

Equity Fund Commentary

Market Environment

JCI was off to a good start in 2015, up 1.2% month-on-month despite a number of unexpected maneuvers by the current administration during the month. Investors were caught by surprise on a Friday afternoon when President Jokowi publicly announced on national television that SOE cement companies will cut its selling price by IDR 3.000/ bag. Next, the focus moved to tax increase targeted on multiple industries. The additional tax on luxury property, significant increase of excise tax paid by tobacco companies, and fivefold jump in shipping industry tax were some of the announcements that clearly signal the government's intention to increase state revenue in 2015.

Despite all the surprises, JCI still managed to enjoy the famously known 'J' effect, but perhaps the J for *January* would be more accurately replaced by the *Jokowi* effect. The gain in January was partly attributed to late buying by foreign investors, reversing its course after pulling out USD 200 million out of Indonesian stocks by mid-January. Net-net, foreign flows were slightly positive during the first month of the year.

Fund Performance

Panin Asset Management's equity funds had a mixed performance in January with the conventional funds were neutral to lagging behind, whereas the sharia fund slightly outperformed the benchmark. On a separate note, our balanced fund *Panin Dana Bersama Plus* received its first rating from Morningstar.

Outlook

Market volatility in January illustrates the uncertainty in Indonesian economy, led by various government policies. A lot of questions arise as what the new economic policies will look like under the new President. Perhaps, it is too early to conclude the route that the administration is taking, but it is quite clear that the policies will be focused on providing more benefits to the wider population, boost infrastructure, enhance tax collection, and utilize SOEs as agents of development.

On the surface, these policies seem to make sense and if executed well, Indonesia's economy may grow closer to its optimal level. However, the question remains on the implementation. Clearly, the market did not like the government's action in January to intervene on cement prices, suggesting that future price setting might be in the agenda. Thankfully, the government quickly came to realize and stressed that this is a one time and they will let the market dictates future prices.

In terms of stock selections, the latest events imply a new phenomenon that fundamental analysis per se may not be sufficient in measuring risks within portfolio management. Apart from regulatory risk which to some extent hard to measure; another new element that should not be undermined is government policy. While we are still of the opinion that the new administration will do more good than harm to the economy, we may see some downsides in the short-term term. That said, we remain optimistic that 2015 will be a better year, owing to improved domestic economic outlook.

EQUITY FUNDS	MORNINGSTAR	INCEPTION	AuM (IDR bn)	1 month	YTD	1 Year	3 Years
Panin Dana Maksima	★★★★★	Apr-97	6.940	1.1%	1.1%	21.5%	36.0%
Panin Dana Prima	★★★★	Dec-07	1.714	0.0%	0.0%	16.4%	38.2%
Panin Dana Ultima	NA	Jun-13	1.089	0.5%	0.5%	-	-
Panin Dana Syariah Saham	NA	Jul-12	389	2.3%	2.3%	20.7%	-
BALANCED FUNDS							
Panin Dana Bersama	★★★★★	Feb-09	420	2.6%	2.6%	17.5%	27.3%
Panin Dana Bersama Plus	★★★★★	Dec-11	930	1.1%	1.1%	18.8%	34.9%
Panin Dana Unggulan	★★★★	Jun-05	331	0.6%	0.6%	18.1%	28.2%
Panin Dana US Dollar	★★★	Dec-07	61	1.4%	1.4%	20.8%	7.0%
Panin Dana Syariah Berimbang	NA	Sep-12	69	2.4%	2.4%	18.6%	-
Jakarta Composite Index (IHSG)				1.2%	1.2%	19.7%	34.2%
LQ45				1.5%	1.5%	23.0%	31.8%
Indonesia Syariah Equity Index (ISSI)				1.7%	1.7%	16.8%	31.2%

 As of Dec 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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