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Asset Management

REASSESSING THE ENDPOINT

Avrist Asset Management Team

MARKET AND PRODUCT UPDATES
MAY 2024

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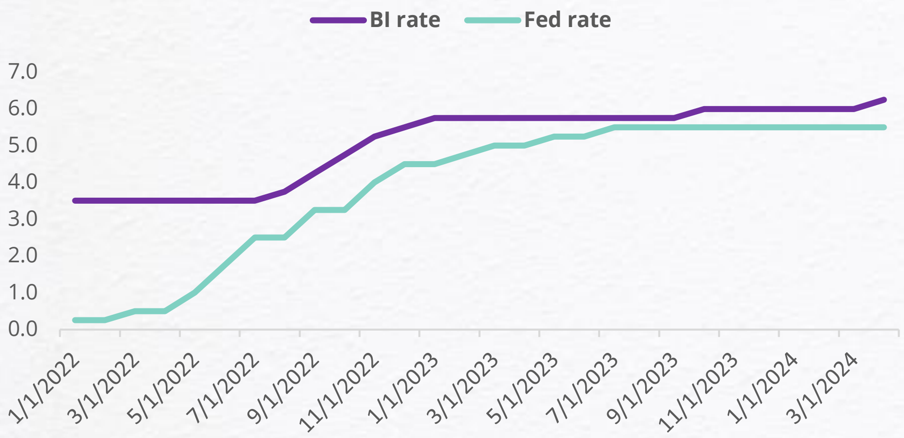
Macroeconomics

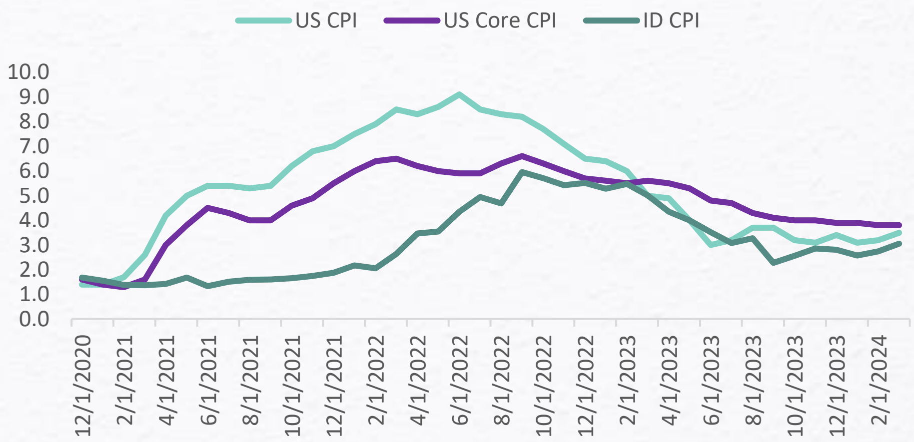
Still too early

The Fed is still in higher for longer mode

The Fed and BI rate trajectory
as of April 2024



US CPI still above The Fed's target, but ID CPI within target
as of April 2024



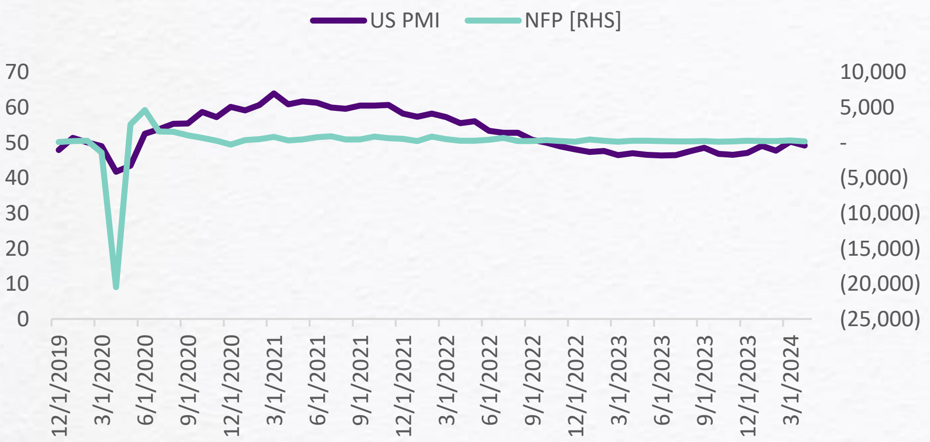
- The Fed still maintained its higher for longer policy after The FFR was maintained at 5.5% on their April meeting.
- On the other hand, BI has increased the BI rate by 25 bps to 6.25% to maintain Rupiah's stability.
- We think that the US CPI inflation trajectories are still too high to justify rate cuts. Furthermore, most other economic indicators were also not supportive yet.

Source: Bloomberg

US economic indicators, though softening, are not supportive yet for rate cuts

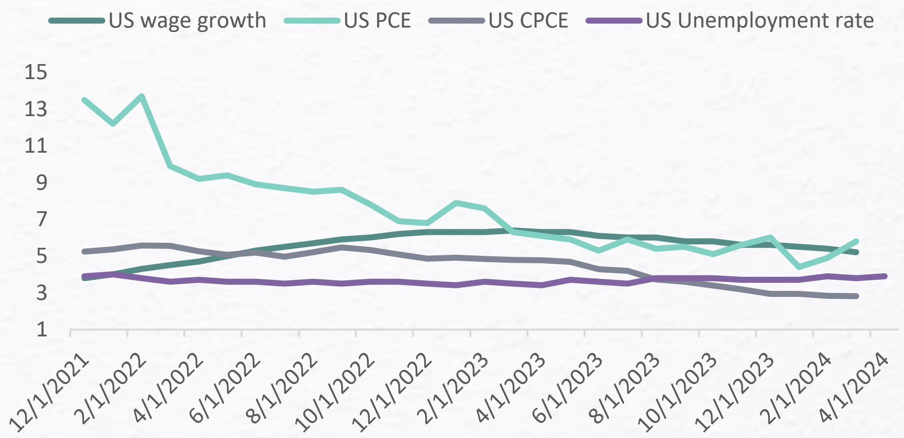
US PMI contraction and lower US non-farm payroll (NFP)

As of April 2024



Some economics indicators still unsupported The Fed

As of April 2024



- US PCE inflation is still in higher level at 5.8% and core PCE at 2.82%, showing the high inflation in US is still there as of March 2024.
- US unemployment rate increased to 3.9% as of April 2024, but we see that the unemployment rate was quite fluctuative during past few months.
- The good news are US PMI starting to be in contraction level at 49.2 and US non-farm payroll in lower level at 175k as of April 2024, showing a slowing economy.
- If it's continuing in the months ahead, we think it will be good for The Fed to consider interest cut policy. Nevertheless, it's early to think that The Fed will cut the interest rate soon with the current data based on our view.

Source: BLS, Bloomberg

Shifting conviction for timing of The Fed's cut

The Fed rate target – conditional probabilities as of April30th 2024

	CME FEDWATCH TOOL - CONDITIONAL MEETING PROBABILITIES							
MEETING DATE	350-375	375-400	400-425	425-450	450-475	475-500	500-525	525-550
6/12/2024			0.0%	0.0%	0.0%	0.0%	8.9%	91.1%
7/31/2024	0.0%	0.0%	0.0%	0.0%	0.0%	2.0%	27.6%	70.4%
9/18/2024	0.0%	0.0%	0.0%	0.0%	1.0%	14.8%	49.0%	35.2%
11/7/2024	0.0%	0.0%	0.0%	0.3%	5.8%	26.5%	44.2%	23.1%
12/18/2024	0.0%	0.0%	0.2%	3.2%	16.6%	35.8%	33.2%	11.0%
1/29/2025	0.0%	0.1%	1.5%	9.1%	25.1%	34.6%	23.4%	6.1%
3/19/2025	0.0%	0.8%	5.5%	17.6%	30.2%	28.7%	14.3%	2.9%
4/30/2025	0.3%	2.6%	10.0%	22.3%	29.6%	23.3%	10.0%	1.8%

The probability changes of The Fed interest rate cut

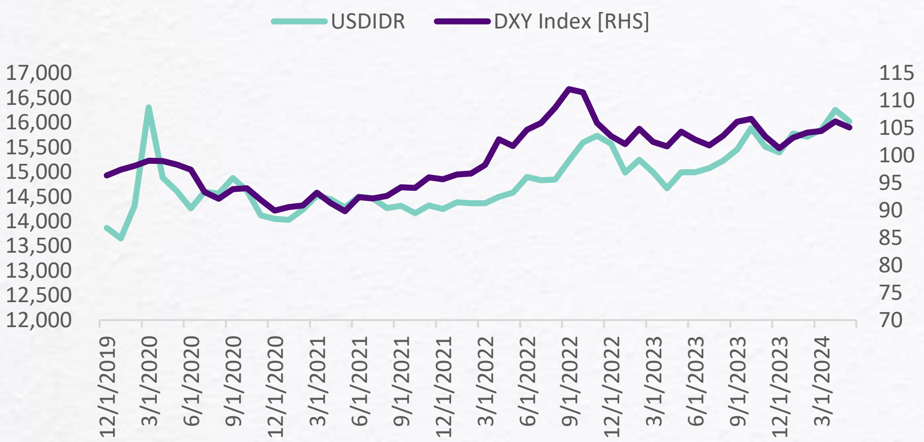
Probability of a cut	28/02/2024	30/04/2024
6/12/2024	63%	9%
7/31/2024	83%	30%
9/18/2024	95%	65%
11/7/2024	97%	33%
12/18/2024	99%	56%

- Markets are predicting The Fed will cut the interest rate of around 50 bps in 3Q24 and 4Q24 based on last data. The consensus has shifted from 5x cut to 2x.
- It was aligned with unexpected economics indicators results in US, and geopolitical tensions in middle east and Russia-Ukraine have worsened the situation.

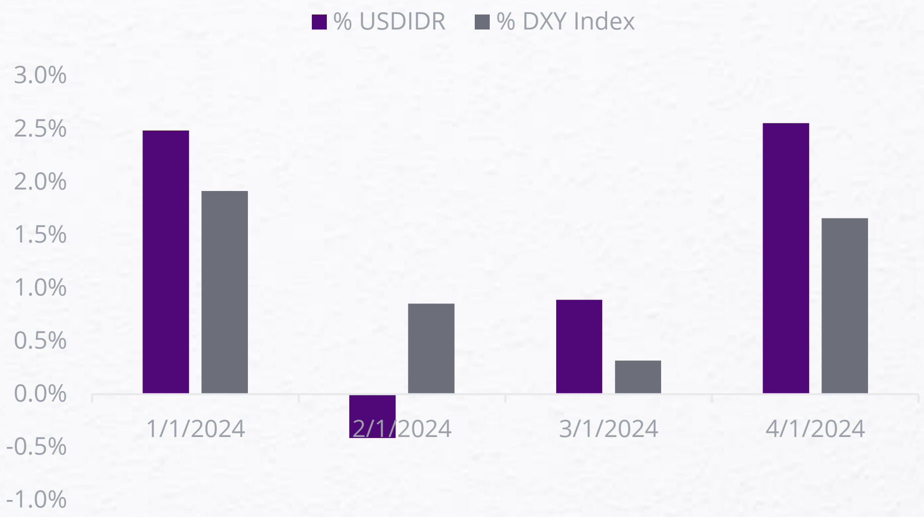
Source: Bloomberg, CME

The Strengthening of USD amid interest rate cut uncertainty

USD's appreciation and IDR's depreciation



DXY strengthened and IDR weakened in April

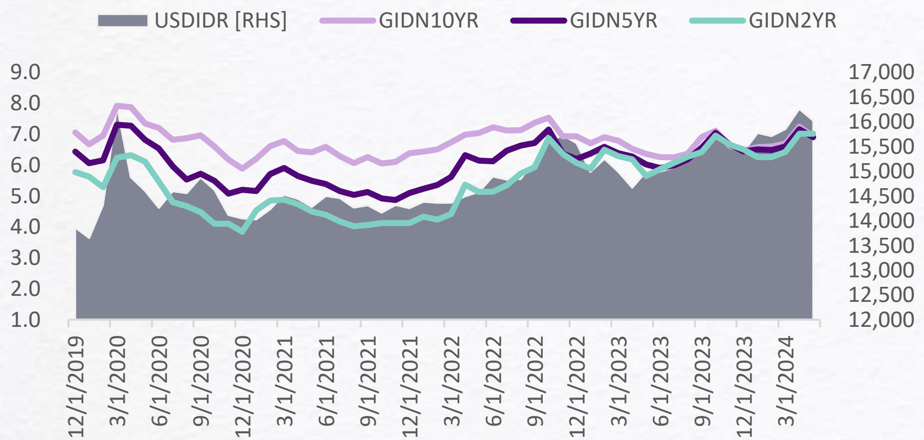


- The DXY index tend to strengthen due to the uncertainty of The Fed rate cuts. Thus, it impacted the depreciation of Indonesian rupiah.
- The DXY has strengthened by 4.8% (YTD) to 106.2 and Indonesia rupiah depreciated by 5.6% (YTD) to IDR 16.260 as of April 2024.

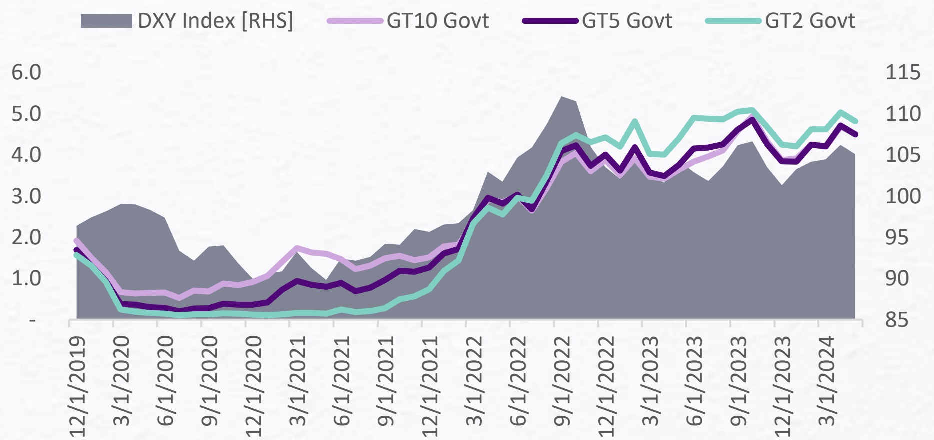
Source: Bloomberg, IMF, Avram.

The movement of exchange rate and bond yield

Depreciation of Indonesian rupiah and bond yield



Strong USD and UST yield

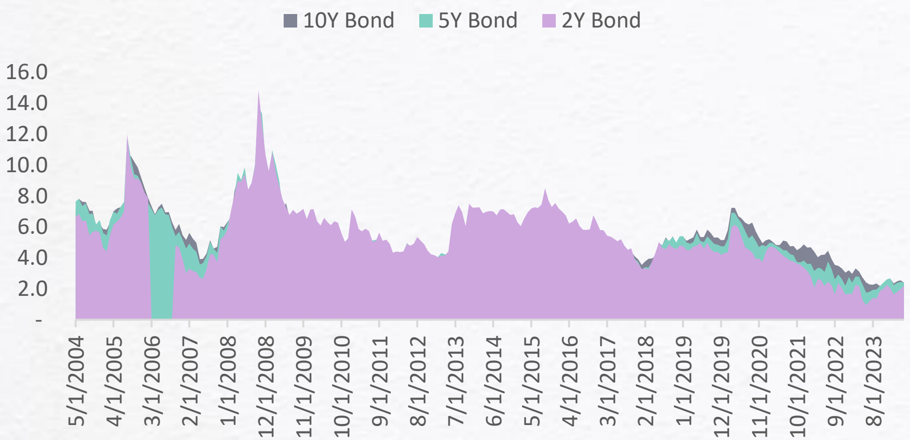


- The DXY index and UST yield have a same direction during most of the periods above. UST yield tend to increase during higher inflation and Fed rate periods. Higher rates made UST yield more attractive for investors and as a result USD usually strengthened.
- The increase of IGB yield and rupiah depreciation are due to capital outflow leaving the Indonesian market.

