

JOM Silkkitie Asia Equity Investment Fund’s NAV was 193.08 at the end of August so the performance during the month stood at +4.39%. Since fund inception (31st August 2009) the NAV has increased by +93.08%, thus the annual performance has been +6.11%.

During August, our Asian focus markets were on the rise: Indonesian JCI Index +4.3%, in Vietnam VNINDEX +8.94%, in India SENSEX +6.19%, in China A shares +5.45 % and Chinese HK shares HSCEI +0.13%. In the Philippines the market performance was non-existent as PCOMP moved -0.03 % during the month. In YTD terms, only China A shares, Taiwan and South Korea indices have now recovered to show a positive return for 2020, whereas smaller (ASEAN) countries, who have struggled greatly with reigning in their corona outbreaks, remain the laggards in market returns: the Philippines (-27% YTD), Indonesia (-25.5 % YTD), Singapore (-26.6 %) ja Thailand (-25,6 %) (all returns in EUR).

In Pakistan, the market index KSE100 continued also its robust recovery at +4.26% in August, as the country’s pandemic situation is improving, and markets appreciated positive newsflow from company results across the board. Many sectors within the Pakistani economy showed strong YoY growth numbers in July: sales of cement grew +40% yoy, textile exports +14%, bank loan growth +17% and overall exports +6% yoy. So, at least for now, it seems industries are recovering from the recent corona virus setback, and the cycle is returning towards the growth path which started after the economy bottoming out in 2019.

During the month, we increased the weight of TOMCL company in Silkkitie Fund’s portfolio. We participated in the company IPO already in July, and we see the outlook for this meat producer in Pakistan as very attractive, especially compared its low valuation at PE 5-6x and earnings growth prospects of +25% pa.

FUND CORRELATION (12M, DAILY) WITH SOME EQUITY INDICES (EUR)

Jakarta Composite Index JCI	Philippine composite Index PCOMP	HK China H shares HSCEI	MSCI Asia ex-Japan	Topix	MSCI World	S&P 500	Bloomberg Europe 500 Index
Indonesia	Philippines	China	Asia	Japan	World	US	Europe
0.71	0.55	0.57	0.66	0.34	0.40	0.33	0.49

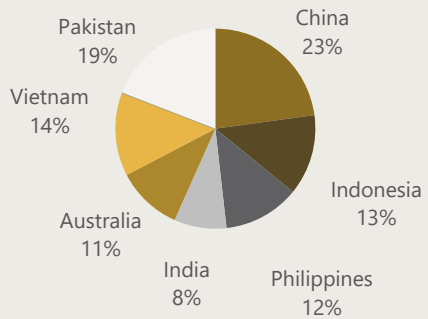
JOM SILKKITIE, NET ASSET VALUE (31 August 2020)	193.08
Fund size	20.8 mEUR
Number of fund units	107 686.4749
Inception date	31.7.2009
Last month’s performance	+4.39%
Performance since inception	+93.08%
Annualized performance since inception	+6.11%
Accumulated management fee*	0.80 %
Accumulated performance fee*	0.00 %
Accumulated custodian fee*	0.13 %
Net investment position**	94.3 %
Volatility***	22.7 %
Portfolio turnover	164.7 %

