

**Fund Information**

**Fund Type:** An open-ended retirement mutual fund.  
**Fund Maturity:** Indefinite  
**Registered Date:** December 25, 2008  
**Registered Size:** 500 Million Baht

**Investment Policy:** The fund will be invested 0-100% of portfolio in Thai stocks (that are in the market capitalization spectrum) base on fundamental price/value analysis. The stocks will be of low beta and high dividend yield. Besides, the fund may consider to invest in or hold derivatives contracts for the purpose of hedging against investment risk or invest in securities.

**Dividend Policy:** None

**Risk:** Market, Business, Credit and Liquidity Risk  
**Risk Level:**

1	2	3	4	5	6	7	8
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**Management Company:** Manulife Asset Management (Thailand) Co., Ltd.  
**Contact:** (66) 2246-7650 press 2

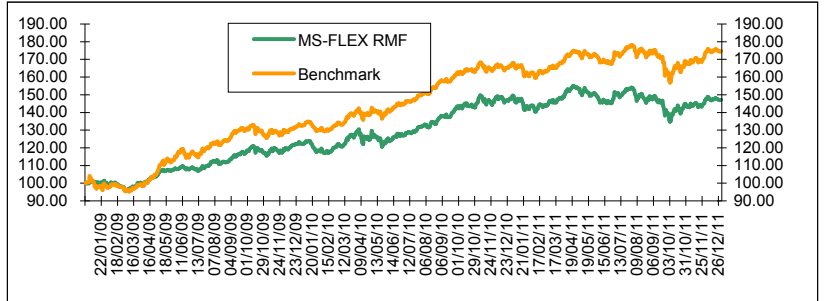
**Fund Performance\* (%)**

Fund Name / Benchmark	3 Months	6 Months	9 Months	12 Months	Year to Date	Since Inception
MS-FLEX RMF	5.86	0.82	-0.65	0.21	-0.21	47.23
Benchmark <sup>1</sup>	7.57	3.60	3.74	5.44	4.87	74.51

Remark: \* Data as of 30/12/2011 <sup>1</sup> 50% average of the SET Total Return Index, 25% ThaiBMA Government Bond Index return and 25% Corporate Bond Index return.

Sources: Morningstar, the fund performance document is prepared in accordance with AIMC standards.

**Performance Chart \*\***



**Fees / Expenses**

**Fees Charged to the Fund:**  
 (\* As % per annum of total asset value deducted by total liabilities except for Management Fee, Custodian Fee and Registrar Fee)

- Management Fee** ≤ 1.50% per annum
- Custodian Fee** ≤ 0.05% per annum (Current charge 0.025%)
- Registrar Fee** ≤ 0.10% per annum (Current charge 0.06%)
- Advertising Expense** As actually incurred ≤ 1% of the NAV
- Other Expenses** As actually incurred

**Fees Charged to the Subscriber:** % of NAV per unit

- Front-end Fee** None
- Back-end Fee** None
- Switching Fee** None

Within the management company: None (if unitholders place the order to switch to another RMF managed by MAMT more than twice a year per 1 RMF, the management company will directly charge 200 Baht per transaction).

With other asset management companies: Switching In None; Switching out 200 Baht per transaction

**Transfer Fee** None

**Subscription Redemption and Switching Period**

**Subscription Period:** Before 3.30 p.m. of every working day  
**Redemption Period:** Before 3.30 p.m. of every working day  
**Switching Period:**  
 Switch In Before 3.30 p.m. of every working day  
 Switch Out Before 3.30 p.m. of every working day

**Minimum Initial Subscription:** 50,000.00 Baht  
**Minimum Subsequent Subscription:** 10,000.00 Baht  
**Minimum Redemption:** 1,000 Baht or 100 units  
**Minimum Balance Account:** 100 units

30/12/2011	Net Asset Value (Baht)	NAV per unit (Baht)
MS-FLEX RMF	15,661,308.16	14.7277

Remark: \*\* Data as of 30/12/2011

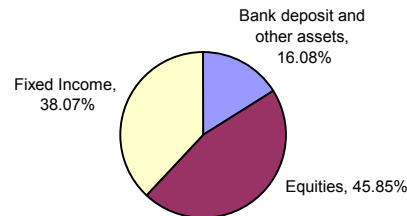
**Portfolio Breakdown (as % of NAV)\*\*\***

Equities	% of NAV
- ENERGY & UTILITIES	11.99
- BANKING	9.40
- INFORMATION & COMMUNICATION TECHNOLOGY	5.56
- FOOD & BEVERAGE	4.63
- PETRO & CHEMICALS	3.60
- OTHERS	10.67
<b>Fixed Income</b>	
- Central Bank Bond CB12315B	38.07
<b>Bank deposit and other assets</b>	16.08