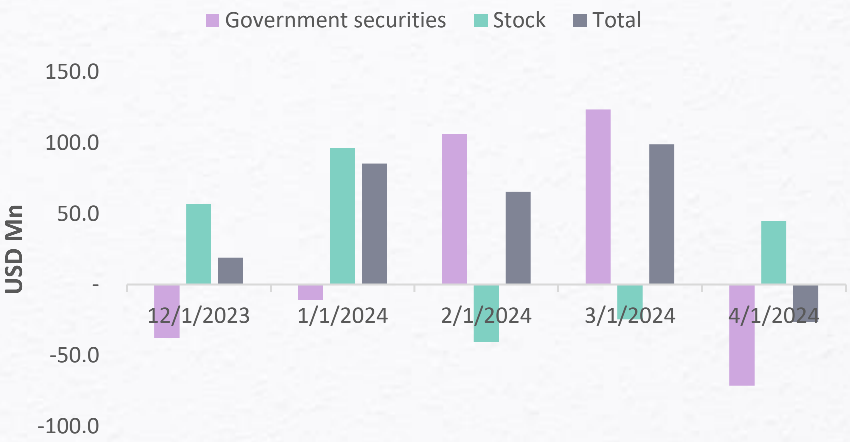
Source: Bloomberg, *DJPPR, Avram*

The spread of IGB and UST are narrowing

IGB and UST yield are narrowing



Net foreign investment in Indonesian securities



- The spread of IGB and UST yield for 2Y, 5Y, and 10Y tenor are narrowing year by year, especially in 2024. It's one of the narrowest spread between them, even when compared to 2007-2008 or financial crisis period.
- The foreign investors recorded total net sell of around USD 26.5 mn in Indonesian capital market as of April 2024. It was driven by net foreign sell in government securities of USD 71.3 mn in the same period.

Source: Bloomberg, *DJPPR, Avram*

Fixed Income

Waiting for Godot

What is happening in April 2024

Yields generally moved higher mostly due to global sentiment & pressure

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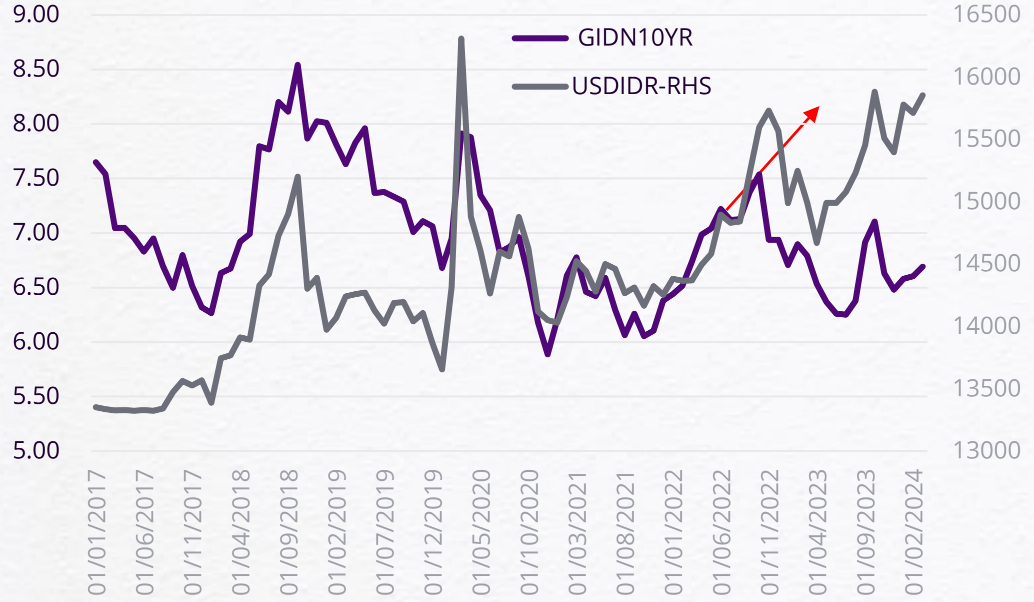
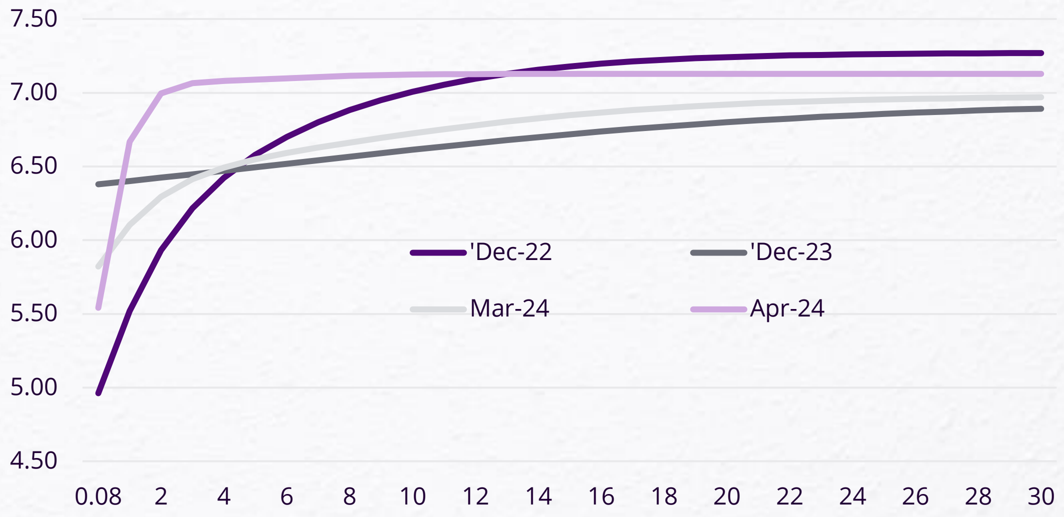
Bond and rupiah hit by the Fed and geopolitics



Significant jump on the belly



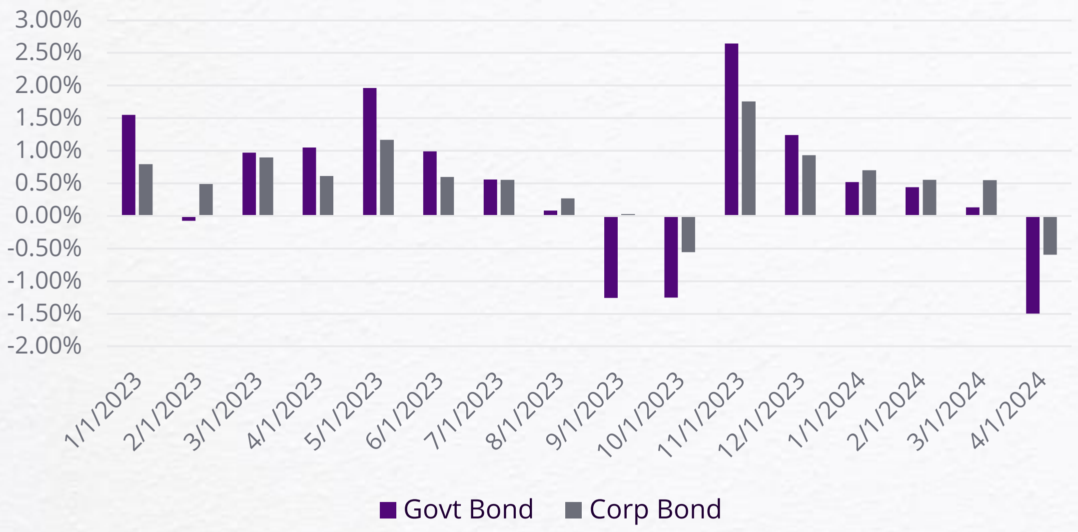
- **Yield volatility:** 10 year yield breached 7.2%, amidst lesser rate cut prospect and geopolitical risk
- **Curve movement:** significant jump in the belly, lesser increase in long end as **market factor in rate cut later this year**
- **Key driver:** 1) Fed rate cut delay 2) escalating geopolitical risk and 3) return of king dollar

Source: IBPA, Avram

April was the worst govies' monthly performance since Feb-21

However, YTD's corp bond still provide positive return

Monthly Return



Annual Return

Period	Index		Return	
	Govt	Corp	Govt	Corp
Apr 24	365.06	427.87	-0.4%	1.2%
Dec 23	366.60	422.78	8.7%	7.8%
Dec 22	337.20	392.25	3.4%	6.6%
Dec 21	326.12	367.97	5.5%	10.5%
Dec 20	309.05	333.08	14.8%	11.1%
Dec 19	269.22	299.77	13.9%	14.1%
Dec 18	236.35	262.67	-1.6%	3.8%
Dec 17	240.20	253.06	16.9%	14.4%
Dec 16	205.50	221.29	13.9%	12.6%
Dec 15	180.38	196.49	3.3%	9.9%
Dec 14	174.61	178.86		

- As the government yields spike in April-24, the monthly performance for the government bonds slide quite significant, accounted to around -1.5% MoM and erased its YTD cumulative return to -0.4%.
- However, the corporate bond portfolio performance relatively in a better position, resulted to only -0.6% MoM and still provide positive return of 1.2% since beginning of the year.

Source: IBPA, Avram

On the shadow of geopolitical risk

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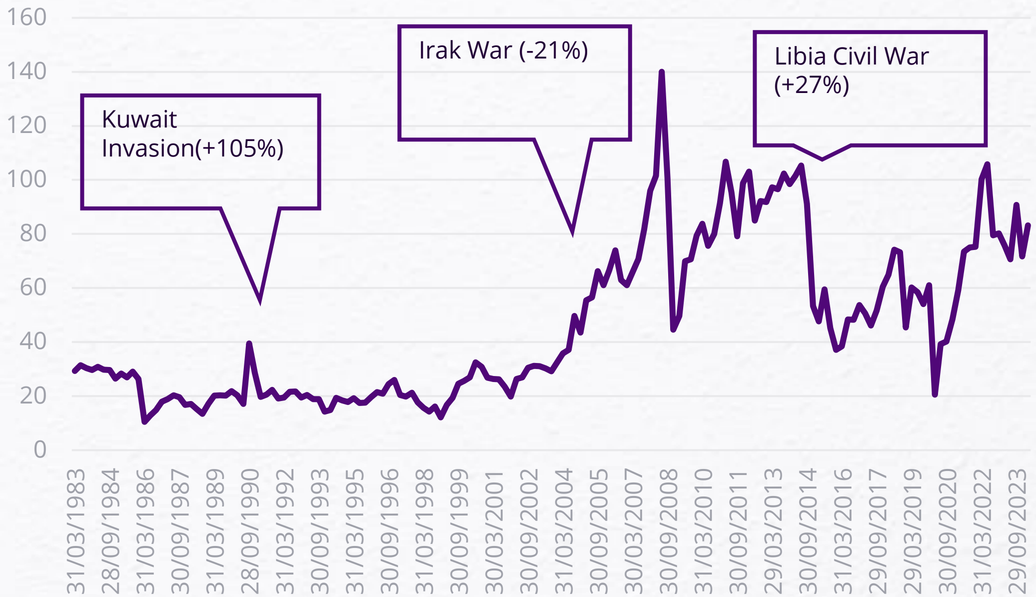
Scenario analysis

Scenario	Remark/Assumption	Impact
Base Case (60% chance) Isarel-Hamas conflict is resolved within next few months, US-Iran tensions do not blow up, trade routes remain largely unaffected.	Some uncertainty will continue to prevail in oil market in near term, leading volatility and spikes above US$ 90/bbl possible, but not sustained, given the high surplus capacity building up in OPEC+	**US$80-85/bbl**
Bear Case (30% chance) Conflict drags on for a longer period, Iran gets directly involved, US slaps stricter sanctions on Iran as proxy wars intensify in the region.	Iran exports could reduce by 0.5-1.0 mmbpd if stricter sanctions are imposed. Saudi will likely not intervene in the market unless oil prices are well above US$ 100/bbl.	**US$85-95/bbl**
Bear Case 2 (10% chance) Conflict envelops other countries in the region, Iran intensifies operations, drawing response from the US, UK and other western powers.	In addition sanction to Iran, conflict could damage oil infrastructure or lead to blockages of key chokepoints in the Gulf of Persia like the Strait of Hormuz. Spikes of above US$ 130/bbl possible in the worst-case scenario.	**US$85-95/bbl**

Oil price and middle east conflict

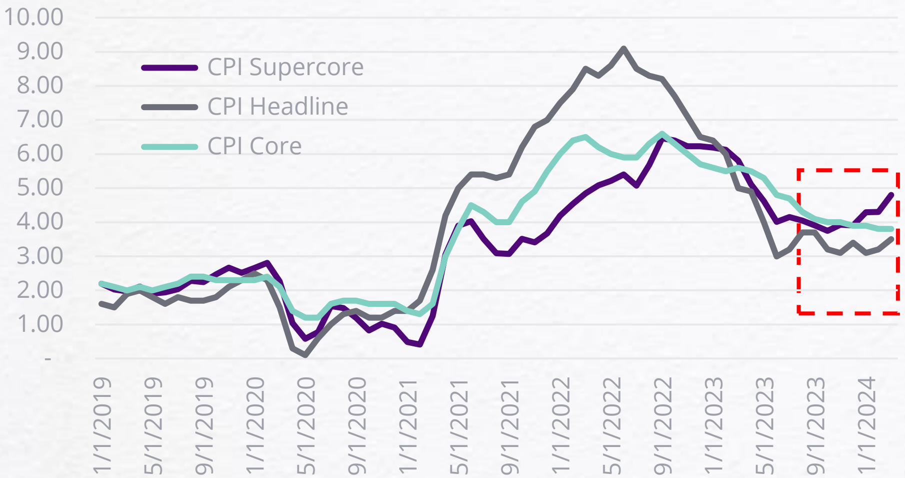


Source: World bank, Brent crude oil prices deflated by U.S. Consumer Price Index (CPI), 100 = January 2022.

- Recent conflict in ME have less severe and more short-lived impact on oil prices, due to more diversified energy producer and the global economy become less reliant on crude oil as energy source.