OVERVIEW OF THE FUND

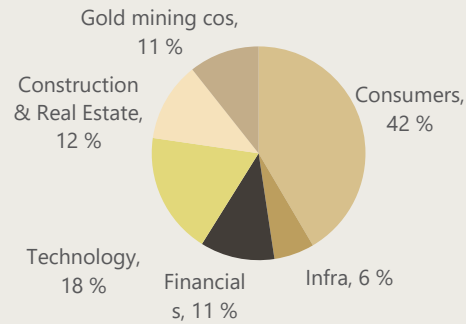
Name: JOM Silkkitie Asia Equity Investment Fund (UCITS)	Inception date: 31.7.2009	Management fee: 1.2% p.a.
Portfolio Manager: Juuso Mykkänen	ISIN-code: FI4000003470	Subscription fee: 1.5% - 0%
Custodian: SEB. Helsinki branch	Bloomberg-ticker: JOMSILK FH	Redemption fee: 1% (min. 20 €)
Benchmark index: No official index	Fund target group: Demanding investors who understand the potential of Asian equity markets in the long run.	Performance fee: 10% on the return exceeding the hurdle rate of 5%. (pls see Fund prospectus for details)
Profit sharing: The Fund has only accumulating units	Minimum subscription: 5 000 €	
Fund rules last confirmed: 3.4.2020	Subscription account: IBAN: FI81 3301 0001 1297 17 BIC: ESSEFIHXXXX	



Geographical break-down



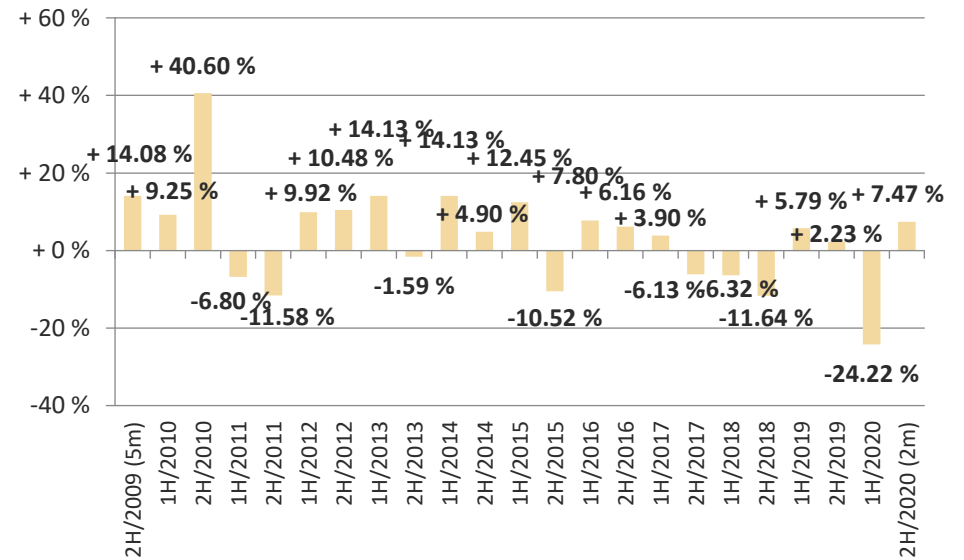
Equities by Investment Themes



FUND PERFORMANCE MONTHLY (%)

	Jan	Feb	Mar	Apr	August	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2009	-	-	-	-	-	-	-	-2.74	+7.49	+1.52	+0.40	+7.07	+14.08
2010	+3.55	-0.05	+9.66	+4.00	-8.12	+0.74	+7.55	+2.46	+13.95	+2.45	+2.73	+6.39	+53.60
2011	-8.11	-1.34	+2.81	+3.17	-2.47	-0.62	+7.75	-10.15	-14.07	+5.83	-4.11	+4.73	-17.59
2012	+8.75	+4.07	+2.35	+1.85	-4.68	-2.26	+2.58	-5.49	+0.90	+4.59	+5.35	+2.51	+21.44
2013	+6.18	+6.82	+3.25	-0.51	+10.17	-11.08	-1.57	-6.91	+2.00	+3.54	-1.15	+2.88	+12.31
2014	+2.31	+7.46	+0.14	+2.94	+2.21	-1.48	+7.98	+3.98	-1.25	-0.58	-0.33	-4.53	+19.72
2015	+6.02	+3.20	+5.89	+2.38	+3.81	-8.69	-3.22	-16.41	-2.44	+15.52	-1.36	-0.51	+0.61
2016	-9.61	+0.65	+5.97	+1.25	+1.71	+8.58	+7.75	+1.84	-1.66	+0.30	-3.26	+1.38	+14.44
2017	-0.55	+4.73	+1.51	-0.13	-0.67	-0.93	-4.23	-0.73	-0.40	+1.62	-2.73	+0.30	-2.46
2018	+1.54	+0.55	-5.46	+2.03	+4.85	-9.28	-4.14	+0.32	-5.39	-7.39	+6.50	-1.52	-17.23
2019	+1.56	+3.58	+5.58	-2.45	-4.37	+2.10	+0.07	-7.05	+1.17	+2.74	+0.46	+5.25	+8.15
2020	-4.03	-7.14	-32.14	+15.30	-0.52	+9.25	+2.95	+4.39					-18.56

