

Investing for the Future



Seeker Securities>About

We seek the profit
We manage the risk
and sustain in the future

Weekly Investment Report – Seeker Securities

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1. Introduction

This report is made to show some information regarding investment made by Seeker Securities to the clients on a weekly basis. It will show how market performance in International, Regional, and National as a benchmark to our investment performance.

Seeker Securities is an investment company who is eager to make your investment become bright. Seeking profit is the most important one. Our company' goal is to **continuously improve the profit** for you by diversifying your portfolio using 3 main sectors which are agriculture, manufacture, and consumer good industry.

Our company is fit for investors which have a risk taker profile. We focus on the three industries because agricultural and manufacture sectors have a volatile history of performance and hence, we believe it can provide a higher return. The high return can be achieved if you are in the right position. The consumer good industry has quite stable performance and hence, it can be a good sector to diversify the risk from the two volatile sectors. These sectors are fit to our philosophy, which are “We seek the profit, we manage the risk, and we sustain in the future”.

We seek the profit using capital gain and the strategy by minimizing the risk. We sustain in the future for the long-term investment to gain the profit as much as they can. We use fundamental analysis to choose stock from each sector. We analyze the profile of the company and their fundamental value such as PER (Price to Earnings Ratio), PBV (Price to Book Value), DER (Debt to Earnings Ratio) and ROE (Return on Equity).

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2. Executive Summary

The second quarter of 2018 provided investors with a volatile market like stock price has decreased and rupiah has depreciated. One important intervention on economic condition is what Bank of Indonesia has already done by increasing BI rate. The most trigger why Bank of Indonesia increasing BI rate is because Fed increase their rate which was implicit said on May, 2 2018. On May, 17 2018, BI rate has increased 25 basis point or 0.25% from 4.25%-4.5%. But last time in July 2018, it has already become 5.25%. Many foreign investors come and go to Indonesia's market. This fluctuation make market more volatile and gives more challenge to the investors in the market.

In those kinds of market and economic condition in Indonesia, we can see that equity market doesn't affected significantly as the return of the market, proxied by the benchmarks are still able to achieve positive return. Although Indonesia market experienced a decline. As seeker investors, we can see much opportunity and advantage for our portfolio. **In some point we have positive but in overall, we are unable to catch up market. We learn by doing. As fundamental analyst, we seek the profit in the long term. Performance during 4 weeks can't be concluded as the overall performance of our securities.** We assess with our best to make our portfolio become outstanding and outperform.

3. Portfolio Performance

In this section, the information about investment and portfolio will be explained. The performance of the portfolio also will be compared with the benchmark which are Local benchmark (LQ45), Regional benchmark (N225) and International benchmark (S&P500).

3.1 Investment Policy Summary

Our company investment policy is **value strategy** -> we assess the stocks by using values strategy which is by finding the stocks that below intrinsic value. As we know that market tends to react with any trigger in economic and market condition. When we see fundamental value and see there is mispriced, we long that stocks in our main three sectors, which is agriculture, consumer goods, and manufactured.

3.2 Performance Return Summary

In this section we will show the return given by our portfolio and the benchmarks. The return is calculated in our company's investment horizon which is 5 weeks (28 May until 23 July).

Week	SS Portfolio	^LQ45	^N225	^S&P500
1	-5.17%	-0.30%	2.36%	1.62%
2	-3.27%	-0.02%	-0.94%	-1.33%
3	-0.67%	-1.50%	-2.32%	1.52%
4	1.21%	4.73%	3.71%	1.50%
5	2.34%	-1.34%	0.44%	0.02%
5 Weeks Return	-1.1517%	0.2884%	0.6286%	0.6624%

Table 1. Return of Portfolio and Benchmark

Table 1 above presents the percentage return of our portfolio comparing with the returns of the benchmarks, which are ^LQ45, ^N225, and ^S&P500. The three other benchmarks were chosen because they are resilient and outstanding enough in the market during bad and good times. LQ45 is 45 the most liquid stocks from Indonesia Stock Exchange, N225 is Japan index and S&P500 is US index. By looking at the Table 1, we know that our investment weekly performance is not as good as the benchmarks. Our return performance is closer from LQ 45 compared with

S&P500 and N225. The reason is very simple, it is because S&P500 and N225 come from develop market where people in those country are quite efficient rather than Indonesia as emerging market. In week 5, the last week, we able to outperform all benchmarks LQ45, N225 and S&P500 indices with return of 2.34%. In overall, 5 weeks, our average return is still negative while the benchmarks are positive.

