

Smartlink Rupiah Balanced Fund

May 2016

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

Last 1-year Period **2.69%**
 Best Month **12.71%** Oct-07
 Worst Month **-17.27%** Oct-08

Portfolio Breakdown

Equity **30.31%**
 Mutual Funds - Bonds **36.95%**
 Cash/Deposit **32.74%**

Top Five Bonds Holding

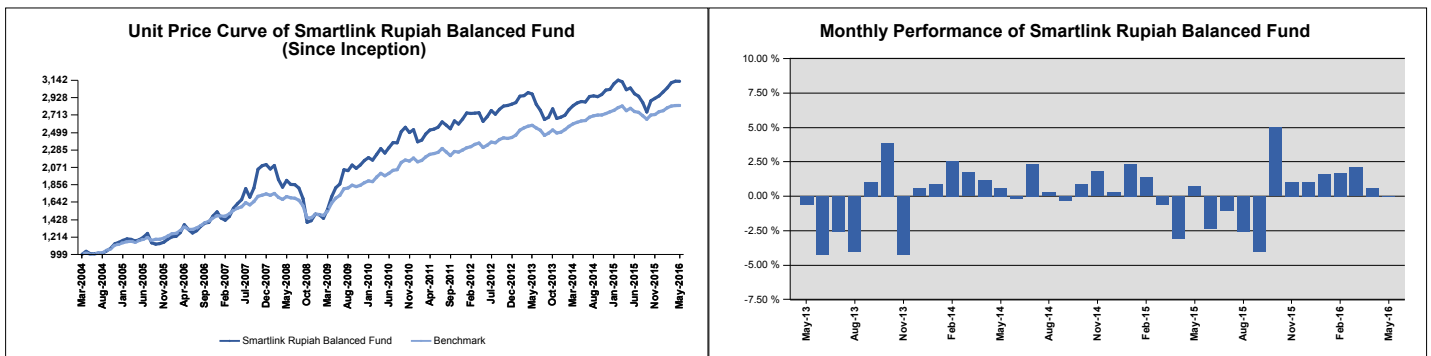
FR0070
 FR0056
 FR0071
 FR0068
 FR0053

Top Five Stocks Holding

3.76% Telekomunikasi Indonesia **3.16%**
2.98% Hanjaya Mandala Sampoerna **2.82%**
2.85% Bank Central Asia **2.58%**
2.61% Unilever Indonesia **2.25%**
2.05% Astra International **1.87%**

	1 Month	3 Months	6 Months	1 Year	3 Years	YTD	Since Inception
Smartlink Rupiah Balanced Fund	-0.05%	2.65%	7.16%	2.69%	5.27%	6.07%	212.77%
Benchmark*	0.04%	1.02%	4.09%	1.24%	9.42%	2.78%	183.12%

*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 2,459.49
Risk Profile : Moderate
Launch Date : 08 Mar 2004
Fund Currency : Indonesian Rupiah
Managed by : PT Asuransi Allianz Life Indonesia

Pricing Frequency : Daily
Price per Unit (As of May 31, 2016) : **Bid** IDR 2,971.33 **Offer** IDR 3,127.72
Bid-Offer Spread : 5.00%
Management Fee : 2.00% p.a.

MANAGER COMMENTARY

Central Bureau Statistics of Indonesia (BPS) announced May's inflation at 0.24% mom (vs consensus 0.2%, deflation 0.45% in Apr 2016) mostly were caused by higher food ingredients, process food and beverages prices. On yearly basis, inflation printed at 3.33% YoY (vs consensus 3.30%, 3.60% in Apr 2016). Core inflation printed at 3.41% YoY, unchanged from previous month (vs 3.41% in Apr 2016). In the Board of Governors' Meeting on May 19th, 2016, Bank Indonesia maintained its reference rate at 6.75%, Lending Facility at 7.25% as well as facility rate (FASBI) at 4.75%. LPS (Deposit Insurance Corporation for banks) announced to cut the insurance rate from 7.25% to 7.00% for period of 15 May 2016 to 14 September 2016. Rupiah depreciated against USD by -3.11% to 13,615 at end of May compared to previous month 13,204. Trade balance was surplus +0.67bn USD (non-oil and gas surplus +1.14bn USD, oil and gas deficit -0.47bn USD) in Apr 2016. Export decreased by -12.65% YoY mostly driven from export in jewelry, while imports decreased by -14.62% YoY. FX Reserves decreased 4.11bn USD from 107.71bn USD in April 2016 to 103.6 bn USD in May 2016 due to seasonally higher FX demand for payment needs, external govt debt payments and efforts to stabilize rupiah in line with fundamentals.