JOM SILKKITIE HISTORICAL BI-ANNUAL PERFORMANCE (%)



JOM SILKKITIE NAV VS. THE REGIONAL EQUITY MARKET INDEX



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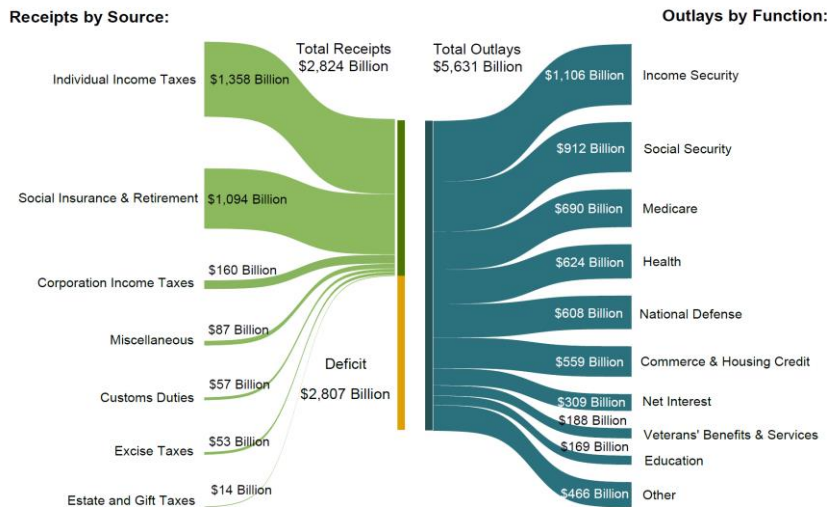
Past performance is no guarantee for future returns. The Fund value August increase or decrease, and the investor August incur losses when redeeming his shares. Further details on JOM Silkkitie Asia Equity Investment Fund August be found in the key investor information document, fund prospectus and fund rules, which are available by request from JOM Fund Management Ltd, or on the website www.jom.fi.

The imbalance of US spending and income is growing

As seen in the graph below, between January 2020 and July 2020, the US federal government spent some 2 807 billion USD more than its respective income (taxes, insurance payments, customs duties etc.) amounted to during the same period. At the moment, this deficit is being financed by the government issuing out bonds i.e. Treasuries, but as there is not enough appetite for these bonds from foreign buyers/investors, the Treasuries are bought/financed either directly by the Fed itself, or by proxy through the US domestic banking sector backed by the Fed. In other words, the most powerful country in the world and its army, interest payments, social expenses etc. are being financed by its own central bank Fed, who is printing money to cover the costs.

