

Smartlink Dollar Managed Fund

January 2015

BLOOMBERG: AZUSMGD:IJ



INVESTMENT OBJECTIVE

The objective of the fund is to provide relatively stable income with capital preservation for the long term in USD.

INVESTMENT STRATEGY

To achieve the investment objective, this fund shall be invested 0-20% in short-term instruments (such as deposits), and 80-100% in the medium-or long-term instruments (such as government bonds, corporate bonds, and / or fixed-income funds), in U.S. Dollars.

PERFORMANCE INDICATOR

Return Performance

(Last 1-year period)	8.54%
Best Month	9.61% Dec-08
Worst Month	-10.66% Oct-08

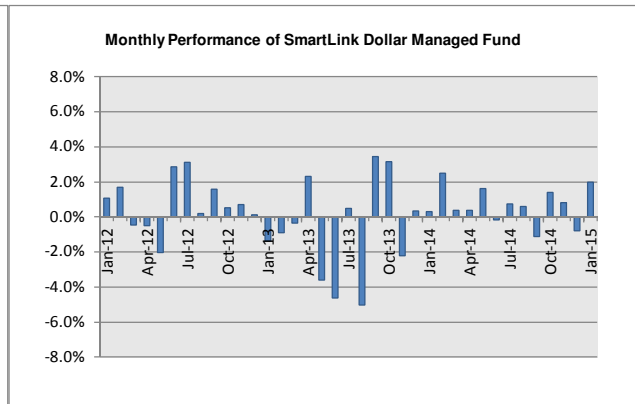
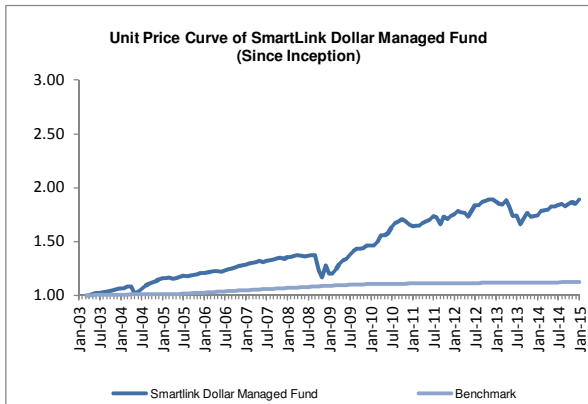
Portfolio Breakdown

Treasury Bonds	57.32%	Pertamina USD	10.58%
Govt. Related Bonds	31.81%	Indon 2019	9.83%
Corporate Bonds	3.71%	Indon 2017	8.01%
Cash/Deposit	7.16%	Indon 2022	7.23%
		Indon 2044	6.88%

Top Five Bonds Holding

	1 Month	3 Months	6 Months	1 Year	3 Years	YTD	Since Inception
Smartlink Dollar Managed Fund	1.97%	1.97%	2.83%	8.54%	7.72%	1.97%	88.87%
Benchmark*	0.02%	0.06%	0.12%	0.23%	0.80%	0.02%	12.23%

*Average Time Deposit (1 Month) of Bank BNI, BCA and Citibank



KEY FUND FACTS

Fund Size (in mn USD)	: USD 28.19
Risk Profile	: Moderate Investor
Launch Date	: 07 Apr 2003
Fund Currency	: US Dollar
Managed by	: PT. Asuransi Allianz Life Indonesia

Pricing Frequency	: Daily
Price per Unit	Bid
(As of Jan 30, 2015)	: USD 1.7943
Bid-Offer Spread	: 5.00%
Management Fee	: 1.00% p.a
	Offer
	: USD 1.8887

MANAGER COMMENTARY

Central Bureau Statistics of Indonesia (BPS) announced inflation in Jan 2015 at -0.24% mom (vs consensus 0.24%, inflation 2.46% in Dec 2014). CPI was lower than expected was driven by the fuel cut policy, which caused a price reduction in transportation costs and communication. On yearly basis, inflation printed at 6.96% YoY (vs consensus 7.46%, 8.36% in Dec 2014). Core inflation printed at 4.99% YoY (vs consensus 4.70%, 4.93% in Dec 2014). In the Board of Governors' Meeting on Jan 15th, 2015, Bank Indonesia maintained its reference rate at 7.75%, Lending Facility at 8.0%, and the deposit facility rate (FASB) at 5.75%. Rupiah depreciated against USD by -0.64% to 12,670 at end of Jan compared to previous month 12,589. Trade balance was surplus +0.19bn USD (non-oil and gas surplus 1.22bn, oil and gas deficit -1.04bn USD) in Dec 2014 (vs consensus surplus +0.17bn USD, deficit -0.43bn USD in Nov 2014). Export decreased by -13.83% YoY mostly driven from export in jewelry, while imports decreased -6.61% YoY. FX Reserves increased +2.388bn USD from 111.862bn USD in Dec 2014 to 114.250bn USD in Jan 2015. BPS announced Q4 2014 GDP expanded by only 5.02% YoY (vs consensus 4.9%) and 2.06% QoQ (vs consensus 1.5%), lower compared to previous quarter with net export decline as the driver. By industry level, GDP growth was driven by agriculture, forestry and fisheries.

USD government bond yields curve closed lower across tenor in Jan 2015 on the back of aggressive bullish tone in USD bond market. Market had weakened on the back of negative sentiment such as political uncertainty out of Greece along with the low oil prices due to the high supply came out of Russia and Iraq. Government decision to completely erase regular gasoline (RON88) subsidy and implement fixed diesel subsidy that already implemented at fuel price cut on Jan 19th gave positive sentiment to the market. Other Positive sentiment came from indicative that the Fed may not hike rate before April 2015, successful Indonesian Global Bond Issuance, increased Indonesian FX reserves and announcement from ECB about EUR 1.3tn QE Program. The government issued USD4bn global bonds on Jan 9th with total bid reached USD19.3bn (vs. USD17.5bn last year). Yields for the 10yr and 30yr tranches were USD2bn at 4.2% (Coupon 4.125%) and USD2bn at 5.2% (Coupon 5.125%). The Government allocated 48% of the 10yr bonds to U.S. investors (vs. 66% in 2014), 24% to European funds (vs. 17% in 2014), 15% to Asian investors excluding Indonesia (vs. 6% in 2014) and 13% to local funds (vs. 11% in 2014). While for the 30yr, it sold 53% to U.S. investors (vs. 70% in 2014), 23% to European funds (vs. 16% in 2014), 20% to Asian investors excluding Indonesia (vs. 11% in 2014) and 4% to local funds (vs. 3% in 2014). Government plans to increase the issuance of the Government Securities (SBN) in foreign currency denomination at the maximum level of 25% from 2015's total issuance (initially 20%), as stated in the Revised 2015 State Budget Draft (RAPBN-P). The objective of this plan is to anticipate a crowding out effect amid domestic market. The ECB announced combined asset purchases of EUR60bn per month until September 2016 (just over 1 trillion EUR), and leaving open the option for the program to run longer should inflation continue to remain below target. Markets responded very positively. Indonesia's CDS 5yr level improved from 154/164 to 153/159. In Jan 2015, the 5Y yield was lower by -42bps to 8.72% (3.15% in Dec 2014), 10yr tenor was lower by -34bps to 3.75% (4.09% in Dec 2014), and 30yr was lower by -29bps to 5.86% (5.15% in Dec 2014).

For the portfolio strategy: we maintained neutral strategy for fixed income portion and duration.

Disclaimer:

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