

PT Manulife Aset Manajemen Indonesia**Equity Market**

Indonesian equities recovered in June from a sharp sell-off in May to be within striking distance of its all time high prior to the sell-off. Again, local equities outperformed regional and global peers helped by strong gains in the consumer sector and strengthening bond yields. The Jakarta Composite Index rose 4.2% in June, closing at 2,913. Regional peers (measured by the MSCI Asia Pacific ex-Japan Index) rose 1.5%, while world markets (MSCI World Index) fell 3.2%. Concerns about global growth, towards the end of the month, pulled global equities and the Euro lower, while adding gains to safe haven buying of gold, US treasuries and the Swiss Franc. The Indonesian consumer sector continued to post positive returns in June gaining 7.8%. The Indonesian consumer has shown resilience throughout the global crisis and consumer confidence continues to be high. The performance gap between Indonesian equities and global equities continued to widen. Year-to-date, the JCI is higher by 15%, moving in the opposite direction to regional and world markets which have fallen 3.7% and 10.5% respectively.

Consumer confidence dropped to 105 in May from generally being above 110 in the previous eight months. The May drop may have been influenced by higher food prices. May import numbers reversed an increasing growth trend by slowing growth to 32% from 68% the previous month. Export growth continued its slowing growth rate to 36% in May. This resulted in a healthy \$2.5 billion trade surplus in May. The year to June inflation rate of 5.05% initially surprised the market, which was only expecting 4.46%. However, after some detailed analysis, it seems that the rise was due to volatile food prices. Core inflation remains in check. We do not expect any reaction from Bank Indonesia from this inflation number, but we are mindful that an unfavorable figure next month may provide reasons to reassess their stance. Car and motorcycle volume figures reversed a generally upward growth trend in May, although growth remains high at 69% for cars and 40% for motorcycles.

The rebound of Indonesian equities in June, while global equities generally suffered, appears to indicate that investors are appreciating the long term positives of Indonesia. The economy has proven itself to be resilient throughout the global crisis helped by its large consumption base - consumption makes up 60% of GDP. Government bond yields in the mid to long end have been falling on expectations of Indonesia achieving investment grade within the next 2 years. We continue to be positive on the equity market. Companies continue to show strong expected earnings growth, while the valuations of equities can further increase as Indonesia's risk-free rate continues to fall. Although global markets continue to be volatile and buffet local equities, we still believe that the sound fundamentals of Indonesia will help differentiate local equities and provided solid long term performance.

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June 2010

PT Manulife Aset Manajemen Indonesia
Fixed Income Market

In June 2010, CPI number that increased by 0.97% m-o-m pushed inflation figure further to 5.05% y-o-y from 4.16% y-o-y in the previous month. The number is slightly higher than market consensus at 4.51% y-o-y. The main driver for the inflation is still higher raw food prices as we passed harvest season and a surprise that came from higher spice related items such as red chilies and onions that contributed 40% of the total monthly increment in the headline CPI. Core inflation, that excludes volatile food and energy prices, also increased to 3.97% y-o-y from 3.81% y-o-y in May. On a year to date basis, the CPI number is now at 2.42%. Going forward, inflation is expected to be still manageable while pressure would come from electricity hike starting in July, education sector that usually goes up every June and July of the year and a potential of fuel subsidy cuts.

IDR strengthened by 1% from 9175 to 9074 level at the end of the month against USD on the back of a return of capital inflows from foreign investors as market sentiment turned positive driven by Moody's rating outlook upgrade from stable to positive for Indonesia's Ba2 local and foreign currency sovereign rating reflecting the country's capacity for sustained strong growth, stability and effectiveness of its fiscal and monetary policy as well as expectation of improvements in the government's financial and debt position. In its June monthly meeting, Bank Indonesia kept its interest rate policy at 6.5% and with stable core inflation, looks like the central bank has still the flexibility to keep the BI rate at the same level in July to support economic growth.

With regard to exports, which accounts for around 29% of the country's GDP, the number is positive. Exports grew by 36% y-o-y versus imports that increased 31.6% y-o-y in May leading to increment in the trade surplus from \$0.5bn in April to \$2.5bn in May. Non oil and gas exports to Europe still holding up and exports to Japan and China improved while shipments to Singapore, Malaysia and South Korea declined.

