



# Weekly Investment Report

Zilo Capital Team

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FEARLESS INVESTMENT OVER 4 SECTORS



## 1. Introduction

This weekly performance report is intended to show Zilo Capital's investment portfolio. Zilo Capital is an Indonesian investment company with three remarkable missions:

- We deliver high investment returns by exploiting mispriced securities in short-term basis
- We manage risk with qualified stock selection and market timing
- We believe that momentum strategies are perfect ways to beat the market in short term basis.

From the three aforementioned missions, our company summarizes and then finds out several stocks with focusing on momentarily upward trend-powered stocks. Related to the sectors, our company considers stocks that will be likely prosper and be a surge in demand, consist of consumer goods industry; mining; trade, service, and investment; and basic industry and chemicals.

Hopefully, our company could help providing information to the clients on a weekly basis (28 May – 23 July 2018).

Financial Advisor,

Zilo Capital

## 2. Executive Summary

Indonesia economy shows a positive condition since the economic growth continued to develop at a robust rate of 5.1 percent year-on-year (y/y) in the Q1-2018, supported by low inflation, increasing investment, expanding more government spending, and prudent monetary policy. For the moment, private consumption growth stayed at a flat amount of 5.0 percent, inspite of early signs of getting stronger retail sales. The production side grew broadly, and gross value added at producer prices escalated in the first quarter. Additionally, Inflation moved gently in the first quarter of 2018 on base effects. Headline consumer price inflation decelerated to an average of 3.3 percent (y/y) in Q1-2018, the shortest quarterly average since Q4-2016. Core inflation also fell from Q4-2018's average of 3.0 percent to 2.7 percent in Q1-2018. Lower headline reading was largely due to smaller increases in housing, electricity, gas, and fuel prices, because of high base effects in Q1-2017 due to electricity tariff hikes. Food price inflation, however, has been rising.

However, some risks predominantly stem from external circumstances comprising sustained volatility in the financial and capital markets, and less slow-moving global trade. While the ongoing standardization of US monetary policy to date has been pursuing in a relatively orderly manner, there is still a noteworthy risk of further volatility in global financial and capital markets. The fast increase in US yields has already caused financial distress in Argentina and Turkey that could affect financing costs to rise even more unexpectedly for developing economies. Meanwhile, with trade protectionism on the rise, there is a real risk, weighing on Indonesian exports and hence growth, leading to an even larger pull of the external sector onto Indonesia's economic growth.

Related to the macroeconomic circumstances, our investing strategy-based stocks are selected in the four multifacted sectors, comprising consumer goods industry; mining; trade, service, and investment; and basic industry and chemicals. As a result, our company reported a sufficiently satisfied investment, proven by the last two week performance, reaching 2.5 and 1.7 percent and outperformed several market indices.

### 3. Portfolio Performance

#### 3.1 Investment Policy Summary

Selected stocks are based on our company profile to deliver high investment returns by exploiting mispriced securities in short-term basis, to manage risk with qualified stock selection and market timing and to believe that momentum strategies are perfect ways to beat the market in short term basis.

Price Momentum is a momentum investing strategy based on Narasimhan Jegadeesh and Sheridan Titman's research that suits with our investment philosophy. Their paper entitled "Returns to buying winners and selling losers" summarized that for the top 25% of stocks in the market ranked by their relative price strength over 6 and 12 months, the research into momentum strategies has shown that previously winning stocks have a tendency to keep rising in price over the medium term, while previous losers tend to keep falling.

Based on Relative Strength (RS) or ratio between stock and its corresponding market index, in this case, Indonesian stocks and Jakarta Composite Index, the objective of this strategy is to get stocks that outperform index in 1-year and 6-month time frame, but underperform index in 1-month timeframe. This method assumes that its short-term performance (1 month) will in line again with its longer-term performance (6 months and 1 year). The two following tables are 5 specific screening rules and the screener result regarding price momentum. Additionally, to make sure the selected stocks are liquid enough, Rank (Market Cap) percentage is more than 25 and Volume MA 20 is more than 100,000.