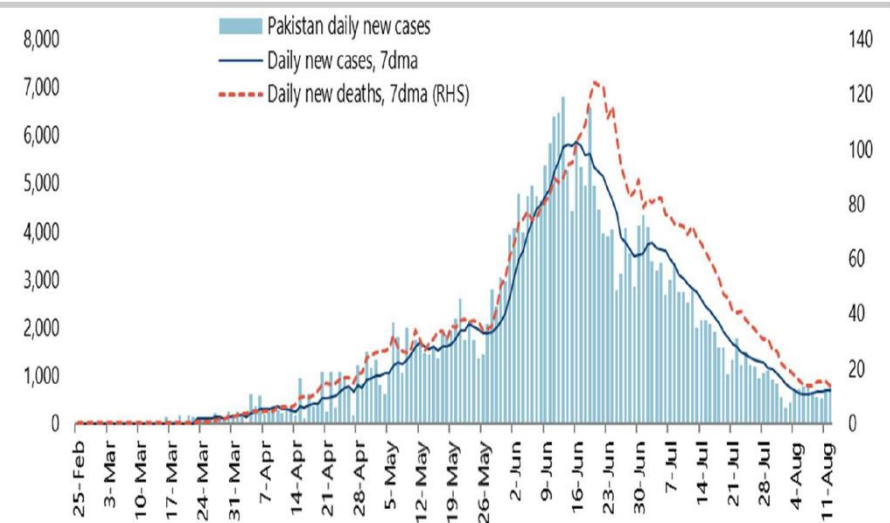
If the Fed would not be picking up the tab, the US would most likely be in a solvency crisis, as they have not been able to cut their public spending - though this is the case unfortunately in many other countries as well. Furthermore, the need for financing is steadily growing, as the capital market needs to be kept afloat and any economic disruption could lead to mounting social unrest and protesting seen recently.

Figure 2. Cumulative Receipts, Outlays, and Surplus/Deficit through Fiscal Year 2020



Above: US federal government's income, spending and the resulting huge deficit in year 2020 (January 2020 – July 2020). Source: US Department of the Treasury: Monthly Treasury Statement: July 2020

Exhibit 16: Pakistan Covid-19 daily new cases and deaths



Source: Ministry of National Health Services, WHO

Above: In Pakistan, the outbreak numbers of COVID-19 have come down markedly and the situation is improving. Source: Jefferies

In our view, it is evident that there is not enough political will or boldness in the US to cut spending or raise taxes, so the money printing machine will be kept going. This will, in time, lead to decreasing purchasing power in the US and a weaker currency – in other terms meaning inflation. Currently the USD (as measured by the DXY Index) has decreased less than 4% YTD, but further weakening is surely to come, when the Fed is forced to continue the Treasury buy-backs and it becomes more widely understood that the US Treasuries can no longer be regarded as a safe haven and/or source of a perpetual risk-free return.



JOM Komodo Indonesia Equity Investment Fund’s NAV was 115.89 at the end of August, so the performance during the month stood at +4.13%. Since fund inception (15th August 2012) the NAV has increased by +15.89%, thus the annual performance has been +1.79%.

Komodo Fund’s volatile year

Smid caps in Indonesia have been suffering from two major crises already nearly for a year. The first crisis was purely a domestic one that affected mostly the sentiment of investors, as large number of mutual funds were forced to shut down by the local Financial regulator OJK (please see our Nov-19 – March-20 monthly reports). During that crisis MSCI Indonesia Small cap index dropped from Sep-19 to Feb-20 by -20%, despite the fact that the crisis itself did not affect companies’ operations nor financial performance – thus, smid caps became very attractively valued back then.

As soon as early March, an even worse crisis hit in the form of covid-19 that naturally affected strongly nearly all listed companies in Indonesia. From mid-February onwards until early April, small cap index dropped by -45% more, while currently YTD performance stand at -40%. So, roughly speaking we can assume that small caps have more than 100% upside as soon as covid-19-related economic slowdown has been passed, and companies’ earnings return to pre-covid levels. While FMCG and some services-related sectors have already returned to near normalcy, infra, tourism and property development companies’ recovery timeline is still highly uncertain.

Winning the covid-19 pandemic has turned out to be a rather challenging task in the fourth populous country globally. There has been around 180,000 positive cases while total deaths stand at 7,616. Number of cases is still rising along with other heavily populated and weakly governed countries such as India, USA, the Philippines, Russia etc), thus the emergence of a possible vaccine is eagerly awaited. However, for example, in Pakistan with 212m people, covid management has been very effective along with China and Vietnam.

