next five years. Let's not forget that Indonesian politics can change very quickly. When this happens, the market may reverse immediately. For now, everyone seems to be looking for that positive catalyst as we are getting closer to year end.

EQUITY FUNDS	MORNINGSTAR	INCEPTION	AuM (IDR bn)	1 month	YTD	1 Year	3 Years
Panin Dana Maksima	★★★★★	Apr-97	6.498	-1.7%	20.1%	13.5%	39.7%
Panin Dana Prima	★★★★	Dec-07	1.489	-2.2%	17.6%	13.7%	45.4%
Panin Dana Ultima	NA	Jun-13	530	-0.6%	-	-	-
Panin Dana Syariah Saham	NA	Jul-12	361	-3.5%	18.2%	10.0%	-
BALANCED FUNDS							
Panin Dana Bersama	★★★★	Feb-09	450	-1.4%	7.8%	2.7%	28.0%
Panin Dana Bersama Plus	NA	Dec-11	915	-2.2%	17.5%	12.6%	-
Panin Dana Unggulan	★★★★	Jun-05	325	-0.6%	12.1%	11.2%	30.9%
Panin Dana US Dollar	★★	Dec-07	58	-1.9%	15.2%	15.4%	7.0%
Panin Dana Syariah Berimbang	NA	Sep-12	65	-3.6%	14.5%	6.9%	-
Jakarta Composite Index (IHSG)				0.0%	20.2%	19.0%	44.8%
LQ45				0.4%	22.8%	22.5%	40.2%
Indonesia Syariah Equity Index (ISSI)				-1.3%	16.0%	14.9%	44.5%

 As of August 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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