

Smartlink Rupiah Balanced Fund

May 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

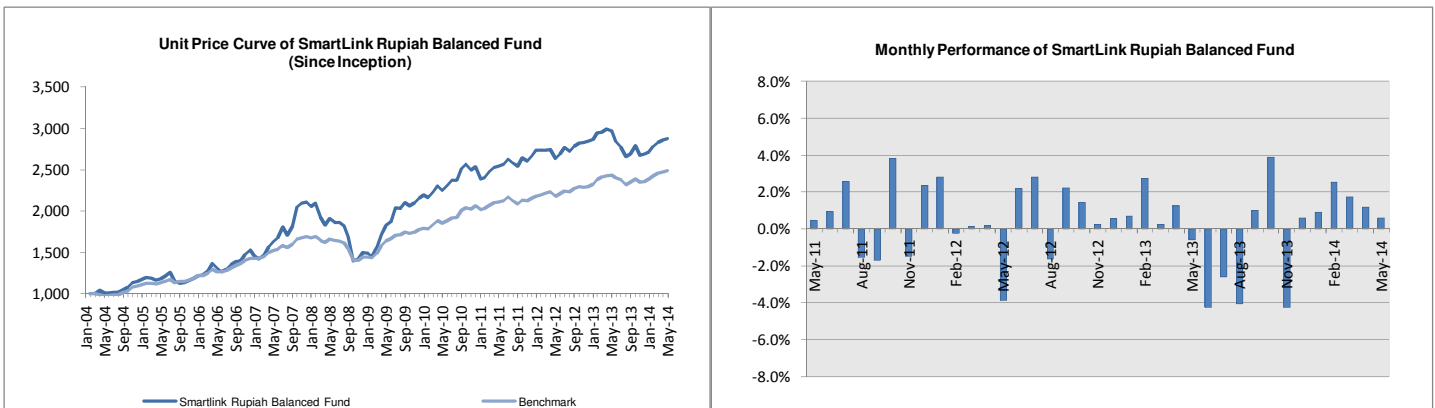
To achieve the investment objectives, this fund shall be invested with a target of 30% in short-term instruments (such as deposits, SBI, SPN, and / or money market mutual funds), 40% in medium or long term instruments (such as government bonds, corporate bonds, and / or fixed-income mutual funds), and 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	-3.09%	Equity	29.77%	Obligasi Negara FR0070	2.40%	TELEKOMUNIKASI	2.51%
Best Month	12.71% Oct-07	Mutual Fund-FI	35.42%	Obligasi Negara FR0071	1.69%	BANK CENTRAL ASIA	2.32%
Worst Month	-17.27% Oct-08	Cash/Deposit	34.81%	Obligasi Negara FR0058	1.59%	BANK MANDIRI	2.26%
				Obligasi Negara FR0061	1.33%	ASTRA INTERNATIONAL	2.03%
				Obligasi Negara FR0066	1.31%	BANK RAKYAT INDONESIA	1.89%

	1 Month	3 Months	6 Months	1 Year	3 Years	YTD	Since Inception
Smartlink Rupiah Balanced Fund	0.61%	3.57%	7.79%	-3.09%	13.35%	7.17%	187.96%
Benchmark*	0.61%	2.56%	5.92%	2.06%	17.87%	5.53%	148.80%

* 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 2,478.75
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 2,735.60 *Offer* : IDR 2,879.58
(As of May 30, 2014)
Bid-Offer Spread : 5.00%
Management Fee : 2.00% p.a

MANAGER COMMENTARY

Central Bureau Statistics of Indonesia (BPS) announced inflation in May at 0.16% mom (vs consensus 0.14%, deflation -0.02% in Apr) caused by higher processed food, housing and utilities prices. On yearly basis, inflation printed at 7.32% yoy (vs consensus 7.30%, 7.25% in Apr). Core inflation rose to 4.82% yoy (vs consensus 4.77%, 4.66% in Apr) on the back of increasing demand of air and train transportation ahead the school's holiday and Moslem's fasting month and 'Idul Fitri' celebration as well Rupiah depreciation. In the Board of Governors' Meeting on May 8th, 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 -0.68% to 11,611 at end of May compared to previous month 11,532. Trade balance was deficit -1.962bn USD (non-oil and gas deficit 902mn, oil and gas deficit 1.06bn USD) in April (vs consensus surplus +0.178bn USD, surplus +0.673bn USD in Mar). Export decreased by -3.16% YoY, while imports decreased by -1.26% YoY. Foreign reserves in May increased by +1.4bn USD (+1.33% MoM) from USD 105.6bn in April to USD 107bn in May.

IDR government bond yield curve closed higher across all tenor in May. Negative sentiment came from lower 1Q14 GDP Result (5.21% YoY vs consensus 5.59% YoY), higher debt supply as government revises budget deficit, news about the possibility of fixed fuel subsidies may apply as well Rupiah depreciation. Political uncertainty emerged on the back of tight competition between two running presidential candidates. Government is proposing budget revision to parliament, which cause higher deficit assumption of 2.5% GDP or IDR 251.7Tn from Current budget hold assumption of budget deficit of 1.7% GDP or IDR 175.4 Tn. The difference would be filled by additional financing (additional bond issuance of around IDR 70-75Tn is possible). Offshore accounts increased their holding by IDR 20.16Tn in May 2014 (+5.35% mom), from IDR 377Tn as of April 30, 2014 to IDR 397.16Tn as of May 30, 2014, which brought their holding to 35.72% of total outstanding tradable government bond (from 34.59% in the previous month). The 5Y yield May was higher by +5bps to 7.69% (7.64% in Apr 2014), 10Y tenor higher by +9bps to 8.06% (7.97% in Apr 2014), 15Y tenor higher by +10bps to 8.54% (8.44% in Apr 2014) and 20Y tenor higher by +5bps to 8.62% (8.57% in Apr 2014).

The JCI (Jakarta Composite Index) closed slightly higher in May at 4,893.91, appreciating by +1.11% MoM. Several stocks including TLKM, BMRI, BBRI, TBIG, and SILO saw notable appreciation, all of which appreciated by +13.69%, +3.56%, +3.03%, +18.08%, and +36.36% MoM respectively. Politics wise, preliminary polls suggests that the race for presidency is going to be tight between the two presidential candidates which in turn creates uncertainty on who will govern the country for the next 5 years. Net buying flows slowed to US\$706.6mn (-7.63% MoM). That aside and looking into fundamentals, investors seemed less upbeat on concerns that slower economic growth is more than likely. So far 1Q14 GDP growth has been modest at 5.2% YoY which is slower than what investors had predicted at 5.6%. Partially the export ban is having a short term negative impact on growth. In addition to this, trade balance is expected to seasonally worsen in 2Q resulting from higher imports as we head towards the fasting Ramadan month. Sector wise, the Infrastructure Sector was the best performing sector this month where it appreciated +6.53% MoM, WINS (Wintermar Offshore) and TBIG (Tower Bersama) posted +19.80% and +18.08% MoM gains respectively. This was followed by the Mining Sector that appreciated by +4.71% MoM, which was driven by ESSA (Esa Surya Perkasa) and MEDC (Medco International) which rose +28.65% and +18.18% MoM respectively. On the other hand, the Miscellaneous Industry Sector was the worst performing this month which fell by -3.76% MoM, driven by AUTO (Astra Otoparts) and ASII (Astra International) falling by -5.63% and -4.71% MoM respectively. Potential higher cost from electricity tariff and slower 2W and 4W demand towards fasting month have brought down sentiments towards the respective names.

Disclaimer:

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