

Smartlink Rupiah Balanced Fund

May 2015

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

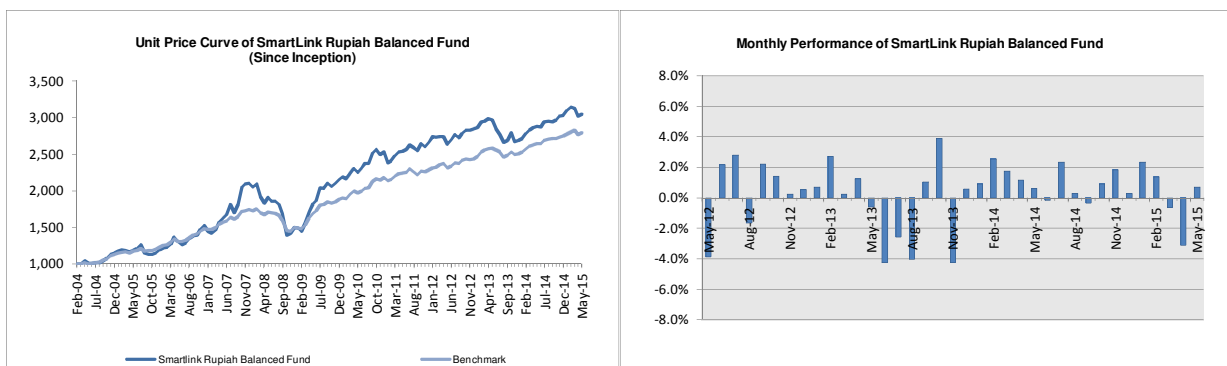
To achieve the investment objectives, this fund shall be invested with a target of 30% in short-term instruments (such as deposits, SBI, SPN, and / or money market mutual funds), 40% in medium or long term instruments (such as government bonds, corporate bonds, and / or fixed-income mutual funds), and 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	5.77%	Equity	31.47%	Obligasi Negara FR0068	3.46%	BANK CENTRAL ASIA	2.60%
Best Month	12.71% Oct-07	Mutual Fund Fixed Income	35.60%	Obligasi Negara FR0070	3.46%	UNILEVER INDONESIA	2.56%
Worst Month	-17.27% Oct-08	Cash/Deposit	32.93%	Obligasi Negara FR0071	3.00%	TELEKOMUNIKASI	2.53%
				Obligasi Negara FR0058	1.81%	BANK RAKYAT INDONESIA	2.14%
				Obligasi Negara FR0065	1.48%	ASTRA INTERNATIONAL	2.13%

	1 Month	3 Months	6 Months	1 Year	3 Years	YTD	Since Inception
Smartlink Rupiah Balanced Fund	0.69%	-3.06%	0.85%	5.77%	15.55%	0.56%	204.58%
Benchmark*	1.06%	-0.30%	2.37%	5.89%	20.76%	1.58%	179.65%

* 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 2,448.97	Pricing Frequency	: Daily
Risk Profile	: Moderate Investor	Price per Unit	Bid
Launch Date	: 08 Mar 2004	(As of May 29, 2015)	: IDR 2,893.48
Fund Currency	: Indonesian IDR	Bid-Offer Spread	: 5.00%
Managed by	: PT. Asuransi Allianz Life Indonesia	Management Fee	: 2.00% p.a
			Offer
			: IDR 3,045.77

MANAGER COMMENTARY

Central Bureau Statistics of Indonesia (BPS) announced inflation in May 2015 at 0.50% mom (vs consensus 0.40%, inflation 0.36% in Apr 2015) which mostly were caused by higher food ingredients, processed food and tobacco prices. On yearly basis, inflation printed at 7.15% YoY (vs consensus 7.01%, 6.79% in Apr 2015). Core inflation printed at 5.04% YoY, unchanged from previous month (vs consensus 5.06%, 5.04% in Apr 2015). In the Board of Governors' Meeting on May 19th, 2015, Bank Indonesia maintained its reference rate at 7.50%, Lending Facility at 8.0%, and also facility rate (FASBI) to 5.50%. Rupiah depreciated against USD by -2.12% to 13,211 at end of May compared to previous month 12,937. Trade balance was surplus +0.45bn USD (non-oil and gas surplus 1.33bn, oil and gas deficit 0.88bn USD) in Apr 2015. Export decreased by -8.46% YoY mostly driven from export in mineral fuel, while imports decreased -22.31% YoY. FX Reserves slightly decreased -0.1bn USD from 110.87bn USD in Apr 2015 to 110.77bn USD in May 2015 (can cover 7.1 months import or 6.8 months import and offshore government loan payment). The government issuance of \$2 billion global sukuk added to the reserves, however the gain was offset when Bank Indonesia used reserves to repay offshore government loans and to defend the rupiah in the foreign-exchange market.

