



Fund Manager's report

From Friday 25th November to the 31st December in USD terms, Komodo Class A shares gained 5.03% versus the Indonesian Stock Exchange (IDX) gain of 3.41%. Year to date Komodo Class A shares have gained 17.06% versus the IDX gain of 17.98%. Since inception Komodo Class A shares have gained 270.84%, outperforming the IDX by 148.64%. After a brief sell-off post the US Federal Reserve's decision finally to raise rates, the market saw a decent recovery towards the end of the month, making up some of the ground lost in November after the Trump election victory EM weakness. The strength of some commodity and larger index names that we don't own during the year meant we slightly underperformed the market this year but we did manage to close some of the gap in December. Our holdings in the larger banks BCA, Mandiri and BNI all performed well and after a very weak November both our media holdings MNC and Surya Cipta Media, as well as retailer Matahari Department Stores saw some recovery.

Towards the end of the year the market saw its longest ever continuous period of net foreign selling, over 30 days, totaling over USD1.5bn in the 3 months to mid-December before the rally at month-end. Foreign flows in Indonesian government bonds turned a little earlier in the month, reflected in the 10year yield moving back to around 7.7% after peaking above 8.4%. Despite the many external events from geo-politics through oil price moves to Fed rate concerns and Trump election EM sell-off, the Indonesian market was one of the best performers both in Asia and EM globally in 2016. It's also worth noting that over the year the IDR strengthened over 2% against the USD, a fairly respectable result compared to a range of both emerging and developed market currencies. As we've highlighted on a number of occasions, that is in part due to the credit given to Indonesia for its progress at the macro-economic management level over the last 3 years since the Taper Tantrum of mid-2013. As we look forward to 2017, earnings growth for the market is the strongest in ASEAN and stronger than most of Asia. The government's many economic stimulus packages are admittedly still very much work in progress in many cases but demonstrate a push in the right direction to open up and diversify the economy. Although some areas of government expenditure in the budget have been reduced in order to make for a more sustainable and realistic overall target, infrastructure spending for 2017 will see a 22% increase to Rp387tr, representing almost 19% of total government spending. The full year 2016 budget deficit will amount to around 2.46% of GDP, well below the 3% self-imposed government limit, which some thought would be breached earlier in the year. We've voiced our skepticism over the ongoing tax amnesty but more importantly, the Minister of Finance Sri Mulyani's focus on wholesale tax reform continues; the newly created Tax Reform team held their first meeting in mid-December and will engage with a broad range of international as well as domestic institutions and opinions. Sustainable institutional reform is what is needed.

As far as the listed equity market is concerned, there are still very few "new economy" investment opportunities although this is starting to change and we see existing companies in sectors such as retailing starting to dip their toes into the e-commerce waters. One of the fastest growing and domestically well-known companies in the new economy of Indonesia is motorbike ride-hailing app service provider Go-Jek, with well over 200,000 riders for the main service of motorbike taxis and now of "unicorn" status. Any visitor to Jakarta is struck by how prevalent the green-helmeted riders are. As long-time Jakarta residents it's difficult to be anything other than deeply skeptical of the prospect of driverless Ubers darting around the city anytime soon, or ever, but this local player hits the spot for now, although competition and the cash-burn of the subsidised business model are no easier here than in other markets. The link gives a brief picture. We are users of their Go-Clean service in our office. <https://www.bloomberg.com/news/articles/2017-01-10/indonesia-s-first-billion-dollar-startup-races-to-kill-cash>

Our next subscription date is Friday 27th January.