3.2.1 Cumulative Performance

We use several indices as the benchmark such as LQ45, N225 and S&P500 and comparing our performance with the benchmarks.

Week	SS Portfolio	^LQ45	^N225	^S&P500
0	Rp1,000,000	Rp1,000,000	Rp1,000,000	Rp1,000,000
1	Rp948,279	Rp996,969	Rp1,023,596	Rp1,016,240
2	Rp917,279	Rp996,739	Rp1,013,944	Rp1,002,772
3	Rp911,125	Rp981,837	Rp990,470	Rp1,018,062
4	Rp922,125	Rp1,028,265	Rp1,027,256	Rp1,033,367
5	Rp943,725	Rp1,014,503	Rp1,031,826	Rp1,033,559

Table 2. Cumulative Performance of Portfolio and Benchmark

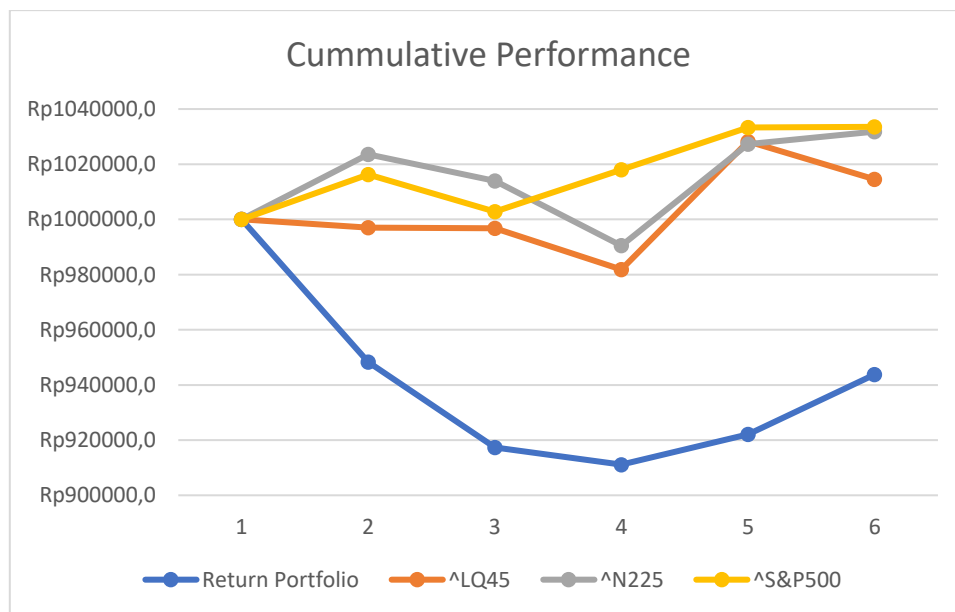


Figure 1 Cumulative Performance of our portfolio, ^LQ45, ^N225, & ^S&P500

Figure 1 describes the cumulative performances by using graph, where x-axis is period in weeks and y-axis is the value of investment. The period is from 1 until 6, which is week 0 until week 5. Week 0 is the beginning when we have deposit our initial balance for trading. We can see that the graph is quite volatile. Many economic situations happened in that time, globally and locally. The situation in the global case is the changes of Fed rate while in Indonesia especially is the change of BI rate. Our portfolio is not good enough comparing with ^LQ45, ^N225, and ^S&P500. Starting with IDR 1,000,000 initial investment, our portfolio tends to go down until period 4, from IDR 1,000,000 become IDR911,125. But then, the investment performance is improved in period 4 until 6 which gives ending balance of IDR 943,725. We can see that the best performances come from ^S&P500 and followed by ^N225 and ^LQ45. We cannot beat the market even the local benchmark, but we believe in the long term we will beat the market as fundamentalist following our philosophy.

