Aknia

Crowded Trades, Thin Air

December 2025

Aknia's Letter

"When Consensus Gets Expensive"

December was a study in contrasts. The year closed with the S&P 500 finishing up roughly 16% for 2025, the Nasdaq up 20% and Indonesia's JCI touching new record highs. Yet the final month of the year saw a slight pullback in U.S. equities and a sharp sell-off in crypto, while Indonesia's market held steady near its highs. Policy makers offered mixed signals: the Federal Reserve cut rates by 25 basis points to 3.50% – 3.75% during its 9 – 10 December meeting, but paired that move with a more hawkish 2026 dot-plot. Bank Indonesia held its benchmark at 4.75% for a third straight meeting, citing currency stability and leaving room for further cuts as inflation remained within its 1.5% – 3.5% target. Meanwhile the Bank of Japan hiked its policy rate to 0.75% mid-month, shocking investors and unwinding yen carry trades. These cross-currents created a tug of war between liquidity provision and risk aversion.

Our Indonesian equities benefited from pro-growth policy and strong domestic participation, our U.S. equities weathered a rotation out of mega-cap AI names, and our crypto holdings faced a liquidity vacuum triggered by thin holiday trading and hawkish central-bank projections. We enter 2026 with humility, November's euphoria has given way to December's sobriety. The coming year will reward investors who respect both momentum and mean reversion. Our core thesis is that broadening market leadership in equities and disciplined positioning in crypto will drive returns, while currency and liquidity risks in Indonesia must be carefully managed. The triggers that would invalidate this thesis are an unexpected surge in U.S. inflation causing the Fed to tighten again, a sharp deterioration in the rupiah or Indonesian growth forcing Bank Indonesia to reverse course, and a regulatory shock or prolonged risk-off phase that drives crypto adoption metrics to stall.

Overall Firm Performance Overview

December performance across our three funds underscored how sensitive returns are to cross-asset liquidity. The JCI rallied through much of the quarter and held its gains into year-end. The index closed at 8,646.94 on December 30, near its August record high of 8,710.69, with average daily turnover around Rp 18 trillion, well above the Rp 13.3 trillion target and reflecting resilient domestic participation. Indonesian equities continue to enjoy strong local bid support and healthy trading volumes, reinforcing our overweight stance. However, valuations are no longer cheap and currency risk persists.

Our U.S. portfolio suffered a modest drawdown, largely because mega-cap AI names cooled and investors rotated into healthcare and cyclicals. The S&P 500 slipped roughly 0.6% for the month yet ended the year up 16.39%, while the Nasdaq gained 20.36%.

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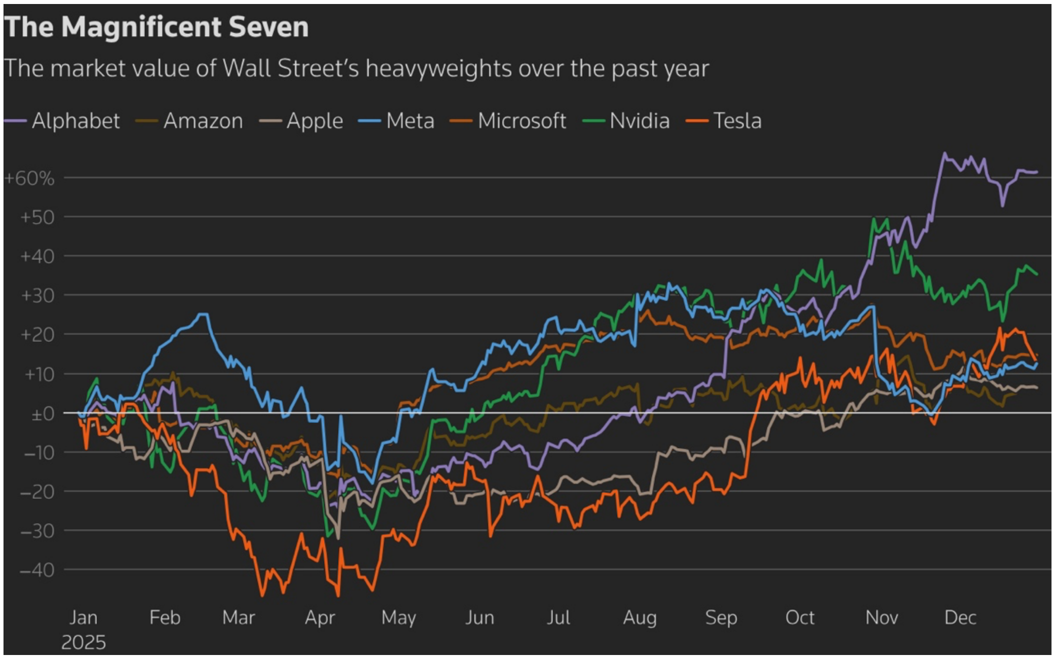