Fed to delay rate cut (again)

Turnaround in inflation



Fed rate probability
as of 22 April 2024

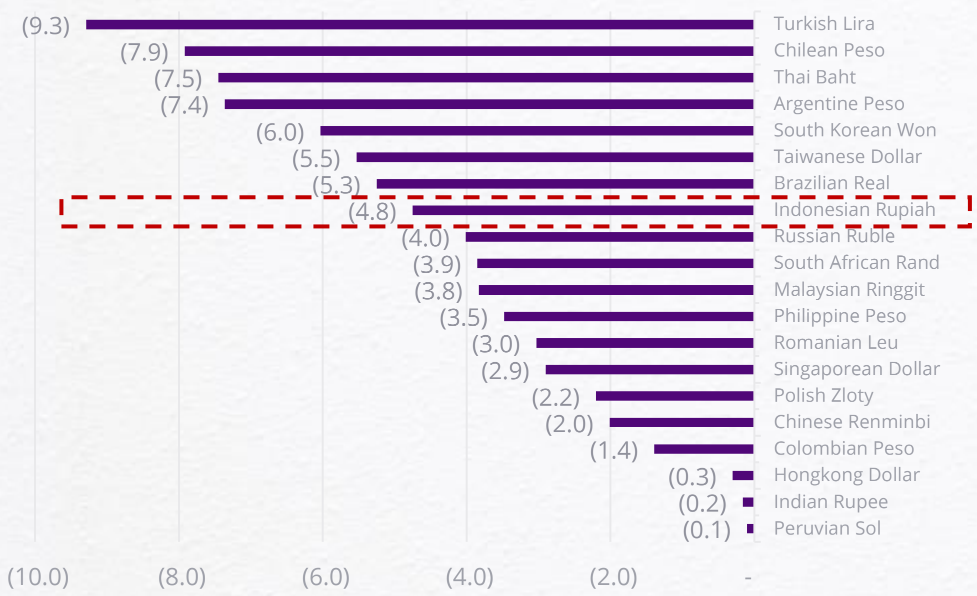
Meeting Date	350-375	375-400	400-425	425-450	450-475	475-500	500-525	525-550
5/1/2024			0.0%	0.0%	0.0%	0.0%	4.3%	95.8%
6/12/2024	0.0%	0.0%	0.0%	0.0%	0.0%	0.6%	16.2%	83.3%
7/31/2024	0.0%	0.0%	0.0%	0.0%	0.2%	6.4%	41.1%	52.3%
9/18/2024	0.0%	0.0%	0.0%	0.1%	3.2%	23.1%	46.5%	27.2%
11/7/2024	0.0%	0.0%	0.0%	0.9%	8.3%	29.1%	41.5%	20.2%
12/18/2024	0.0%	0.0%	0.5%	4.5%	18.5%	35.2%	31.0%	10.2%
1/29/2025	0.0%	0.1%	1.7%	8.9%	23.7%	33.9%	24.6%	7.1%
3/19/2025	0.0%	0.8%	4.7%	15.1%	28.0%	30.0%	17.2%	4.1%
4/30/2025	0.0%	1.9%	7.5%	18.6%	28.5%	26.5%	13.7%	3.0%

- Fed Chair Jerome Powell noted on April 16 that “given the strength of the labor market and progress on inflation so far, it is appropriate to allow restrictive policy **further time to work**.”
- Sticky inflation, strong economic growth and geopolitical risk triggered the delay in Fed rate cut
- Market currently expect only two rate cut this year, shifting away from 5-7 rate cut in the start of the year

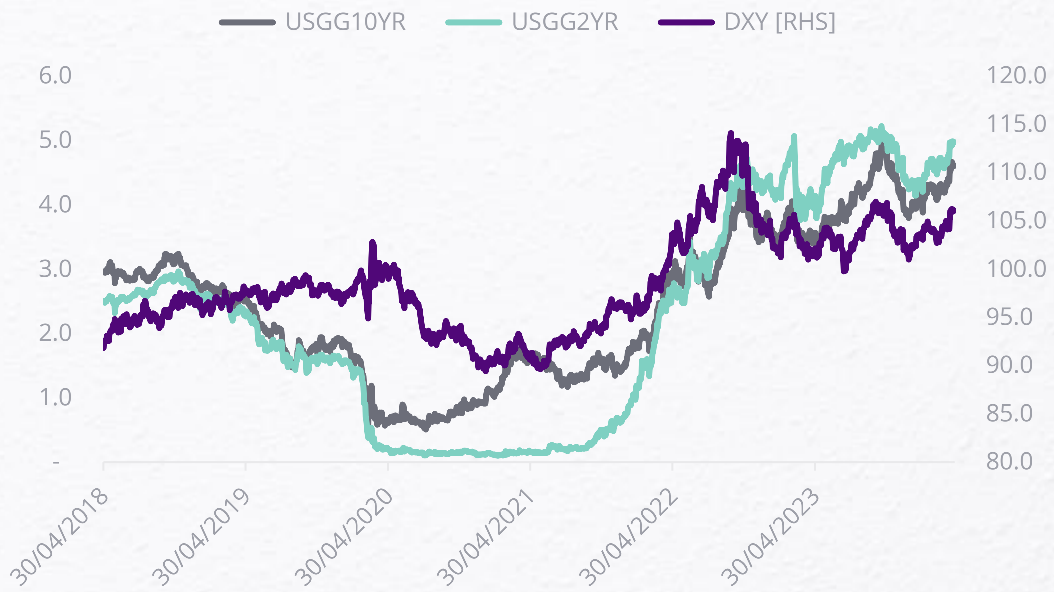
Source: BLS, Bloomberg, CME FedWatch

The return of king dollar

USD vs emerging market - YTD



DXY impacted by higher UST yield



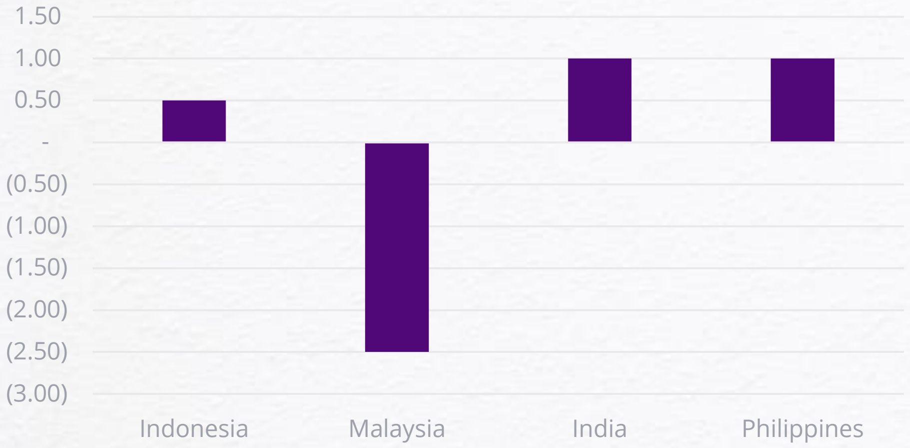
- Prospects of lesser rate cut and geopolitical risks have taken USD stronger across the board
- Asian currencies with wider policy-rate gaps over the US could be more resilient

Source: Bloomberg, IMF, Avram.

Twist on the BI policy rate

In early May-24, pressure on foreign outflow eased

Policy rate gap over US in Asian countries



Foreign outflow from IDR bond

Total	2024				
	Jan-24	Feb-24	Mar-24	Apr-24	8 May 24
Bank	31.81	15.98	(43.66)	(9.05)	(0.35)
Central Bank	8.54	31.37	(2.40)	7.74	1.56
Mutual Fund	0.18	2.35	(1.96)	(0.04)	0.88
Insurance & Pension	12.18	6.18	1.55	14.98	7.30
Foreign	**(0.17)**	**(4.76)**	**(26.42)**	**(20.84)**	**8.07**
Individual	5.38	17.16	(4.02)	29.22	3.67
Others	7.53	11.34	2.40	4.89	5.51
Total Domestic	65.62	84.39	(48.09)	47.75	18.58
Total	**65.45**	**79.63**	**(74.52)**	**26.91**	**26.66**

- Geopolitics and delay in US Fed rate cut have led to sizeable foreign outflow
- Increasing the rate gap with the US, might not be the ultimate solution, but might help stem foreign outflow
- Given the attractive yield and IDR level, foreign outflow might be reversed shall geopolitical risk and Fed uncertainty recedes

Source: Bloomberg, *DJPPR, Avram*

IndoGB yield spread has been relatively well maintained

Pre-pandemic yield spread was around 500 bps, now it's only below 300 bps

EM's yield spread movement comparison


91) Bonds 92) Spreads 93) Curves

Maturity 10 Year Sell United States Historical Data Range 1 Year

Region	Yld	Spread	Chg	Spread	#SD/Day	Low	Range (◆ Avg ● Now)	High	Avg	#SD	RSI
1) Lebanon	113.768	-11676./10928.6	-261.6		-0.3	7853.2		12063.3	9342.0	1.5	67.8
2) Nigeria	19.483	-1535.3/1500.0	+2.2								
3) Turkey	25.640	-2125.9/2115.7	+16.6			500.7		2258.1	1942.1	0.4	56.5
4) Costa Rica	6.207	-180.7/172.5	+2.2								
5) Brazil	11.748	-734.8/726.6	+1.8		0.1	641.8		822.0	691.5	1.0	65.0
6) Philippines	6.812	-235.4/232.9	+1.6		0.1	189.9		232.9	207.8	1.7	
7) Indonesia	6.935	-250.6/245.3	+2.6		0.1	183.7		287.1	237.4	0.4	50.9
8) Mexico	9.640	-527.2/515.7	-3.8		-0.3	479.7		545.6	508.3	0.5	51.9

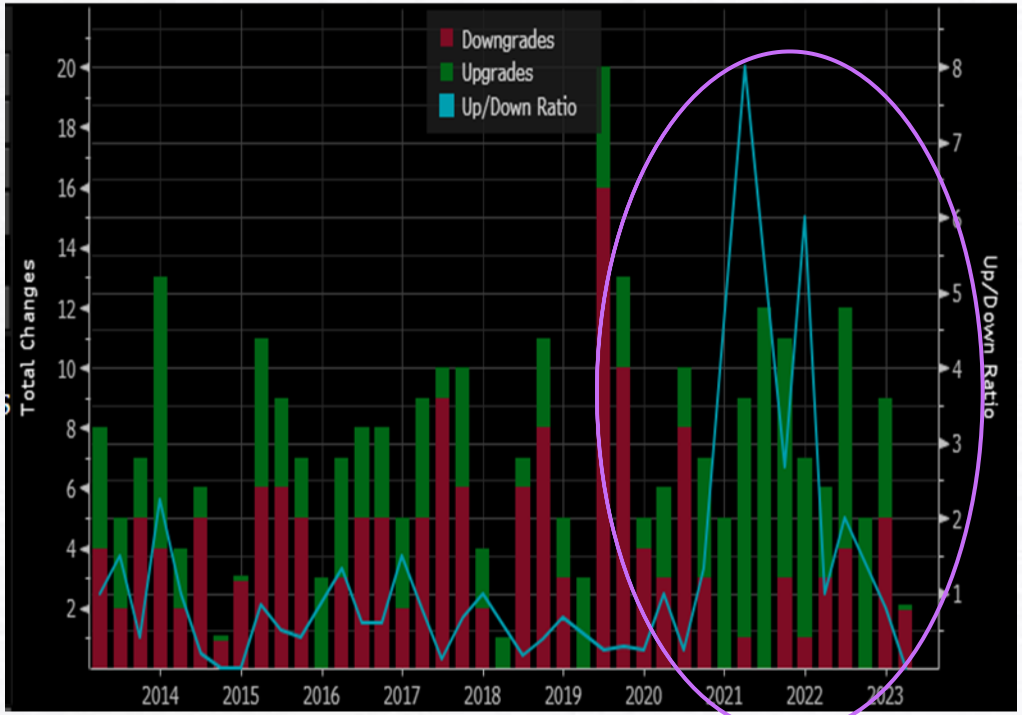
- Given foreign sell-off, IndoGB yield spread to US Treasury is considered remain manageable, much better compared to other EM Countries. Currently, the 10-year IndoGB yield spread is maintained at around 240-250 bps

Source: Bloomberg, *DJPPR, Avram*

Corporate bond provide attractive opportunities

Attractive return, lesser volatility

Rating upgrade dominates post pandemic



- In time of flattening curve, corporate bond shall provide yield booster
- Provide more attractive return, averaging 8% in the past 3 years vs 6.0% of govies
- Lesser volatility due to much lower duration risk
- Relatively sheltered from global shock

Historical statistic comparison

	Corp Bond	Govt Bond
Annualized return	10.03%	8.59%
Annualized risk	3.02%	6.25%
Duration	2.67	5.92
Avg YTM	7.51%	6.57%

Source: Bloomberg, *DJPPR, Avram*

Short Term Strategy

- Maintaining portfolio duration at 90%-105% of benchmark duration
- Cash level > 10% across funds, but we gradually start to deploy
- Tactical trading in 5-10 years as the yield spread to longer tenor is considered remain attractive.
- Adding exposure in the high-quality corporate bond to mitigate volatility risk while to enhance portfolio yield.

Equity

Back To Fundamentals

Equity Market Performance YTD

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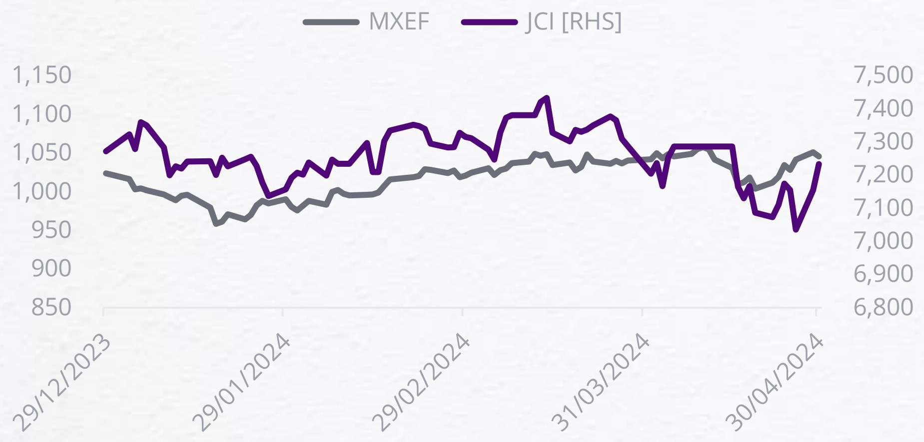
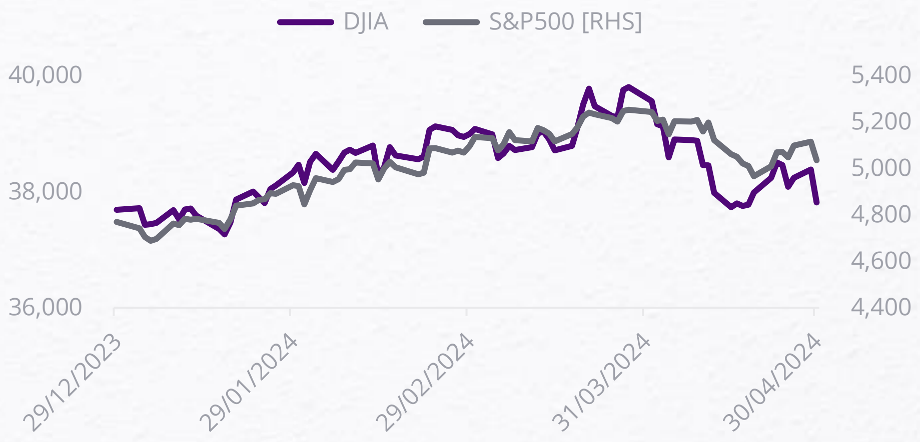
JCI and emerging market equity index

As of April 2024



US equity index

As of April 2024



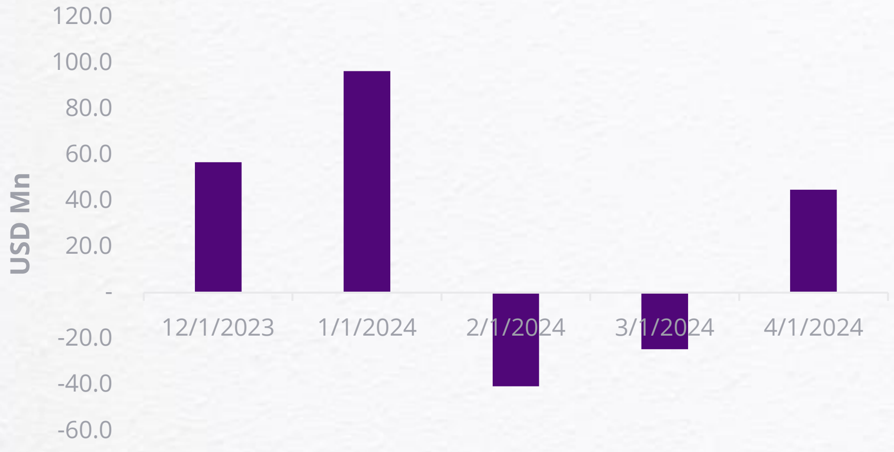
- US equity market such as DJIA and S&P500 increased by +0.3% and +5.6% (YTD) as of April 2024. Then, emerging market equity index also increased by +2.2% (YTD) in the same period.
- On the other hand, JCI slightly decreased by -0.5% (YTD) to 7.234 as of April 2024. We see that April was a challenging month for JCI that declined -0.7% (MoM) and even other equity market such DJIA (-5.0%) and S&P500 (-4.2%).

