

Indonesia Update

Monthly Commentary

December 2011

Market Overview

- Indonesian equities in the benchmark Jakarta Composite Index fell in November, on the back of the weak global economic outlook.
- Indonesia's inflation slowed for a third month to 4.15%, bearing out the central bank's decision to cut its benchmark interest rate.
- The rupiah gained the most in a month after China reduced its reserve ratio, on optimism that this will boost shipments to its third-biggest export market.
- In politics, president Susilo's youngest son married the daughter of fellow minister Rajasa, who is chairman of the moderate Islamist party that controls 8% of parliamentary seats. The marriage suggests closer political ties between the two parties further cementing the incumbent leader's hold over the government.

Model Portfolio News

There were no major changes to the portfolio in November.

Note:

Any changes refer to those of our model portfolio, which is the basis for actual portfolios we manage that have similar investment objectives. However, there might be minor variations, so the comments may not apply to all portfolios.

Corporate News

In third-quarter earnings news, our core bank holdings, **Bank Permata** and **Bank OCBC NISP**, reported solid results underpinned by robust loan growth and lower provisions reflecting the continued improvement in asset quality. Our core consumer staples holding, **Unilever Indonesia**, saw margins retreat slightly due to higher raw material prices but continued to deliver double-digit sales and profit growth. Cement holding **Holcim Indonesia** also reported a good set of results despite rising costs. Finally, **Astra International** was lifted by both its core auto and heavy equipment & mining businesses, with margins remaining stable.

We hold the companies highlighted above.

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