Foreign investors repositioned their government bonds position from May's unwinding activities as shown by their bond holdings that increased from IDR143tn to IDR 162tn. In SBI, foreign holding also increased to IDR43tn following the new regulation in which investors have to hold SBI at least for 1 month before selling is allowed to be effective on 7 July 2010. Foreign investors increased their SBI holding as a last chance before the new regulation is applied and also added short term bonds such as Surat Perbendaharaan Negara or SPN. During the month, Indonesia 5 year CDS slightly increased from 180 to 186, while 10 year CDS decreased from 216 to 214.

At the end of the month, Indonesia local bond market as indicated by the HSBC Bond Index, an indicator that tracks the performance of local currency government bonds portfolio, increase by 3.3%. In general, bonds at the belly of the yield curve and 1 year bonds performed better than the long end bonds in this month.

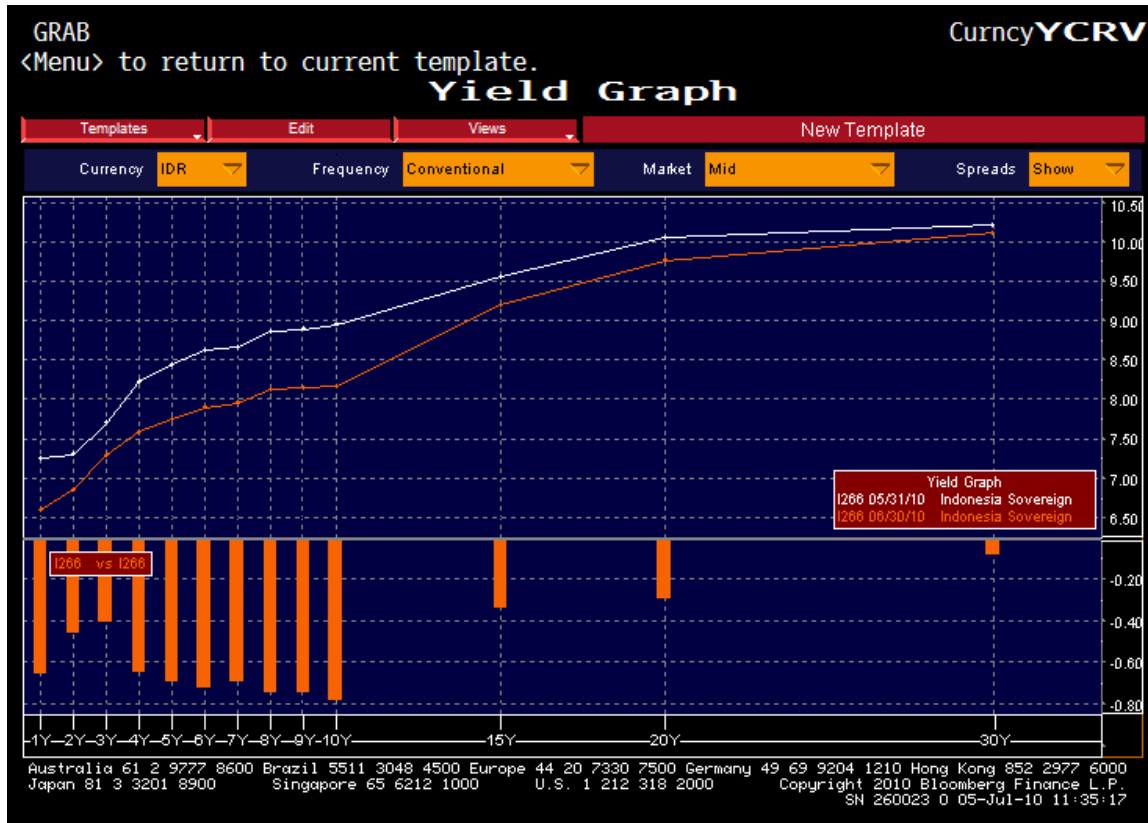
The following table shows the movement of the bonds yield from May to June 2010:

Yield	May 31	June 30
2yr	7.4	6.9
5yr	8.6	7.9
10yr	8.9	8.4
15yr	9.6	9.2
20yr	10.1	9.8
30yr	10.3	10.2

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This graph shows the movement of the yield curve in the last one month.



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