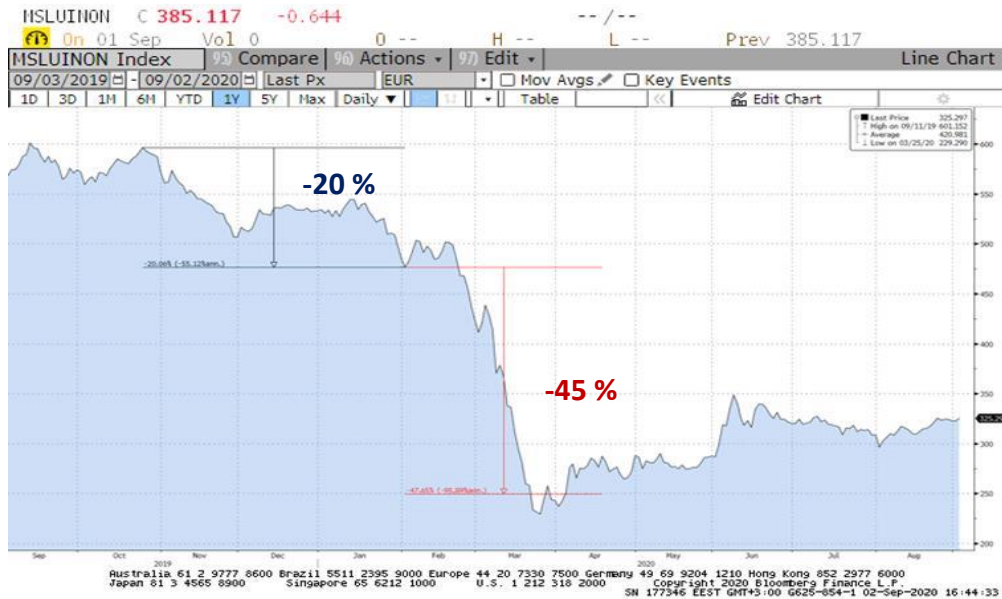
JOM KOMODO, NET ASSET VALUE (31 August 2020)	115.89
Size of the fund	10.9 mEUR
Number of fund units	93 753.3837
Inception date	15.5.2012
Last month’s performance	+4.13%
Performance since inception	+15.89%
Annualised performance since inception	+1.79%
Accumulated management fee*	1.01%
Accumulated performance fee*	0.00%
Accumulated custodian fee*	0.14%
Net investment position**	96.6%
Volatility***	29.9%
Portfolio turnover***	132.0%
Fund’s correlation to JCI-Index (12m)	0.80

FUND OVERVIEW

Name: JOM Komodo Indonesia Equity Investment Fund (UCITS)	Inception date: 15.5.2012	Management fee: 1.5% p.a.
Portfolio Manager: Juuso Mykkänen	ISIN-code: FI4000043401	Subscription fee: 1.5% - 0%
Custodian: SEB. Helsinki branch	Fund target group: Demanding investors who understand the potential of Asian equity markets in the long run.	Redemption fee: 2% (min. 20 €)
Benchmark index: No official index	Minimum subscription: 5 000 €	Performance fee: 10% on the return exceeding the hurdle rate of 5%. (pls see Fund prospectus for details)
Profit sharing: The Fund has only accumulating units	Subscription account: IBAN: FI75 3301 0001 1363 24 BIC: ESSEFIHXXX	
Fund rules last confirmed: 3.4.2020		