3.2.2 Weekly Performance

Using the same benchmark, LQ45 N225 and S&P500, we want to see the performance in the terms of percentage return.

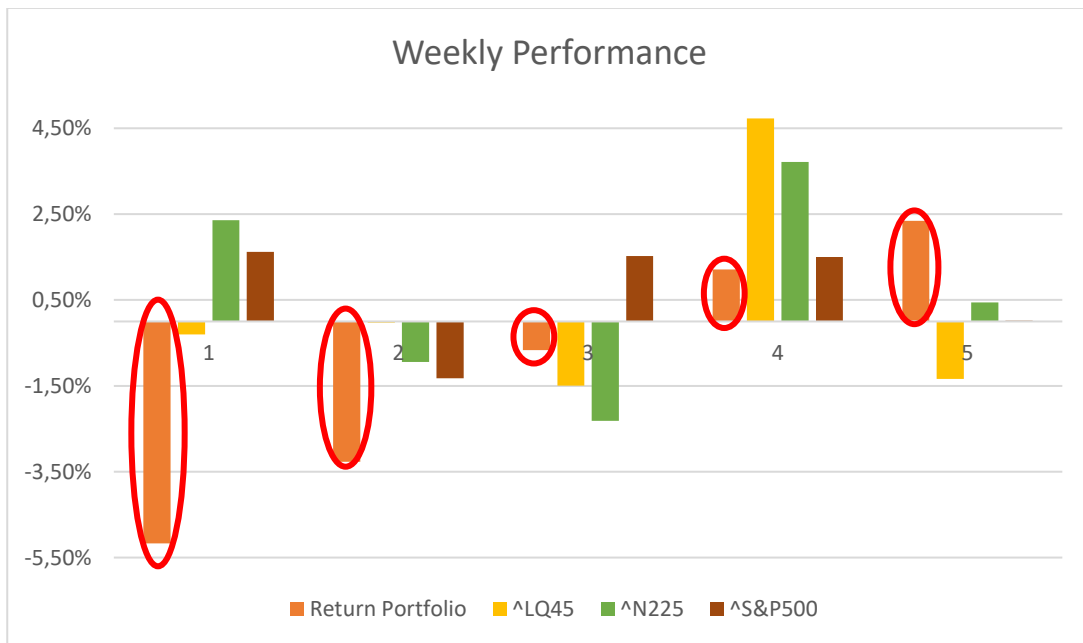


Figure 2 Percentage of weekly performance: our portfolio, ^LQ45, ^N225, & ^S&P500

From Figure 2, we can see that there is an improvement in our return of portfolio. In the first 3 weeks, our portfolio investment gives negative return, but decreasing over time. Like the evolution, we magnify the return from -5% to become -3% and -0.6%. Finally, in the last 2 weeks we have positive return of our portfolio about 1.2% in 4th period and 2.3% in the last period of analysis. The return is the largest in the last week. From the graph we can also see that the return percentage of our portfolio in the last week is outperforming all the benchmarks. LQ45, N225 and S&P500.

3.3 Risk and Return Portfolio vs Benchmark

Risk and return are always incorporated in every assets or portfolio. They are trade off from an investment that cannot be separated. In this section we will present the risk and return of our portfolio and benchmarks. The risk will be calculated as the variance of weekly return while the return is the average of weekly return.

