

Smartlink US Dollar Managed Fund

August 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 INDICATORReturn Performance

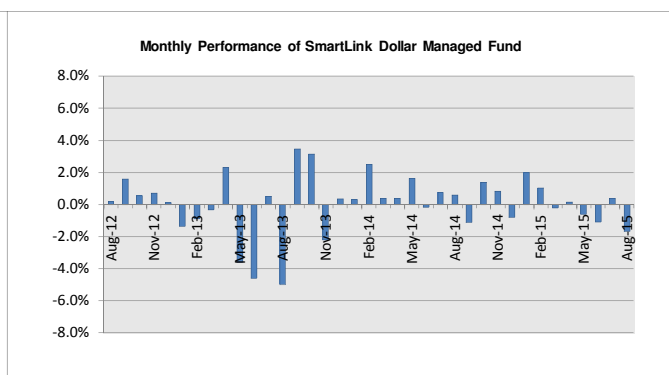
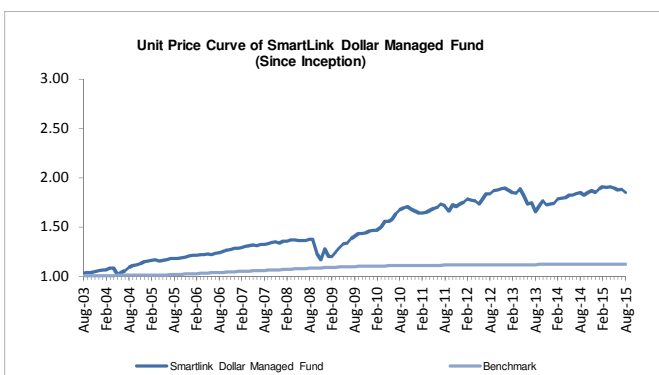
(Last 1-year period) **0.12%**
 Best Month **9.61% Dec-08**
 Worst Month **-10.66% Oct-08**

Portfolio Breakdown

Treasury Bonds	51.25%	Top Five Bonds Holding	
Govt. Related Bonds	33.56%	Pertamina USD	9.98%
Corporate Bonds	0.00%	Indon 2019	9.39%
Cash/Deposit	15.19%	Indon 2017	7.73%
		Indon 2022	6.80%
		Indon 2018	5.81%

	1 Month	3 Months	6 Months	1 Year	3 Years	YTD	Since Inception
Smartlink Dollar Managed Fund	-1.68%	-2.37%	-3.07%	0.12%	0.57%	-0.13%	84.98%
Benchmark*	0.02%	0.08%	0.15%	0.26%	0.82%	0.19%	12.42%

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

**KEY FUND FACTS**

Fund Size (in mn USD) : USD 28.64
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 1.7574, **Offer** USD 1.8498
(As of Aug 31, 2015)
Bid-Offer Spread : 5.00%
Management Fee : 1.00% p.a

MANAGER COMMENTARY

Central Bureau Statistics of Indonesia (BPS) announced August's inflation at 0.39% mom (vs consensus 0.55%, inflation 0.93% in Jul 2015). Food prices and education tuition fees were the main sources for August 15 inflation despite the increase magnitude lowered by lower transportation tariff. On yearly basis, inflation printed at 7.18% YoY (vs consensus 7.37%, 7.26% in Jul 2015). Core inflation printed at 4.92% YoY, higher compared to previous month (vs consensus 4.86%, 4.86% in Jul 2015) on the back of exchange rate depreciation and higher processed food prices. In the Board of Governors' Meeting on Aug 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 -4.05% to 14,027 at end of August compared to previous month 13,481. Trade balance was surplus +1.33bn USD (non-oil and gas surplus 2.20bn, oil and gas deficit 0.87bn USD) in Jul 2015. Export decreased by -19.23% YoY mostly driven from export in natural oil, while imports decreased by -28.44% YoY. FX Reserves decreased -2.21bn USD from 107.55bn USD in Jul 2015 to 105.35bn USD in Aug 2015 on the back of the use for foreign exchange to stabilize the IDR exchange rate.

USD government bond yields closed higher across all tenor in Aug 2015 triggered by offshore outflows due to China's RMB devaluation thus resulting in regional and currency weakness. Uncertainty of the Fed rate hike cause volatility in the market. US unemployment rate in August fell to 5.1% which is the lowest since April 2008 which might trigger rate increase in September 2015. On the opposite of that, China PMI manufacturing index in August was at the lowest in three years. People still in defensive mode despite better than expected Indonesia July's BOP result. The cabinet reshuffle and 2016 state budget's draft also did not give significant movement in the market. Market got support from stimulus packages announced by the government. The People's Bank of China (PBOC) effectively devalued the yuan by a total of around 3% on August 11th and 12th. Indonesia issued JPY 100bn (IDR 11tn) of samurai bond: JPY 22.5bn 3yr at 1.08% not guaranteed by JBIC; JPY 22.5bn 5yr at 1.38% not guaranteed by JBIC; JPY 55bn 10yr at 0.91% guaranteed by JBIC. Indonesia's CDS 5yr level deteriorated significantly from 180/187 to 231/237. The 5Y yield Aug was higher by 20bps to 3.36% (3.16% in Jul 2015), 10yr tenor was higher by 39bps to 4.66% (4.27% in Jul 2015), and 30yr was higher by 28bps to 5.66% (5.38% in Jul 2015).

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

Disclaimer:

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