IDR government bond yields closed higher across all tenor in May 2015 on the back of market sell-off due to the effect of economy data results such as slower economic growth and currency weakened; despite of better than expected April's trade balance. Negative sentiment also came from global news such as fear on Greece's debt problem and UST sell-off. While positive sentiment came from unchanged BI reference rate and S&P outlook released as well as Bank Indonesia's reverse auctions. BI conducted reverse auction to support the market:

1. From total bid IDR 3.5tn on May 8, BI awarded IDR 2.3tn
2. From total bid IDR 5.89tn on May 12, BI awarded IDR 3tn
3. From total bid IDR 5.36tn on May 13, BI awarded IDR 2.665tn

Indonesia's credit outlook was changed to positive from stable by Standard & Poor's rating agency. The reason behind it was the improvement in fiscal and monetary framework. S&P stated that the greater policy effectiveness and predictability have resulted on expanded fiscal and reserve buffers, which improves Indonesia's external resilience. Offshore accounts increased their holding by IDR 6.31Tn in May 2015 (+1.24% MoM), from IDR 508.18Tn as of Apr 30, 2015 to IDR 514.49Tn as of May 29, 2015, which brought their holding to 38.39% of total outstanding tradable government bond (from 38.51% in the previous month). The 5Y yield May was higher by +37bps to 8.06% (7.69% in Apr 2015), 10Y tenor higher by +45bps to 8.17% (7.72% in Apr 2015), 15Y tenor higher by +34bps to 8.36% (8.04% in Apr 2015) and 20Y tenor higher by +30bps to 8.38% (8.08% in Apr 2015).

The JCI (Jakarta Composite Index) closed higher in May, rising +2.55% MoM to close at 5,216.38 for the month. Movers were TLKM, ASII, BBKA, BBNI, and AALI which rose +8.80%, +6.57%, +4.82%, +7.00% and +21.87% MoM respectively. Meanwhile the laggards were GGRM, MLBI, UNTR, BMTR, and GIAA which lost -5.80%, -25.72%, -5.14%, -16.77%, and -21.18% MoM respectively. Equity market rebounded last month despite lower macro indicators. IDR currency weakened 6.23% YTD to IDR 13,211/USD level, which was 17 year low with ongoing foreign outflows. Foreign investors saw increasing downside risk of the Indonesian economy as lower purchasing power could be prolonged. Weak commodity prices have reduced people's wallet size/income in outer Java which is highly dependent on the commodity related sector. Government spending will be the only growth driver in the short run, however the progress has been slow and potentially improve post the month of Ramadan which suggests lesser working hours. In summary, FY15 Govt. spending expectation may have slight shortfalls and lower purchasing power may suggest that the FY15 GDP growth target of 5.4% might be challenging. Sector wise, the Agriculture Sector was the best performing sector this month, rising by +15.56% MoM. BWPT (BW Plantation) and AALI (Astra Agro Lestari) were the movers; gaining by +59.13% and +21.87% MoM respectively. This was followed by the Basic Industry Sector that rose +7.36% MoM, contributed by ARNA (Arwana Citra Mulia) and MAIN (Malindo Feemill) rising by +29.81% and +29.07% MoM respectively. On the other hand, Trading and Distribution sectors was the worst performing sector this month, falling -0.70%. MSKY (MNC Sky Vision) and BMTR (Global Mediacom) were the laggards which fell -19.69% and -16.77% MoM respectively.

Disclaimer:

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