



GS Capital



GANECA STREET CAPITAL

GROWING YOUR WEALTH

Ganeca Street Capital is involved in helping institutional and retail investors to reach their full potential. We believe that investing in undervalued businesses with excellent earnings growth that are driven by a sustainable competitive advantage is the surest way to gain long-term returns. Contact us to learn more about our investment portfolio and latest success stories.

Performance Report June 4, 2018 – July 23, 2018

1. Introduction

We would like to inform our investment of GS Capital in managing the portfolio in financial market. We show the performance of our strategy compared to market indices both nationally and internationally. The GS Capital helps institutional and retail investors to grow their wealth by implementing fundamental and technical analysis. We invest in undervalued business with growth performance to gain long-term returns. Our investment portfolio has been adjusted by the risk of potential loss.

The GS Capital applies top-down approach analysis to build investment portfolio. Considering the macroeconomic factors both world and country condition, we choose healthy past performance of sectors to proceed selecting stocks using our optimal screening method. We conduct technical analysis to adjust timing for buying and selling the stocks to gain optimal return of our portfolio.

Based on this report, we hope our investors could find fully information about our investment fund performance as their considerations trusting us to manage their wealth,

Financial Advisor,
GS Capital

<http://gscapital.wixsite.com/gscapital>

2. Executive Summary

In the second quarter of 2018, Indonesia's economic grew at a broadly stable pace. However, in June, the manufacturing sector declined modestly from the almost two-year high recorded in May, while consumer confidence hiked to the best reading in the survey's history.

Improving consumer confidence, coupled with a faster expansion in retail sales in May, bodes well for private consumption growth in Q2. Although the trade balance posted a surplus in June, the external sector remains an economic weak spot. Monetary policy normalization in developed economies caused the currency to depreciate 4.1% in the second quarter. The central bank intended to forcefully stem the rupiah's depreciation compared to US dollars. The currency remains under pressure due to high ownership of government bonds by foreign investors, elevating prices for fuel products and causing a persistent current account deficit. All these conditions make investors still wait and see, even more reason to have a sound decision making process.

As an investment management company, GS Capital tries to gain advantage by implementing a sound investment strategy. Our approach is a 3-step process:

- a. Screening stocks
- b. Choosing the lowest PEG ratio
- c. Buying/selling stocks based on technical analysis

In the span of several weeks (June 4 – July 23, 2018), we reported a rather disappointing results. For the 5 weeks, we gave a -8.46% return. However, this is mostly due to the 2nd week extremely bad performance. After careful identification, in the start of Week 3 we implement a new strategy (as mentioned above). Consequently, in the last 3 weeks we are able to produce a whopping 5.81% total return, outperforming all other indices.

3. Portfolio Performance

3.1. Investment Policy Summary

We believe that investing in undervalued businesses with excellent earnings growth that are driven by a sustainable competitive advantage is the surest way to gain long-term returns. Our approach is three-fold:

1. Risk Control - We think that risk control is the most important approach. We believe that wealth preservation is an essential feature for a long-term investment fund.
2. Research - We gain information edge by conducting fundamental analysis and technical analysis.
3. Value and Growth - We combine the approach of value and growth investing. This will control the risk while obtaining growth potential of undiscovered valuable companies.

Before we do the first step, which is the screening process, we start the process from the general economy and decide what sectors we invest our money in, based on the general economy analysis (global and country-level). Then, we implement the screening process for each sector. In each sector, we will use different P/E ratio standard (one for each sector, which is the sector average) as a benchmark for all stocks in one sector.

Regarding the sectors, based on top-down analysis we have decided that we will include these sectors in our portfolio:

- MINING
- PROPERTY
- FINANCE
- BASIC-IND
- TRADE

Stock Screening

GS Capital screen stocks using GARP method, which is Growth at Reasonable Price. This method tries to combine the approach of value and growth investing to select stocks. This method tries to find companies that have consistent earnings growth that do not have too high valuations. The goal of this method is to prevent investors to be on the extreme side of either value or growth approach. Usually, this will make investors choose growth-oriented stocks with low price/earnings ratio.

