

Group Link Fixed Income Fund

October 2015



INVESTMENT OBJECTIVE

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

INVESTMENT STRATEGY

The Fund seeks to attain its objectives by investing in short term interest bearing instruments (such as deposits, SBI or money market mutual funds) and medium or long term interest bearing instruments (such as bonds and/or fixed income mutual fund).

PERFORMANCE INDICATOR

Return Performance

Last 1-year period	2.98%
Best Month	5.82% Jan-15
Worst Month	-5.83% Jun-13

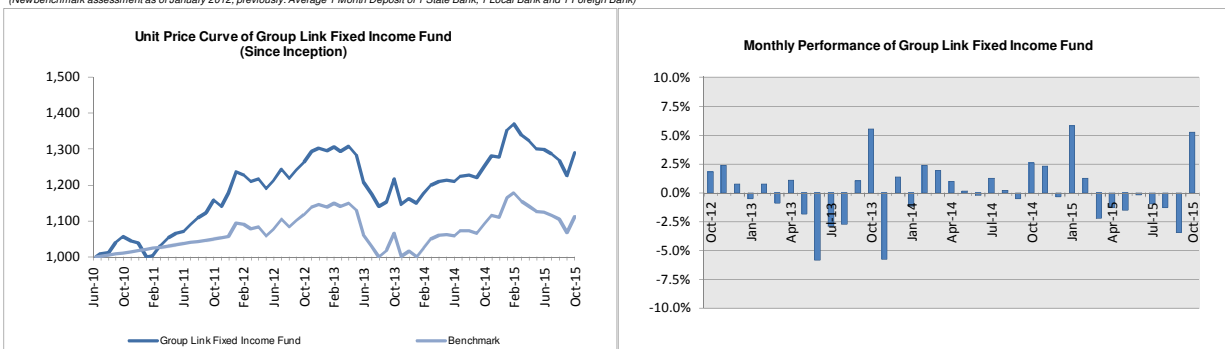
Portfolio Breakdown

Mutual Fund Fixed Income	92.18%
Cash/Deposit	7.82%

	1 Month	3 Months	6 Months	1 Year	3 Years	YTD	Since Inception
Group Link Fixed Income Fund	5.28%	0.29%	-2.37%	2.98%	2.09%	0.98%	29.01%
Benchmark*	4.24%	-0.27%	-2.45%	1.84%	-0.36%	0.21%	11.31%

*80% HSBC Indonesian Local Bond Index & 20% Average Time Deposit (1 month) dari BNI, BCA and Citibank

(New benchmark assessment as of January 2012; previously: Average 1 Month Deposit of 1 State Bank, 1 Local Bank and 1 Foreign Bank)



KEY FUND FACTS

Fund Size (in bn IDR)	: IDR 66.08	Pricing Frequency	: Daily
Risk Profile	: Moderate Investor	Price per Unit	
Launch Date	: 12 July 2010	(As of Oct 30, 2015)	: IDR 1,290.08
Fund Currency	: Indonesian IDR		
Managed by	: PT. Asuransi Allianz Life Indonesia		

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 driver 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.

IDR government bond yields closed lower all across the curve 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 two 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. Government sold IDR 27.4Tn of retail bonds ORI0012, tenor 3 years, with coupon 9.00% p.a., exceeding target of IDR 20Tn. Offshore accounts increased their holding by IDR 5.39Tn in Oct 2015 (+1.03% MoM), from IDR 523.38Tn as of Sept 30, 2015 to IDR 528.76Tn as of Oct 30, 2015, which brought their holding to 37.10% of total outstanding tradable government bond (from 37.59% in the previous month). The 5Y yield Oct was lower by -77bps to 8.77% (9.54% in Sept 2015), 10Y tenor lower by -84bps to 8.87% (9.71% in Sept 2015), 15Y tenor lower by -70bps to 9.12% (9.82% in Sept 2015) and 20Y tenor lower by -78bps to 9.17% (9.95% in Sept 2015).

Disclaimer:

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