Source: Bloomberg

Net buy in JCI amid some bad sentiment

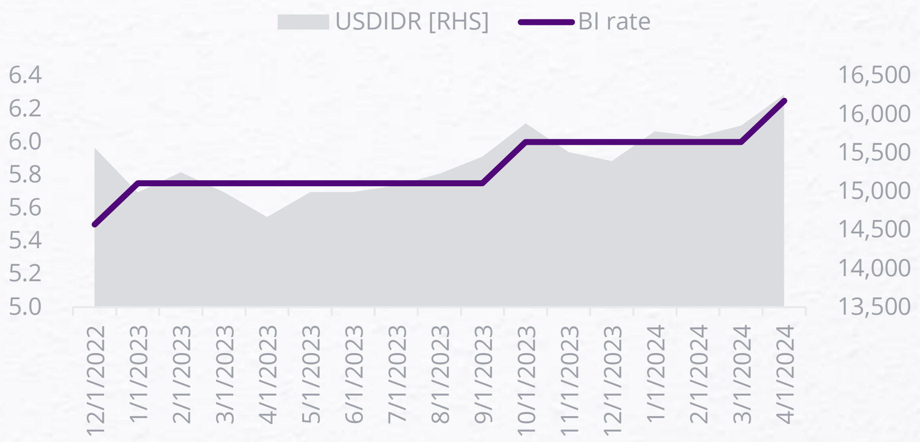
JCI recorded net foreign buy both April and YTD

As of April 2024



Two bad sentiment was dragging the JCI

As of April 2024



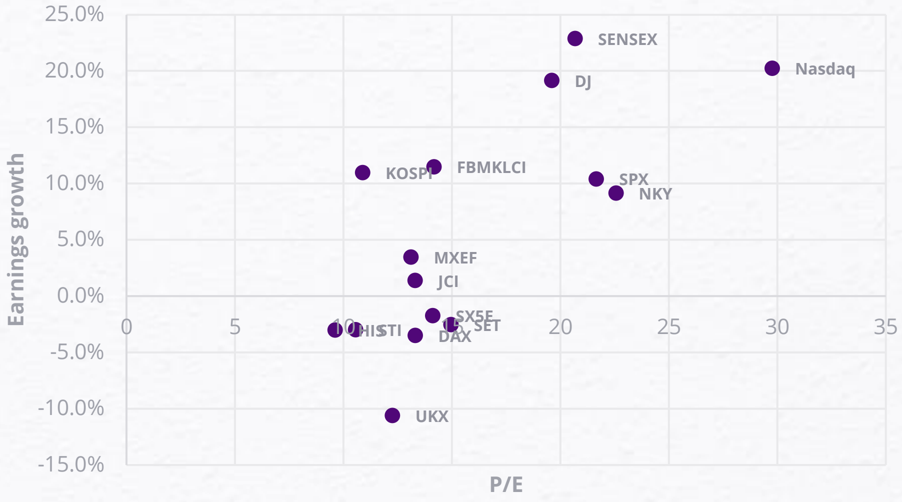
- Geopolitical tension in the Middle East has already made the concern of inflation risk increased. The DXY index also strengthened and impacted other currencies include rupiah. So, BI increased the interest rate to maintain rupiah stability.
- We see that some factors above already dragged the JCI to negative area in April 2024. Other equity indices probably have same problem in the same period.
- However, the foreign investors still recorded a net buy of around USD 44.8 mn during April 2024 and USD 75.7 mn YTD, showing assessment of good prospect from foreign investor to the JCI.

Source: Bloomberg

JCI is still offering an attractive valuation

P/E JCI below 10Y P/E average

P/E and earnings JCI and peers



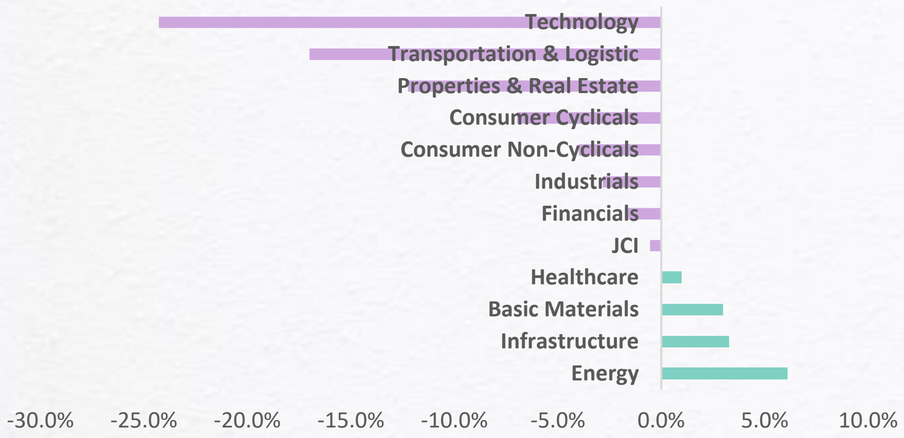
- We observed that JCI has an attractive value with -1SD P/E . It's lower than SET index, Kospi, Nikkei index, and US equity index.
- Although we see that JCI has earnings growth only at around 1% in 2024.
- So, we assess that JCI is currently undervalued and can recover in the future align with global markets

Source: Bloomberg

Revaluing top performers and selective in underperformers

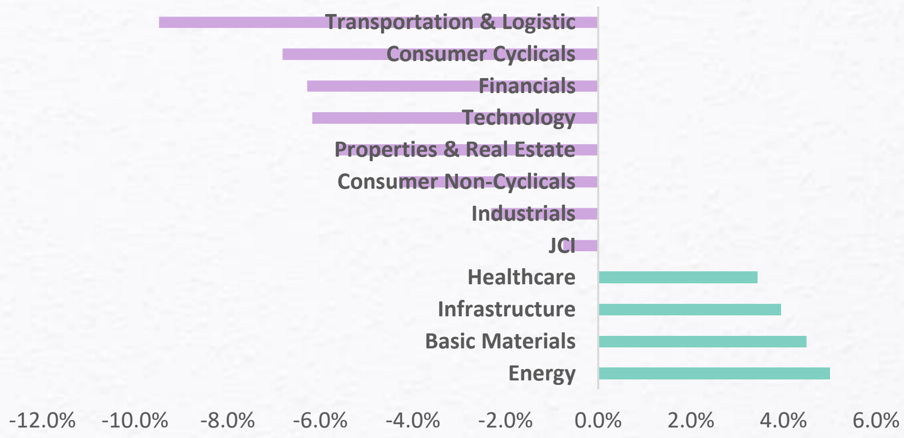
JCI sectoral performance in YTD

As of April 2024



JCI sectoral performance in MoM

As of April 2024



- There were four sectors that have positive returns both MoM and YTD, namely energy, infrastructure, basic materials, and healthcare sectors.
- Energy and basic materials sectors were supported by the increase of energy and metals price. Then, healthcare and infrastructure sector were supported by good results from hospital companies (healthcare) as well as telecoms and renewable energy companies (infrastructure).
- We suggest to revalue companies in top performing sectors in terms of both valuation and future momentum, also become selective in underperforming sectors to choose good fundamental companies with attractive valuation.

Source: Bloomberg

Sectoral Outlook 3

Defensive With Opportunistic Tilt

Healthcare Sector (Overweight)

Navigating Market Storms with a Defensive Sector Shield

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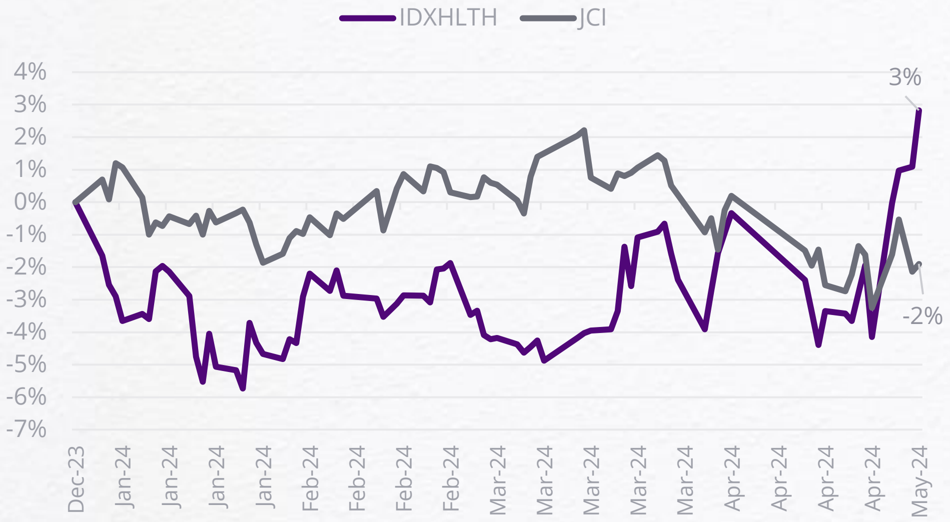
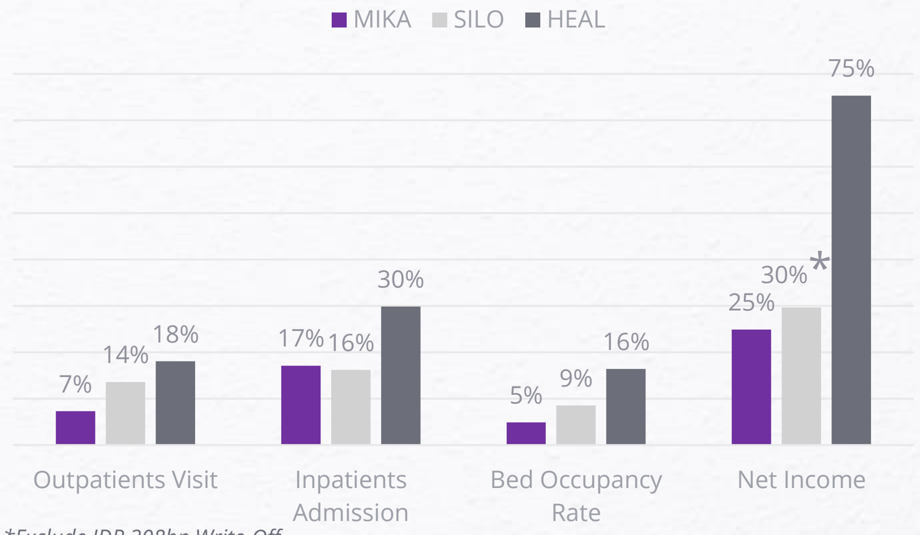
YTD Return



1Q24 Growth YoY



Exclude IDR 308bn Write-Off

- In the face of foreign sell-off, healthcare sector emerges as a resilient refuge owing to its defensive characteristics, coupled with robust performance in 1Q24

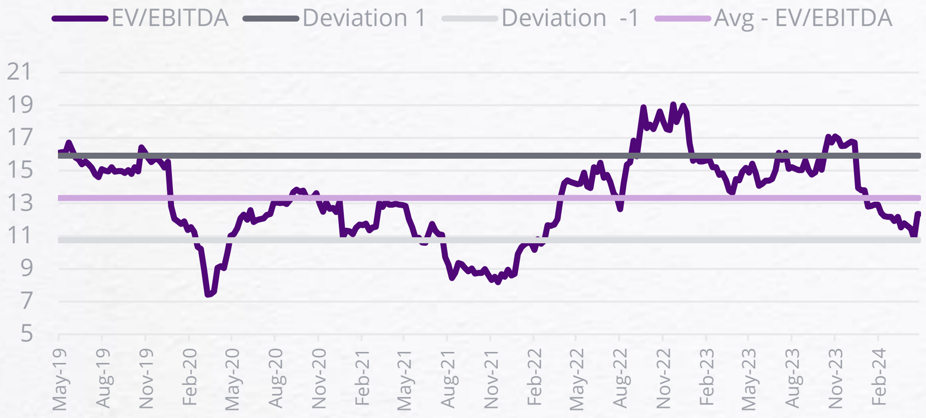
- SILO, HEAL, and MIKA demonstrated double-digit net profit growth in 1Q24, driven by rising patient trend and higher ASP

Source: Bloomberg, Avram research

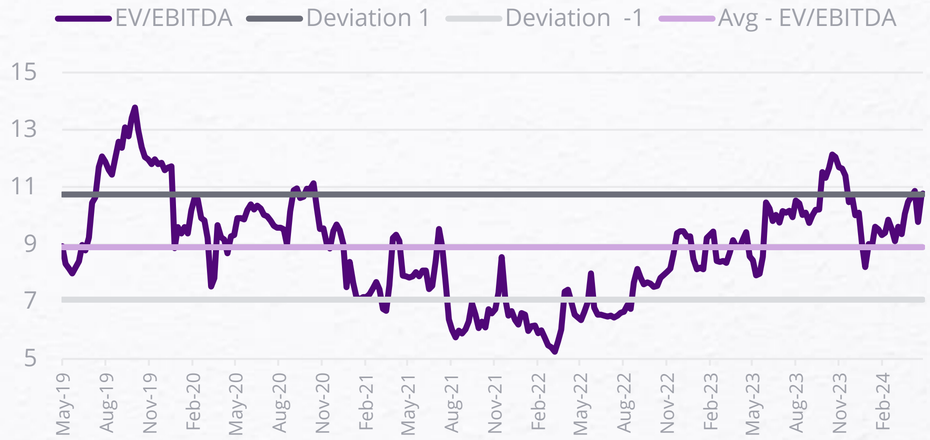
Healthcare Sector (Overweight)