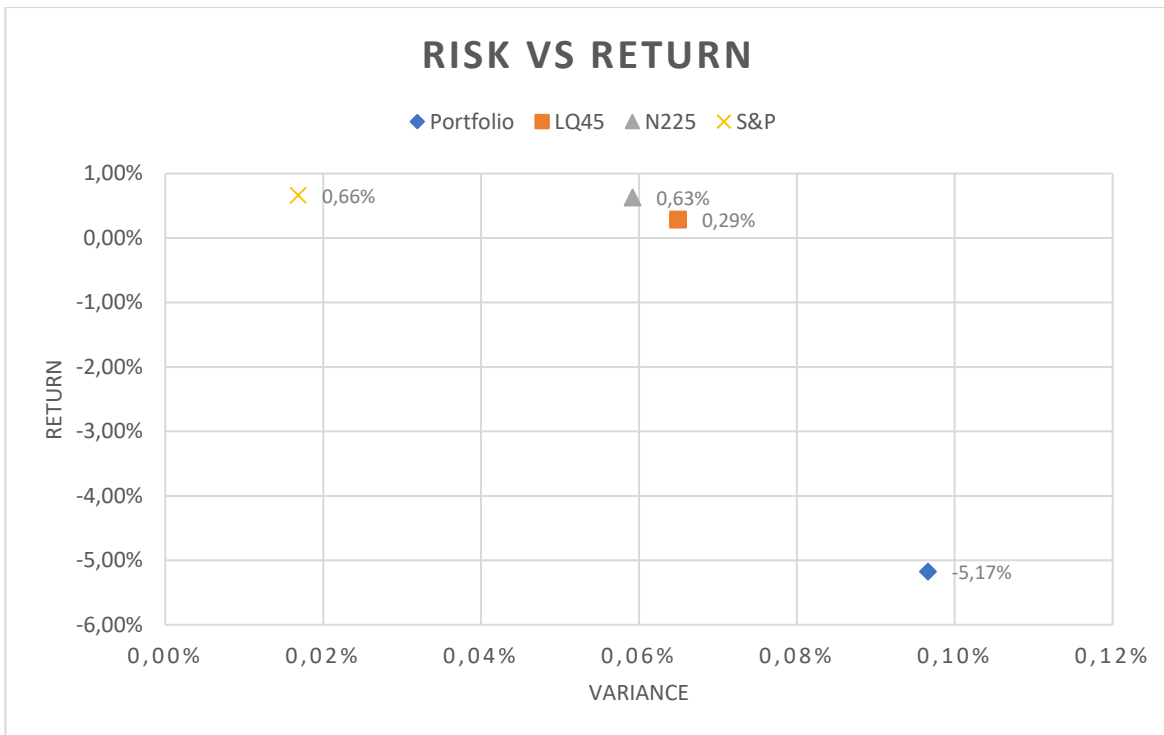


Figure 3. Risk and Return of weekly performance: our portfolio, ^LQ45, ^N225, & ^S&P500

From the result we can see that our portfolio has a high risk and low return compared to the benchmark. But we can also see that the risk is not too far from LQ45 and N225. It is because we

able to maintain the volatility of our portfolio return hence the variance or the risk is not big. The result indicates that our portfolio still not able to give favourable return for the risk that is taken in the investment.

3.4 Risk Adjusted Performance

Since there are risk incorporated in the investment, we will use several risk-adjusted ratios to compare the performance of our portfolio and benchmarks. The ratio that we used are Sharpe ratio and Treynor ratio. The difference between the two ratios is the risk that is adjusted in the calculation. While Treynor adjusting to the market risk (systematic risk), Sharpe ratio adjusting for total risk (unsystematic risk). If the ratios are higher than the benchmark, the better is the performance. We also calculate Jensen alpha of our portfolio to see if our investment can gain excess return ($\alpha > 0$) from the market.

