

Smartlink US Dollar Managed Fund

June 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) **2.77%**
 Best Month **9.61% Dec-08**
 Worst Month **-10.66% Oct-08**

Portfolio Breakdown

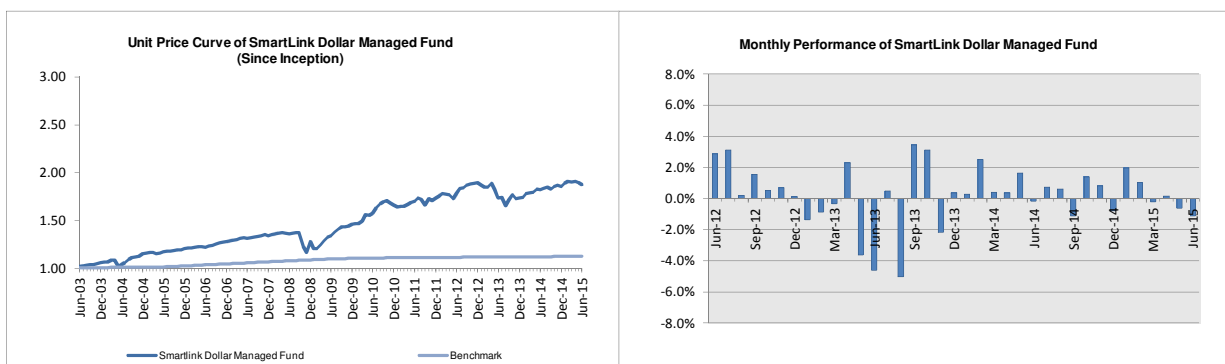
Treasury Bonds **63.74%**
 Govt. Related Bonds **31.01%**
 Corporate Bonds **0.00%**
 Cash/Deposit **5.25%**

Top Five Bonds Holding

Pertamina USD **10.28%**
 Indon 2019 **9.49%**
 Indon 2017 **7.79%**
 Indon 2022 **6.97%**
 Indon 2018 **6.07%**

	1 Month	3 Months	6 Months	1 Year	3 Years	YTD	Since Inception
Smartlink Dollar Managed Fund	-1.11%	-1.59%	1.17%	2.77%	5.28%	1.17%	87.38%
Benchmark*	0.03%	0.07%	0.14%	0.25%	0.83%	0.14%	12.36%

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


KEY FUND FACTS

Fund Size (in mn USD) : USD 28.42
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 1.7802, **Offer** USD 1.8738
(As of June 30, 2015)
Bid-Offer Spread : 5.00%
Management Fee : 1.00% p.a

MANAGER COMMENTARY

Central Bureau Statistics of Indonesia (BPS) announced June's inflation at 0.54% mom (vs consensus 0.65%, inflation 0.50% in May 2015) which mostly were caused by higher food ingredients, processed food, beverages and tobacco prices during the fasting month. On yearly basis, inflation printed at 7.26% YoY (vs consensus 7.4%, 7.15% in May 2015). Core inflation printed at 5.04% YoY, unchanged from previous month (vs consensus 5.07%, 5.04% in May 2015). In the Board of Governors' Meeting on Jun 18th, 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 -0.92% to 13,332 at the end of Jun compared to previous month 13,211. Trade balance was surplus +0.95bn USD (non-oil and gas surplus 1.66bn USD, oil and gas deficit 0.71mn USD) in May 2015. Export decreased by -15.24% YoY mostly driven from export in natural oil, while imports decreased -21.40% YoY. FX Reserves decreased -2.74bn USD from 110.77bn USD in May 2015 to 108.03bn USD in June 2015 on the back of Government foreign debt payments and the use of foreign exchange to stabilize the IDR exchange rate. May's FX reserves level is sufficient to cover 7.0x imports or 6.8x imports and debt.

USD government bond yields closed higher across all tenor in Jun 2015 on the back of global sell-off due to further slowing economic growth and uncertainty on Greece issue. Since the creditors rejected Greece's proposal and more likely Greece is going to be default or maybe will get another bailout from European nation. However, ECB stated that they will tighten or reduce the liquidity support if Greece defaults on more loans. Despite of that, Greece already imposed capital controls from June 29 onwards and it would be obstacle for emerging asset to soar up confidently. The referendum was held on Jul 5 and if Greece votes No - which it already happened - market projected probability of a Grexit will increase to 75% from 33% and there is only a one in three chance of a Grexit turning into a systemic crisis (i.e. a 25% overall). Government plans to increase the share of foreign currency bonds to 30% of its gross issuance target from 22.6%. On Jun 30, MoF issued domestic USD bonds of USD 500mn from 871.7mn incoming bids with 2yrs tenor and average yield of 1.90%. Indonesia's CDS 5yr level deteriorated further from 166/173 to 174/180. The 5Y yield Jun was higher by +30bps to 3.22% (2.92% in May 2015), 10yr tenor was higher by +21bps to 4.36% (4.15% in May 2015), and 30yr was higher by +29bps to 5.43% (5.14% in May 2015).

For the portfolio strategy: we maintain our current duration strategy.

Disclaimer:

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