

Equity Fund Commentary

Market Environment

JCI extended its rally in February with the index up +3.0% during the month and +4.3% since the end of last year. Indonesian equities got an uplift following the surprise rate cut by the central bank in mid-February, bringing rate down to 7.5%.

Indonesian rupiah depreciated by 4.4% YTD to end February to reach 12.932/USD in light of strengthening US economy. As we entered March, the rupiah is showing further signs of weakness and has broken 13.000/USD barriers, the first time since the 1997/98 Asian crisis. Over the past 5 years, Indonesian rupiah has depreciated by 44% against USD, driven mostly by a combination of weakening domestic trade balance and strengthening US economy.

In the context of investors' positioning, despite the sizeable inflows that we have seen into Indonesian equities since 2014, foreign investors remained neutral to somewhat underweight on Indonesian stocks. Total net inflows reached USD 800 million in February, driven to some extent by short covers by hedge funds, as central bank of Indonesia unexpectedly lowered the benchmark rate.

Fund Performance

Panin Asset Management's equity funds slightly underperformed the benchmark in February. Panin

Dana Maksima, Panin Dana Prima, Panin Dana Ultima, and Panin Dana Syariah Saham booked returns of 2.7%, 1.8%, 2.7%, and 1.3% respectively during the month.

Outlook

Despite some concerns on currency, Indonesian equities breached record highs on multiple occasions in February, mimicking the movements of US S&P 500. Investors' pessimism was quickly overshadowed by the unforeseen rate cut, which caught many investors by surprise.

In terms of monetary policy, although we do not have clear visibility in terms of Bank Indonesia's projection on rate, the latest move signals that central bank in turning more bullish, and hence, getting more comfortable on CAD outlook and inflation expectation. While we fully agree on inflation, we remain somewhat skeptical on current account on the back of weak exports and risk on reversal in imports.

Lastly, as we are gradually moving into a rising US rate environment, we think Indonesia must be careful in managing its monetary policy and not to let go IDR currency too-far/ too-fast in light of pressures from external forces i.e. strengthening USD. This could prove to be problematic for many businesses and industries, particularly those that are expenses exposed to USD, as we believe it is currently difficult to pass on prices under a relatively weak domestic economic environment.

EQUITY FUNDS	MORNINGSTAR	INCEPTION	AuM (IDR bn)	1 month	YTD	1 Year	3 Years
Panin Dana Maksima	★★★★★	Apr-97	7.061	2.7%	3.9%	15.8%	37.2%
Panin Dana Prima	★★★★	Dec-07	1.740	1.8%	1.9%	10.8%	36.6%
Panin Dana Ultima	NA	Jun-13	1.272	2.7%	3.2%	-	-
Panin Dana Syariah Saham	NA	Jul-12	375	1.3%	3.6%	14.8%	-
BALANCED FUNDS							
Panin Dana Bersama	★★★★★	Feb-09	430	3.4%	6.1%	19.9%	30.1%
Panin Dana Bersama Plus	★★★★	Dec-11	928	2.2%	3.3%	13.8%	36.1%
Panin Dana Unggulan	★★★★	Jun-05	329	0.6%	1.2%	12.6%	28.3%
Panin Dana US Dollar	★★★	Dec-07	62	0.4%	1.8%	13.3%	6.1%
Panin Dana Syariah Berimbang	NA	Sep-12	70	2.5%	4.9%	14.5%	-
Jakarta Composite Index (IHSG)				3.0%	4.3%	18.0%	36.8%
LQ45				3.8%	5.4%	21.9%	36.7%
Indonesia Syariah Equity Index (ISSI)				1.6%	3.4%	14.0%	30.6%

 As of Jan 31st, 2015

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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