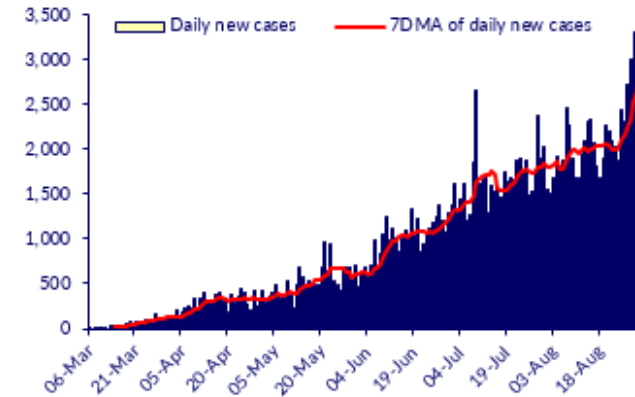


MSCI Indonesian small cap index for 12 months: First, the domestic fund fraud scandal dropped the index -20% (09/2019 – 02/2020) and thereafter the corona shock wiped a further -45% from the index in March and April 2020. Source: Bloomberg



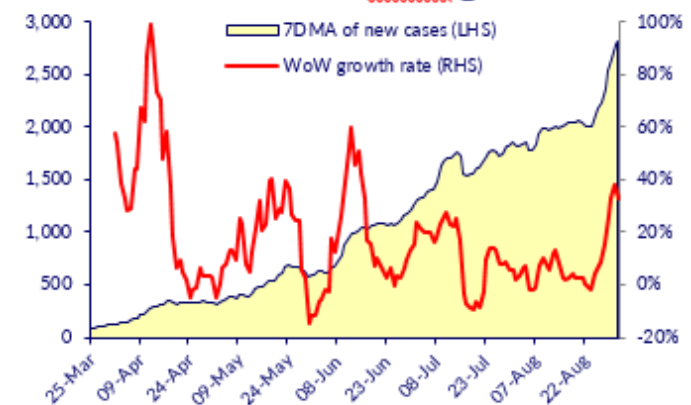
Daily new cases and trailing 7-day average show that the corona outbreak is accelerating in Indonesia. Source: CLSA

Daily new cases



Source: CLSA, Indonesian Ministry of Health

7DMA of new cases and WoW growth rate



Source: CLSA, Indonesian Ministry of Health

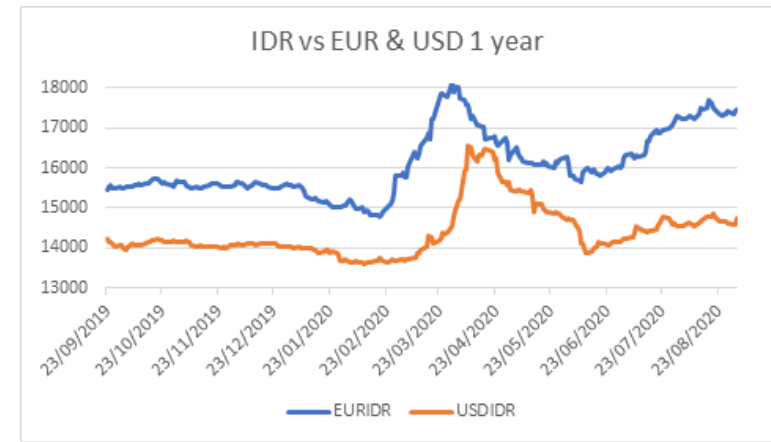


In Indonesia, political pressure on BI has been increasing during covid-19 as the Ministry of Finance wishes to become part of the monetary decision-making process, in the same way as is currently happening already in the US with the Fed and the Treasury. While BI has already purchased government bonds, there appears to be increasing pressure from the government to step up purchases – this has put some downward pressure on IDR during the summer onwards.

However, covid-19 has also resulted in some positive action within the country with still very shallow capital markets, namely in equities. The number of new retail investors has grown substantially during the pandemic, which is an extremely positive factor as the stock market to GDP ratio currently stands only at 35-40% - the lowest figure since GFC. In addition, retail investors have been mostly driving the market action lately while large institutional investors have been sitting on their hands. Rising stock market trading volumes are another positive, as investors have also reacted to company specific news, which was not the case few month ago. Thus, it seems that market is starting to act more in normal ways as people get used to *the new normal*.