In addition, up-to-date market happenings and sentiments from electronic magazines, online newspaper and financial blogs are one of possibly basic sources that may induce fundamental research and may also stimulate any particular industries. As a result, we consider several stocks with receiving close review and currently broad interest, for example:

- Mining and Basic Industry & Chemicals provide natural resources as the main driver of Indonesia economy

- Consumer goods and Trade, service & investment are convinced as growth industry in line with an increasing number of people needs, the possibility of selling more and stimulating product marketing

### 3.2 Performance Return Summary

Table 1. Performance of Return

	Portfolio	LQ 45	N225	S&P 500
Return	<b>0.0421%</b>	<b>0.2884%</b>	<b>0.6286%</b>	<b>0.6624%</b>

Our portfolio return values a positive amount of 0.0421 percent but widely compared to the N225 and S&P500 indices, reaching to 0.6286 percent and 0.6624 percent, respectively. Then, our portfolio performs a suffeciently small-ranging value, relative to the 0.2884 percent-return performance of LQ 45 index.

#### 3.2.1 Cumulative Performance

Table 2. Cumulative Performance

Date	Portfolio (IDR)	LQ 45 (IDR)	N225 (IDR)	S&P 500 (IDR)
4 Juni 2018	984,941	996,969	1,023,596	1,016,240
25 Juni 2018	979,354	996,739	1,013,944	1,002,772
2 Juli 2018	961,354	981,837	990,470	1,018,062
9 Juli 2018	985,354	1,028,265	1,027,256	1,033,367
16 Juli 2018	1,002,108	1,014,503	1,031,826	1,033,559

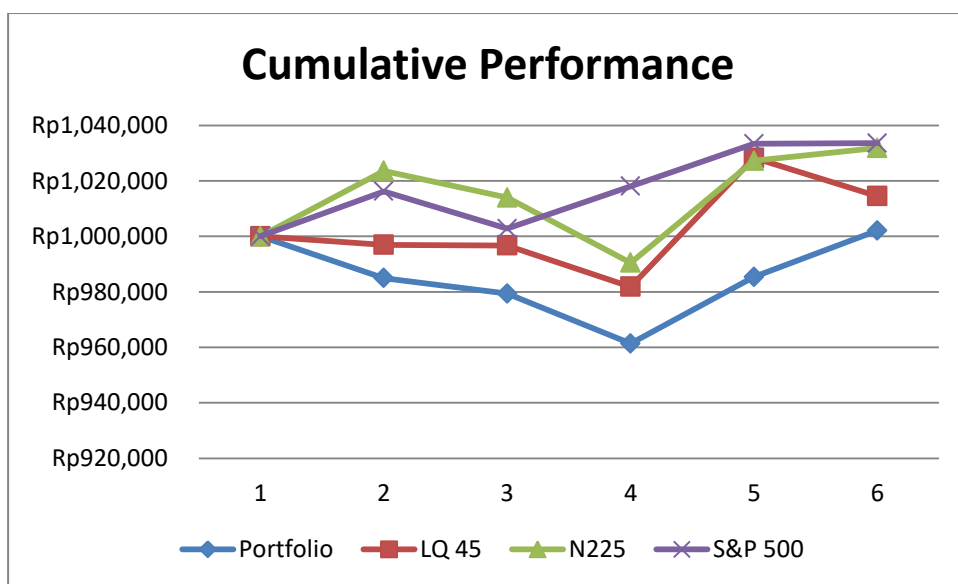


Figure 1. Cumulative Performance

Our Portfolio cumulatively underperformed to some indices, consisting LQ45, N225 and S&P500 because in the short-term, our investing strategy exploits mispriced securities which usually will not give immediate results. But we have confidence that in several weeks ahead our strategy will beat the markets, as shown in the graph above that after declining from first week to fourth week, the performance represents a significant rise to 1,002,108 rupiahs, narrowing a benchmark of LQ45 index, amounting 1,014,503 rupiahs.

