

Smartlink Rupiah Balanced Fund

June 2014


BLOOMBERG: AZRPBLF:IJ
INVESTMENT OBJECTIVE

The objective of this fund is to achieve conservative long term capital growth while earning more relatively stable income.

INVESTMENT STRATEGY

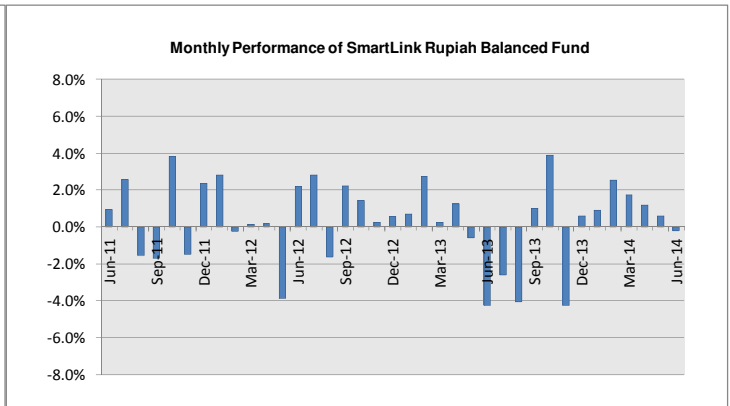
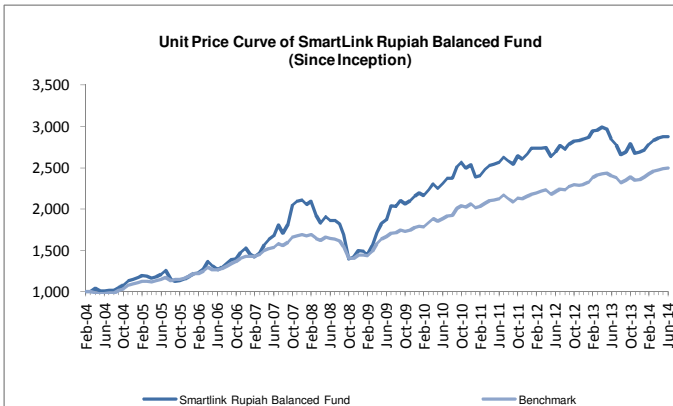
To achieve the investment objectives, this fund shall be invested with a target of 30% in short-term instruments (such as deposits, SBI, SPN, and / or money market mutual funds), 40% in medium or long term instruments (such as government bonds, corporate bonds, and / or fixed-income mutual funds), and 30% in equity instruments (either directly through stocks and / or through equity mutual funds).

PERFORMANCE INDICATOR

Return Performance		Portfolio Breakdown		Top Five Bonds Holding		Top Five Stocks Holding	
Last 1-year period	1.03%	Equity	30.30%	Obligasi Negara FR0070	2.40%	BANK CENTRAL ASIA	2.52%
Best Month	12.71% Oct-07	Mutual Fund-FI	34.90%	Obligasi Negara FR0071	1.69%	TELEKOMUNIKASI	2.46%
Worst Month	-17.27% Oct-08	Cash/Deposit	34.80%	Obligasi Negara FR0058	1.52%	BANK MANDIRI	2.21%
				Obligasi Negara FR0061	1.34%	ASTRA INTERNATIONAL	2.12%
				Obligasi Negara FR0066	1.32%	BANK RAKYAT INDONESIA	2.06%

	1 Month	3 Months	6 Months	1 Year	3 Years	YTD	Since Inception
Smartlink Rupiah Balanced Fund	-0.19%	1.60%	6.96%	1.03%	12.10%	6.96%	187.41%
Benchmark*	0.19%	1.54%	5.74%	3.59%	17.32%	5.74%	149.29%

* 30% Jakarta Composite Index (JCI) & 70% average time deposit (3 months) from Mandiri, BNI, BTN, Danamon, and CIMB Niaga


KEY FUND FACTS

Fund Size (in bn IDR) : IDR 2,464.52
Risk Profile : Moderate Investor
Launch Date : 08 Mar 2004
Fund Currency : Indonesian IDR
Managed by : PT. Asuransi Allianz Life Indonesia

