

Fund Information

Fund Type: An open-ended fund

Fund Duration: Indefinite

Registered Date: February 20, 2008

Registered Size: 2,000 Million Baht

Investment Policy: The Fund shall invest in financial instruments, debt instruments and/or cash deposits and/or other assets as specified by the Office of the SEC. For domestic investment, the Fund may place emphasis on investment in instruments which maintain an investment grade rating assigned by a local rating agency as specified by the Office of the SEC. However, such instruments may be rated below investment grade by international rating agencies such as Standard & Poor's or Moody's Investors Service.

Dividend Policy: None

Risk: Market, Business, Credit, Liquidity Risk, Exchange Rate Risk and Derivative

Risk Level:

1	2	3	4	5	6	7	8
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Lowest Highest

Management Company: Manulife Asset Management (Thailand) Co., Ltd.

Contact: (66) 2246-7650 press 2

Fund Performance* (%p.a.)

Fund Name / Benchmark	3 Months	6 Months	1 Year	3 Years	Year to Date	Since Inception
MS-INCOME	2.44	2.38	1.87	0.98	1.87	1.13
Benchmark ¹	4.35	3.71	2.27	1.66	2.27	2.28
Fixed Deposit ²	1.92	1.85	1.59	1.07	1.59	1.34

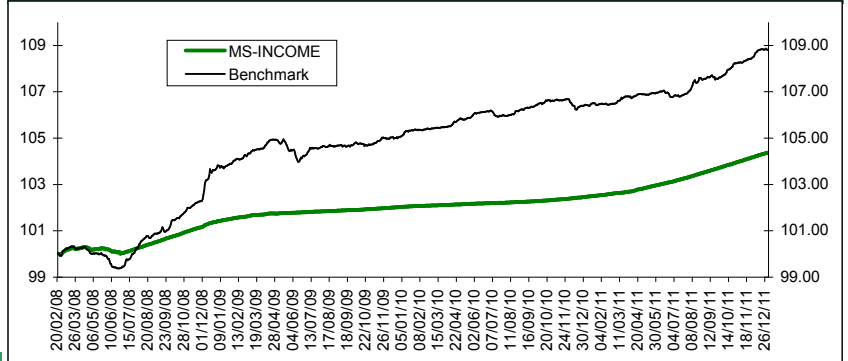
Remark: * Data as of 30/12/2011 / Annualized return

¹ The average of the ThaiBMA Government Bond Index (Group 1) return and the average 3-month fixed deposit rate of Bangkok Bank, Siam Commercial Bank and Kasikornbank.

² The average 3-month fixed deposit rate of Bangkok Bank, Siam Commercial Bank and Kasikornbank.

Source : Bloomberg The fund performance document is prepared in accordance with AIMC standards.

Performance chart of the investment amount of THB 100 from the inception date **



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 ≤ 0.70% per annum (Currently 0.20%)

Custodian Fee ≤ 0.06% per annum (Currently 0.0275%)

Registrar Fee ≤ 0.07% per annum (Currently 0.06%)

Advertising Expense As actually incurred ≤ 1% of the NAV

Other Expenses As actually incurred

30/12/2011	Net Asset Value (Baht)	NAV per unit (Baht)
MS-INCOME	41,385,777.92	10.4366

Portfolio Breakdown (as % of NAV) As of 30 December 2011

	MATURITIES	% of NAV
Central Bank Bonds		
- CB12315B	15/03/2012	86.44
Bank deposit and other assets		13.56
Total		100.00

Subscription Redemption and Switching Period

Subscription Period Before 3.30 p.m. of every working day

Redemption Period Before 12.30 p.m. of every working day

Switching Period Before 12.30 p.m. of every working day

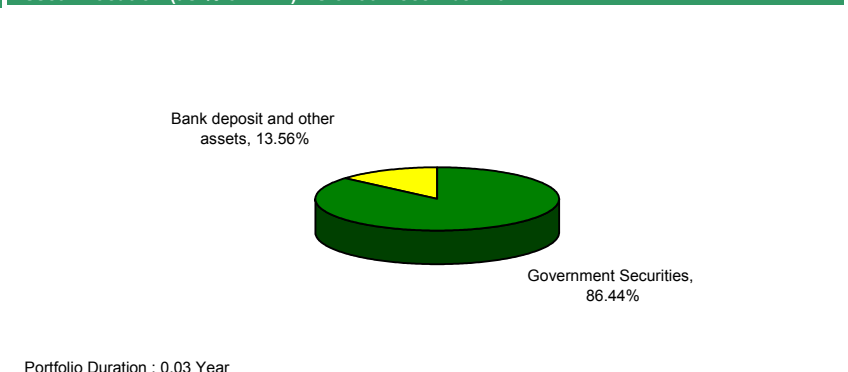
Minimum Initial Subscription 50,000.00 Baht

Minimum Subsequent Subscription 10,000.00 Baht

Minimum Redemption 1,000 Baht or 100 units

Minimum Account Balance 100 units

Asset Allocation (as % of NAV) As of 30 December 2011



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**Investment contains risk. Investors should study prospectuses before making a decision to invest.
 Past performance is not a guarantee of future results.**

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.