Source: Bloomberg

The December pullback is a reminder that sentiment toward high-growth stocks can shift quickly when policy signals and liquidity conditions change. We trimmed some positions into strength and hold hedges via index put spreads heading into the new year.

Crypto markets experienced a capitulation. Bitcoin began December near $94,000 but whipsawed around macro headlines. A hawkish FOMC projection, BoJ rate hikes and thin holiday liquidity triggered a drop to $88,000, leaving BTC down 6.4% for the month. Ethereum fell 7.8% and the total crypto market cap contracted by 23% which is a $910 billion decline. High beta to macro means our crypto fund must trade around policy decisions and liquidity cycles rather than just fundamental adoption metrics. We reduced altcoin exposure early in the month and increased stablecoin holdings to weather the sell-off.

The relative resilience of Indonesia and the mild pullback in U.S. equities contrast sharply with crypto's slump, reminding us that each asset class has distinct drivers and that our risk budgeting must reflect this dispersion.

Nusantara Opportunity Fund

"Rupiah Stability Has a Price Tag"

Bank Indonesia (BI) kept its 7-day reverse repo rate at 4.75% during the 17 December meeting, marking a third consecutive hold after cutting 150 bp since September 2024. Governor Perry Warjiyo emphasised that inflation, at

2.72% in November, remained well within the 1.5% – 3.5% target, giving room for further easing, but stressed that FX stability was the priority. BI also extended liquidity incentives for banks to lower lending rates. The central bank is signalling that policy transmission not headline rates is now key. As long as the rupiah remains fragile (down ~3% YTD in mid-December), rate cuts may be limited. For us that means focusing on companies with pricing power and minimal USD liabilities.

Indonesia's capital markets ended the year on a high note. The Jakarta Composite Index (JCI) closed at 8,646.94 on 30 December, capping a year of double-digit gains. Average daily transaction value reached Rp 18 trillion, surpassing the exchange's target. Market reforms, including free-float adjustments and a shift toward demutualisation, are slated for 2026. These reforms should broaden the investor base and improve liquidity. An improving market infrastructure provides a tailwind for Indonesian equities, but valuations near 12x forward earnings make stock selection critical.

Market participants view came in mixed. Consensus expects BI will cut rates two more times by mid-2026 due to benign inflation and moderate growth, but warns that fiscal uncertainty and currency weakness could limit the rally. JPMorgan remains overweight Indonesia within EM Asia, citing under-owned banks and consumer names, but cautions that falling coal prices may drag on earnings. Consensus is bullish but hedged and we share that view and are prepared to trim positions if fiscal discipline deteriorates or if global growth slows.