GARP is the combination of both value and growth school of thought, thus they use both metrics and combine them in one analysis. GS Capital will implement GARP approach in screening using these metrics. The metrics that we chose are:

1. Value Metric: Positive and Low P/E ratio

GARP investors and value investors will deem P/E ratio to be an important metrics. This metric reflects the dollar (or any other currency) amount investors are willing to pay per dollar of earnings for a company. Generally, low P/E is a good signal for GARP and value investors, showing that a company is currently undervalued. GARP investors generally want a higher P/E than value investors but still below the high P/E ratio wanted by growth investors. Also remember that P/E ratio should only be compared between companies within sector to avoid misleading and biasedness.

2. Growth Metric: Positive Revenue Growth

GARP investors will look for company with good growth prospects. Both GARP and growth investors look for positive revenue growth over the past few years.

3. Value and Growth Metric: Positive and Low PEG Ratio

GARP investors will particularly focus on the PEG ratio metric because it tries to find the balance between a stock's value and the company's growth potential. Low PEG ratio is attractive since for the same growth potential it will be more undervalued or for the same value it will produce more growth. Usually, GARP investors will find stocks with PEG ratio below 1.

4. Budget Constraint: Low Price

Since we have limited budget (IDR 1 million), we decide that we won't buy stocks with the price of more than IDR 5,000 per share. If we buy expensive stocks, we can't buy other stocks to diversify our portfolio.

5. Liquidity: Enough Transaction Volume

Finally, GS Capital wants to only choose stocks that have enough daily transaction volume so that we will not be exposed to liquidity risk. In order to make sure that condition, we want only stocks with daily transaction volume higher than 1 million shares of transaction per day.

Choosing Stocks and Creating Portfolio

To build our portfolio, we choose stocks based on the result of our screening process. In each industry, we select stocks that have the lowest PEG ratio, then check whether it is the right time to buy using technical analysis of MACD(15,10,5). If not, then move to the stock with second lowest PEG, and so on. If there is no stock that fulfill our approach, then we will hold cash instead of buying stocks. We make sure that our portfolio is diversified enough by using mean variance frontier to minimize risk given targeted return.

3.2. Performance Return Summary

We can see at Table 1 that out of 5 weeks, the worst is at the second week with -13.68% return. However, at the 1st, 3rd, and 5th week, GS Capital was able to outperform LQ45 performance. Overall, we produce a total negative return over the course of 5 weeks due to extremely bad performance at the 2nd week. But, since we implement a new strategy at the end of Week 2, we produce better result. In fact, in Week 5 we outperform all benchmarks. During the last 3 weeks, GS Capital produce the best total return, outperforming all benchmarks.

Table 1 Performance Return Summary, GS Capital vs Benchmarks

Week	GS Capital	^LQ45	^N225	^S&P500
1	0.23%	-0.30%	2.36%	1.62%
2	-13.68%	-0.02%	-0.94%	-1.33%
3	1.28%	-1.50%	-2.32%	1.52%
4	1.99%	4.73%	3.71%	1.50%
5	2.44%	-1.34%	0.44%	0.02%
0-5	-8.46%	1.45%	3.18%	3.36%
2-5	5.81%	1.78%	1.76%	3.07%

3.2.1. Cumulative Performance

To measure and compare the cumulative performance, we created virtual portfolios for LQ45, N225, and S&P500 with the amount of IDR 1,050,000 (see Table 2 and Figure 1). Overall, we produce the worst performance compared to LQ45, N225, and S&P500. This is mostly due to an extreme decrease of GS Capital's fund at second week from IDR 1,052,397 to IDR 908,378, a total of 13.7% decrease. But, if we measure the performance only for the period where we implement a new strategy after that bad performance (Week 2), the total return from the end of Week 2 to the end of Week 5 of GS Capital's fund is a whopping 5.81% (see Table 3 and Figure 2), outperforming all benchmarks (1.78% of LQ45, 1.76% of N225, and 3.07% of S&P500).

