

Investment Updates

January 12, 2009

Allianz Life Indonesia

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Dear Policyholders,

The month of December saw that markets rallied to end the year for the final push after a very tumultuous year. Is this just a temporary relief or the start of another rally? Market analysts seems to be divided on that.

Major news for December are focused mainly on Madoff, a founder of a New York hedge fund firm being accused of running giant ponzi scheme (using new investor's money to pay off existing investor's money). It is estimated that about USD 50 billions worth of investor funds were lost by the 70 year old.

The US Government finally approved a USD 13.4 billion in government loan to be given to General Motors and Chrysler in an effort to save them.

Market headlines are full of news of major layoffs and expense cutting from around the world that contributes to the global uncertainties

Overall, the market performance has been:

2008 Year End Performances						
	Asia Ex Japan	BRIC	US	US Non Financials	Japan	Europe
Jan - Dec 2008	-53.30%	-54.96%	-38.49%	-41.89%	-42.12%	-45.89%
Dec 2008	8.75%	5.15%	0.78%	2.18%	4.08%	0.54%

* BRIC – Brazil, Russia, India and China

Some events happening in Indonesia:

Money Markets

- The Bank Indonesia has started to reduce interest rates (BI Rate currently at 8.75%) and analysts are still expecting a further slight reduction in interest rates in 2009.
- Though this will push down deposit yields, the general uncertainty in market conditions for 2009 will push investors into safe instruments such as money markets.

Fixed Income

- Bank Indonesia has started to cut interest rates, thus we are beginning to see bond prices going up
- The rise in bond prices are usually followed by profit taking actions by the investors due to their belief that the market will likely trade in ranges in the foreseeable future










Equities

- The equity market managed to end higher compared to the last few months with the JCI Index ending the year at 1355.4
- Market analysts are divided in their opinion over these but most attributed it to the "Santa Claus" effect in which market tends to rally at the end of the year. Analysts further cautioned that the uptrend seems unjustifiable and purely based on market sentiments. It remains to be seen to which market will go after this but most agreed that the market will be trading in ranges for the remainder of the year

Funds Strategy

- Money Market Fund – Overweight in time deposits
- Fixed Income Fund – Neutral with medium term duration
- Equity Fund – Neutral in equity
- Balanced Fund – Underweight in equity, neutral in time deposits, and moving towards fixed income
- USD Managed Fund – Neutral with no change in weighting
- For further details, please review the monthly fund fact sheets

Summary Result for December 2008

Fund	1 mth	1 year	CAGR	Short Term Outlook	Medium Term Outlook
Money Market Fund	0.78%	6.41%	7.87%		
Fixed Income Fund	9.19%	-0.59%	8.67%		
Equity Fund	6.55%	-30.26%	-15.29%		
Balanced Fund	5.64%	-28.93%	9.19%		
USD Managed Fund	9.61%	-4.46%	4.45%		

Key Messages about Allianz Group:

- Allianz has a leading position in major markets, **strong operating performance** in insurance and asset-management and is currently in a strong capital position.
- Allianz has a **diversified portfolio** by geography and segment, which makes us less vulnerable to shocks and cycles in individual markets.
- Allianz has very **favorable ratings** by the three international leading rating agencies Standard & Poor's (AA), Moody's (Aa3) and AM Best (A+) with Stable outlook on all entities from these agencies.
- Constant and continuing **transparency** about the Group's limited exposure to subprime. Virtually no subprime/toxic assets in our insurance investments.

About Allianz Life Indonesia

- PT Asuransi Allianz Life Indonesia is posting a solid financial performance.
- Our Risk Based Capital (RBC) ratio by the end of 3rd quarter 2008 is positioned at 248%, far above the government's minimum regulation of 120%. This reflects the prime financial condition that we are in to fulfill our obligations to our policyholders.
- To date, we are still experiencing net subscription of premium into our Unit Linked funds.
- Allianz Life Indonesia always puts our customers' security as our top priority.
- We are strongly committed to the Indonesian market evidenced by our extensive sales & service network.
- Our local and regional investment team are constantly monitoring the financial market situation and we are working closely with Allianz Investment Management in Singapore and the Allianz Group.

About Allianz Unit Linked Policies

- Unit linked is a life protection product with a long term investment program.
- It is popular in the market due to its flexibility and transparency.
- It provides an opportunity to diversify policyholder's asset allocation.
- Policyholders should be reminded to balance their risk profile and their investment horizon with the funds that are selected.
- It is also recommended that the investments are made in a portfolio format instead of purely into one single fund.
- As life circumstances change in time, the asset allocation may differ for different life stages.

About Allianz Unit Linked Funds

- Allianz Life Indonesia's monthly fund fact sheets are available for download in our website after the 10th of the month.
- Please review the monthly fund fact sheets regularly and focus your attention to the Compounded Annual Growth Rate (CAGR) figure. This shows the average annual return that the fund performs since inception. In some years, the fund may be performing below or above the figure, but in average, the fund is performing at the CAGR
- As per best practices standards, all of our third party funds are held in custody with Standard Chartered Bank as an independent party. This is to ensure a distinct separation between assets of Allianz Life and third party funds.

Allianz Contact Person:

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