Fund Performance for Class A, Series 1 (net of all fees) **

Year		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD %
2016	NAV	31.4239	33.7644	35.4343	35.8276	34.7627	35.0829	37.7739	38.2306	38.1843	38.6727	35.3072	37.0839	
	Change	-0.81%	7.45%	4.95%	1.11%	-2.97%	0.92%	7.67%	1.21%	-0.12%	1.28%	-8.70%	5.03%	17.06
2015	NAV	35.5384	35.4795	34.5366	35.5836	33.5291	31.6649	31.4791	28.1055	25.1028	29.9314	31.1054	31.6795	
	Change	-1.16%	-0.17%	-2.66%	3.03%	-5.77%	-5.56%	-0.59%	-10.72%	-10.68%	19.24%	3.92%	1.85%	-11.89
2014	NAV	29.7370	32.9571	34.8421	35.2191	34.9292	34.0508	37.3247	37.3073	36.4516	36.1696	35.8436	35.9562	
	Change	3.84%	10.83%	5.72%	1.08%	-0.82%	-2.52%	9.62%	-0.04%	-2.29%	-0.77%	-0.90%	0.31%	25.55
2013	NAV	37.6685	38.8187	41.1747	41.3986	41.1911	39.1749	37.5683	31.3429	31.2814	33.7279	29.0874	28.6383	
	Change	1.59%	3.05%	6.07%	0.54%	-0.5%	-4.89%	-4.10%	-16.57%	-0.19%	7.82%	-13.76%	-1.54%	-22.77
2012	NAV	33.7201	34.0399	35.9553	35.8198	34.2748	34.3393	35.0035	34.5451	35.8105	36.8607	36.9914	37.0805	
	Change	4.15%	0.95%	5.63%	-0.38%	-4.31%	0.19%	1.93%	-1.31%	3.66%	2.93%	0.36%	0.24%	14.52
2011	NAV	27.2966	27.3904	29.4476	30.9179	31.3191	31.5567	34.1797	32.3473	29.7519	32.1088	30.6395	32.3779	
	Change	-7.34%	0.34%	7.51%	4.99%	1.29%	0.76%	8.31%	-5.36%	-8.02%	7.92%	-4.58%	5.67%	9.91
2010	NAV	20.4197	20.1190	22.3725	23.4435	21.6715	24.3942	25.5058	25.4705	27.4955	29.1182	29.4075	29.4597	
	Change	5.42%	-1.47%	11.21%	4.77%	-7.56%	12.56%	4.56%	-0.14%	7.95%	5.9%	0.99%	0.18%	52.08
2009	NAV	8.5236	7.6617	9.1099	10.4420	13.2715	14.2902	16.6843	16.7908	17.9908	18.0152	18.4263	19.3706	
	Change	-1.36%	-10.11%	18.90%	14.62%	27.10%	7.68%	16.75%	0.64%	7.15%	0.14%	2.28%	5.12%	124.16
2008	NAV	15.4651	15.7779	14.3362	12.9789	14.6878	14.5049	14.9479	14.9634	13.0852	7.4995	7.1179	8.6414	
	Change	-1.77%	2.02%	-9.14%	-9.47%	13.17%	-1.25%	3.05%	0.10%	-12.55%	-42.69%	-5.09%	21.40%	-45.11
2007	NAV	11.0306	11.1212	11.1933	12.2284	12.6694	13.1618	13.7258	13.0801	14.0064	15.1356	15.1012	15.7431	
	Change	0.13%	0.82%	0.65%	9.25%	3.61%	3.89%	4.28%	-4.70%	7.08%	8.06%	-0.23%	4.25%	42.91
2006	NAV											10.4711	11.0159	

Fund Performance for Class I, Series 1 (net of all fees)

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Year		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD %
2016	NAV	33.2908	35.7406	37.3252	37.7049	36.5458	36.9764	40.1763	40.8062	40.745	41.3917	37.4046	39.2876	
	Change	-0.81%	7.36%	4.43%	1.02%	-3.07%	1.18%	8.65%	1.57%	-0.15%	1.59%	-9.63%	5.03%	17.06
2015	NAV	38.6527	38.5887	37.5631	38.7022	36.4676	34.3989	33.9026	30.2920	27.1170	31.9563	33.0414	33.5613	
	Change	-1.16%	-0.17%	-2.66%	3.03%	-5.77	-5.67%	-1.44%	-10.65%	-10.48%	17.85%	3.39%	1.57%	-14.18
2014	NAV	32.5740	36.0982	38.1406	38.5353	38.1995	37.1318	40.6791	40.6523	39.6255	39.2638	39.0143	39.1072	
	Change	3.84%	10.82%	5.66%	1.03%	-0.87%	-2.79%	9.55%	-0.08%	-2.53%	-0.91%	-0.64%	0.24%	24.66
2013	NAV	41.4231	42.9982	46.1957	46.5094	46.2465	43.4858	41.2546	34.333	34.2657	36.9456	31.8623	31.3704	
	Change	1.98%	3.80%	7.44%	0.68%	-0.57%	-5.97%	-5.13%	-16.78%	-0.19%	7.82%	-13.76%	-1.54%	-22.77
2012	NAV	37.0913	37.1503	39.5286	39.4403	37.1738	37.2590	38.1633	37.5674	39.2691	40.4739	40.4818	40.6180	
	Change	5.18%	0.16%	6.40%	-0.22%	-5.75%	0.23%	2.43%	-1.56%	4.53%	3.07%	0.02%	0.34%	15.18
2011	NAV	29.6337	29.7356	31.9688	33.9608	34.5053	34.8277	38.3721	35.7983	32.2414	35.2652	33.1037	35.2641	
	Change	-7.34%	0.34%	7.51%	6.23%	1.60%	0.93%	10.18%	-6.71%	-9.94%	9.38%	-6.13%	6.53%	10.26
2010	NAV						25.6501	27.0378	26.9955	29.5267	31.5551	31.9167	31.9820	
	Change							5.41%	-0.16%	9.38%	6.87%	1.15%	0.20%	24.69

	1 mth	3 mths	YTD	1 yr	2 yrs	3 yrs	5 yrs	Inception
NAV Class A, Series 1 *	5.03%	-2.88%	17.06%	17.06%	3.14%	29.49%	14.54%	270.84%
JCI In USD	3.74%	-4.36%	17.98%	17.98%	-6.85%	12.31%	-6.73%	122.20%

* The NAV data is based on Class A Series 1, 2013. For subsequent subscriptions the NAV may vary.

