

Smartlink Rupiah Balanced Fund

July 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

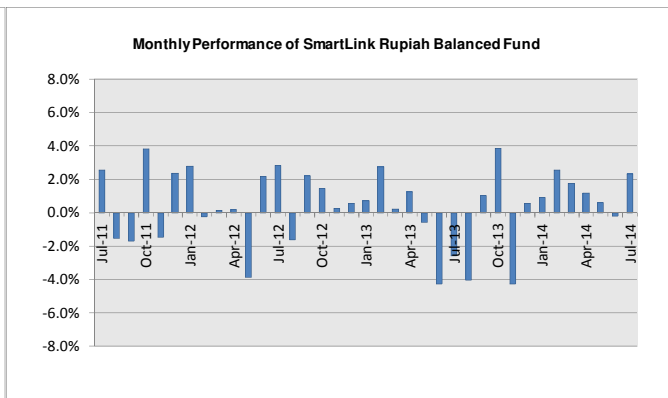
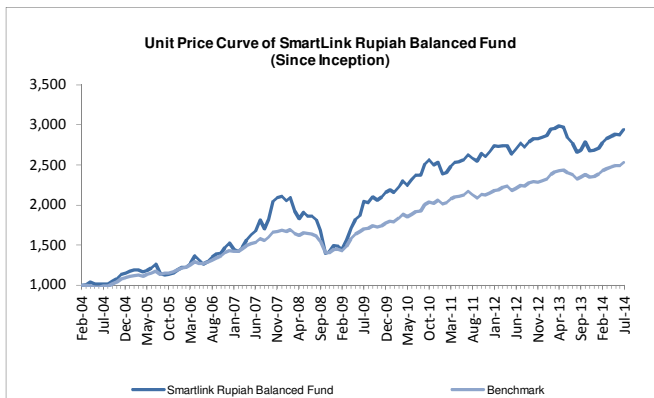
To achieve the investment objectives, this fund shall be invested with a target of 30% in short-term instruments (such as deposits, SBI, SPN, and / or money market mutual funds), 40% in medium or long term instruments (such as government bonds, corporate bonds, and / or fixed-income mutual funds), and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

PERFORMANCE INDICATOR

<u>Return Performance</u>		<u>Portfolio Breakdown</u>	<u>Top Five Bonds Holding</u>	<u>Top Five Stocks Holding</u>
Last 1-year period	6.12%	Equity	30.16% Obligasi Negara FR0070	2.56% TELEKOMUNIKASI
Best Month	12.71% Oct-07	Mutual Fund-FI	34.94% Obligasi Negara FR0071	1.83% BANK CENTRAL ASIA
Worst Month	-17.27% Oct-08	Cash/Deposit	34.90% Obligasi Negara FR0068	1.60% ASTRA INTERNATIONAL
			Obligasi Negara FR0058	1.52% BANK MANDIRI
			Obligasi Negara FR0061	1.32% BANK RAKYAT INDONESIA

	1 Month	3 Months	6 Months	1 Year	3 Years	YTD	Since Inception
Smartlink Rupiah Balanced Fund	2.32%	2.74%	8.47%	6.12%	11.84%	9.44%	194.08%
Benchmark*	1.55%	2.37%	6.03%	6.33%	16.67%	7.38%	153.15%

* 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 2,523.26
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 Offer
(As of July 25, 2014)	: IDR 2,793.75 IDR 2,940.79
Bid-Offer Spread	: 5.00%
Management Fee	: 2.00% p.a

MANAGER COMMENTARY

Central Bureau Statistics of Indonesia (BPS) announced inflation in Jul at 0.93% mom (vs consensus 0.82%, 0.43% in Jun) caused by higher food ingredients, processed food, beverages, and tobacco prices, as well as increasing impact of the July's electricity tariff hike for mid-size households – averaging 9% every two months. On yearly basis, inflation printed at 4.53% YoY (vs consensus 4.40%, 6.70% in Jun) as the base effect on the back of last year's June fuel price increase has diminished. Core inflation fell to 4.64% YoY (vs consensus 4.80%, 4.81% in Jun). In the Board of Governors' Meeting on Jul 10th, 2014, BI maintained its reference rate at 7.5%, Lending Facility at 7.5%, and the deposit facility rate (FASBI) at 5.75%. Rupiah appreciated against USD by +3.16% to 11,591 at end of Jul compared to previous month 11,969. Trade balance was deficit -0.31bn USD (non-oil and gas surplus +0.30bn, oil and gas deficit -0.60bn USD) in Jun (vs consensus deficit -0.39bn USD, surplus +0.07bn USD in May). Export increased by +4.45% YoY mostly driven from jewelry, while imports increased by +0.54% YoY.