### 3.2.2 Weekly Performance

Table 3. Weekly Performance

Date	Portfolio	LQ 45	N225	S&P 500
4 Juni 2018	-1.51%	-0.30%	2.36%	1.62%
25 Juni 2018	-0.57%	-0.02%	-0.94%	-1.33%
2 Juli 2018	-1.84%	-1.50%	-2.32%	1.52%
9 Juli 2018	2.50%	4.73%	3.71%	1.50%
16 Juli 2018	1.70%	-1.34%	0.44%	0.02%

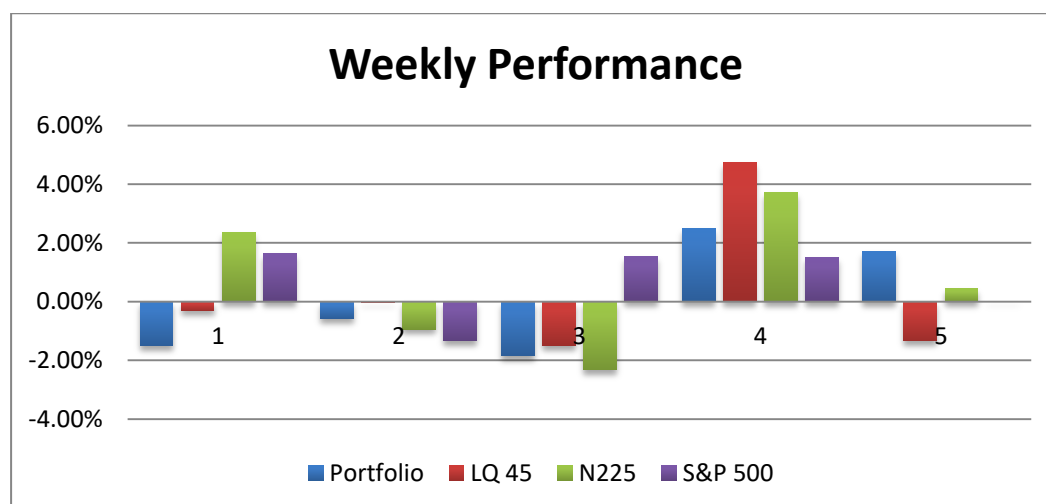


Figure 2. Weekly Performance

In the first week, our performance is below major indices because Indonesia Stock Exchange Index (IDX) has slightly crashed and we have bought our stocks in relatively cheap price but not in the perfect bottom (which is very improbable). In the second and third weeks, all Asian stocks were down massively and our portfolio is also down. In the fourth week, our performance rebounded to a remarkable value of 2.5 percent and we outperformed market, reaching to 1.7, compared to -1.34 percent of LQ45 index and also two other international indices in the fifth week.

### 3.3 Portfolio's Risk and Return vs. Benchmark

Table 4. Risk and Return of Portfolio and Benchmark

	Return	Risk
<b>Portfolio</b>	0.000421245	0.000376866
<b>LQ 45</b>	0.002883977	0.00064968
<b>N225</b>	0.006285721	0.000592049
<b>S&amp;P 500</b>	0.006623517	0.000168519