Frontier Founders Fund

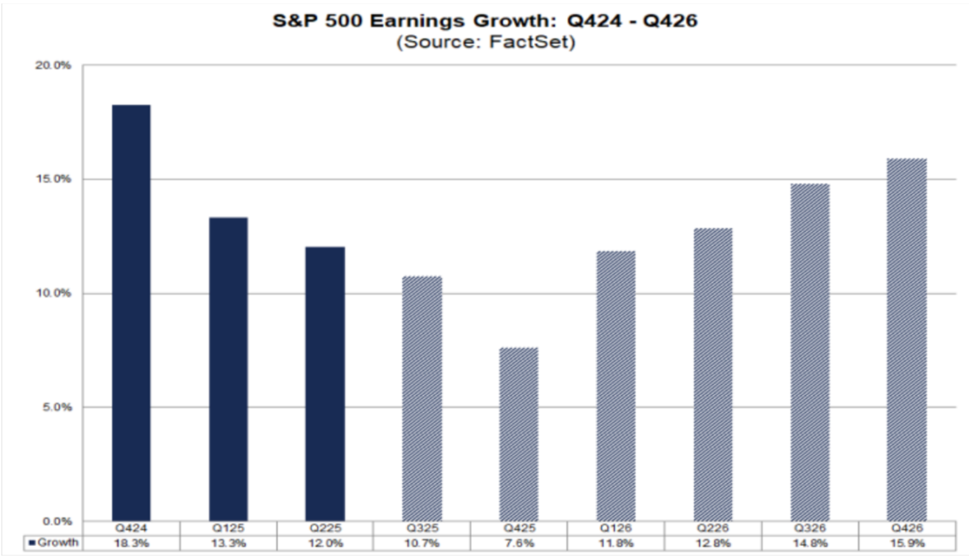
The macro backdrop remained noisy. The FOMC's December meeting cut the federal funds rate by 25 bp to 3.50%-3.75%, the third cut of 2025, but the accompanying statement and dot-plot suggested only one further cut in 2026. The committee noted that economic activity had moderated and job gains slowed. So, markets interpreted the decision as a hawkish cut, supportive near term but limiting future easing. Treasury yields fell slightly with the 10-year finishing 2025 near 4.1%, while the yield curve remained modestly steep. Moreover, the Fed has fallen well behind, as stubborn services inflation and accelerating unit labor costs continue to build pressure. So, if inflation re-accelerates, we should expect renewed volatility; thus we maintain duration hedges and avoid over-leveraging growth names.

Big banks like Goldman Sachs argued that U.S. equities will see mid-single-digit earnings growth in 2026 and that valuations, though elevated (forward P/E ~23x), are justifiable given structural tailwinds from AI and productivity gains. On the other hand, some also expects earnings to stall as margin expansion fades and forecasting a 10% correction if wage growth remains elevated. Our view is trailing consumption remained strong and the Atlanta Fed's GDPNow pointed to 3.6% Q4 growth, but consumer confidence stayed depressed and inventory build masked underlying weakness.

Aknia's Synthesis
December's dip looked more like a reset than a regime change. The parts of the market most exposed to AI

enthusiasm had moved ahead of fundamentals and needed time to digest gains. The more important development is breadth: performance is no longer concentrated in a tiny cluster of names, and recent revenue delivery has been healthier than feared across a large share of companies.

The main risk we see is forward expectations. 2026 earnings assumptions are starting to look demanding, leaving less margin for error if growth cools or pricing power fades. In financials, the rebound has been strong but our base case is that credit will matter more in early 2026, as lending standards tighten and “non-obvious” credit exposure becomes a source of dispersion. Moreover, revenue breadth remained strong where 83 % of companies beat revenue expectations in Q3 but warned that consensus 2026 EPS estimates looked aggressive.



Source: Nasdaq, FactSet

We continue to bias toward quality and balance-sheet durability, and we stay selective in financials by prioritising franchises with clean underwriting and transparent credit risk.

