

DEAR INVESTOR,

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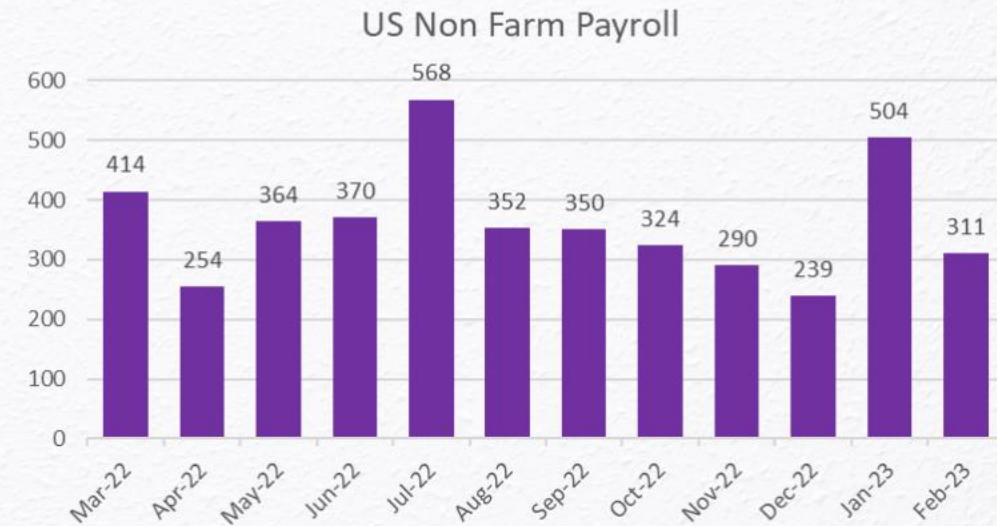
FUND MANAGER'S LETTER
MARCH 2ND WEEK, 2023



Macroeconomics Don't fight the Fed?

The Fed has been sounding more hawkish lately, with Chair Jerome Powell reminding us that the central bank could more aggressively raise interest rates if the data indicates faster tightening is warranted. Meanwhile, the market's prediction of the Fed Funds rate, as seen on Bloomberg's WIRP function from Fed Funds Futures, increased after Powell's comments but then declined at the end of the week as Silicon Valley Bank, a top 16 bank in the US, faced liquidity issues and had to be closed by FDIC. The market now expects FFR to peak at 4.75-5% in June and start to cut in November. In our opinion, this episode shows us that the old saying of "Don't fight the Fed" is right now keeping the market volatile, as the Fed themselves said they are going

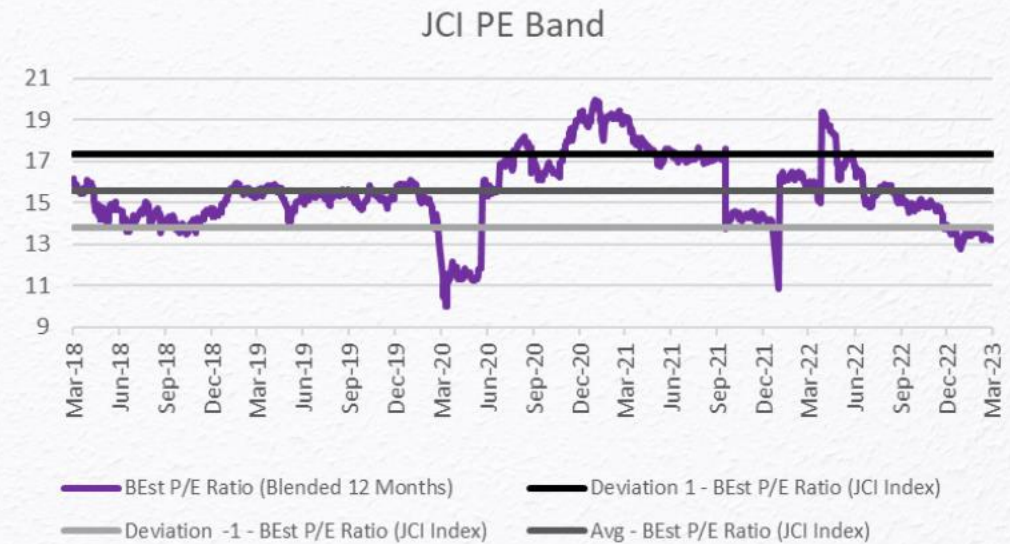
to be data-dependent and the data keeps showing surprises on both sides. The latest US Non-Farm Payroll data is still strong at 311K in Feb, but average hourly earnings slowed to 4.6% YoY.