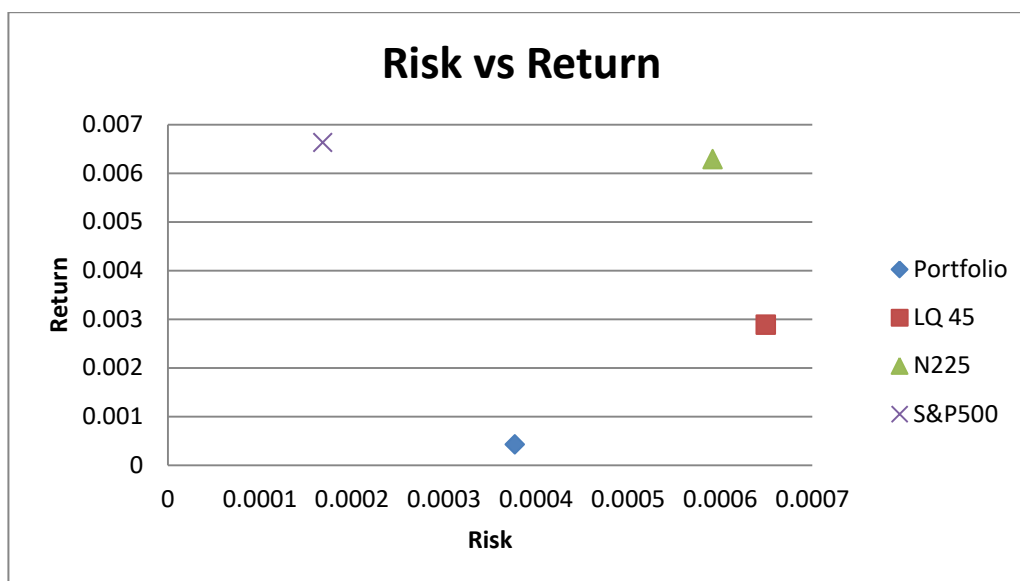


Figure 3. Risk vs Return

Our portfolio are in the moderate risk and low return because our investing strategy stands on development stage. However, the portfolio performance has increased dramatically in the third and fourth week. Compared to the portfolio created by LQ45 and N225, our portfolio shows a smaller risk but both represent a higher return, and more interestingly, the portfolio of S&P500 had the most remarkable result with higher return and lower risk.

### 3.4 Risk Adjusted Performance Measures

Table 5. Risk Adjusted Performance Measures

	Portfolio	LQ 45	N225	S&P 500
<b>Return</b>	0.000421245	0.002883977	0.006285721	0.006623517
<b>Treynor</b>	-0.00207626	0.001355963	0.005733865	0.031910735
<b>Sharpe</b>	-0.054503935	0.055108237	0.197533234	0.396270485

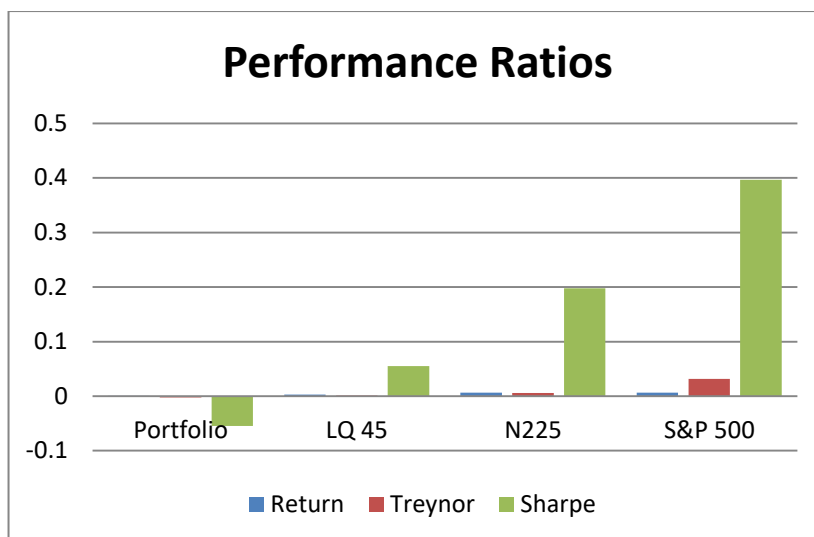


Figure 4. Performance Ratios

Based on Treynor and Sharpe as two benchmarks of performance ratio, our performance is below both, however we are still confidence that our strategy will be improving in the future because our portfolio shows a fluctuatively positive value since fourth week.