Sector Stock Picks

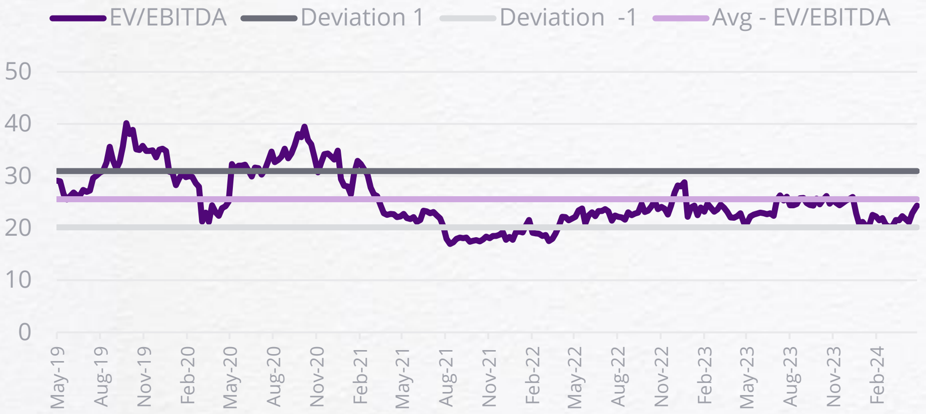
HEAL EV/EBITDA



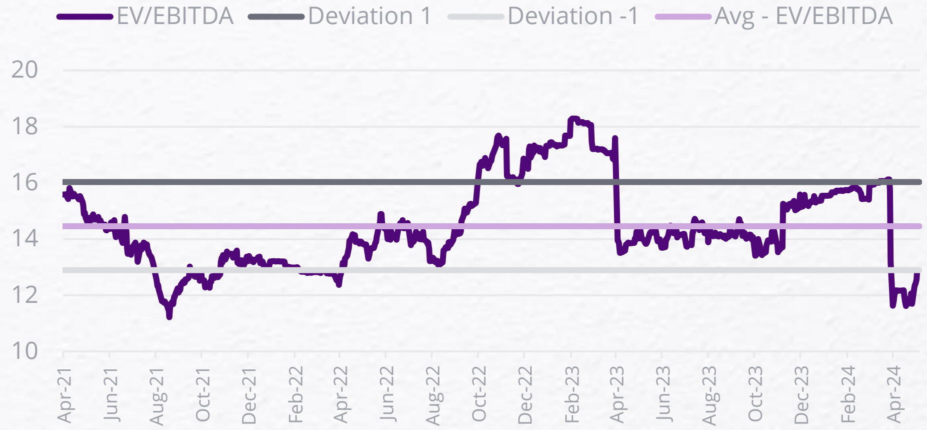
SILO EV/EBITDA



MIKA EV/EBITDA



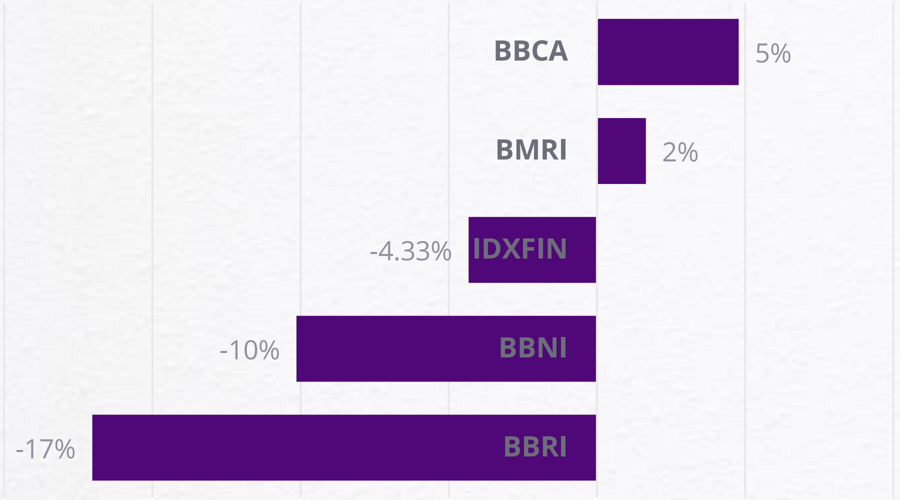
IDXHLTH EV/EBITDA



Banks (Overweight)

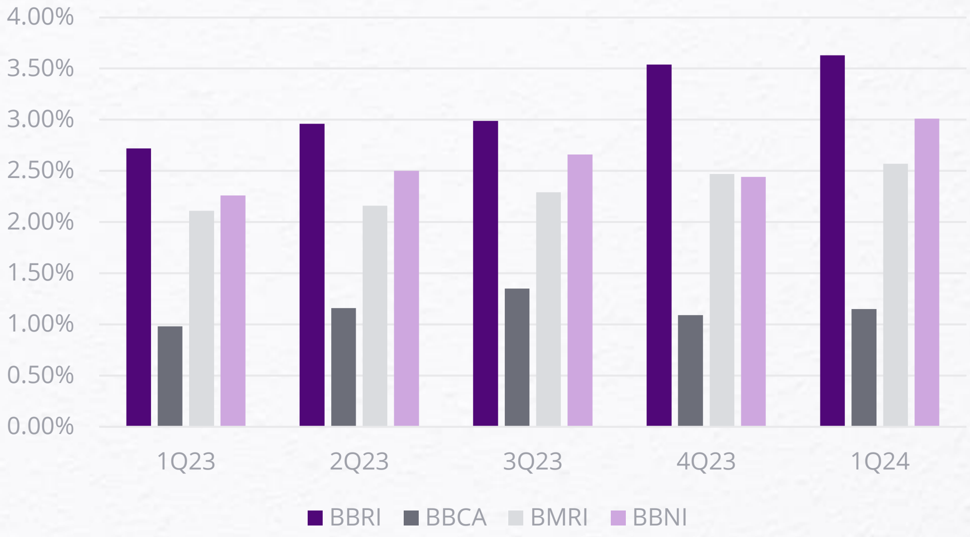
Golden Opportunity Amid Attractive Valuation

Big Bank YTD Performance, as of 3 May 2024



- April saw continued selling pressure on JCI, primarily driven by big banks selloff by foreign due to a reassessment of earnings risks and broader macroeconomic uncertainties.
- The combination of high CoF and strong loan growth without adequate loan repricing led to financial strain, where banks managed to expand their loan portfolios but failed to significantly boost their profitability.

Big Banks CoF Trend



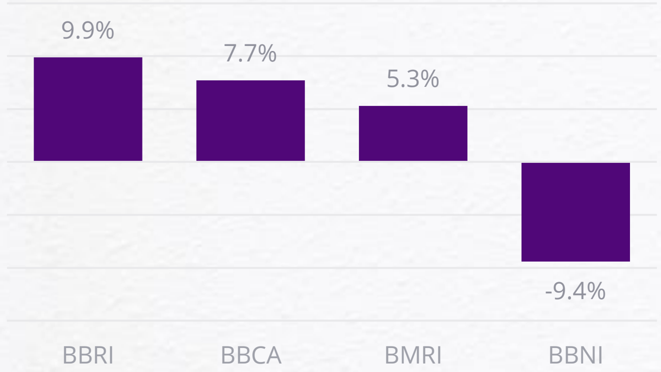
- The Indonesian banking sector faced elevated CoF in 1Q24, driven by an increase in the benchmark rate (BI rate: 6.25%)
- Additionally, CoC rose, largely due to an increase in loan write-offs, with the small and micro/ultramicro loan segments being particularly affected. (next slide*)

Source: Bloomberg, Avram research

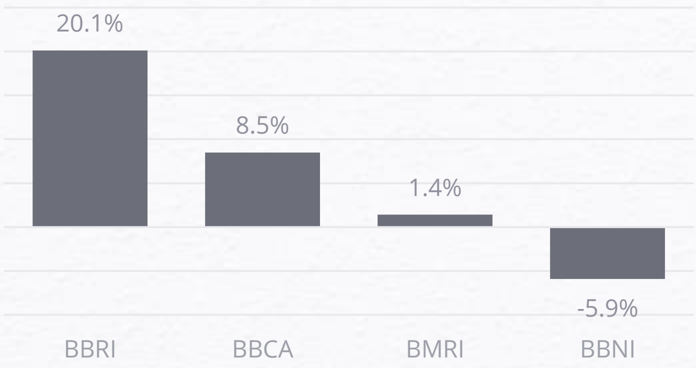
Banks (Overweight)

1Q24 Big Banks Results Summary

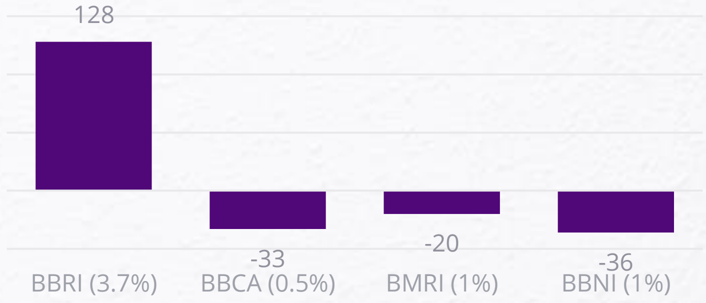
NII
YoY



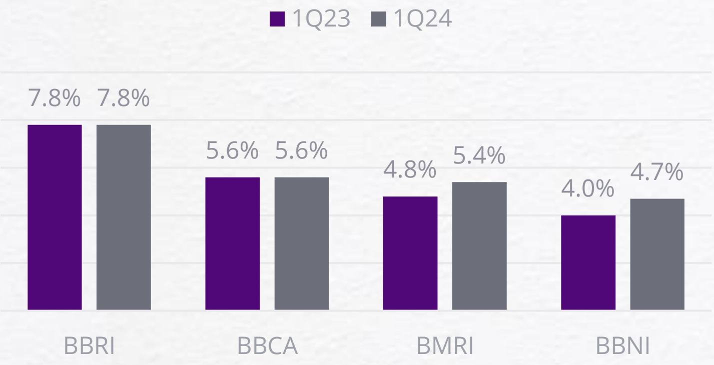
PPOP
YoY



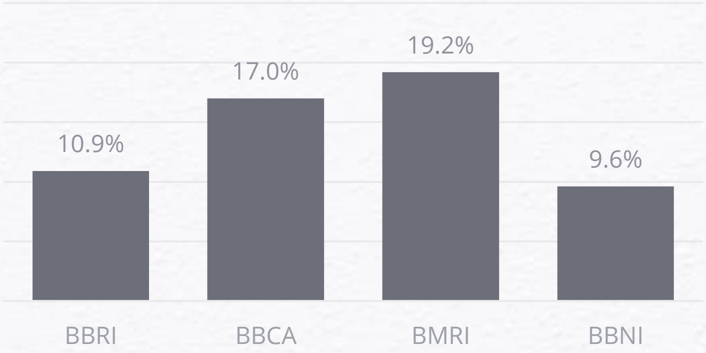
CoC*
In bps, YoY



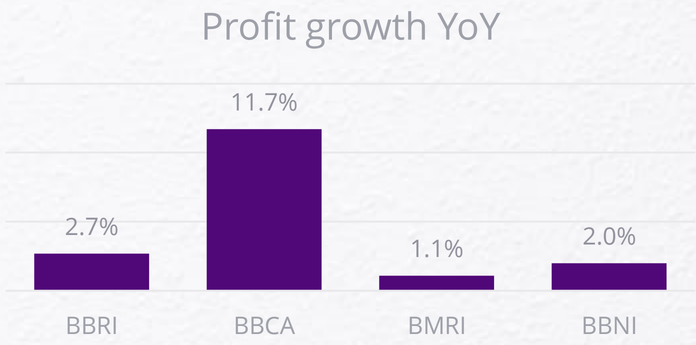
NIM
1Q23 vs 1Q24



Loan Growth
YoY



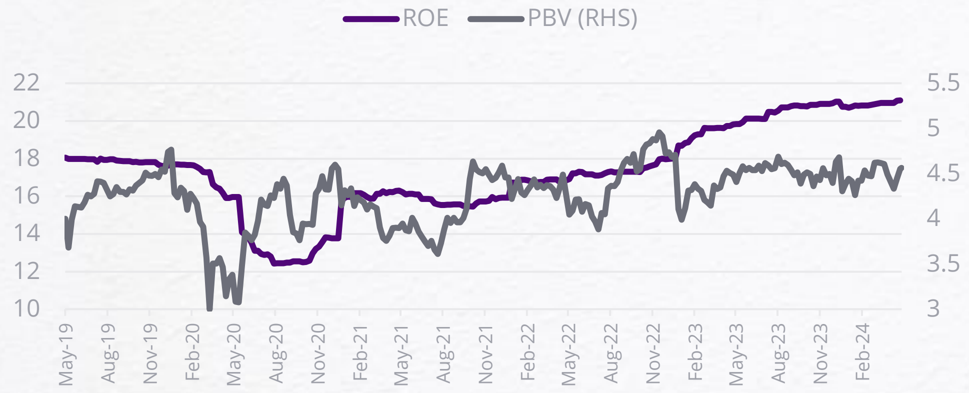
Profit Growth
YoY



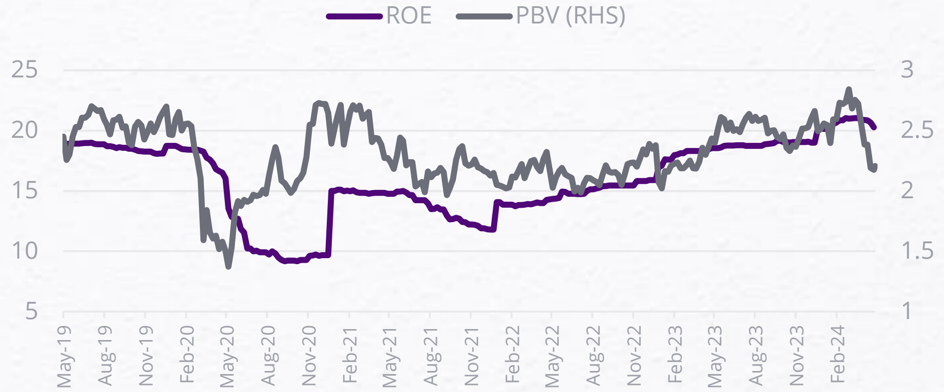
Banks (Overweight)

All the big bank stocks now trade at attractive valuation

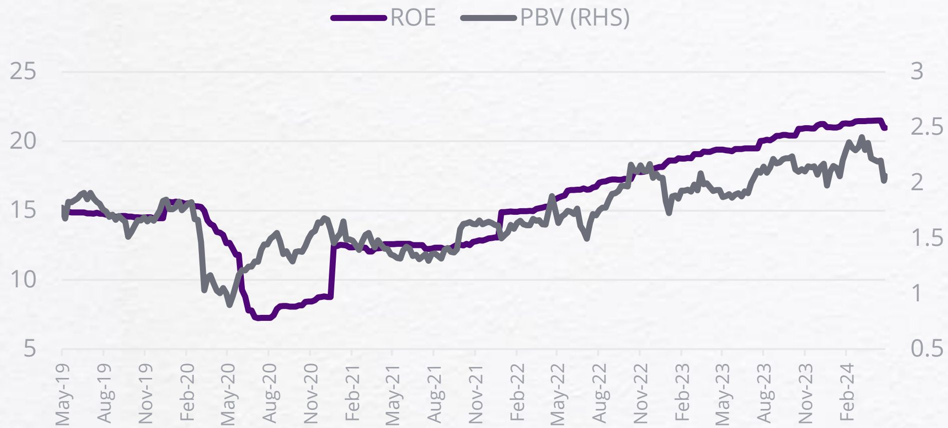
BBCA PBV & ROE



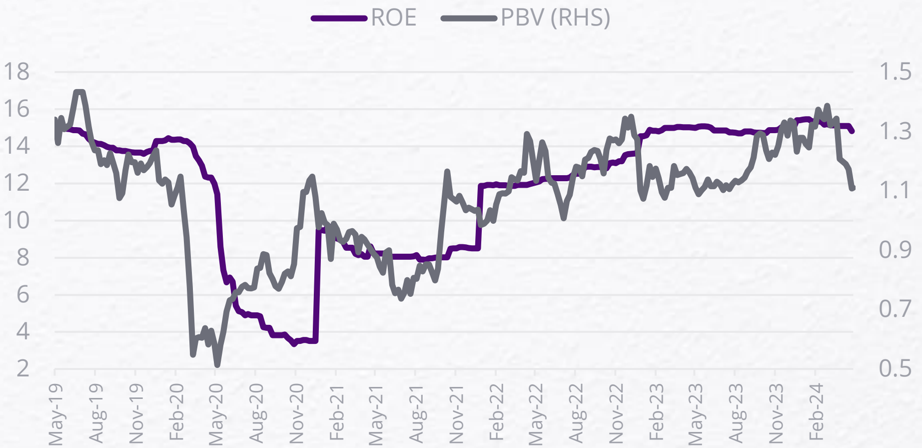
BBRI PBV & ROE



BMRI PBV & ROE



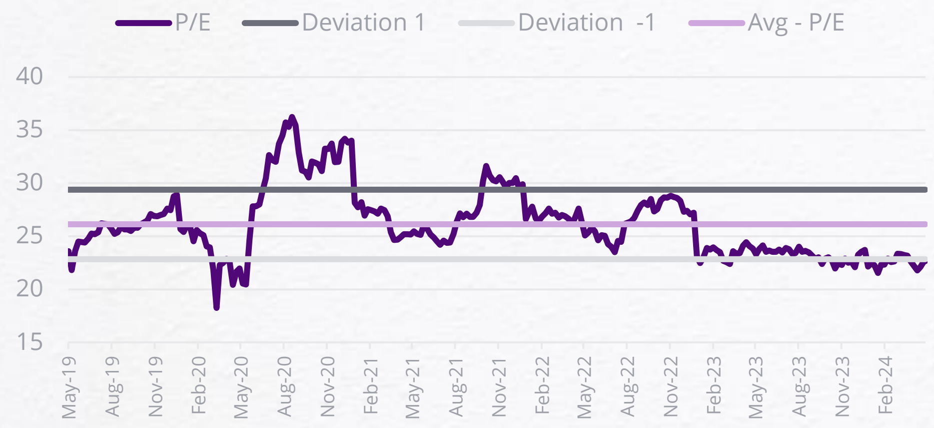
BBNI PBV & ROE



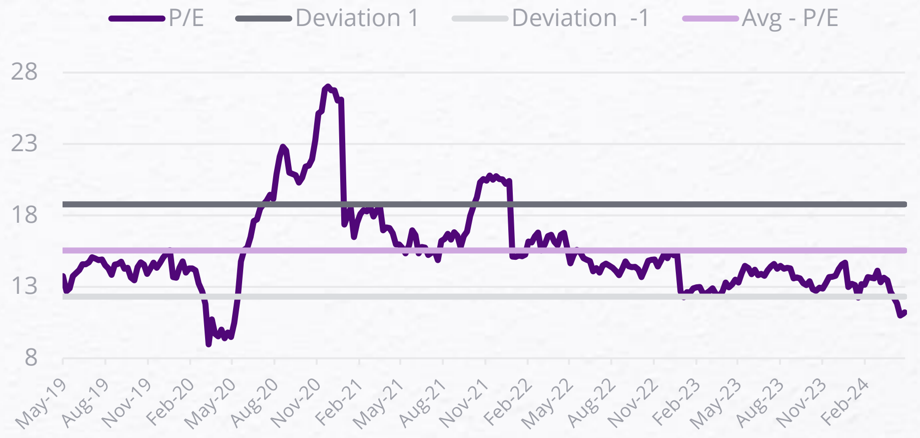
Banks (Overweight)