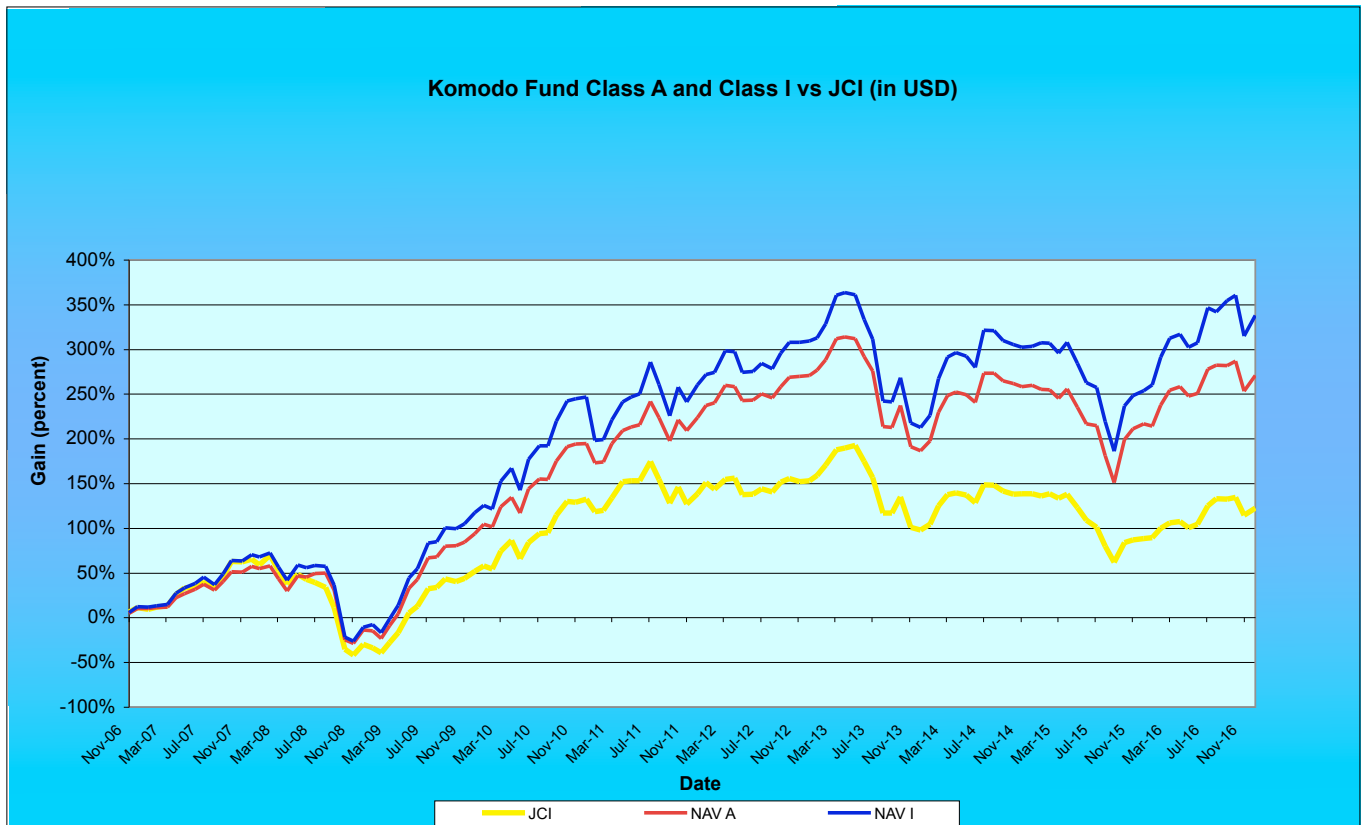
** The NAV data is based on Class I Series 1, 2013. For subsequent subscriptions the NAV may vary.

Fund Statistics Class A, Series 1

Months with gains	62.30%
Sharpe Ratio (RFR 4%)	0.35%
Volatility (Std. Dev.)	27.50%
Annualized Return	13.69%

Sector Allocation

	%
Consumer	35.47
Others	24.78
Financial	20.36
Infrastructure	10.16
Cash	3.96
Basic Materials	3.06
Energy	1.62
Mining	0.59



Note : The Class I is a new share class established in June 2010, and the above chart data for Class I is based on a theoretical investment from inception of the fund.

Fund Information

Geographic / Strategy	Greater Indonesia / Absolute Return
Management Company	HB Capital Partners
Launch Date	6 November 2006
Administrator	Crowe Horwath First Trust Fund Services
Custodian	Deutsche Bank AG
Auditor	Ernst & Young Singapore
Minimum Investment	Class A: USD 100,000 Class I: USD 5,000,000 Class S: USD 15,000,000
Subscriptions / Redemptions	Monthly / Monthly (with one month notice)
Management / Performance Fees	Class A: 1% of NAV / 20% of gain in NAV subject to HWM Class I: 1% of NAV / 25% of gain over IDX subject to HWM Class S: 0.75% of NAV/20% of gain over IDX subject to HWM
Valor Number / ISIN Code / Bloomberg	Class A, Series 1: 2898606 / KYG531261017 / KOMOFUN:KY Class I, Series 1: 11818776 / KYG531261199 / KOMOFDI:KY Class S, Series 1: 11818838 / KYG531261272 / KOMOFDS:KY

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