Table 2 Cumulative Performance, Growth of IDR 1,050,000, GS Capital vs Benchmarks, Week 0 - 5

Week	GS Capital	^LQ45	^N225	^S&P500
0	1,050,000	1,050,000	1,050,000	1,050,000
1	1,052,397	1,046,818	1,074,776	1,067,052
2	908,378	1,046,576	1,064,641	1,052,910
3	919,986	1,030,929	1,039,994	1,068,965
4	938,262	1,079,678	1,078,619	1,085,036
5	961,139	1,065,228	1,083,418	1,085,237

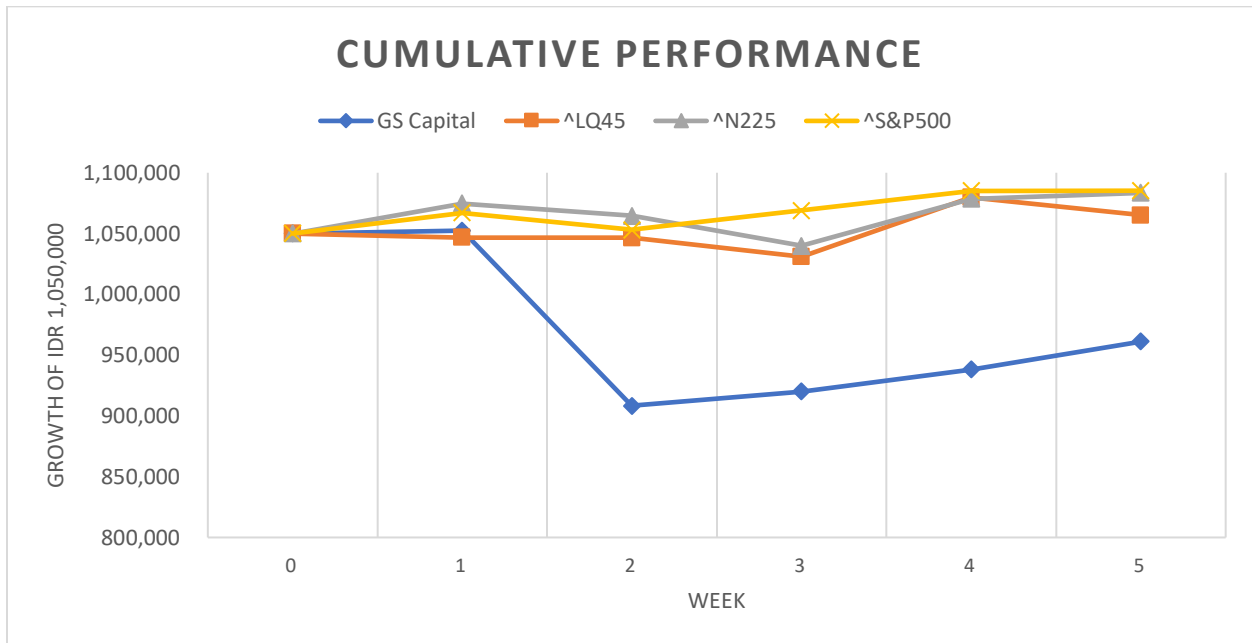


Figure 1 Cumulative Performance, Growth of IDR 1,050,000, GS Capital vs Benchmarks, Week 0 - 5

Table 3 Cumulative Performance, Growth of IDR 1,050,000, GS Capital vs Benchmarks, Week 2 - 5

Week	GS Capital	^LQ45	^N225	^S&P500
2	1,050,000	1,050,000	1,050,000	1,050,000
3	1,063,418	1,034,302	1,025,692	1,066,010
4	1,084,543	1,083,211	1,063,786	1,082,036
5	1,110,987	1,068,714	1,068,518	1,082,237