All the big bank stocks now trade at attractive valuation

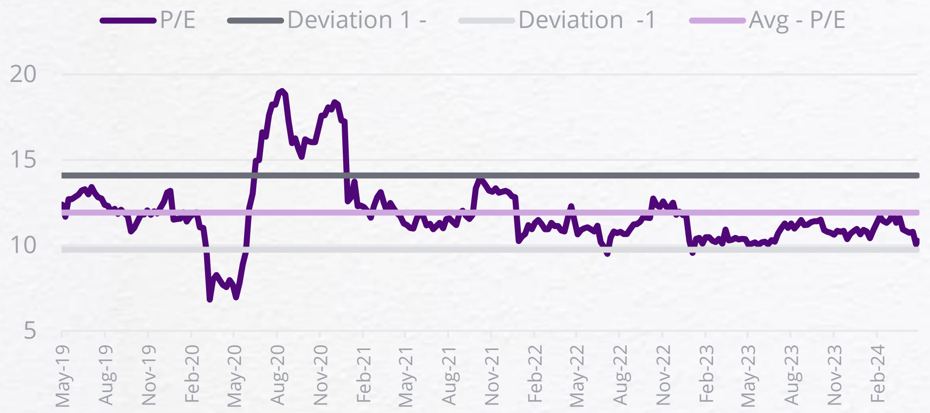
BBCA P/E



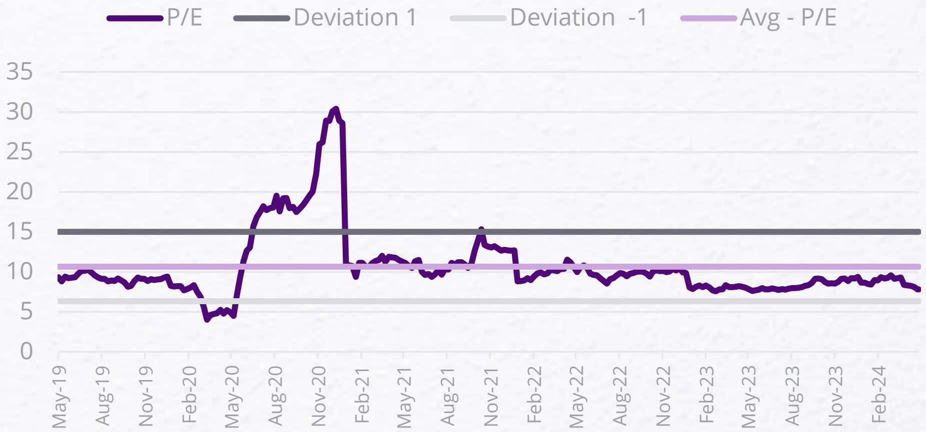
BBRI P/E



BMRI P/E



BBNI P/E

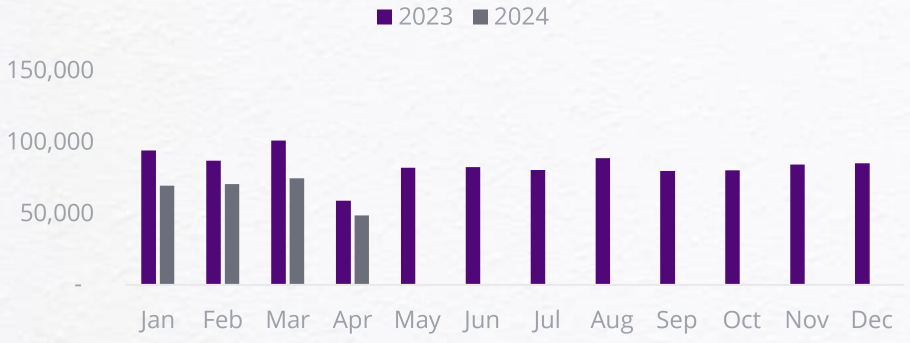


Automotive (Neutral)

The weak performance will likely continue

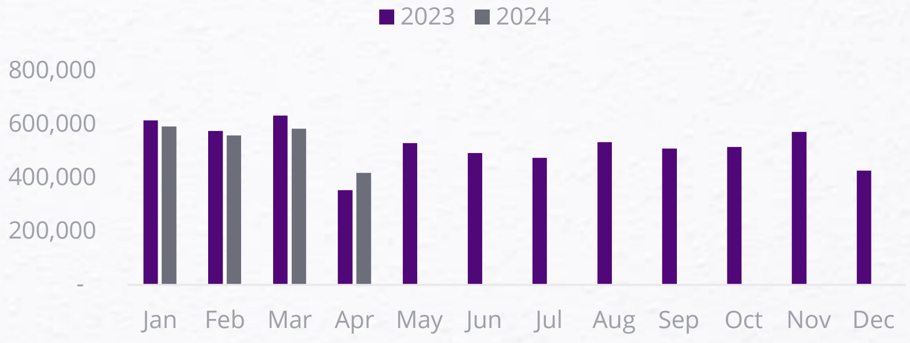
4W wholesales weakened in Indonesia

As of April 2024

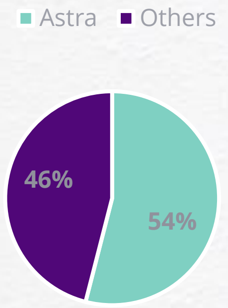


2W sales slightly decreased in Indonesia

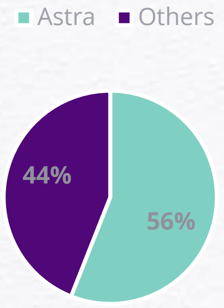
As of April 2024



Astra's market share increased by 2% (YoY) as of April 2024



4M23



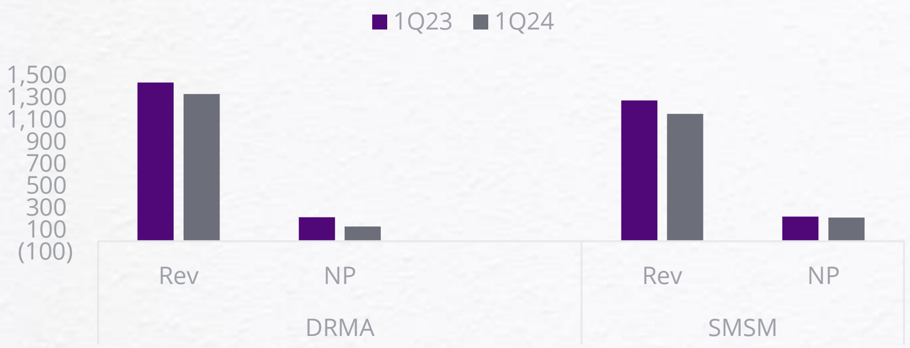
4M24

- 4W and 2W wholesales decreased by -22.8% and -1.1% (yoy) as of 4M24.
- It is due to lower purchasing power amid the weakening of rupiah and higher interest rate environment.
- Nevertheless, Astra's market share still increased to 56% as of April 2024. It's supported by Daihatsu's market share.

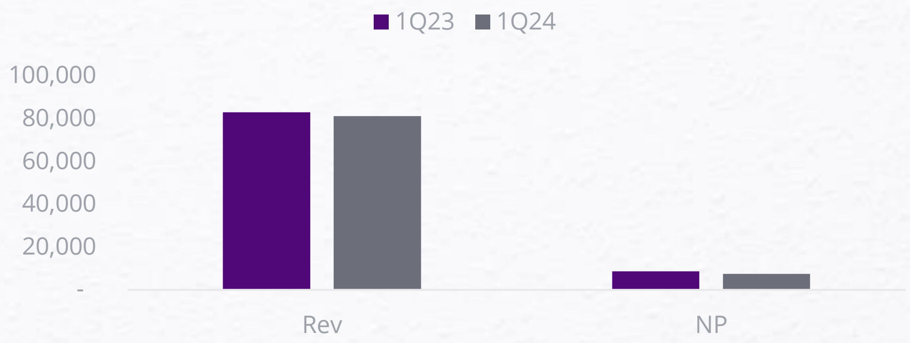
Automotive (Neutral)

The weak performance will likely continue

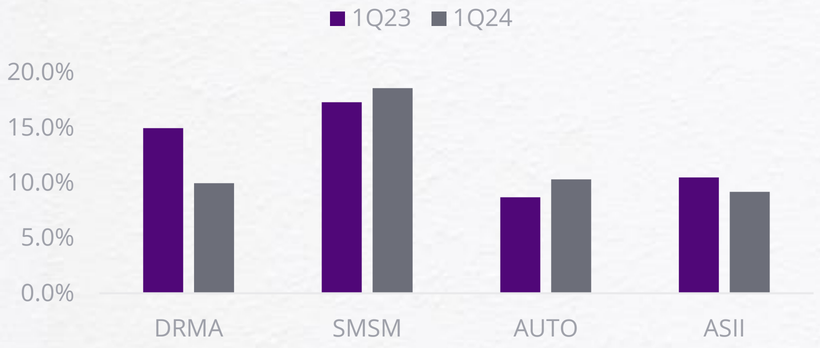
DRMA and SMSM recorded a negative growth in 1Q24



ASII recorded a negative growth in 1Q24



DRMA and ASII have a lower net margin

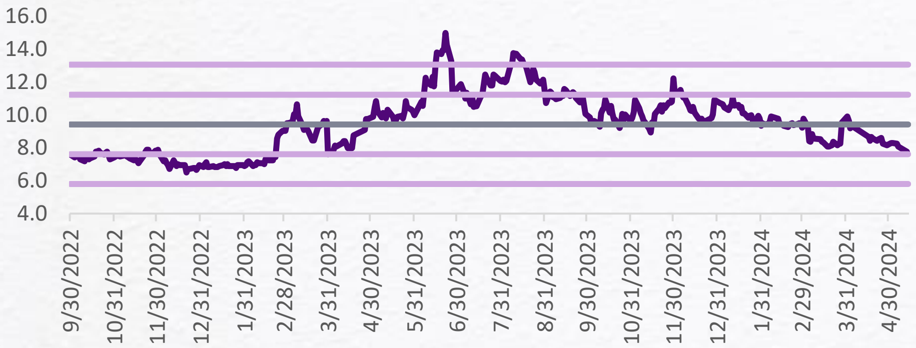


- Some automotive companies in 1Q24 booked negative growth in revenue aligned with the industry performance.
- We expect that 2Q24 performance will remain weak aligned with 4W and 2W wholesales in Indonesia.
- The lower demand will bring lower utilization that will likely pressure the margin.

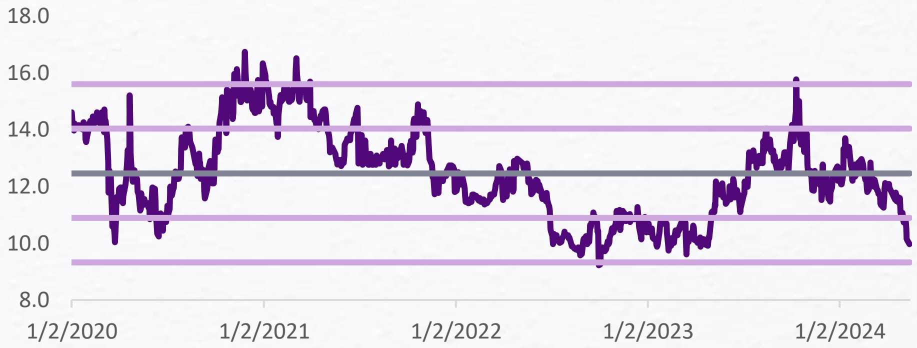
Automotive (Neutral)

The weak performance will likely continue

DRMA P/E

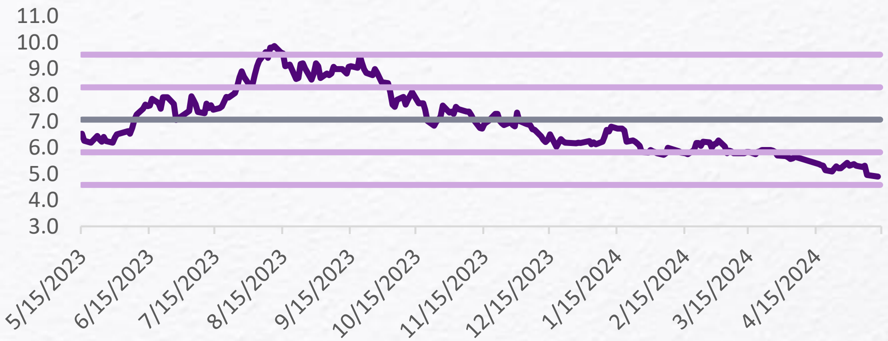


SMSM P/E



ASII P/E

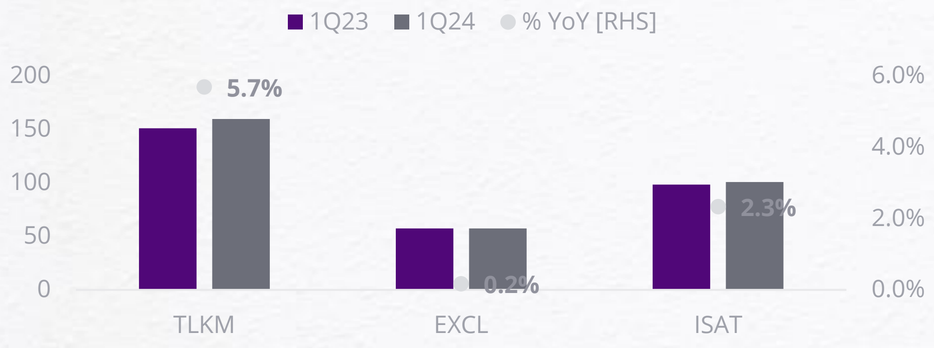
AUTO P/E



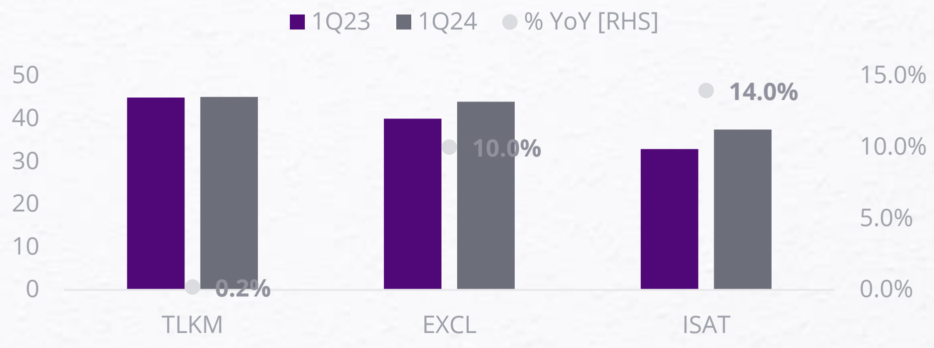
Telecoms (Overweight)