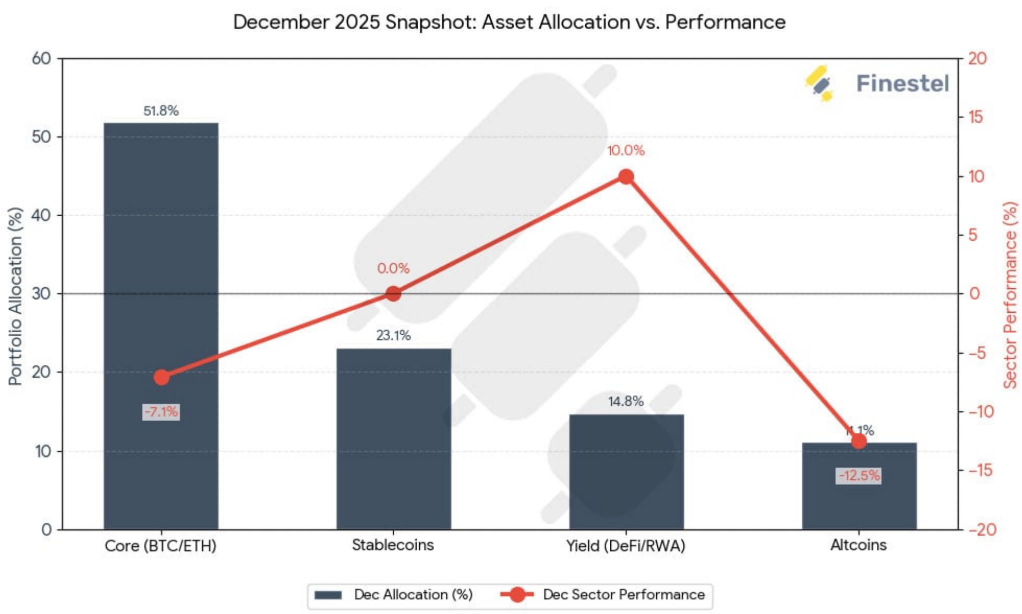
Global Sentiments

Sentiments has leaned cautious overall, with positioning closer to defensive than aggressive. The recurring pattern is don’t chase a late-stage rally, assume liquidity can fade, and treat cash as an intentional position. At the same time, we’re seeing growing conviction that leadership is broadening beyond mega-cap AI, with healthcare and industrials increasingly framed as the next beneficiaries particularly on pullbacks. Thus, we treat this as a sentiment/positioning input (not a fundamental signal). Practically, it supports a playbook of staying invested, avoiding chase behaviour, keeping optionality via cash, and using hedges selectively when the market becomes one-sided.

Chain Catalyst Fund

December delivered a $910 billion crash in crypto market capitalisation. Bitcoin began the month around $94,000 but fell 6.4% to end at ~$88,000. The drop was not steady, BoJ rate-hike fears drove an early sell-off to $83,800, a pre-FOMC relief rally lifted BTC back near $94,500, but hawkish Fed projections and thin year-end liquidity triggered a final leg down. Ethereum fell 7.8% to $2,970, while Solana and Avax slipped 4.2% and 3.5%, respectively. The total market cap contracted from ~$3.91 trillion to $3.00 trillion with trading volumes dropped 18%, with perpetual futures accounting for 68% of activity, indicating speculative dominance. Bitcoin dominance climbed from 58% to 61.2% as investors fled altcoins. It's noted that ETP investors reduced holdings, while digital-asset treasuries purchased 42,000 BTC which is the largest buy since mid-2025 amid falling fees and declining hash rate. Institutional accumulation provides a floor, but until ETF inflows return (they net sold $3.4 billion in December), rallies will be fragile.

The FOMC's hawkish projections limited risk appetite, while the Bank of Japan's rate hike on 19 December unwound popular yen carry trades, sparking cross-asset deleveraging. Privacy and AI tokens bucked the trend thanks to specific catalysts: $NIGHT rallied 45% on regulatory tailwinds and a collaboration with Midnight, $TAO gained 25% on its halving event and Grayscale listing, and $ZBT jumped 67% on South Korean inflows. Our exposure to alternative themes like AI tokens continues to add alpha when mainstream assets falter, thus we will maintain selective positions.