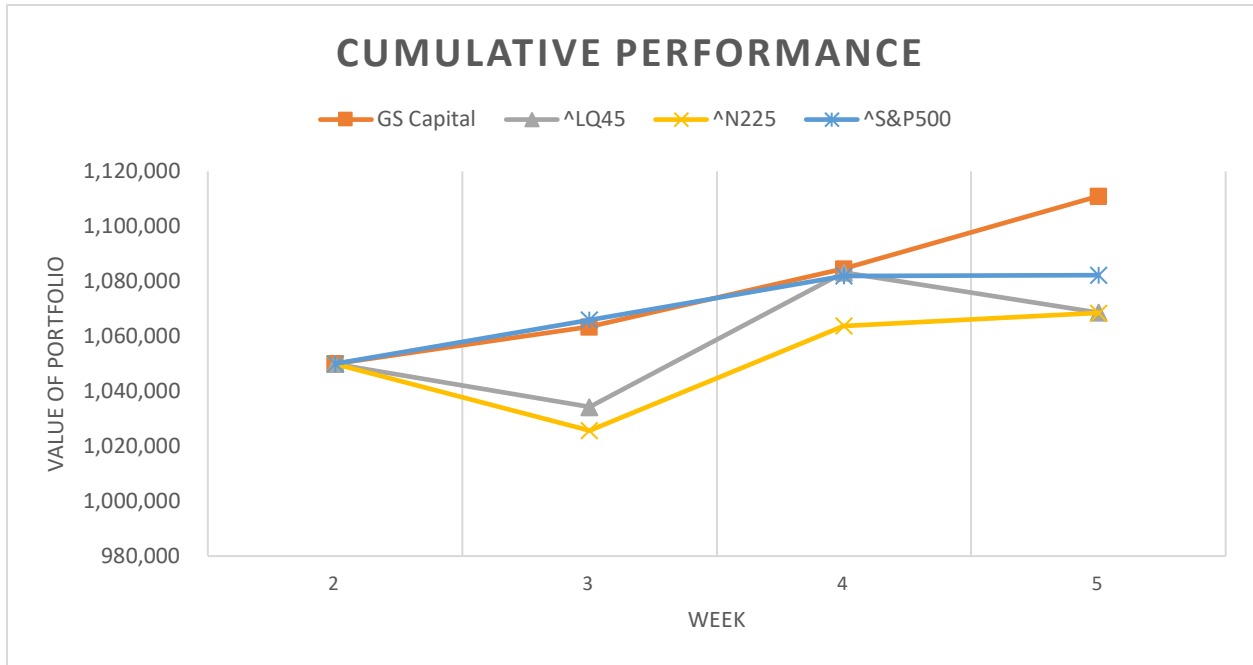


Figure 2 Cumulative Performance, Growth of IDR 1,050,000, GS Capital vs Benchmarks, Week 2 - 5

3.2.2. Weekly Performance

For weekly performance, we produce 4 positive weekly returns and 1 negative weekly return over 5 weeks. Our worst performance is at the 2nd week with the return of -13.68%. Our best performance is at the Week 5, outperforming all benchmarks with a 2.44% return. For Week 3, we produce second-best return behind S&P500 and for Week 4 we produce third-best return behind LQ45 and N225 index.