IDR government bond yields closed higher all across the curve in May 2016 on the back of market sell-off. Negative sentiment came from US FOMC minutes released which indicates higher probability that Fed will increase rate again in June 2016 and lower than expected Indonesia 1Q16 GDP result. Positive news came from Indonesia Government plan to abolish the tax on government bonds, however still needs to go to parliament first as well as expectation of Indonesia rating upgrade from S&P. From the political news, Golkar party regarding their decision to exit from opposition coalition gave positive sentiment the market. The government plans to eliminate taxes on discounted bonds both IDR and foreign denominated bonds. The plan will be included in the revision of Act (UU) No. 36/2008 on Income Tax (Pph). In the Government Regulation (PP) No. 16/2009 sets 2 types of taxes for bonds, they are:

1. 15% for domestic taxpayers and permanent establishments. While the final tax rate for govt bonds as mutual funds' underlying asset is applied in stages: 0% for 2009 to 2010; 5% for 2011-2020, 10% for 2021 onwards
2. 20% for offshore taxpayers those are non-permanent establishment entity.

Offshore accounts decreased their holding by IDR 4.21Tn in Apr 2016 (-0.67% MoM), from IDR 626.17Tn as of Apr 2016 to IDR 621.96Tn as of May 2016, which brought their holding to 38.28% of total outstanding tradable government bond (from 38.85% in the previous month). The 5Y yield May 2016 was higher by +11bps to 7.58% (7.47% in Apr 2016), 10Y tenor higher by +12bps to 7.87% (7.75% in Apr 2016), 15Y tenor higher by +15bps to 8.05% (7.90% in Apr 2016) and 20Y tenor higher by +16bps to 8.07% (7.91% in Apr 2016).

The JCI (Jakarta Index) closed lower in May, losing -0.86% MoM to close at 4,796.87 for the month. Laggards were HMSP, BMRI, INTP, SMGR, and ASII which fell -4.88%, -6.48%, -15.59%, -9.09%, and -1.86% MoM respectively. Meanwhile the movers were TLKM, ICBP, UNVR, BBNi, and TBIG which gained +4.70%, +6.06%, +1.23%, +4.69%, and +12.24% MoM respectively. Negative sentiment still lingered as weak macro economy numbers still looms. Foreign investors booked net outflow post weaker than anticipated 1Q16 GDP announcement of 4.92% YoY, which was below market expectation of 5.04%. Loan growth, serving as a main indicator on business activities, only reached 7.7% YoY in Apr-16. The lowest growth in the past 5 years. Tax revenue was discouraging as well, contracting by -10.6% YoY, worse than the same period last year of 0% YoY. Lower tax revenue caused the government cut their expenditure budget by IDR 50.2tn, mitigating wider budget deficit risks. Consequently, investors in general sold off. On a more positive note, government noted investors' concerns on slower growth risks in 2nd quarter whereby BI reacted by stating that they will start to issue monetary easing regulation through LTV relaxation and allowed pre-construction loan for 2nd and 3rd home buyers. Lower tax rate on personal income should also improve purchasing power on grass root level. Lastly, the success of tax amnesty program will be the key market catalyst as it would boost local business confidence and increase tax compliance over the longer term. Sector wise, the Basic Industry Sector was the worst performing sector this month, falling by -7.29% MoM. INTP (Indocement) and SMGR (Semen Gresik) were the laggards; falling by -15.59% and -9.09% MoM respectively. This was followed by the Agriculture Sector that posted -4.64% MoM losses, driven by BWPT (BW Plantation) and AALI (Astra Agro Lestari) which fell -16.20% and -12.11% MoM respectively. On the other side, Infrastructure Sector was the best performing sector this month, gaining by +2.58% MoM. INDY (Indika Energy) and GIAA (Garuda Indonesia) were the movers, rising +26.56% and +12.42% MoM respectively.

Disclaimer:

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