Source: Finestel

Aknia's view

December's volatility looked constructive rather than worrying, a washout that helped clear excess leverage and reset positioning into 2026. Two signals stood out for us:

- Volatility & macro sensitivity: BTC's 30-day realised volatility moved up toward ~32%, and the BTC-Nasdaq relationship stayed elevated (around ~0.7), reinforcing that crypto is still trading as a macro risk asset rather than a standalone diversifier in the short term.
- On-chain activity vs. price: We saw encouraging signs of real usage building on L2 ecosystems, with aggregate TVL improving on major rollups despite weaker token prices. That divergence typically suggests underlying activity is healthier than sentiment.

Market positioning & sentiment

Across market participant views, the dominant tone was cautious but pragmatic which are focus on fundamentals, avoid chasing, and treat volatility as both a risk and an opportunity.

- Quality over hype: After the flush, the market narrative shifted back to cash flows and real users. We added to core positions and avoided low-quality momentum trades.
- Macro still matters: With policy tone still hawkish and cross-asset correlations high, crypto hasn't behaved like a clean "macro hedge." We held back dry powder and waited for clearer disinflation confirmation before re-deploying size.
- Monetising volatility: With realised vol elevated, we selectively harvested yield by writing calls on a portion (~5%) of BTC and ETH exposure to cushion downside and smooth the equity curve.

Holdings snapshot and strategy

During December we took several tactical actions, we added a small AI token (TAO) position after its halving event and listing catalysts; we trimmed Hyperliquid (HYPE) early in the month as perpetual volumes declined 18%; and we wrote covered calls on Bitcoin and Ethereum to generate yield and cushion downside volatility. We also increased our stablecoin and cash allocation to manage liquidity risk.

Without month-end attribution, our focus shifts to risk management and opportunity rather than P&L. High beta to macro means crypto is a tactical asset class; thus we base our allocation decisions on on-chain adoption metrics, liquidity conditions and regulatory developments. For example, if ETF inflows turn positive for two consecutive weeks or if Layer-2 total value locked surges, we will increase exposure to high-growth tokens by 5%. Conversely, if Bitcoin breaks below $80,000 without institutional support, we will raise cash and reduce altcoin risk. So, disciplined sizing and clear triggers allow us to navigate extreme volatility without relying on incomplete performance data.

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Cross-Asset Synthesis

December underscored how global liquidity pulses can synchronise or diverge across asset classes. The Fed cut rates but communicated caution, Bank Indonesia maintained its rate but signalled that more easing is possible, and the Bank of Japan stunned markets by raising rates. The U.S. government shutdown ended, allowing data releases to resume, yet consumers remained cautious. Emerging markets like Indonesia benefited from domestic liquidity and market reforms, while U.S. equities faced profit taking after a torrid year. Crypto, caught between macro and micro narratives, sold off sharply. Overall, cross-asset correlations remain high but drivers differ; our diversified, scenario-based approach is essential.

Closing Statement

December taught me that markets can pivot sharply on policy nuance and that liquidity is fickle. We reject the consensus belief that the Fed's December cut marks a straight path to sustained easing; the hawkish dot-plot and sticky inflation make further cuts contingent on data. So, we will not chase high-beta names until wage and inflation trends confirm a disinflationary path. Conversely, we reluctantly accept that AI adoption is broadening and becoming embedded in healthcare and industrials; we hedge this belief by limiting position sizes and owning insurance via puts.

The single highest-conviction idea we carry into 2026 is that selective emerging-market equities particularly Indonesia offer attractive risk-adjusted returns because valuations are reasonable, domestic liquidity is strong and structural reforms are underway. Thus, we will maintain an overweight on Indonesia, but we will monitor currency, fiscal discipline and credit growth carefully. A break in any of those indicators will prompt us to cut exposure. In U.S. equities, we favour quality growth with secular tailwinds and maintain hedges. In crypto, we remain long core Bitcoin but will add to AI and privacy tokens selectively when risk premium compensates for volatility.
