

VIETNAM INTELLIGENCE

Welcome to the *Vietnam Intelligence – April 2010*, a monthly publication that contains our regular roundup of market views and fund updates from the Vietnam investment team of Manulife Vietnam Fund Management Company Limited (“MVFM”).

Equity market Outlook

Balancing act begins. Growth vs Risks.

By Mark Canizares, Head of Equities

Lackluster trading dominated the first quarter of the year, with the VN Index rising by only 0.90%, underperforming the MSCI Asia Ex-Japan Index, which rose by 1.51% in the same period (**12/31-3/31**). We believe that in addition to seasonal factors, the lack of fresh leads have kept investors at bay. Despite the market being flat, it is worth noting that average daily transactions still amount to above USD100 Million for the Ho Chi Minh exchange. This is still significantly better from the USD 15 Mil/day that we saw in the same period last year.

We believe that a change in sentiment has to come from macro- and policy- related factors which should reignite interest for Vietnamese equities. From a macroeconomic standpoint, key overhangs in the market remain including the potential return of high inflation. In March, the figure rose to a one year high of 9.46% (y/y). Although the government maintains its 7% inflation target for 2009, the high March figure has kept investors worried. We remain positive though that inflationary pressure will be contained and a repeat of the high double digit figures that we saw in 2008 will be unlikely.

Vietnam’s GDP is still expected to grow 6.5% in 2010. The first quarter figure of 5.83% still points to stronger economic activity, buoyed by the domestic economy. We maintain our view

that recovery in the global economy and Vietnam’s trading partners would provide an upside surprise to the full year growth target and might serve as a catalyst for Vietnamese equities.

As far as the policy front is concerned, the VND’s cumulative 8.7% devaluation has narrowed the gap between the official and unofficial rates, while at the same time increasing the liquidity in the system. This will also help boost sentiment for exporters, which we remain positive on.

A key focus for the quarter would be the impact of the various changes in the State Bank of Vietnam’s policies with regards to the loans and deposits. Recent changes have moved the banking system closer to market-determined interest rates. The SBV in mid-April issued guidelines for banks to set their own VND lending rates. Previously, this was set at a 1.5x multiple of the base rate (currently at 8%). The cap on deposits has also been removed. Long term, this should benefit banks in the form of healthier margins. System wide, the SBV still expects overall loan growth to grow 25% this year, on the back of a strong domestic economy.

The second quarter GDP figure will be closely watched, in our view. This will help verify the thesis that Vietnam’s GDP is likely to quicken in the second half. Against a backdrop of recent monetary and fiscal adjustments designed to contain emerging macro risks, while at the same time boosting growth, the 2Q 2010 figure would be telling.

Fixed Income Market Outlook

Putu Yudhana, Fixed Interest Manager

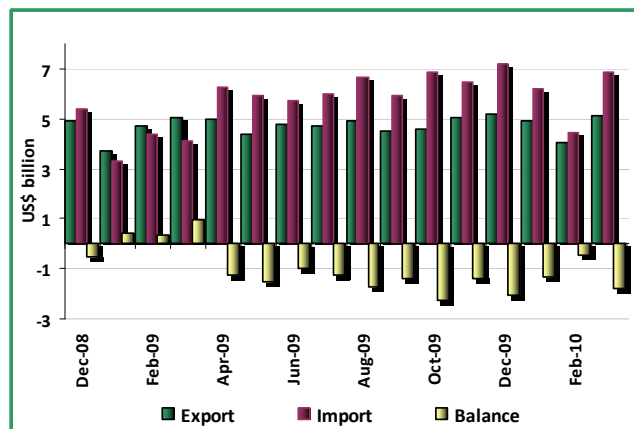
The Vietnam trade deficit for March 2010 has widened to USD 1.35 billion, compared to USD 800 million in the previous month. This has made the year to date figure reach USD 3.5 billion. A comment from Asia Development Bank mentioned that Foreign Direct Investment increased in March, which has led to an increase in imports. We expect the trend of deficit to continue widening, as this is the trend normally related to the economic recovery phase. The higher trade deficit may also put some pressure on the VND currency.

Throughout March, the currency has been stable. After the official exchange rate adjustment by 3.4% in February, there were no significant gaps between the official rate and market expectations. The USD shortage will have unfavorable impact on the country's trading activities, thus the recent development is positive for the economy in general.

In the bond market, the trend deficit as shown above, together with its impact on the currency outlook, has still prevented high participation from foreign investors. The bond market trend is still bearish, where 2 and 3 year bonds were quoted higher by about 20 bps compared to February. This was influenced by the activities in the primary market, where the government has allowed the ceiling rate for its bond offering to increase to 12.1% (for bonds issued by Vietnam Development Bank). With the high issuance size, the secondary market moved closer to this figure. The high yield has attracted more demand especially from local banks, and yields have decreased somewhat in early April.

Bond supply is expected to increase in the following months, with possible issuances of long term bonds. Yields are expected to increase, reaching the same level for short term bonds. As of mid-April, the yield curve was quite flat.