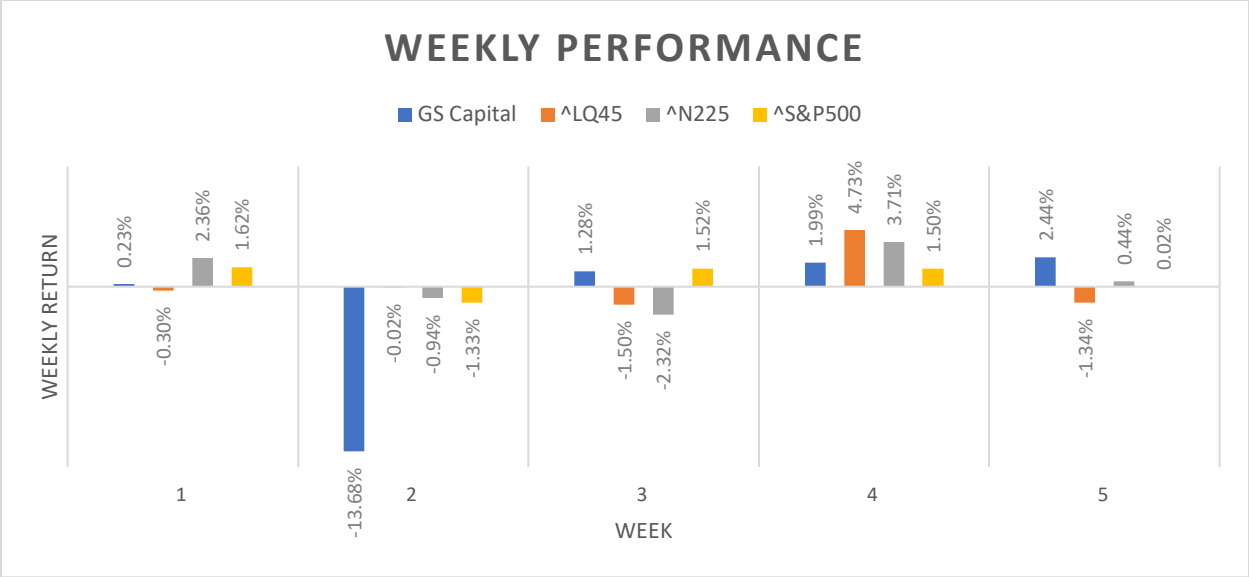


Figure 3 Weekly Return, GS Capital vs Benchmarks

3.3. Risk and Return of GS Capital Portfolio vs Benchmark

In this section, we present the total risk (variance) and return of our portfolio, along with the created portfolios of LQ45, N225, and S&P500. We showed a disappointing result due to our bad performance in Week 2. Refer to Table 4 and Figure 4 for detailed information. This result means that we cannot provide a good return for the risk (variance) taken.

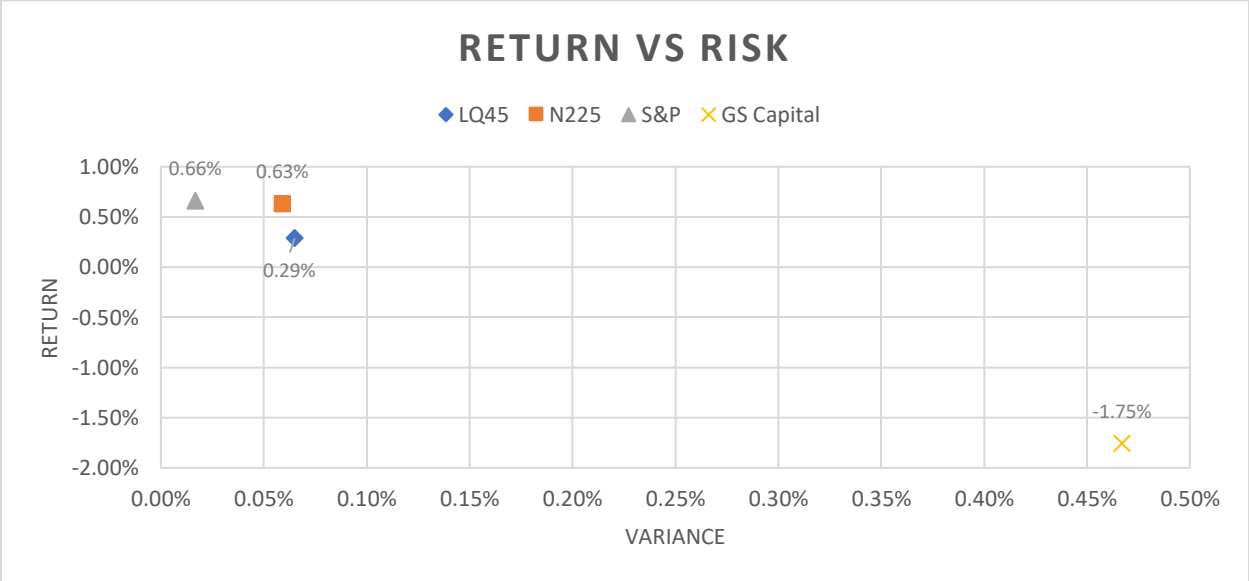


Figure 4 Risk and Return of GS Capital vs Benchmarks

Table 4 Risk and Return of GS Capital vs Benchmarks

	GS Capital	LQ45	N225	S&P
Return	-1.75%	0.29%	0.63%	0.66%
Variance	0.47%	0.06%	0.06%	0.02%

3.4. Risk-adjusted Performance Measures

To get a better picture of the performance of our fund, we will use Treynor ratio, Sharpe ratio, and Jensen’s Alpha, both using IHSG and LQ45 as return of the market. These measures are presented in **Error! Reference source not found..** Overall, again, we showed a disappointing result due to our bad performance in Week 2. S&P’s created portfolio is producing “the best bang for the buck”, meaning that for every risk taken, S&P will give the most return. In addition, we can also see that there is no single significant Jensen’s Alpha for GS Capital fund and for all benchmarks. This means that GS Capital fund and all benchmarks have no significant better performance than the market. However, this could be the result of having only small number of data.