The unexpected result

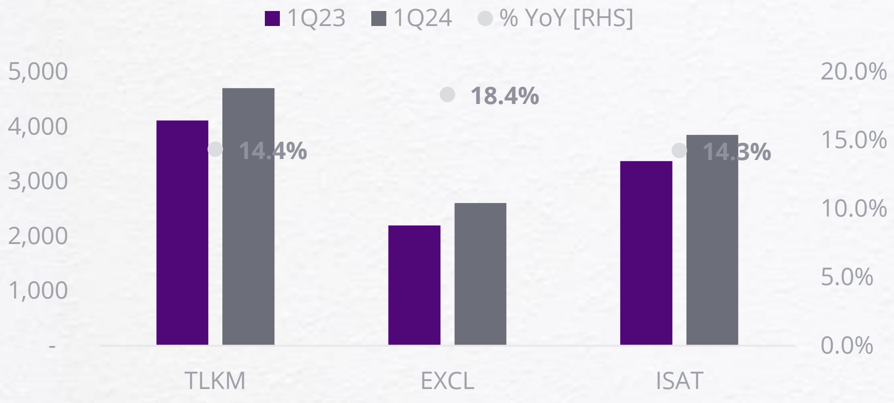
TLKM has the biggest additional subscribers (mn) in 1Q24



ISAT has the highest increase of ARPU (000) in 1Q24



EXCL has the highest increase of data traffic (Pb)

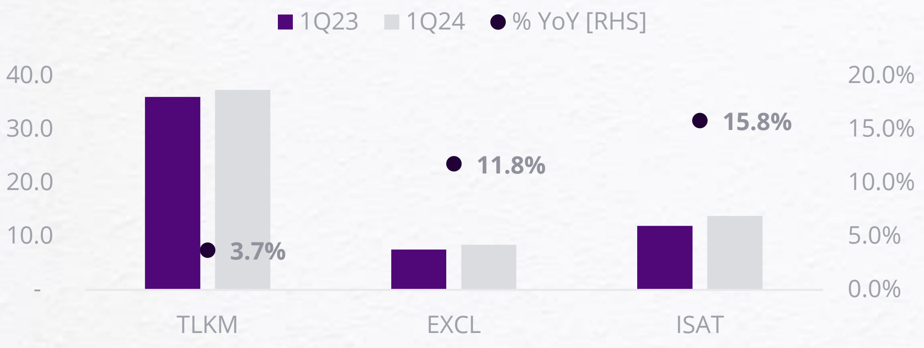


- We see that telecoms sector have a good performance during 1Q24.
- Three big players recorded the increase of subscribers, ARPU, and data traffic.
- We assess that 2Q24 should still show strong numbers

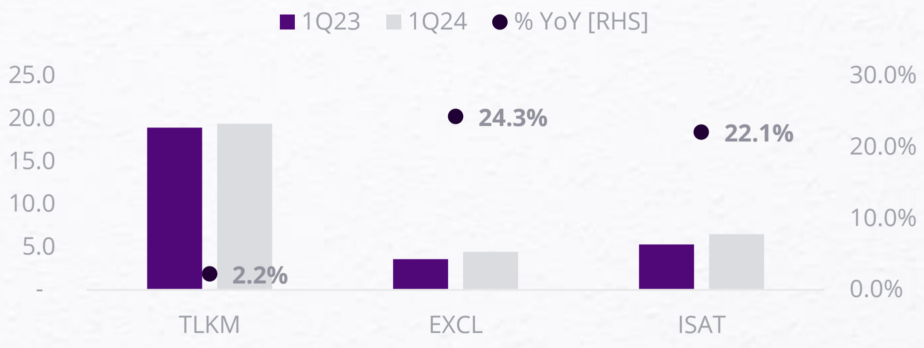
Telecoms (Overweight)

The unexpected result

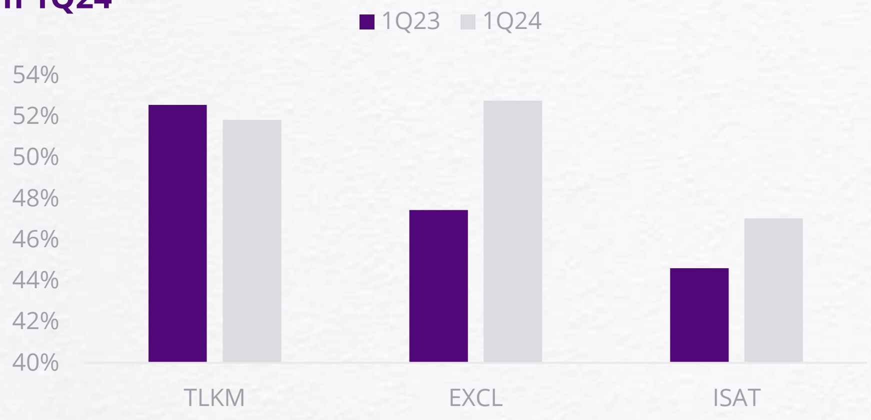
EXCL and ISAT have a significant increase in revenue (IDR tn)



EXCL and ISAT have a significant increase in revenue (IDR tn)



EBITDA margin of EXCL and ISAT significantly improved in 1Q24

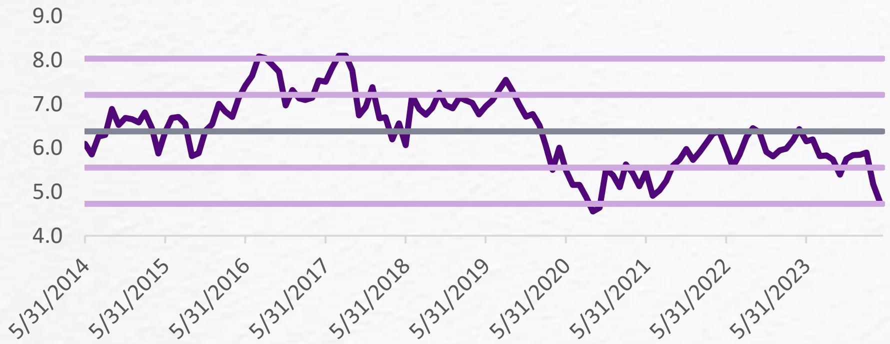


- Telecoms sector recorded unexpected result with higher growth in revenue, especially EXCL and ISAT.
- In term of margin, EXCL and ISAT have improved the EBITDA margin to 53% and 47% in 1Q24.
- We expect the good performance will continue in 2Q24 align with higher data traffic.

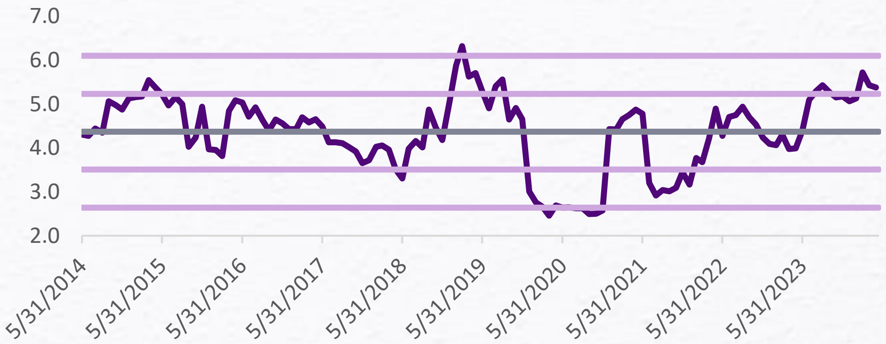
Telecoms (Overweight)

The unexpected result

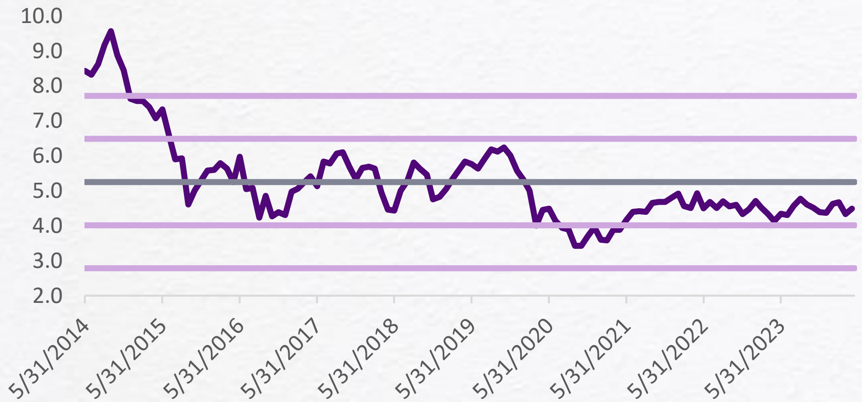
TLKM EV/EBITDA



ISAT EV/EBITDA



EXCL EV/EBITDA

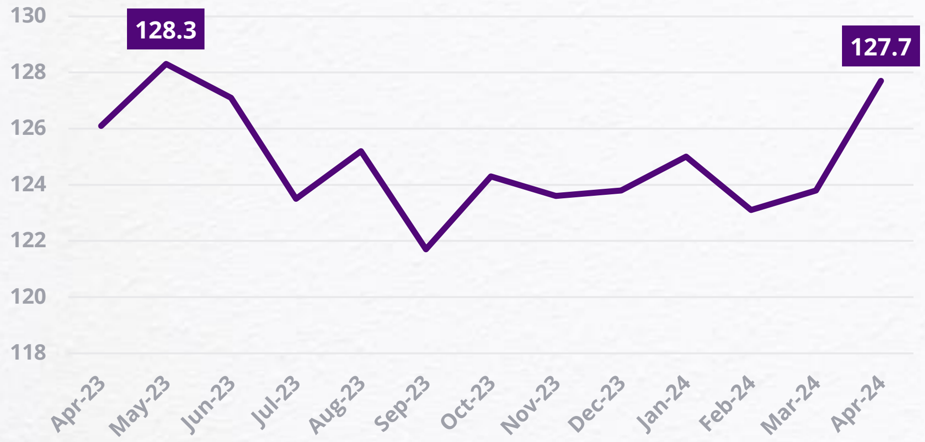


- EXCL and TLKM have an attractive valuation with EV/EBITDA lower than average. But we prefer EXCL due to higher growth in data traffic and margin improvement.
- For ISAT, we think that the company has a high potential to grow due to lower ARPU compared to peers.

Consumer Staples Sector (Overweight)

Consumer Frenzy Revs Up, High-End Market Takes a Breather

Indonesia Consumer Confidence Index



- Indonesia's consumer confidence reached its highest level since May-23, rising to 127.7 on April-24, which was attributed to the "Lebaran" effect, which increased consumption due to the festive season's positive impact on the economy.
- The strong demand observed in 1Q24 is believed to be driven by other factors, such as more aggressive disbursement of political campaign funds (January-February), earlier distribution of festive allowances (March), and higher overall government expenditure. March was considered the strongest month, likely attributable to the earlier release of festive allowances.

Indonesia GDP Growth YoY

- The fast-moving consumer goods (FMCG) sector experienced a significant boost in demand during the first quarter of 2023 (1Q23) due to front-loading activities (stockpiling) for the Ramadan season. However, in the first quarter of 2024 (1Q24), the impact of front-loading was less pronounced as many distributors and wholesalers had already stockpiled inventory since December 2023, owing to the earlier occurrence of Ramadan that year.

Source: Bloomberg

Consumer Staples Sector (Overweight)

Staple a Portfolio with Top Consumer Staples Stock Picks

avrist Asset Management

1Q24 vs. 1Q23 Summary Result

	Net Profit	Revenue
	Growth YoY % (1Q24 vs. 1Q23)	
UNVR	3%	-5%
MYOR	51%	4%
KLBF	12%	6%
INDF	-36%	1%
ICBP	-41%	4%
SIDO	30%	16%
ULTJ	14%	3%
CMRY	30%	18%
CLEO	93%	38%

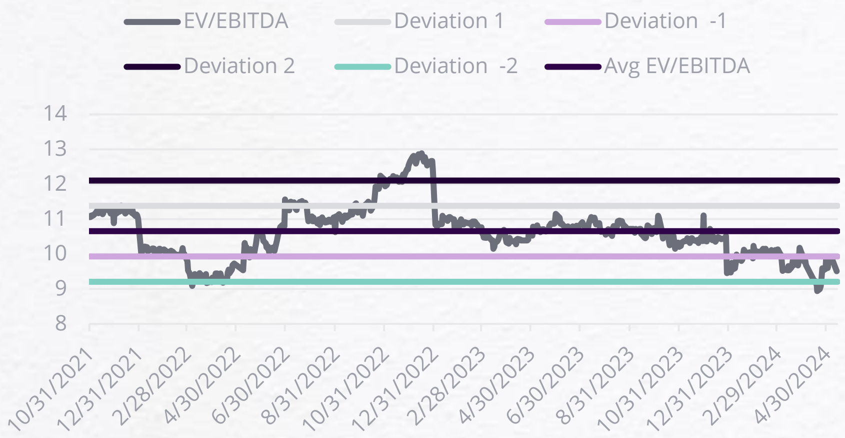
- The strong sales trend seen in the first quarter for the consumer sector, particularly the FMCG sector, continued into April. Almost all of the local FMCGs saw double-digit sales growth. This strong growth is due to a low base effect from the previous year, as most FMCG companies reported slow sales in Q2 2023.
- The market expects low demand for consumer staples due to concerns about lower-end purchasing power.
- In 1Q24, most consumer staples performed above expectations. With ample liquidity, low valuation, and low downside risks, we believe the consumer sector is the best option to consider during global uncertainty.
- Spike in cocoa prices indicates nearly 300% rise, which MYOR could be negatively affected by hikes in cocoa and coffee prices, stronger sales might offset higher input costs pressure. The flour price has remained stable, which should help ICBP margins in the future, ICBP has the lowest valuation, the strongest pricing power, plenty of liquidity, and a rapidly growing core profit. CLEO also has the fastest-growing FMCG than peers.