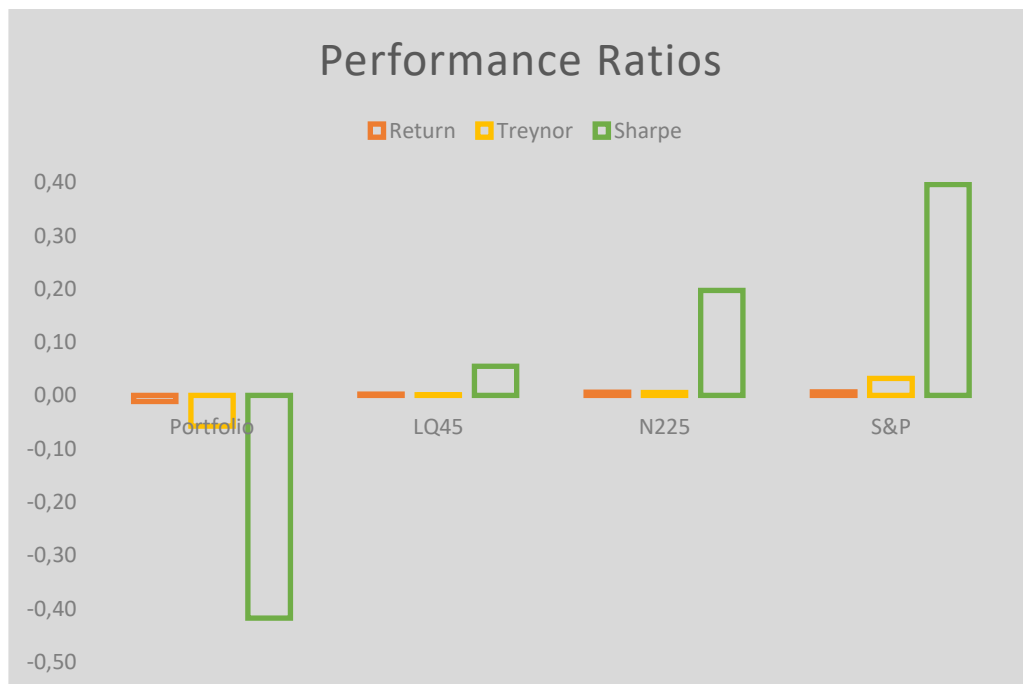


Figure 4. Return and Risk Adjusted Performance of: our portfolio, ^LQ45, ^N225, & ^S&P500

After calculating the portfolio, using IHSG as the proxy of market index, we compared our portfolio's ratios to the benchmark ratios. From the result we can see that our portfolio's give lower ratios compared to all benchmark. It indicates a poor performance for our portfolio. In

OUR portfolio the Sharpe ratio is negative. **Negative Sharpe ratio indicates that a risk-less asset would perform better than the security that is being analyzed.**

We calculate Jensen alpha using regression. The data that is used in the regression are market return, we used 2 proxies which are IHSG and LQ45 return, and risk-free rate data proxied by using 10-years government bond. The regression formula is as below

$$(R_i - R_f) = \alpha + \beta(R_m - R_f)$$

As we can see that if the intercept (α) means that the investment performed better than the market. The result of regression is presented in Table 3.

Market Data		Coefficients	Standard Error	t-stat	P-value
JKSE (IHSG)	Intercept	-0.01279	0.01580827	-0.809275021	0.477587
	X Variable 1	0.226172	0.72514494	0.311899003	0.775538
JKLQ45 (LQ45)	Intercept	-0.01305	0.0157	-0.83118	0.466845
	X Variable 1	0.268041	0.686828	0.39026	0.722404

Table 3. Jensen alpha regression result

From the table it can be seen that Jensen alpha or the intercept from both calculations are **negative and not significant**. The negative value of coefficients is actually not good but since it is not significant it shows that our investment is not significantly poor. The insignificant value may be caused by the short-horizon that we used in the regression. The significance problem can be solved by adding the horizon of the analysis, in this situation the horizon is the investment horizon.

3.5 Portfolio Asset Allocation

In this part, we will present the asset allocation of our portfolio. As we mentioned earlier, the sector that we used in the portfolio are Agriculture, Manufacture and Consumer Goods.