IDR government bond yield curve flattened in July on the back of Jokowi-JK victory over Prabowo-Hatta in Presidential Election which inline with most of quick count results (7 out of 11 polls) and General Elections Commission (KPU) final result. Negative sentiment came from the declaration of Merah-Putih permanent coalition from Prabowo-Hatta side and also KPU been reported by Prabowo to the Constitutional Court (MK) for several accused fraud in the election process. Negative sentiments also came from fuel subsidy cuts (10% gasoline and 20% diesel) will be adapted gradually starting August and impact from the raw mineral export ban such as unprocessed metals and minerals – which started in January. Starting on Aug 4th, sales of subsidized diesel will only be allowed between 8 am to 6 pm at all Pertamina gas stations in Java, Sumatera, Kalimantan, and Bali, except for those on important logistic routes. Pertamina gas stations located on toll roads will as of Aug 6th stop selling Premium gasoline, instead offering only Pertamax fuel series. And also, Pertamina gas stations located in Central Jakarta will no longer sells subsidized diesel. Government plans to issue 96bn Rupiah bonds on 3Q14. Offshore accounts increased their holding by IDR 14.67Tn in July 2014 (+3.63% mom), from IDR 403.59Tn as of June 30, 2014 to IDR 418.26Tn as of July 31, 2014, which brought their holding to 36.33% of total outstanding tradable government bond (from 35.66% in the previous month). The 5Y yield Jul was higher by +3bps to 7.86% (7.83% in Jun 2014), 10Y tenor lower by -18bps to 8.04% (8.22% in Jun 2014), 15Y tenor lower by -17bps to 8.49% (8.66% in Jun 2014) and 20Y tenor lower by -23bps to 8.68% (8.91% in Jun 2014).

The JCI (Jakarta Composite Index) appreciated in July, advancing by +4.31% MoM to close at 5,088.81 for the month. Large cap stocks including BBRI, TLKM, ASII, BBCA, and BMRI posted respectable gains, all of which rose by +8.47%, +7.51%, +6.19%, +5.45%, and +5.40% MoM respectively. On the flip side, there were tickers that dragged the index, which includes BMTR, BDMN, AALI, MNCN, and SIMP falling by -9.65%, -7.00%, -5.24%, -5.25%, and -11.39% MoM respectively. Political condition in the country remains to be under control despite the Prabowo-Hatta band camp announcing that they will appeal to constitutional court after the Election Committee declaring Jokowi-Jusuf Kalla as the winner of the president and vice president election on 22nd Jul 2014. Jokowi led with 53.12% of total votes while Prabowo-Hatta grabbed 46.88% of total votes. The Jokowi-JK band camp won by 6.24% or the equivalent of 8mn people. Foreign Investors reacted positively on the election result which resulted in booking a net inflow of US\$ 1.1bn. The additional net inflow brought the YTD 2014 foreign inflows to US\$4.4bn which was a historical high over the last decade. Sentiments continue to be favorable however broad market valuations on most tickers have become more expensive since earnings expectations are not expected to change significantly in the near term. Sector wise, the Property Sector was the best performing sector this month where it appreciated +12.53% MoM. BEST (Bekasi Fajar) and CTRA (Ciptura Development) rose +39.81% and +24.86% MoM respectively. This was followed by the Basic Industry Sector that posted +7.09% MoM gain, driven by INTP (Indocement) and SMGR (Semen Gresik) which appreciated by +10.64% and +9.95% MoM respectively. On the other hand, the Agriculture Sector was the worst performing this month which lost -5.84% MoM, laggards includes SIMP (Salm Ivomas) and LSIP (London Sumatera) which fell by -11.39% and -9.29% MoM respectively. Lower CPO price to MYR 2,345.5/ton (-5.58% YoY) on the back of higher CPO production seasonality and higher probability of el-nino that being delayed.

Disclaimer:

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