Source: Bloomberg

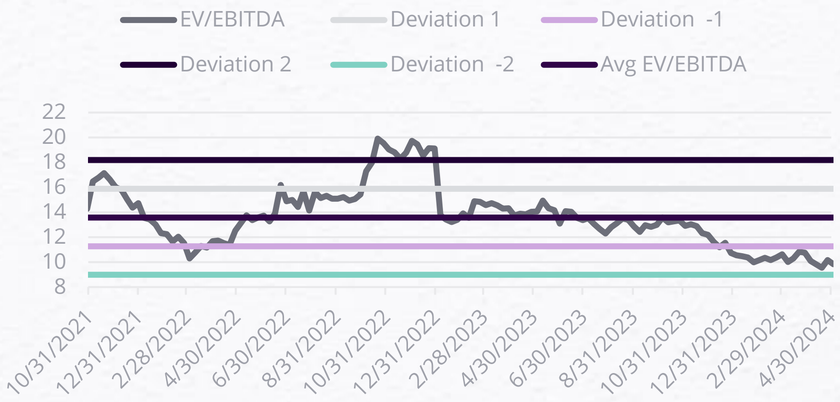
Consumer Staples Sector (Overweight)

Staple a Portfolio with Top Consumer Staples Stock Picks

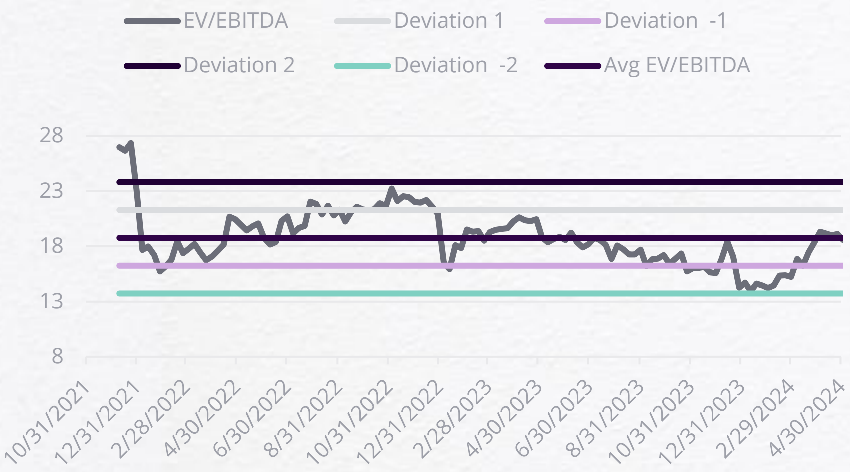
ICBP EV/EBITDA



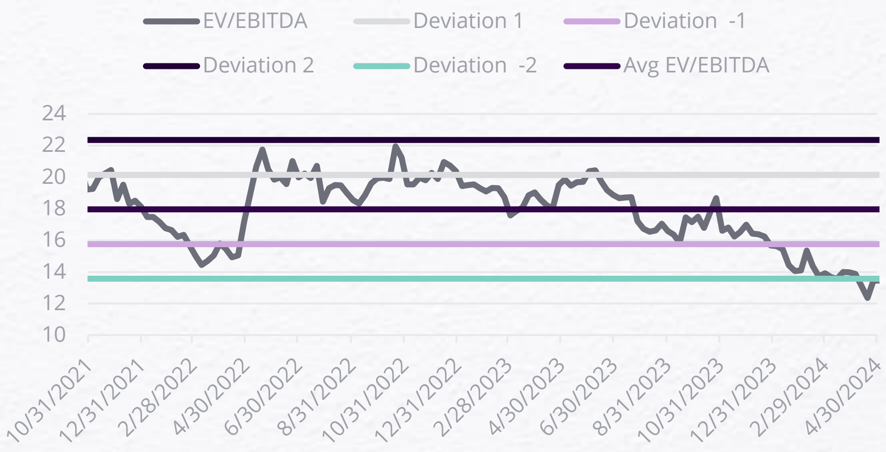
MYOR EV/EBITDA



CMRY EV/EBITDA



UNVR EV/EBITDA



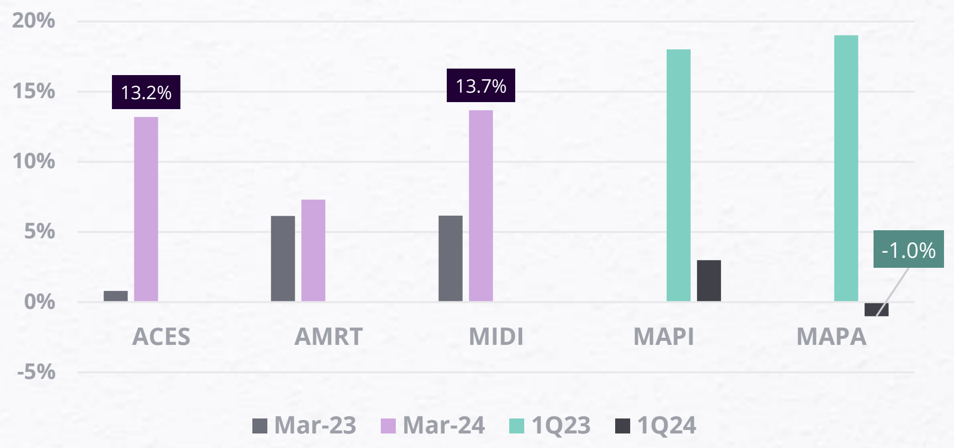
Retail Sector (Overweight)

Malls Make Merry, Retailers Ring In Festivities Rewards

1Q24 vs. 1Q23 Summary Result

	Net Profit	Revenue
	Growth YoY % (1Q24 vs. 1Q23)	
ACES	29%	17%
AMRT	15%	12%
RALS	254%	42%
MAPI	6%	18%
MAPA	3%	36%
LPPF	222%	37%
MIDI	35%	19%
ERAA	8%	13%

SSSG YoY (%)



- In comparison to its peers in the retail industry, we anticipate that the company will employ targeted product advertising campaigns, monitor consumer and backend margins, and leverage comprehensive staff workload analysis and merchandising planning to enhance future margin expansion and operational efficiency.
- The disbursement of the holiday allowance likely contributed to increased foot traffic in retail/shopping areas by the end of March 24.

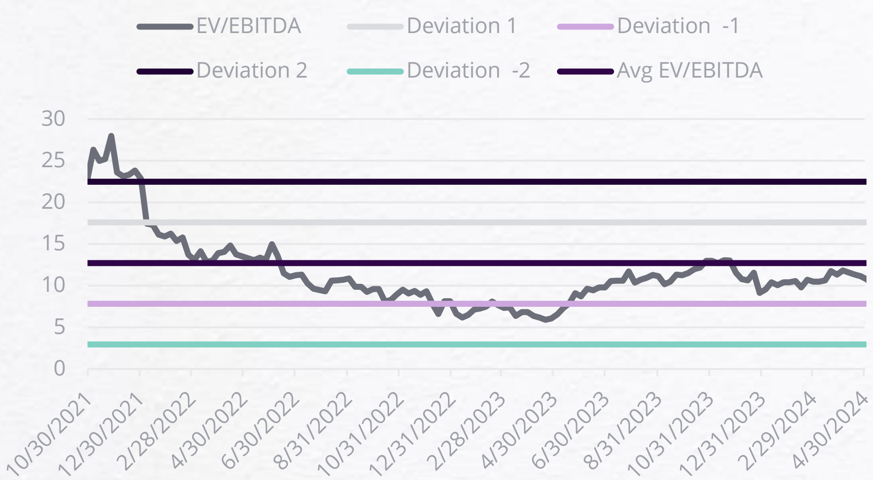
- Strong SSSG is due to Ramadan spending, which should continue until April (2023 was only in April).
- Also on MAPA, Investor enthusiasm has decreased since its peak in January.
- MIDI is likely to achieve 13.7% year-on-year SSSG by itself in 1Q24F, while Lawson's SSSG remains negative in 1Q24F and is expected to remain negative throughout 2024F.

Source: Bloomberg

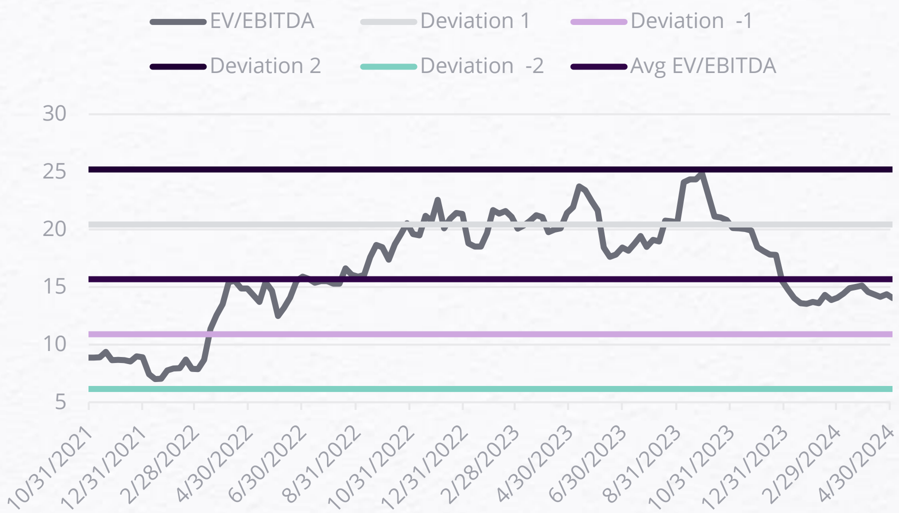
Retail Sector (Overweight)

Malls Make Merry, Retailers Ring In Festivities Rewards

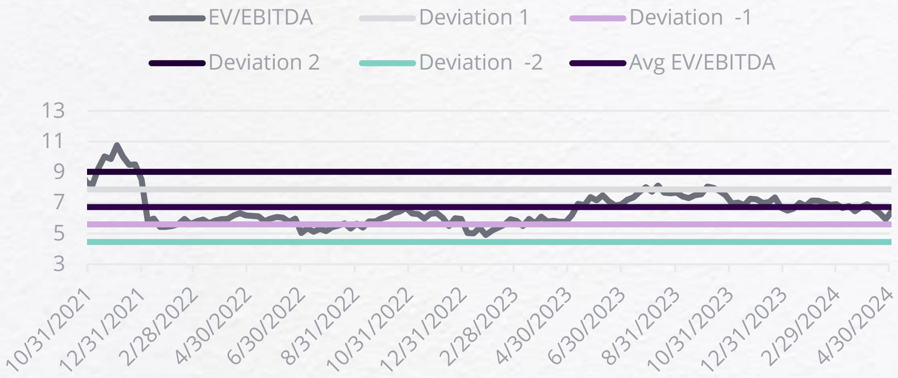
ACES EV/EBITDA



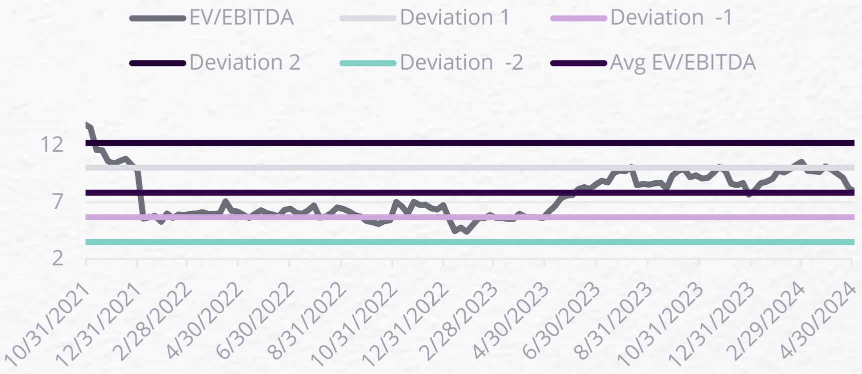
AMRT EV/EBITDA



MAPI EV/EBITDA



MAPA EV/EBITDA



Summary

We are Positive on JCI Index

Sector	Rating	Thesis	Catalysts	Risks
Automotive	Neutral	▪ Autoparts sector will be a beneficiary from EV regulation. ▪ Foreign companies are entering Indonesia market with localized production, supporting demand for auto parts.	▪ EV incentives give support to overall 4W and 2W sales ▪ Local component minimum changes from 40% to 60% in the next year ▪ Potential for recover of 2W and 4W sales in 2024F	▪ Crowded competition in the automotive industry
Banks	Overweight	• Still strong loan growth in several segments • Stable cost of fund for big banks • Potential GWM cut	• Potential for acceleration in corporate loan growth • Potential for repricing up of loan yields	• Rising cost of funds for some banks • Rising asset quality risk from mass market segment

Summary

We are Positive on JCI Index

Sector	Rating	Thesis	Catalysts	Risks
Construction	Underweight	▪ Lack of catalyst, as new capital city development will be gradual	▪ If new capital city development get sped up	▪ High debt ratios ▪ Negative sentiment due to WIKA and WSKT debt restructuring
Cement	Underweight	• Restriction of growth as a result of the slow recovery in cement sales • Cement prices typically remain flat due to a surplus of supply compared to demand.	• Potential development of new capital city • We expect the competition to stay intense and that obstacles will arise for ASP growth of bagged cement until at least the first half of the year	• Cement supply surplus tend to persist in the long term • The rainy season that is occurring this year might make domestic cement consumption even more difficult.

Summary

We are Positive on JCI Index

Sector	Rating	Thesis	Catalysts	Risks
Coking Coal (ADMR)	Overweight	• Potential robust growth in India steel manufacturing	• Global supply and demand should be relatively well balanced in 2024 • Production from major exporting countries have slowed down • Coking coal price have bottomed out at USD 230-240, with the peak price in 2024 reaching USD 330.	• India may be approaching peak coal consumption • ESG risks
Consumer Staples	Overweight	• Stronger revenue growth, supported by elections campaign	• Competitive landscape improvement from a several segment of the sectors (Dairy) • Free lunch program and other more pro growth initiatives	• El Nino might increase several soft commodities prices • High inflation and currency depreciation

Summary

We are Positive on JCI Index

Sector	Rating	Thesis	Catalysts	Risks
Energy Utilities (PGAS)	Neutral	• Potential improvement in distribution margin • Geopolitical risks and elevated oil price might give support to upstream segment	• Oil price rebound • Oil production cut extend • Higher than expected distribution volume due to strong economic growth	• Further pressure on distribution margin from government • Gas supply risk
Heavy Equipment (UNTR)	Overweight	• Maintaining stable positive growth overall • Business expansion especially to nickel and renewable energy	• Potential rebound in coal price • Coal and gold price still in high level	• Lower coal price from weak China economy • Lower overburden volume
Healthcare	Overweight	• Long term structural improvement in Indonesia's healthcare awareness and penetration	• Hospitals will be benefited by BPJS INA CBG tariff adjustment	• If BPJS Kesehatan falls back to deficit

Summary

We are Positive on JCI Index

Sector	Rating	Thesis	Catalysts	Risks
Metal	Overweight	• China reopening has not brought the expected rebound so far, thus need to see better China economic data • Concerns of DM recession pressure commodity prices	• Peak fed rates • Bottoming China economic data • Potential rebound in copper and nickel price	• Recession in US, Europe • Weaker than expected China economic rebound • Oversupply in class 2 nickel • Slowing growth in China EV sales
Oil & Gas	Neutral	• Oil price tend to increase due to Middle East tension	• Peaking Fed rate • Rebound in China economic data • India continue to increase the demand	• Recession in US, Europe • Weaker than expected China economic rebound

Summary

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Property	Neutral	• Property presales still growing single digit in 2024. • VAT incentive for property in 2024.	• Still low mortgage rate • Purchasing power improvement and structural end user demand	• Pressure from higher bond yields • Oversupply in several categories such as apartments
Retail	Overweight	• Strong increases in customer traffic for a number of businesses in February, most likely as a result of the extra cash handouts that were given to 18.8 million households during that time. • Consistent record of strong and stable earnings growth.	• Expecting lower interest rates and government support, consumers with lower incomes will probably increase their spending • In the near future, THR and Lebaran period will lead to higher consumer spending.	• Tough prediction for mass market consumption this year • Competitive peers

Summary

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Telco	Overweight	• The big 3 mobile network operators have continued to show ARPU improvement • FMC as a new source of growth	• Continued healthy pricing by operators • Improvement of internet penetration and usage	• Potential of Telkomsel Lite to trigger more aggressive pricing behavior • If tower rent expenses increase
Tech	Underweight	• Era of low interest rate and abundant capital for tech companies is over, in our view, and these are consolidation times • Profitability is the main issue	• Fed cut / pivot • Better than expected path to profitability	• Fed staying hawkish for longer • Competition makes path to profitability more challenging

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AVRIST ASSET MANAGEMENT

World Trade Center V
Lantai 9
Jl. Jenderal Sudirman Kav. 29 – 31
Jakarta 12920

Phone +62 21 252 1462
Fax +62 21 252 2106

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Asset Management

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