**Top 5 Holdings (as % of NAV)\*\*\***

	% of NAV
1. PTT PUBLIC CO., LTD.	5.28
2. ADVANCED INFO SERVICE PUBLIC CO., LTD.	3.50
3. THE SIAM CEMENT PUBLIC CO., LTD.	3.40
4. BANGKOK BANK PUBLIC CO., LTD.	3.33
5. PTT EXPLORATION AND PRODUCTION PUBLIC CO., LTD.	3.12
<b>TOTAL</b>	<b>18.63</b>

**Asset Allocation (as % of NAV) \*\*\***



Remark: \*\*\* Data as of 30/12/2011

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Investment contains risk. Investors should study prospectuses and tax guides before making a decision to invest.

Past performance is not a guarantee of future results.

Fund manager's comments overleaf

## **Fund Manager's Comments**

### **Fixed Income Fund Market Outlook**

Last month, government bond yields fell marginally across the curve by -1 to -15 bps due to BOT's decision to cut policy rate by 25 bps to 3.25% on Nov. 30, 2011, resulting in downward pressure on the short-end of the curve. Yields of bond with 1-month to 1-year tenors declined in the range of 8 to 15 bps. Yields of bonds with 3-year to 10-year tenors slid by 7 to 13 bps. However, yields of bonds with 12-year to 30-year tenors fluctuated in the range of -10 to +1 bps. Hence, Government bond yield curve steepened slightly, resulting in widening 2-10 spread to 24 bps from 21 bps in Nov. 2011. Foreign investors increased their appetite in Thai bonds and net bought THB 72 billion in Dec. 2011 vs. net bought only THB 0.6 billion in Nov. 2011. Net holding by off-shore investors, thus, soared slightly from THB 413 bln. to THB 421 bln. for the corresponding period.

### **Economy**

According to the BOT report, The Thai economy contracted sharply in November 2011. The disastrous flood had a severe impact across all economic sectors. The agricultural sector suffered in terms of both quantity and price. Agricultural production contracted by 7.2 percent year-on-year (yoy). Meanwhile, farm income fell by 8.6 percent (yoy). Manufacturing production continued to contract in almost all industries due to a temporary shutdown of production in flooded areas. Thus, Manufacturing Production index plunged -48.6% versus -35.8% YoY in October and total capacity utilisation for Nov. fell further to 40.1% vs. 46.4% in Oct. Private consumption contracted 1.6% YoY. Private investment declined 1.3%YoY. Exports decreased 13.1%YoY whilst imports shrank 1.9%YoY. This resulted in a smaller trade surplus of US\$0.2bn vs. US\$1bn in October. Tourism was also hit by the flooding. Tourist arrivals dropped 17.5% YoY to 1.22mn vs. 1.4mn in previous month. Inflationary pressure has subsided as headline inflation in Dec. rose by 3.53% yoy and core CPI increased by 2.66% yoy both below expectation at 4% and 2.75% respectively. Inflation eased thanks to a fall in food and beverage prices which surged by 9.1% YoY vs. 10.2% a month earlier.

The Fiscal Planning Office (FPO) has revised down Thailand's GDP forecast for 2011 to 1.1% from previous prediction at 1.5%. FPO also estimates that GDP in Q4 2011 will contract by 5%, much higher than market consensus at 2-3%. Nevertheless, FPO foresees a recovery in 2012 with GDP growth of 5% owing to government's spending after the flood.

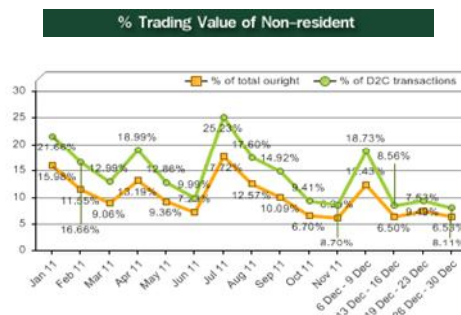
### **Outlook for Bond market in January 2012**

The significant reduction in manufacturing activities due to pervasive flood disaster has led to economic contraction in agricultural, industrial and tourism sectors which have massive repercussion on exports, domestic consumption and private investment. As such, we believe that the central bank is likely to cut the policy rate by 25 bps to 3.00% on Jan. 25, 2012 in an effort to facilitate economic recovery post-flood. However, the prospect of declining yields may be limited as market is concerned over supply pressure and more fiscal deficit after the cabinet endorsed the budget for water management infrastructure of THB 350 billion and another THB 50 billion for flood reinsurance. Subsequently, the Ministry of Finance announced the bond supply schedule for Q1 2012 at c. THB 162 billion, higher than market expectation at THB 133 billion and mostly of long maturity. Therefore, we opine that yield curve could sideway up and may steepen.