Then, we employ Jensen alpha to comprehend how our investment performs compared to the market (IHSG and LQ45) by regressing  $R_i - R_f$  as y-variable and  $R_m - R_f$  as x-variable as presented in the table 6 below.

Table 6. Data used to regression

Date	$R_i - R_f$	$R_m(ihsg) - R_f$	$R_m(lq45) - R_f$
4 Juni 2018	-1.65%	0.02%	-0.45%
25 Juni 2018	-0.72%	-0.54%	-0.17%
2 Juli 2018	-1.99%	-1.95%	-1.64%
9 Juli 2018	2.35%	4.23%	4.58%
16 Juli 2018	1.55%	-1.35%	-1.49%

From Table 7, we can see that the alpha or intercept of regression to both market are negative and not significant caused by a few of data used to calculate. The negative result means bad investment but cannot be said significant as proven by the p-value.

Table 7. Regression Result

	IHSG	LQ45
<b>Intercept</b>	-0.002306851	-0.001715912
<b>P-Value</b>	0.78372544	0.838529287

### 3.5 Portfolio Asset Allocation

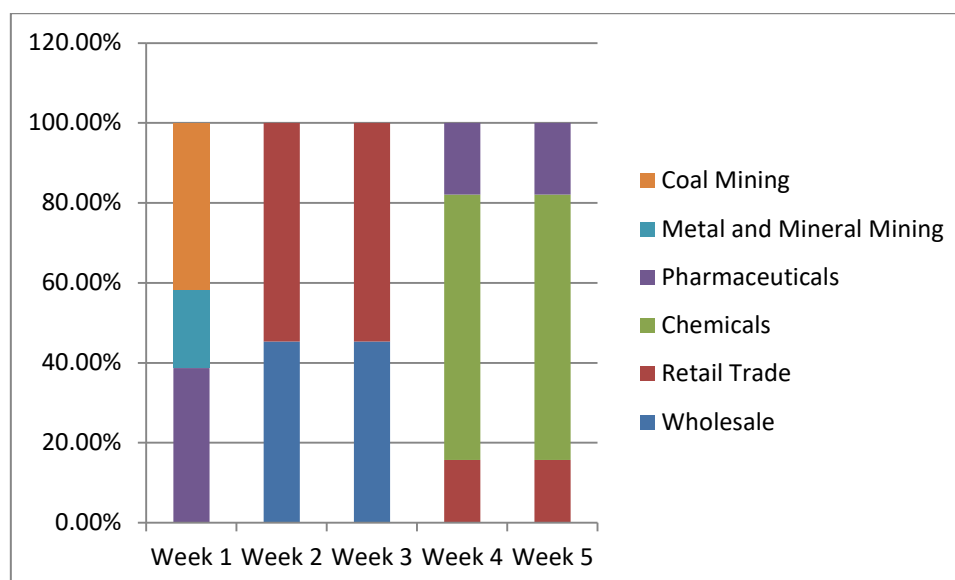


Figure 5. Portfolio Asset Allocation

After the first week, we evaluated our investing strategy in terms of changing sectors from consumer goods industry (pharmaceuticals) and mining (coal mining, metal and mineral mining) to trade, service, and investment in the second and third weeks. However, in the fourth and fifth weeks, our performance improved significantly because we invest in high momentum stocks that are basic industry and chemicals (chemicals), and choosing back to pharmaceuticals and wholesale.

### 3.6 Portfolio Holding, Cashflow and Performance

Table 6. Portfolio Holding, Cashflow and Performance

Investment Name	Date's Action	Stocks Symbol	Quantity (SHARES)	Purchase Price Per Share	Trade Fees	Total Cost (Purchase Price + Fees)	Current Quote	Market Value	Gain/Loss (\$)	Gain/Loss (%)
<b>WEEK 1</b>	<b>4-Jun-18</b>	<b>Initial Value of The weeks</b>				<b>1,000,000</b>				
PT Aneka Tambang Tbk		ANTM	200	875	315	175,315	890	178,000	2,685	1.5%
PT Petrosea Tbk		PTRO	200	1,850	666	370,666	1,690	338,000	-32,666	-8.8%
PT Industri Jamu dan Farmasi Sido Muncul Tbk		SIDO	400	860	619	344,619	905	362,000	17,381	5.0%

