

Smartlink US Dollar Managed Fund

October 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 U.S. Dollars.

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

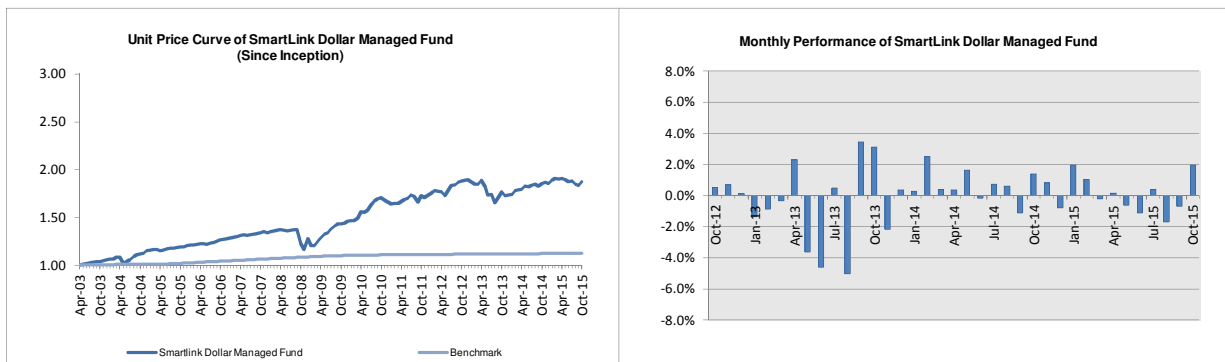
(Last 1-year period) **1.09%**
 Best Month **9.61% Dec-08**
 Worst Month **-10.66% Oct-08**

Portfolio Breakdown

Treasury Bonds	63.40%	Top Five Bonds Holding	
Govt. Related Bonds	30.60%	Pertamina USD 2021	10.23%
Cash/Deposit	6.00%	Indon 2019	9.10%
		Indon 2014	7.82%
		Indon 2017	7.57%
		Indon 2022	6.92%

	1 Month	3 Months	6 Months	1 Year	3 Years	YTD	Since Inception
Smartlink Dollar Managed Fund	1.95%	-0.48%	-1.80%	1.09%	-0.31%	1.09%	87.24%
Benchmark*	0.02%	0.07%	0.15%	0.27%	0.82%	0.23%	12.47%

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



KEY FUND FACTS

Fund Size (in mn USD) : USD 28.55
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** USD 1.7788, **Offer** USD 1.8724
(As of Oct 30, 2015)
Bid-Offer Spread : 5.00%
Management Fee : 1.00% p.a

MANAGER COMMENTARY

Central Bureau Statistics of Indonesia (BPS) announced October's deflation at -0.08% mom (vs consensus -0.02%, deflation -0.05% in Sept 2015) mostly were caused by lower food ingredients. On yearly basis, inflation printed at 6.25% YoY (vs consensus 6.38%, 6.83% in Sept 2015). Core inflation printed at 5.02% YoY, slightly lower compared to previous month (vs consensus 5.05%, 5.07% in Sept 2015). In the Board of Governors' Meeting on Oct 15th, 2015, Bank Indonesia maintained its reference rate at 7.50%, Lending Facility at 8.0%, and also facility rate (FASBI) to 5.50%. Rupiah appreciated against USD by 6.95% to 13,639 at end of October compared to previous month 14,657. Indonesia economic growth in third quarter 2015 grew 4.73% YoY compared to previous quarter grew at 4.67% YoY. The major driven of the increase was from communication and information sector. Trade balance was surplus +1.02bn USD (non-oil and gas surplus 1.48bn, oil and gas deficit 0.46bn USD) in Sept 2015. Export decreased by -17.98% YoY mostly driven from export in machinery, while imports decreased by -25.95% YoY. FX Reserves decreased -1.01bn USD from 101.72bn USD in Sept 2015 to 100.71bn USD in Oct 2015.

USD government bond yields closed lower across all tenor in Oct 2015 on the back of aggressive buying action from onshore banks and offshore names. Speculative move post weaker than estimated US NFP on the possibility of delay in Fed rate hike was the reason behind the buying action. Risky assets in the United States and Europe were supported after European Central Bank President Mario Draghi said further rate cuts were being considered to stimulate the euro zone economy. From domestic news, another positive sentiment came from 4th and 5th government Stimulus Package. However just few days before month end, well-offered tone emerged in the market post FOMC hawkish news with probability of Fed rate hike this year getting higher. Indonesia's deposit insurance agency, known as LPS, cut the maximum guaranteed rupiah deposit rate to 7.5% from 7.75%. LPS also cuts the maximum guaranteed rate for foreign currencies to 1.25% from 1.5%. Government announced the 4th and 5th government Stimulus Package on 15 and 22 Oct. The 4th package stimulus is the announcement that a national formula for annual wage increases has now been set – as opposed to the devolved regional setting of minimum wages of years past. While the 5th package stimulus is mainly on streamlining taxes on REITs and asset revaluation. The government will remove the double taxation currently imposed on REITs. Government is also finalizing a tax incentive for asset revaluation which it will decrease the income tax paid. The House of Representative approved 2016 Draft State Budget. Spending budget stood at IDR 2,096.72tn with the revenue budget at IDR 1,822.55tn and deficit of Rp273.18tn or 2.15%. The government needs to draw debt worth IDR 330.88tn to pay the deficit. Indonesia's CDS 5yr level improved significantly from 273/281 to 221/227. The 5Y yield Oct was lower by -47bps to 3.12% (3.59% in Sept 2015), 10yr tenor was lower by -53bps to 4.41% (4.94% in Sept 2015), and 30yr was lower by -43bps to 5.57% (6.00% in Sept 2015).

For the portfolio strategy: we increase fixed income weighting and duration.