	GS Capital	LQ45	N225	S&P
Return (Weekly)	-0.0175	0.0029	0.0063	0.0066
Treynor Ratio	-0.0425	0.0014	0.0057	0.0319
Sharpe Ratio	-0.2782	0.0551	0.1975	0.3962
Jensen's Alpha IHSG as RM (t-stat)	-0.0173 (-0.4979)	0.0008 (0.4236)	0.0043 (0.6346)	0.0051 (0.7939)
Jensen's Alpha LQ45 as RM (t-stat)	-0.0174 (-0.4950)	0.0000 (0.0000)	0.0038 (0.4651)	0.0050 (0.7682)

Figure 5 Performance Measures of GS Capital vs Benchmarks

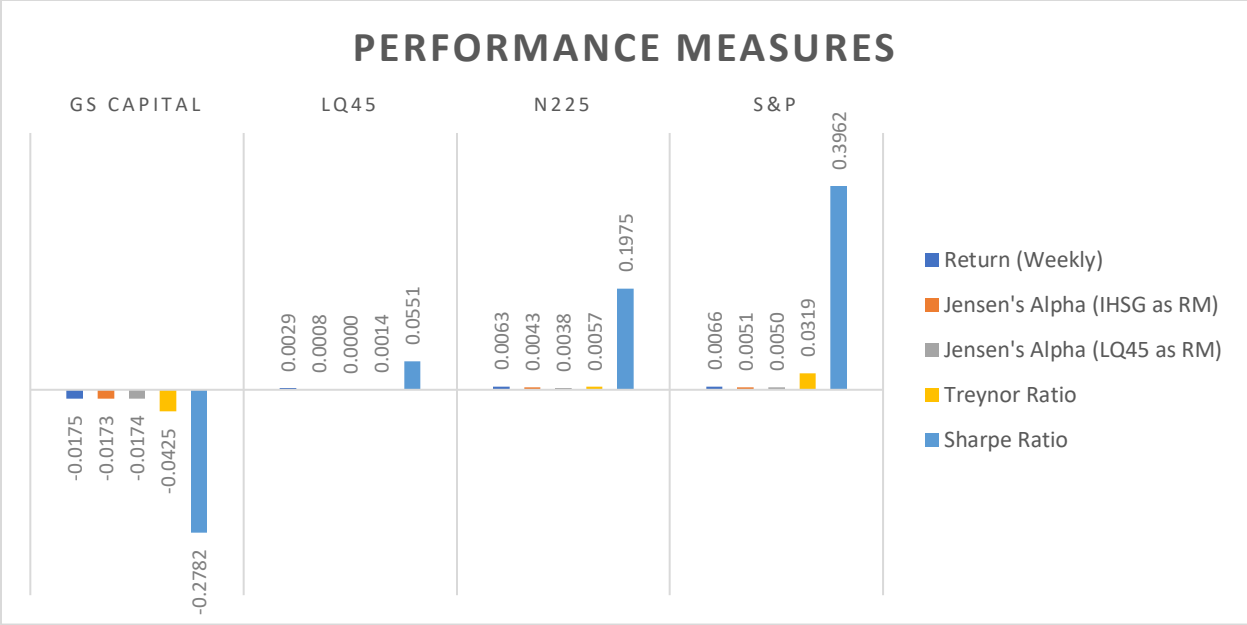


Figure 6 Performance Measures of GS Capital vs Benchmarks

3.5. Portfolio Asset Allocation

As we mentioned above, we chose 5 sectors for the options of our fund, namely: Basic Industry and Chemicals; Mining; Property, Real Estate, and Building Construction; Trade, Service, and Investment; and Finance sector. When we didn't find an attractive asset according to our investment philosophy, we will hold cash. Detailed information regarding our asset allocation is presented in Figure 7.