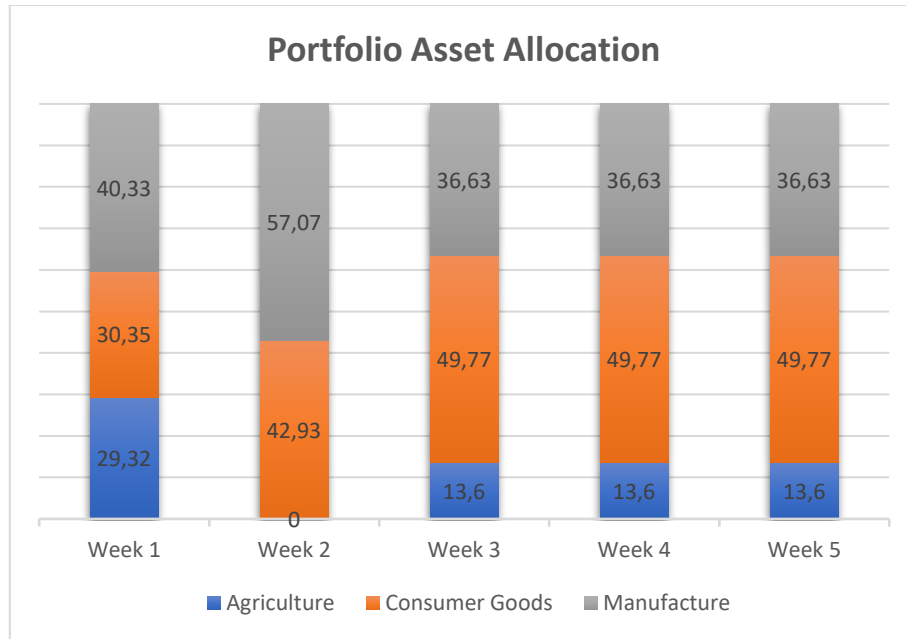


Figure 5. Portfolio asset allocation of Seeker Securities

There are three sectors that we chose for diversifying our portfolio. Consistently, for almost each week the consumer goods have the biggest weight in our portfolio followed by manufacture and agriculture. It is because from the first 2 weeks the performance is not good and we think by adding more consumer good asset will help diversifying the risk. Those combination lead us to the best result in economic condition, nowadays.

3.6 Portfolio Holding, Cash Flow and Performance

Table 3 present the trading activity that is done every week. It will also give the cash that is being held, not used in the trading, and also the performance each week. The initial balance will be IDR 1,000,000.

Week	Asset	Beginning (Rp)	Ending (Rp)	Gain/Loss (Rp)	Return
1	AUTO	315,567	310,000		
	TBLA	229,412	175,000		
	CLEO	237,427	246,000		
	Cash	217,594	217,279		
	Total Portfolio	1,000,000	948,279	-51,721	-5.17%
2	AUTO	310,000	287,000		

	CLEO	246,000	238,000		
	Cash	392,279	392,279		
	Total Portfolio	948,279	917,279	-31,000	-3.27%
3	AUTO	287,000	287,000		
	CLEO	238,000	238,000		
	ROTI	191,344	189,000		
	JAWA	117,211	113,400		
	Cash	83,725	83,725		
	Total Portfolio	917,280	911,125	-6,154	-0.67%
4	AUTO	287,000	291,000		
	CLEO	238,000	248,000		
	ROTI	189,000	192,000		
	JAWA	113,400	107,400		
	Cash	83,725	83,725		
	Total Portfolio	911,125	922,125	11,000	1.21%
5	AUTO	291,000	286,000		
	CLEO	248,000	264,000		
	ROTI	192,000	193,000		
	JAWA	107,400	117,000		
	Cash	83,725	83,725		
	Total Portfolio	922,125	943,725	21,600	2.30%

Table 4. Portfolio Holding, Cash Flow and Performance

4. Firm's Self Evaluation

- In overall, we satisfy with our performance after the week 3 which we gain positive performance. But, our company still has a little outstanding rather than the benchmarks during those four weeks. The reason is related with our first strategy which is fundamental analysis. Fundamental analysis is selecting the stock based on their fundamental value. This strategy may be more suitable for a long-term investment. After week 3, we change our analysis using technical and it gives better performance, the performance is positive and even it is small it still able to outperform the market LQ45 in the last week.
- The best part that we like as investors are we know that we learn by doing. If you are not making a mistake, it is a mistake. After we try to change the analysis, to technical, we learn what kind of things that is necessary to determine our position. The least part is we only have a little time to execute what we like during this investment portfolio.
- If we can repeat the process from the beginning, we want to
 1. Using more technical analysis such as RSI, MACD, and Bollinger as analysis since the beginning. Combine it with fundamental if it is possible
 2. Make it more diversified like more than 4 stocks and more than 3 sectors
 3. Adding more time or period of investment will be better