

# Group Link Fixed Income Fund

## October 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 **17.39%**  
 Best Month **5.82%** Jan-15  
 Worst Month **-5.83%** Jun-13

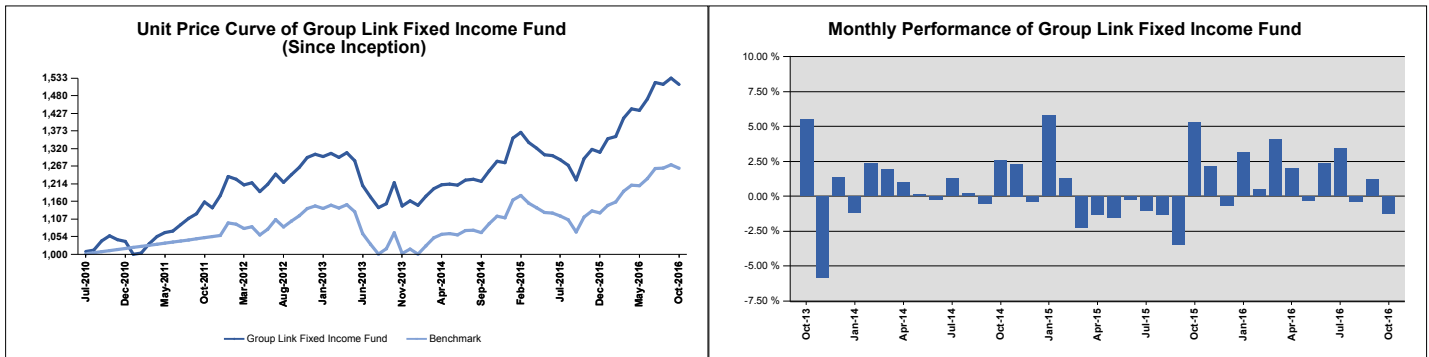
#### Portfolio Breakdown

Mutual Funds - Bonds **97.87%**  
 Cash/Deposit **2.13%**

	1 Month	3 Months	6 Months	1 Year	3 Years	YTD	Since Inception
Group Link Fixed Income Fund	-1.24%	-0.37%	5.14%	17.39%	24.43%	15.69%	51.45%
Benchmark*	-0.82%	0.07%	4.25%	13.26%	18.34%	12.01%	26.08%

\*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 94.21  
**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 Oct 31, 2016)** : IDR 1,514.46

### MANAGER COMMENTARY

Central Bureau Statistics of Indonesia (BPS) announced Oct's inflation at 0.14% mom (vs consensus inflation +0.12%, +0.22% in Sep 2016) mostly was caused by higher process food, beverages, cigarette and tobacco. On yearly basis, inflation higher to 3.31% YoY (vs consensus 3.30%, 3.07% in Sep 2016). Core inflation printed at 3.08% YoY, lower than previous month (vs 3.21% in Sep 2016). In the Board of Governors' Meeting on 20 Oct 2016, Bank Indonesia cut its 7-day Reverse Repo Rate by 25bps from 5.00% to 4.75%, also Deposit Facility (DF) from 4.25% to 4.00% and Lending Facility (LF) from 5.75% to 5.50%. Rupiah depreciated by -0.41% to 13,051/USD at end of Oct as opposed to 12,998/USD previous month. Indonesia economic growth in third quarter 2016 was increased 3.20% QoQ (5.02% YoY compared to previous quarter at 5.19% YoY) which largely led by growth in transportation and warehousing business sector. By expenditure, Non-Profit Institutions for Serving Households (LNPR) and household consumption were the main drivers while investment continued to ease and net export ebbed. Trade balance booked a surplus of +US\$1.2169bn (non-oil and gas surplus +US\$1.898bn, oil and gas deficit US\$-0.6811bn) in Sept 2016. Export fell by -0.59% YoY mostly driven by a reduction in jewelry, while imports fell by -2.26% YoY. FX Reserves down by USD 0.63bn from US\$115.67bn in Sept 2016 to US\$115.04bn in Oct 2016 on the back of revenue from tax and proceeds from Bank Indonesia's FX bills, known as SBBI. Reserves are sufficient for government external debt payments.

IDR government bond yields closed higher all across the curve on the back of global bond sell-off. Global sentiments such as ECB's tapering plan, higher oil price, USD strengthening and higher global yield were the main drivers of Oct's yield movement. Market also cautious on Nov's US election and Dec's US FOMC as The Fed left the policy rate unchanged on Nov. However, market had rebounded post BI MPC Meeting result came out, in which BI decided to cut the rates and drove buying interest from both side local and foreign names. Bank Indonesia highlighted in its policy statement several supporting factors for the move of rate cut which are including:

1. Lower than expected 3Q16 GDP growth from 4.9-5.3% their target
2. Lower inflation from 3-5% target range
3. Higher than expected trade surplus in 3Q16 of USD 2bn and narrowing current account deficit <2% of GDP
4. Stable Rupiah and growing FX reserves of USD 116bn.

US FOMC on Nov 2nd as expected left the policy rate unchanged at lower boundary of 0.25% and upper boundary of 0.50%, however the Fed Committee still waits further evidence for continued progress towards its objectives. Offshore accounts decreased their holding by IDR -9.35tn in Oct 2016 (-1.36% MoM), from IDR 684.98tn as of Sept 2016 to IDR 675.64tn as of Oct 2016, which brought their holding to 38.40% of total outstanding tradable government bond (from 39.16% in the previous month). The 5Y yield Oct 2016 ended +13bps higher to 6.97% (6.84% in Sept 2016), 10Y tenor ended +18bps higher to 7.24% (7.06% in Sept 2016), 15Y tenor ended +36bps higher to 7.65% (7.29% in Sept 2016) and 20Y tenor ended +38bps higher to 7.79% (7.41% in Sept 2016).