Market Update

Highlight of the Month

- S&P upgrades Indonesia rating from BB+ to BBB- which are expected to attract foreign flows to Indonesia's capital market citing robust macro-economic condition and confidence in Indonesia's fiscal reform.
- The Indonesia's finance minister also revises the country's full year GDP estimates from 5.1% to 5.3% signifying the government's confidence in the country's macro-economic growth.
- Market anticipates the FOMC decision to hike up the Fed Fund rate in the upcoming fed meeting (*14th June 2016*).

Market Overview

Closer Look: Global Market

The month of May closes with United States unprecedented decision to pull out of the Paris climate agreement, a move that surprise many actors in the agreement. President Trump decision is in line with his commitment in reviving the nation's coal industry. Meanwhile, the global market is anticipating a potential Fed Fund Rate hike on the upcoming June FOMC meeting. Market appears to have fully priced in the Fed hike in Jun17. Previous Fed official statement also suggests 1 more hike in 4Q17, which is also largely expected by market. While in Europe, the United Kingdom held a general election which proves to have weaken prime minister Theresa May's position in the parliament and may provide hurdles to the country's hard Brexit plan.

Overall the global equity indices closed sideways. The Nikkei experienced a rally (+2.36% versus last month), and followed by the S&P 500 (+1.167% versus last month) while the EUR50 (-0.14% versus last month) and SHCOMP (-1.19% versus last month). While the commodities are mixed. We see that commodities such as Coal experienced a significant correction (-12.09% versus last month), Nickel (-5.13% versus last month) and WTI Crude Brent Oil (-2.75% versus last month) while gold remains relatively unchanged (+0.05% versus last month) at 1,268.92 and CPO appreciates by 2.04% at level 2,749.00.

S&P upgrade drove market sentiment in the Capital Market

Following the release of Indonesia's first quarter GDP of 2017 at 5.01% YoY (-0.34% QoQ), which is in line with market estimates and government guideline and higher than what we saw in 1Q16 of 4.92% YoY. Then, after months of deliberation, S&P raised Indonesia's investment rating from BB+ to BBB- citing improving fiscal risk as the government is focusing on improving tax revenue collection and under control fiscal spending as its basis. S&P expects the fiscal deficit to remain below 2.5% GDP in the next 2-4 years and net government debt ratio to be below 30% of GDP. The re-rate subsequently triggered an immediate rise in the Indonesia's capital market.

The JCI index closes at 5,738.16 (+ 0.93 % MoM) after reaching an all-time high at 5,791.88 and the LQ45 closes at 957.70 (1.80%) versus last month. Sectoral performance shows that sectors such as Consumer Goods Industry (+3.42% MoM), Finance (+3.08% MoM), Basic Industry & Chemicals (+2.44% MoM) and Trade Services and Investments (+0.30% MoM) experienced positive growth in the month of May. Agriculture Sector remains relatively unchanged (+0.01% versus last month) while the Mining sector suffered a significant dip (-8.63%) followed by Property, Real Estate Sector & Building Construction (-2.69%), Miscellaneous Industry (-1.87%), and the Infrastructure, Utilities & Transport Sector (-0.66%). On the bond market, we see that the bond yield has strengthened, depreciating by 8.10 bps versus last month.

As per market estimates, the headline inflation rate inched up to 4.3% YoY in May. This was attributed mainly to rapid increases in the price of fresh food and cost housing & utilities and seasonality due to the Ramadhan period. As seasonality hits Indonesia, we expect inflation to peak in the coming months although with the implemented government measures we are confident that inflation can stay within the government guidelines. Core Consumer Price Index (CPI), however, moderated to 3.2% YoY in May, from +3.3% in the previous month, due to a stronger IDR and manageable inflationary expectations. Foreign exchange reserves, which continues to grow in the past months, also reaches an all-time high at 124.95bn. The foreign exchange reserves in great amount show strong resilience to the Indonesian economy, especially when there is external turmoil.

Macro Indicators

	Actual	Previous	Changes
GDP 2Q17 :	5.01%	4.97%	0.04
Inflation :	4.33%	4.17%	0.16
CCI :	125.90	123.70	1.78%
Trade Balance (in US$ Bio) :	1.23	1.26	-2.38%
Foreign Reserve :	124.95	123.10	1.50%
PMI :	51.20	50.50	0.70

Equity Index

	Actual	Previous	Changes
JCI Index :	5,738.16	5,685.30	0.93%
LQ45 :	957.70	940.76	1.80%

Government Bonds

	Actual	Previous	Changes
10Y Bond :	6.93	7.01 -	8.10

Exchange Rates

	Actual	Previous	Changes
USD/IDR :	13,323.0	13,329.0	-0.05%
JPY/IDR :	120.2	119.8	0.26%
SGD/IDR :	9,622.3	9,552.2	0.73%

Global Market Index

	Actual	Previous	Changes
S&P 500 :	2,411.80	2,384.20	1.16%
NIKKEI :	19,650.57	19,196.74	2.36%
EUR50 :	3,554.59	3,559.59	-0.14%
SHCOMP :	3,117.18	3,154.66	-1.19%

Commodity Price Index

	Actual	Previous	Changes
COAL :	73.45	83.55	-12.09%
CPO :	2,749.00	2,694.00	2.04%
GOLD :	1,268.92	1,268.28	0.05%
NICKEL :	8,922.00	9,404.00	-5.13%
WTI CRUDE OIL :	50.31	51.73	-2.75%

Market Update

Data as of 31st May 2017

Total Assets

	31-May-17	31-Dec-16	(%) Change
Total AUM*	2,558,749,100,919	2,310,339,997,546	**10.75%**

*Total AUM including Discretionary Fund

Fund Performances

Reksa Dana	Prospera Obligasi	Prospera Obligasi Plus	Prospera Value Fund	Prospera Balance	Prospera Bijak	Prospera BUMN Growth Fund
AUM(in Mio)						
31-May-17	33,122.39	48,153.51	20,178.30	138,073.64	99,306.21	67,656.81
NAV/Unit (Rp)						
31-May-17	3,228.00	3,447.60	1,182.00	3,862.61	861.70	1,167.15
31-Dec-16	3,080.47	3,126.24	1,104.41	3,581.17	791.10	1,081.46
Return						
MTD	0.74%	6.47%	0.14%	5.07%	6.50%	3.97%
MTD Benchmark	0.90%	0.95%	-1.71%	0.90%	0.93%	0.93%
MTD Bareksa Index*	0.61%	0.61%	0.50%	0.50%	0.86%	0.86%
YTD	4.79%	10.28%	7.03%	7.86%	8.92%	7.92%
YTD Benchmark	7.01%	7.62%	0.62%	7.74%	8.33%	8.33%
YTD Bareksa Index	4.55%	4.55%	3.86%	3.86%	2.82%	2.82%
Risk Profile						
Volatility**	2.95%	4.79%	5.95%	10.65%	13.07%	14.07%
Info Sharpe***	1.55	0.90	1.60	0.47	0.42	0.43
Beta***	-		0.53	0.86	1.07	1.06

*source: www.bareksa.com, peer comparison between different products (Bareksa Fixed Income Index, Bareksa Mixed Fund Index, Bareksa Equity Index)

**Annualized
*** derived from last three years of daily return series; since inception for Prospera Value Fund and from 365 days for Prospera Info sharpe is the mean portfolio return divided by standard deviation of portfolio return as to reflect reward to risk ratio; Beta is the regression analysis derived from daily return series between portfolio and the benchmark, over the last 12 months