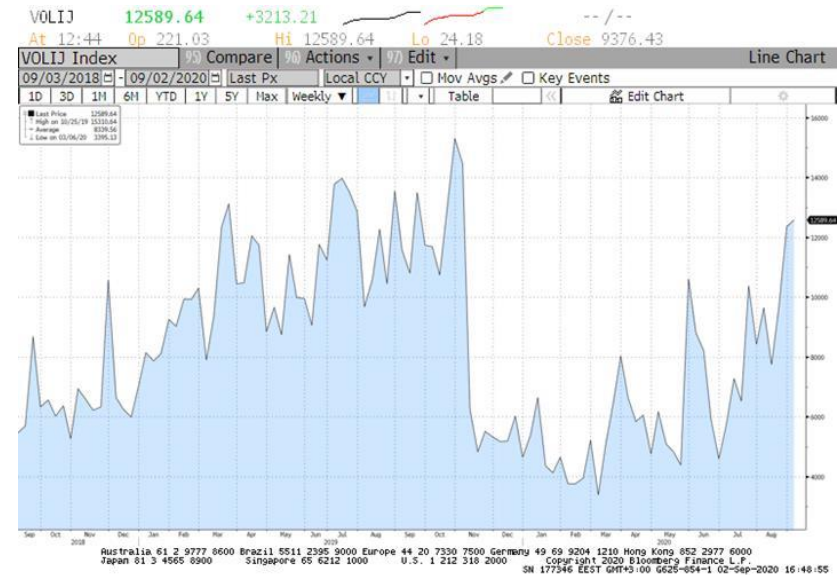
Due to the pandemic, President Jokowi's so called omnibus structural reform package implementation has slowed considerably, but recently the new labor law reform has been gaining traction as more opposition parties are moving behind the project. This process is not only followed by stock markets investors, but also by FDI investors, who view the new labor law as the most important factor in whether to invest or not in Indonesia.

During August, we sold off Kimia Farma that had returned some 2-3x since our first purchase in February. We also reduced infra companies' weights as covid-19 has slowed down their operation much longer than previously anticipated. Media Nusantara was reintroduced to the portfolio as its valuation is as low as in 2008-09. The company is one of largest media companies in Indonesia. Consumer stocks represent some 30% of the portfolio.



Above: The Indonesian currency IDR has been under pressure, and it has decreased over -11% against EUR YTD. Source: Bloomberg

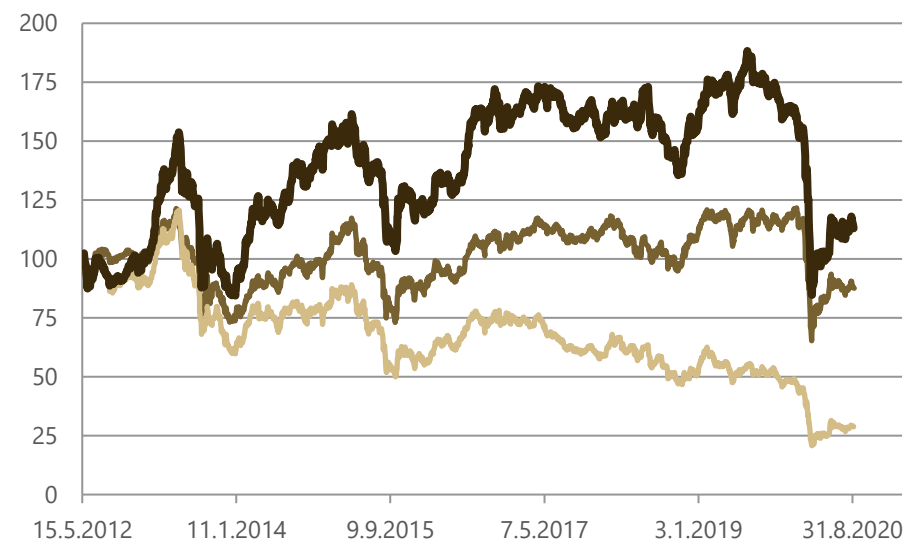
Below: THE VOLIJ index depicting trading volumes in the Indonesian equity market during past 12 months. Volumes incurred a heavy drop in November 2019, but the liquidity has fortunately been improving lately. Source: Bloomberg



