

SmartWealth US Dollar Equity IndoAsia Fund

June 2014


BLOOMBERG: AZUSIAS:IJ
INVESTMENT OBJECTIVE

The objective of this fund is to provide maximum long term investment yield.

INVESTMENT STRATEGY

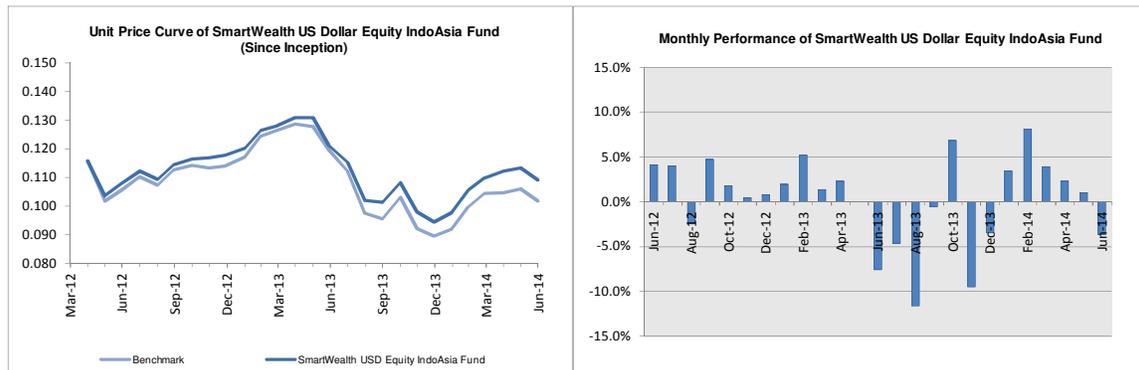
To achieve the investment objective, this fund shall be invested 80 - 100% in equity instruments (directly through stocks and / or through equity mutual funds) and 0 - 20% in short-term instruments (such as deposits). Furthermore, the fund shall be invested in equity instruments in the Asia Pacific region, excluding Japan, not exceeding 20% of the fund. This fund is a conversion of the Smartwealth IndoAsia Equity Fund (IDR). The unit price for the USD is calculated using the Bank Indonesia's middle rate.

PERFORMANCE INDICATOR

Return Performance		Portfolio Breakdown	Top Five Stocks Holding	Country Breakdown (Stock)	
Last 1-year period	-9.83%	Equity	90.50% BANK CENTRAL ASIA	Indonesia	72.85%
Best Month	8.08% Feb-14	Cash/Deposit	9.50% TELEKOMUNIKASI	Philippines	1.33%
Worst Month	-11.61% Aug-13		BANK MANDIRI	Hongkong	8.19%
			ASTRA INTERNATIONAL	South Korea	4.09%
			BANK RAKYAT INDONESIA	Malaysia	1.32%
				Singapore	1.34%
				Taiwan	1.39%
				Thailand	0.00%

	1 Month	3 Months	6 Months	1 Year	3 Years	YTD	Since Inception
SmartWealth USD Equity IndoAsia Fund	-3.70%	-0.55%	15.43%	-9.83%	NA	15.43%	-5.78%
Benchmark*	-3.96%	-2.54%	13.58%	-14.89%	NA	13.58%	-12.10%

*80% Jakarta Composite Index (JCI) and 20% MSCI AC Far East Ex-Japan Index (MXFEJ)


KEY FUND FACTS

Fund Size (in mn USD)	: USD 31.15	Pricing Frequency	: Daily
Risk Profile	: Aggressive Investor	Price per Unit	: <i>Bid</i> <i>Offer</i>
Launch Date	: 01 May 2012	(As of June 30, 2014)	: USD 0.1037 USD 0.1092
Fund Currency	: US Dollar	Bid-Offer Spread	: 5.00%
Managed by	: PT. Asuransi Allianz Life Indonesia	Management Fee	: 2.00% p.a.