US Non Farm Payroll | Source: Bloomberg

Equity Opportunity amidst volatility

The Jakarta Composite Index finished the week ending March 10, 2023 down -0.7% WoW (week-on-week). The decline was felt the most in basic materials (-3.4% WoW), energy (-2.7% WoW), and industrials (-2.3% WoW). Defensive sectors such as staples and healthcare held up better, with staples declining -0.5% WoW and healthcare -0.7% WoW. The JCI fared better than the US' S&P500, which declined -4.5% WoW. In our view, the JCI is now attractively valued, with a blended 12-month forward PE of 13.1x (source: Bloomberg), which is more than 1 standard deviation below its 5-year average.

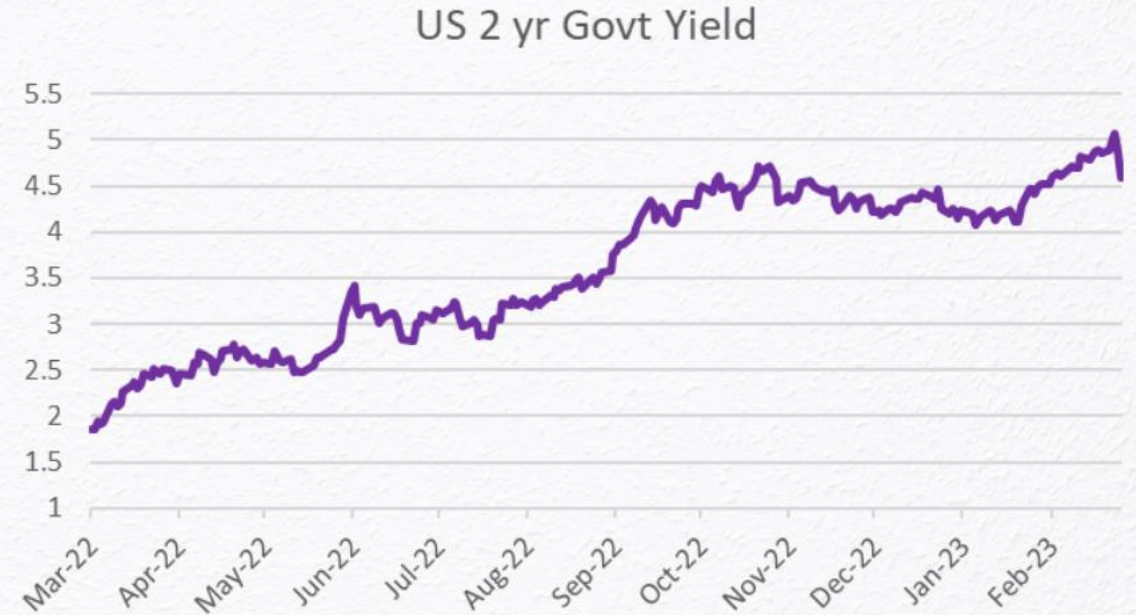


Jakarta Composite Index Blended 12 Month Forward PE Ratio Band | Source: Bloomberg

Fixed Income

Too tight to handle?

Indobex Composite Total Return Index declined -0.01% WoW on March 10, 2023. The yield on Indonesia's 10-year government bond was flat WoW at 6.9%, and the yield on Indonesia's 2-year government bond increased 10 bps WoW to 6.6%. Indonesia's bond movement was influenced by US government bonds, where the US 10-year yield finished the week down 25 bps and the 2-year down 27 bps; however, during the week, after Powell's hawkish comments, the US 2-year yield touched 5.0% or up 20 bps, before the Silicon Valley Bank saga dampened expectations of a more hawkish Fed.



US 2 yr Govt Yield | Source: Bloomberg



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