Pricing Frequency : Daily
Price per Unit : *Bid* : IDR 2,730.40 *Offer* : IDR 2,874.11
(As of June 30, 2014)
Bid-Offer Spread : 5.00%
Management Fee : 2.00% p.a

MANAGER COMMENTARY

Central Bureau Statistics of Indonesia (BPS) announced inflation in June at 0.43% mom (vs consensus 0.47%, inflation 0.16% in May) caused by higher food ingredients, processed food, beverages, and tobacco prices while direct impact of May's electricity tariff hike was limited as it only involved high-end household customers. However, starting July, the impact may increase as mid-size households will also see tariff hikes averaging 9% every two months. On yearly basis, inflation printed at 6.70% yoy (vs consensus 6.79%, 7.32% in May). Core inflation rose to 4.81% yoy (vs consensus 4.80%, 4.66% in May). In the Board of Governors' Meeting on Jun 12th, 2014, BI maintained its reference rate at 7.5%, Lending Facility at 7.5%, and the deposit facility rate (FASBI) at 5.75%. Rupiah depreciated against USD by -3.08% to 11,969 at end of June compared to previous month 11,611. Trade balance was surplus +70mn USD (non-oil and gas surplus 1.4mn, oil and gas deficit -1.33mn USD) in May (vs consensus deficit -100mn USD, deficit -1.962bn USD in Apr). Export decreased by -8.11% YoY mostly driven from vehicles and parts. While imports decreased by -11.43% YoY.

IDR government bond yield curve closed higher across all tenor in June on the back of: 1. higher oil prices due to ongoing conflict in Iraq, 2. Rupiah depreciation, 3. Political uncertainty (due to increasing tight competition between Jokowi and Prabowo), 4. Concerns over 2014's revised budget (the possibility for the additional IDR60-70Tn financing for this year). Offshore accounts increased their holding by IDR 6.43Tn in June 2014 (+1.62% mom), from IDR 397.16Tn as of May 30, 2014 to IDR 403.59Tn as of Jun 30, 2014, which brought their holding to 35.66% of total outstanding tradable government bond (from 35.72% in the previous month). The 5Y yield June was higher by +16bps to 7.83% (7.67% in May 2014), 10Y tenor higher by +16bps to 8.22% (8.06% in May 2014), 15Y tenor higher by +12bps to 8.66% (8.54% in Mei 2014) and 20Y tenor higher by +29bps to 8.91% (8.62% in May 2014).

The JCI (Jakarta Composite Index) closed lower in June at 4,878.58, declining by -0.31% MoM. Large cap stocks including TLKM, BMRI, INCO, EXCL, and PWON saw notable losses, all of which fell by -4.27%, -4.42%, -9.20%, -6.85%, and -14.46% MoM respectively. There were also movers that supported the index which includes ASII, SCMA, KLBK, BBKA, and UNTR appreciated by +2.83%, +13.09%, +7.79%, +2.09%, and +6.57% MoM respectively. Investors have been largely absent from the market over the last month, where foreign flows decreased to US\$229.7mn (vs. US\$706.6mn in May-14) in view of the presidential election and its uncertainty over the outcome. The election remains a key focus for investors, foreign in particular, as investors typically view a Jokowi win as favorable and Prabowo win would be seen as a negative. Given the fact that more and more reports to suggest that the election will be a tight race between the two presidential candidates, Investors became cautious and decide to simply wait for the outcome of the post-election quick count results. Aside from politics, Indonesia's macro indicators are also of concern as inflation pressure is not expected to ease in near future as there are progressive bi-monthly electricity tariff hike and a combination of weaker rupiah and higher oil prices are also in the horizon. Hence a scenario of worsening trade balance and slower economic growth should not be ruled out. Sector wise, the Property Sector was the worst performing sector this month where it fell -6.47% MoM. BKSL (Bukit Sentul) and BEST (Bekasi Fajar) fell -27.89% and -16.44% MoM respectively. This was followed by the Mining Sector that fell by -4.55% MoM, which was driven by BUMI (Bumi Resource) and TINS (Timah) which fell by -15.00% and -11.58% MoM respectively. On the other hand, the Trading and Distribution Industry Sector was the best performing this month which advanced +3.39% MoM, driven by BRMS (Bumi Resources Mineral) and SCMA (Surya Citra Media) rose by +25.65% and +13.09% MoM respectively.

Disclaimer:

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