MANAGER COMMENTARY

For the month of June, MSCI Asia Ex-Japan is up 1.9% outperforming MSCI World for the second consecutive month. The best performing market was Thailand (+4.9%) as market was optimistic that the military coup will established some peace and order for the country after years of confrontation between the 2 major political parties. The junta also moved swiftly to address post-coup dynamics and announced series of populist measures to restore economic activities. The Indian market also continued its strong performance after the election and was up 4.9%. Japan Nikkei, Taiwan TWSE and Philippines PCOMP also had strong performance this month, and were up 3.6%, 3.5% and 3% respectively. On the other hand, Australia ASX200 (-1.8%) and Singapore STI (-1.2%) were the clear underperformers. Hong Kong and China equities continued its uptrend from May, making fresh year-to-date high on the indices. Early in the month, PBOC's release of details of targeted Required Rate of Return cuts indicated that policy makers' easing stance is unchanged. Better macro data also gave support. In ASEAN, Bank Indonesia kept the rates on hold as expected, but there is some possibility of rate hikes by the end of the year. Market's attention is all on the presidential election that will take place on 9th of July where Jokowi-Jusuf Kalla partnership will face off with Prabowo Subianto-Hatta Rajasa. Jokowi who is backed by PDI-P in a 4 party coalition is still taking the lead according to various poll surveys. However, Prabowo who has the backing of the larger party coalition and the ability to control majority of the parliament, is closing the gap.

Central Bureau Statistics of Indonesia (BPS) announced inflation in June at 0.43% mom (vs consensus 0.47%, inflation 0.16% in May) caused by higher food ingredients, processed food, beverages, and tobacco prices while direct impact of May's electricity tariff hike was limited as it only involved high-end household customers. However, starting July, the impact may increase as mid-size households will also see tariff hikes averaging 9% every two months. On yearly basis, inflation printed at 6.70% yoy (vs consensus 6.79%, 7.32% in May). Core inflation rose to 4.81% yoy (vs consensus 4.80%, 4.66% in May). In the Board of Governors' Meeting on Jun 12th, 2014, BI maintained its reference rate at 7.5%, Lending Facility at 7.5%, and the deposit facility rate (FASBI) at 5.75%. Rupiah depreciated against USD by -3.08% to 11,969 at end of June compared to previous month 11,611. Trade balance was surplus +70mn USD (non-oil and gas surplus 1.4mn, oil and gas deficit -1.33mn USD) in May (vs consensus deficit -100mn USD, deficit -1.962bn USD in Apr). Export decreased by -8.11% YoY mostly driven from vehicles and parts. While imports decreased by -11.43% YoY.

The JCI (Jakarta Composite Index) closed lower in June at 4,878.58, declining by -0.31% MoM. Large cap stocks including TLKM, BMRI, INCO, EXCL, and PWON saw notable losses, all of which fell by -4.27%, -4.42%, -9.20%, -6.85%, and -14.46% MoM respectively. There were also movers that supported the index which includes ASII, SCMA, KLBF, BBKA, and UNTR appreciated by +2.83%, +13.09%, +7.79%, +2.09%, and +6.57% MoM respectively. Investors have been largely absent from the market over the last month, where foreign flows decreased to US\$229.7mn (vs. US\$706.6mn in May-14) in view of the presidential election and its uncertainty over the outcome. The election remains a key focus for investors, foreign in particular, as investors typically view a Jokowi win as favorable and Prabowo win would be seen as a negative. Given the fact that more and more reports to suggest that the election will be a tight race between the two presidential candidates, Investors became cautious and decide to simply wait for the outcome of the post-election quick count results. Aside from politics, Indonesia's macro indicators are also of concern as inflation pressure is not expected to ease in near future as there are progressive bi-monthly electricity tariff hike and a combination of weaker rupiah and higher oil prices are also in the horizon. Hence a scenario of worsening trade balance and slower economic growth should not be ruled out. Sector wise, the Property Sector was the worst performing sector this month where it fell -6.47% MoM. BKSL (Bukit Sentul) and BEST (Bekasi Fajar) fell -27.89% and -16.44% MoM respectively. This was followed by the Mining Sector that fell by -4.55% MoM, which was driven by BUMI (Bumi Resource) and TINS (Timah) which fell by -15.00% and -11.58% MoM respectively. On the other hand, the Trading and Distribution Industry Sector was the best performing this month which advanced +3.39% MoM, driven by BRMS (Bumi Resources Mineral) and SCMA (Surya Citra Media) rose by +25.65% and +13.09% MoM respectively.

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