Additionally, Deputy Prime Minister Kittirat also confirmed that the cabinet has approved the royal decree transferring its responsibility for the FIDF debt worth THB 1.14 trillion (c. USD 36 billion), which was fiscalised in the aftermath of 1997 Asian Financial Crisis, from the Ministry of Finance (MOF) to Bank of Thailand (BOT)'s responsibility. The aim is to free up the government's capacity to take on more interest burden, which, under the budget protocol, is capped at 15% of total budget.

Subsequently, the Thai government and the BOT have reached a compromise on how to manage 1.14 trillion baht debt carried over from the 1997 financial crisis. The BOT accepted the government's proposal for the Financial Institutions Development Fund (FIDF) to take on the debt on the condition that it is given new power to impose more fees on local banks. The FIDF will also be allowed to take a share of the deposit guarantee fee from Deposit Protection Agency (DPA) of 35 bps out of the total 40 bps against total deposits that banks currently pay to the DPA. The BOT estimated that 45 billion baht per year is needed to cover interest expenses on the FIDF debt which may be financed by 1) 30 billion baht funds per year from the transfer of fees now paid by banks to the DPA 2) the government's plan to cut the corporate income tax rate to 23% from 30% in 2012 will result in 9 billion baht windfall for local banks, which the FIDF could charge to help pay down the debt with no impact on consumers, and 3) additional funds will be from FIDF investment returns on its asset portfolio worth about THB100 billion. The BOT stressed that the government will not transfer the FIDF debt to the central bank nor shift it from the government's total public debt. The maturing government bonds may also be re-issued to finance the FIDF liabilities. According to the latest report, apart from the potential hike in DPA premium the BOT will also consider slapping another 35 bps fee on BE raised by banks (currently BE is subject to no DPA premium).

This move will curtail Thailand's public debt to GDP from 40.2% to around 30% and cut the interest payment burden to MOF by c. THB 50-60 billion per annum, depend on the level of interest rate. We believe that the motive for the government is to decrease the public debt to GDP ratio, circumvent the budget protocol to maintain the debt service obligation to total budget ratio (DSR) at below 15% and pave the way for more borrowing for post-flood reconstruction and infrastructure investment. Otherwise, the public debt to GDP ratio could peak at c. 54% in 2015-2016. We view this as negative to Thailand's good track record of fiscal discipline and BOT's credibility as an independent central bank as BOT has no ability to collect tax to increase its revenue like the government. The BOT has, so far, strongly opposed such a transfer of debt because it would impose a substantial financial burden and require the BOT to print money. We also opine that such measure would adversely affect Thai banking industry as their contribution to DPA could go up from presently 0.4% to the maximum of 1% and hurt its profitability by as much as 20%. Currently, total deposits in Thailand amount to THB7.6 trillion. Every 0.1% rise in DPA's charge will cut the banking industry's profit by 3.5-4% depend on the amount of B/E issuance. As a result, we believe that the effect from this new measure coupled with the weakening C/A balance attributable to higher imports to replenish flooded machines could result in depreciating bias for THB going forward.



### Equity Fund Market Outlook

The SET Index had a sideways up pattern in December, the upward momentum was clearly seen in the early of the month as global risk assets reacted positively to the Euro summit, held on December 9, 2011, that announced a set of detailed plans to solve EU debt turmoil. In the latter half of month, SET Index rather consolidated as foreign investors faded from the market ahead of long holidays. It is also worth highlighting that local institution buying was absent, despite December being the high season for LTF, as the SET outlook in 2012 is highly uncertain and caps investors' demand. Also, recent floods hampered consumer confidence and resulted in higher-than-usual saving and accordingly less appetite to buy LTF units. For the month, the SET Index closed at 1,025.32pts, rising by 29.99pts (+3.01%) with foreign investors posted net buying of Bt12.0bn, reversing the reported net buying of Bt12.6bn in November 2011.

We are defensive to the Thai market in 1Q12 for three reasons. First, we expect further rating downgrades against euro-zone countries and higher funding stress to lead to foreign equity selling. Second, Thai institution may be on the selling side as the long-term equity funds (LTF) with low cost from 2008 are due in 2012. Third, we see political stories such as the amnesty bill and constitution change adding more uncertainty to Thai politics. We recommend focusing on Mid-Cap sectors like Food, Telco, and Construction based on Thai rebuilding, construction spending and consumption recovery themes to outperform during the weak market.