<b>Cash at Hand</b>	109,400									
<b>Selling Fee</b>	2,458									
<b>TOTAL</b>						890,600		878,000	-15,059	-1.5%

<b>WEEK 2</b>	<b>25-Jun-18</b>	<b>Initial Value of The weeks</b>				<b>984,941</b>				
Lautan Luas Tbk		LTLS	200	700	252	140,252	720	144,000	3,748	2.7%
Mitra Adiperkasa Tbk		MAPI	400	855	616	342,616	835	334,000	-8,616	-2.5%
PT Mitra Pinasthika Mustika Tbk		MPMX	400	1,000	720	400,720	1,000	400,000	-720	-0.2%
<b>Cash at Hand</b>	101,354									
<b>Selling Fee</b>	0									
<b>TOTAL</b>						883,588		878,000	-5,588	-0.6%

<b>WEEK 3</b>	<b>2-Jul-18</b>	<b>Initial Value of The weeks</b>				<b>979,354</b>				
Lautan Luas Tbk		LTLS	200	700	0	140,000	700	140,000	0	0.0%
Mitra Adiperkasa Tbk		MAPI	400	835	0	334,000	810	324,000	-10,000	-3.0%
PT Mitra Pinasthika Mustika Tbk		MPMX	400	1,000	0	400,000	980	392,000	-8,000	-2.0%
<b>Cash at Hand</b>	115,794									
<b>Selling Fee</b>	0									
<b>TOTAL</b>						874,000		856,000	-18,000	-1.8%

<b>WEEK 4</b>	<b>9-Jun-18</b>	<b>Initial Value of The weeks</b>				<b>961,354</b>				
Lautan Luas Tbk		LTLS	200	700	0	140,000	690	138,000	-2,000	-1.4%
Polychem Indonesia Tbk		ADMG	2000	296	0	592,000	308	616,000	24,000	4.1%
PT Industri Jamu dan Farmasi Sido Muncul Tbk		SIDO	200	800	0	160,000	810	162,000	2,000	1.3%
<b>Cash at Hand</b>	69,354									
<b>Selling Fee</b>	0									
<b>TOTAL</b>						892,000		916,000	24,000	2.5%

<b>WEEK 5</b>	<b>16-Jun-18</b>	<b>Initial Value of The weeks</b>				<b>985,354</b>				
Lautan Luas Tbk		LTLS	200	690	0	138,000	665	133,000	-5,000	-3.6%
Polychem Indonesia Tbk		ADMG	2000	308	0	616,000	318	636,000	20,000	3.2%
PT Industri Jamu dan Farmasi Sido Muncul Tbk		SIDO	200	810	0	162,000	830	166,000	4,000	2.5%
<b>Cash at Hand</b>	69,354									
<b>Selling Fee</b>	2,246									
<b>TOTAL</b>						916,000		935,000	16,754	1.7%

#### 4. Firm's Self Evaluation

- a. Overall, do you satisfy with how your company managed your portfolio? Why?

We are sufficiently satisfy because our strategy is still in developing stage. More interestingly, the result of our portfolio performance is above our peers with an addition of a positive cumulative performance.

- b. Which part you like the best, which part you like the least? Why?

We are delighted when we develop and execute our strategy since the condition of Indonesia emerging market has fluctuated and made our impulses twist and turn facing the future uncertainty. However, we are lesser happy when we see a lot of opportunity but we do not have enough money to buy.

- c. If you can repeat the process from the beginning, what do you want to your company do?

We will more emphasize in research stage in order to create robust strategy. Further, our company will employ momentum investing strategy based on Narasimhan Jegadeesh and Sheridan Titman combined to classic technical analysis.