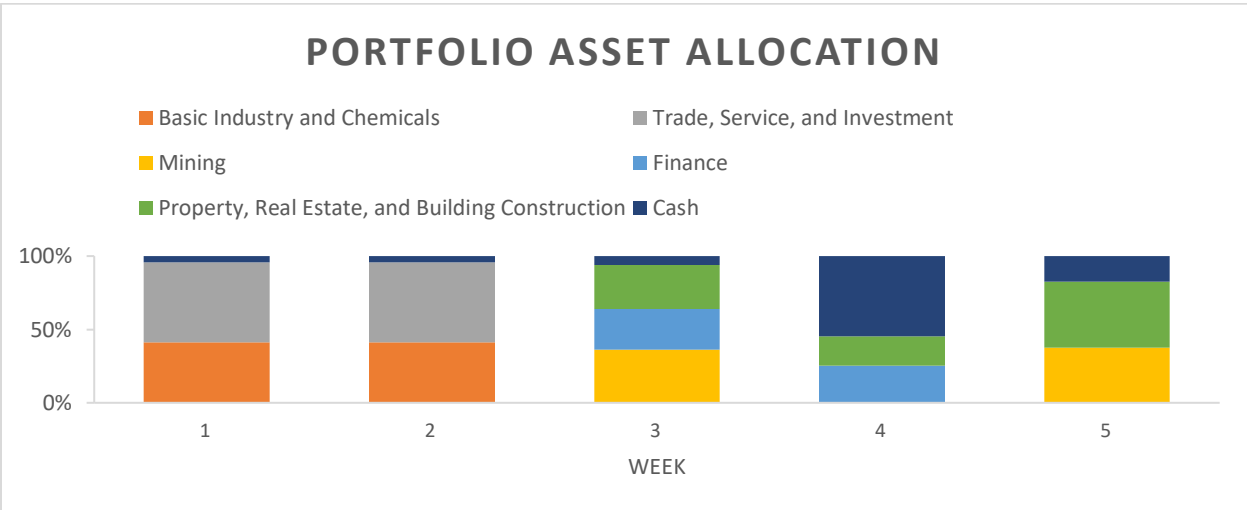


Figure 7 Portfolio Allocation of GS Capital

3.6. Portfolio Holding, Cash Flows, and Performance

In Table 5, we present our detailed trading activity, amount of cash, and the performance in every week. Starting with the cash of IDR 1,050,000, we end with 963,374 of cash after liquidating all assets. On average, we hold 3 stocks per week and a small amount of cash. The exception is at Week 4 when we hold half cash since we cannot find any attractive investment asset according to our investment philosophy.

Table 5 Portfolio Holding, Cash Flows, and Performance

Week	Asset	Beginning (Rp)	Ending (Rp)	Gain/Loss (Rp)	Return
1	GTBO	188,739	205,200		
	ERAA	568,021	570,000		
	WSBP	246,443	230,400		
	Cash	46,797	46,797		
	Total Portfolio	1,050,000	1,052,397	2,397	0.23%
2	GTBO	205,200	171,600		
	ERAA	570,000	480,000		
	WSBP	230,400	212,400		
	Cash	46,797	46,797		
	Total Portfolio	1,052,397	910,797	(141,600)	-13.45%
3	INDY	328,590	353,000		
	BBTN	250,450	233,000		
	WSKT	183,830	184,500		
	APLN	91,364	96,600		
	Cash	54,144	54,144		
	Total Portfolio	908,378	921,244	12,866	1.42%
4	BBTN	233,000	246,000		
	WSKT	184,500	191,000		
	Cash	502,486	502,486		
	Total Portfolio	919,986	939,486	19,500	2.12%
5	ADRO	353,635	372,000		
	BSDE	419,253	426,000		
	Cash	165,374	165,374		
	Total Portfolio	938,262	963,374	25,112	2.68%

4. Firm's Self Evaluation

- We are satisfied with our performance after doing a change of strategy at the end of Week 2 after having a really bad performance. The new strategy is using a stricter screening process and implementing technical analysis for the timing of buying and selling. After this change, we outperform all benchmarks in the remaining weeks until the end of Week 5.

- The part we like the most is after we found our new strategy because it gave us a more promising return and confidence when we make our investment decision. The part we like the least is at the Week 1 and 2 when we still didn't have a firm strategy and approach.
- If we can repeat the process from the beginning, we will directly implement our new strategy from the start. But, we think that making mistakes is part of the learning process that must be taken by all to be a better investor. Thus, always learning and changing the strategy where it doesn't work is a must for all investors.