

Group Link Fixed Income Fund

December 2016



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	12.78%
Best Month	5.82% Jan-15
Worst Month	-5.83% Jun-13

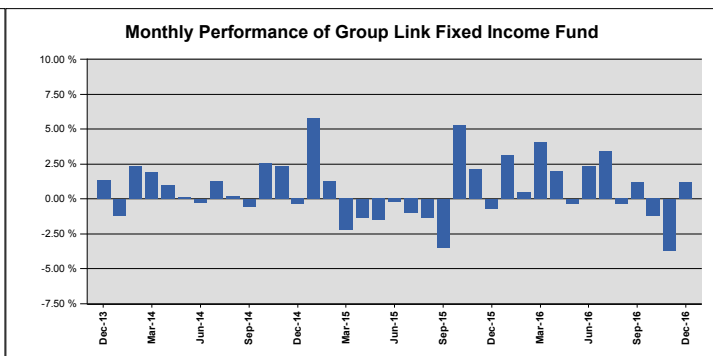
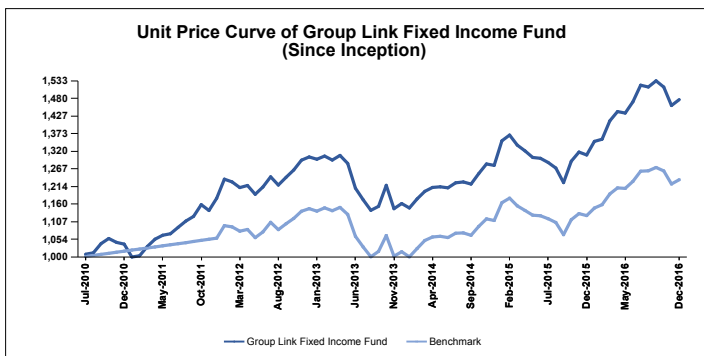
Portfolio Breakdown

Mutual Funds - Bonds	88.56%
Cash/Deposit	11.44%

	1 Month	3 Months	6 Months	1 Year	3 Years	YTD	Since Inception
Group Link Fixed Income Fund	1.22%	-3.72%	0.44%	12.78%	27.05%	12.78%	47.64%
Benchmark*	1.05%	-2.92%	0.40%	9.64%	21.44%	9.64%	23.41%

*80% Bloomberg Indonesia Local Sovereign Bond (BINDO) Index & 20% Average Time Deposit (1 month) from BNI, BCA and Citibank

(Benchmark assessment; before Mar 2016: 80% HSBC Indonesia Local Bond Index & 20% Average Time Deposit (1 month) from BNI, BCA and Citibank; before Jan 2012: Average 1 Month Deposit of 1 State bank, 1 Local bank and 1 Foreign bank)



KEY FUND FACTS

Fund Size (in bn IDR)	: IDR 114.34
Risk Profile	: Moderate
Launch Date	: 12 Jul 2010
Fund Currency	: Indonesian Rupiah
Managed by	: PT Asuransi Allianz Life Indonesia

Pricing Frequency	: Daily
Price per Unit (As of Dec 30, 2016)	: IDR 1,476.42

MANAGER COMMENTARY

Central Bureau Statistics of Indonesia (BPS) announced Dec's inflation at 0.42% mom (vs consensus inflation +0.45%, +0.47% in Nov 2016), mostly was caused by higher food ingredients, process food, beverages, cigarette and tobacco, as well as also higher housing, water, electricity, gas and fuel. On yearly basis, inflation was lower to 3.02% YoY (vs consensus 3.04%, 3.58% in Nov 2016). Core inflation printed at 3.07% YoY, similar with previous month (vs consensus 3.11%, 3.07% in Nov 2016). In the Board of Governors' Meeting on 15 Dec 2016, Bank Indonesia maintained the 7-day reverse repo rate at 4.75%, also Deposit Facility (DF) at 4.00% and Lending Facility (LF) at 5.50%. Rupiah appreciated by +0.94% to 13,436/USD at end of Dec as opposed to 13,563/USD previous month. Trade balance booked a surplus of +US\$0.838bn (non-oil and gas surplus +US\$1.495bn, oil and gas deficit US\$-0.657bn) in Nov 2016. Export rose by +21.34% YoY mostly driven by natural oil exports, while imports rose by +9.88% YoY.

IDR government bond yields closed lower all across the curve in Dec 2016 especially in short to medium tenor due to thin liquidity toward year end. Positive sentiment came from Fitch Ratings' Outlook on Indonesia's credit from stable to positive and high demand of the last auction result for 2016 (MoF didn't upsize from original target as the 2016 budget target has been reached with IDR 6.2tn of issuance). Negative sentiment came from higher UST movement as FOMC raised the fed funds rate by 25bps in the first tightening in 12 months; range from 0.25% to 0.5% to a range of 0.5% to 0.75%, and the terrorist attack in Turkey on Dec 20th. MoF has announced that benchmark series for year 2017 as follow:

1. FR0061 (maturity 15 May 2022), coupon 7.00%
2. FR0059 (maturity 15 May 2027), coupon 7.00%
3. FR0074 (maturity 15 Aug 2032), coupon 7.50%
4. FR0072 (maturity 15 May 2036), coupon 8.25%

Targeted Indonesia bond net issuance for 2017 is IDR 400 Tn (at 2.41% budget deficit assumption), which is lower than realized 2016's net issuance of IDR 407.9 Tn. However, the gross issuance of 2017 will be higher than 2016 (IDR 684 Tn target of 2017 vs IDR 652 Tn realized of 2016) as MoF is targeting to issue more 3mo SPN through auctions. 1Q17 MoF auction target as per calendar is IDR 155 Tn (excluding issuance through private placement, FCY global bonds, or retail series), a much higher goal in relative to last year's IDR 97 Tn target (higher than realized issuance in 1Q16 of IDR 128 Tn). Offshore accounts increased their holding by IDR +9.75tn in Dec 2016 (+1.49% MoM), from IDR 656.06tn as of Nov 2016 to IDR 665.81tn as of Dec 2016, which brought their holding to 37.55% of total outstanding tradable government bond (from 37.05% in the previous month). The 5Y yield Dec 2016 ended -41bps lower to 7.58% (7.99% in Nov 2016), 10Y tenor ended -17bps lower to 7.97% (8.14% in Nov 2016), 15Y tenor ended -5bps lower to 8.20% (8.25% in Nov 2016) and 20Y tenor ended -4bps lower to 8.20% (8.24% in Nov 2016).