FUND PERFORMANCE MONTHLY (%)

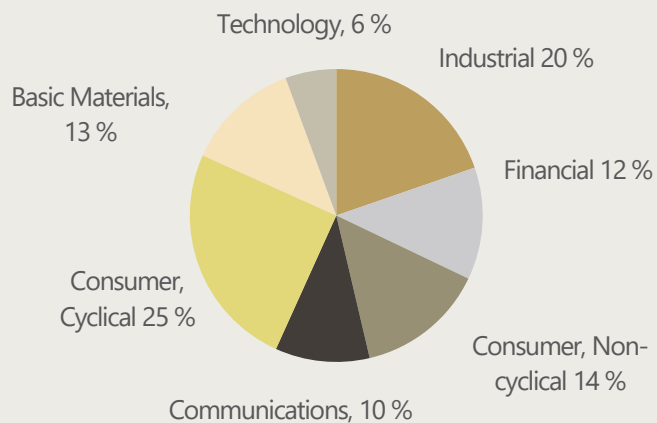
	Jan	Feb	Mar	Apr	August	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2012	-	-	-	-	-6.29	+0.42	+3.62	-8.02	+3.01	+0.71	+7.63	-4.57	-4.34
2013	+6.05	+17.64	+13.43	+1.54	+11.52	-11.79	-8.95	-20.95	-0.95	+7.28	-13.95	-3.40	-10.13
2014	+9.68	+15.86	+10.77	-1.42	+3.20	-6.05	+10.24	+8.15	-2.09	+2.30	+5.50	+2.61	+73.92
2015	+2.45	+0.04	+2.24	-8.35	+1.42	-6.30	+0.26	-16.99	-8.01	+21.09	-1.75	-0.47	-17.26
2016	-1.69	+3.01	+5.87	+0.63	-0.86	+8.49	+9.63	+4.12	-3.45	+7.33	-6.93	+2.44	+30.86
2017	-0.30	+5.05	-0.38	+1.37	+0.73	-2.46	-4.74	-1.73	+1.37	+3.63	-4.47	-1.28	-3.63
2018	+5.21	+0.16	-1.45	+1.09	+3.50	-6.29	-1.32	-4.18	-3.48	-4.27	+13.25	+0.13	+0.88
2019	+6.46	+3.56	+0.19	+1.49	-1.80	+3.24	+3.93	-5.42	-1.83	-0.79	-6.75	+2.72	+4.22
2020	-6.05	-12.45	-31.75	+11.88	-0.42	+9.15	-0.64	+4.13					-29.35

JOM KOMODO NAV VS. INDONESIA EQUITY INDICES



— JAKARTA COMPOSITE Index (EUR)
 — MSCI Indonesia Small Cap TR Net (EUR)
 — JOM Komodo

Equities by Investment Themes



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Past performance is no guarantee for future returns. The Fund value August increase or decrease, and the investor August incur losses when redeeming his shares. Jakarta Composite Index (EUR) and MV Indonesia SmallCap Index (EUR) are price indices, which do not take dividends into account. Further details on JOM Komodo Indonesia Investment Fund August be found in the key investor information document, fund prospectus and fund rules, which are available by request from JOM Fund Management Ltd, or on the website www.jom.fi.