Vietnam Trade Deficit



(Source: Bloomberg)

FUND UPDATES

MANULIFE PROGRESSIVE FUND (MAFPF1)

Introduction

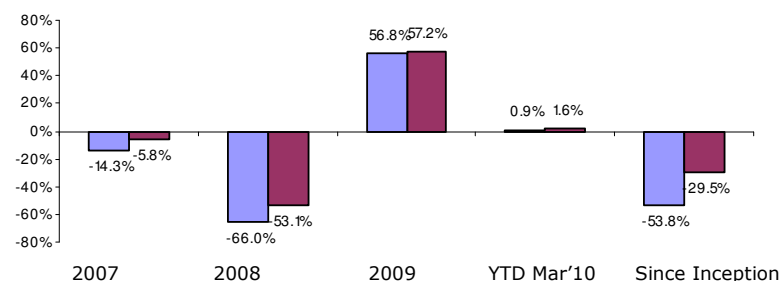
MAFPF1 was Vietnam's first foreign-managed pure equity fund to be structured as a local equity fund. This new and innovative fund structure for Vietnam allows foreign investors to access investments such as banks and key blue-chip companies, which would otherwise be restricted to local Vietnamese investors – thereby helping to open the Vietnam equity market to foreign investment. To do so, MVFM and MFC GIM's investment team had to create portfolio construction and investment research database seemingly from scratch, given that Vietnam's sell side industry is still in its infancy.

In addition, MFC GIM introduced groundbreaking risk management innovations including rigorous compliance systems, broker approval systems and self-imposed asset mix weightings. With improved investment capabilities and customer services has earned MVFM the Most Innovative Product in Vietnam award for 2008 from Asia Asset Management.

Ticker symbol	MAFPF1
Fund Structure	Public Closed-end fund
Term	7 years
Style	Core
Inception Date	October 2007
Currency	VND
Initial Fund Size (VND Bil.)	VND214 (~US\$13 million)
Benchmark	VN-Index
Listing	Ho Chi Minh city Stock Exchange (HOSE)
Fund Manager	Manulife Vietnam Fund Management Company (MVFM)
Management Fee	2% NAV per annum
Number of Holdings	15-35
Expected Tracking Error	2%-9%

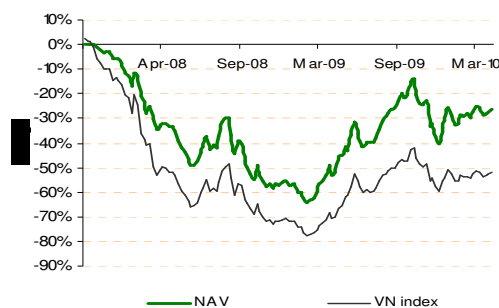
Investment performance

Calendar Year Returns (ending December 31)



(Source: MVFM, HOSE. Data as of 31 March 2010)

MAFPF1 NAV Performance vs Benchmark



(Source: MVFM, HOSE. Data as of 15 April 2010)

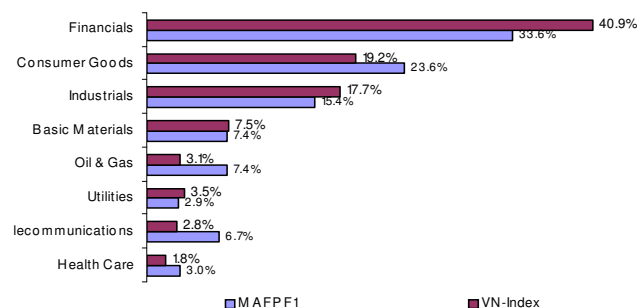
Annualized Returns

	2007	2008	2009	YTD Mar'10	Since Inception
VN-Index	-14.29%	-65.95%	56.76%	0.90%	-53.84%
MAFPF1	-5.81%	-53.14%	57.16%	1.59%	-29.53%
Value added	8.48%	12.82%	0.40%	0.68%	24.31%

Note: MAFPF1 was launched on 5 Oct 2007

(Source: MVFM, HOSE. Data as of 31 March 2010)

Sectors allocation



(Source: MVFM, Bloomberg)

About Manulife Vietnam Fund Management Company Limited

Manulife Vietnam Fund Management Company Limited (MVFM) is an affiliate to the MFC Global Investment Management (MFC GIM). Our value and expertise that we provide our clients are based on the integration of three elements that form the foundation of our investment management process: Culture of managing risk, teams of talented investment managers and organizational strength.

MVFM was licensed by the Ho Chi Minh City Planning and Investment Department under Business Registration Certificate No. 4104000117 on June 10, 2005 and received the Fund Management License No. 04/UBCKGPHDQLQ from the State Securities Commission ('SSC') of Vietnam on June 14, 2005; Amendment License No.06/UBCK-GPHDQLQ dated 11 October 2007 and Decision No. 413/QĐ-UBCK dated 12 July 2007 by the SSC. MVFM is an independently managed fund management company, which reports to the SSC.

MVFM is fully staffed by licensed investment professionals and provides a full range of products and services commensurate with a top tier fund management company. Assets under Management as of December 31, 2009 amounted to US\$281 million equivalent. Additional information about Manulife Vietnam Fund Management Company Limited may be found at www.manulifefunds.com.vn

About MFC Global Investment Management

MFC Global Investment Management® is the asset management division of Manulife Financial. MFC Global Investment Management's diversified group of companies provides comprehensive asset management solutions for institutional investors, investment funds and individuals in key markets around the world. This investment expertise extends across a full range of asset classes including equity, fixed income and alternative investments such as oil and gas, real estate, timber, farmland, as well as asset allocation strategies.

MFC Global Investment Management has investment offices in Canada, China, Hong Kong, Indonesia, Japan, Malaysia, Philippines, Singapore, Taiwan, Thailand, United Kingdom, United States and Vietnam. With more than 300 investment professionals, including 80 in Asia alone, MFC Global Investment Management offers worldwide expertise combined with local, on-the-ground knowledge and backed by a strong risk management framework. Additional information about MFC Global Investment Management may be found at www.mfcglobal.com

For more information, please contact:

Mr. Dang Vi Thanh

Sr. Assistant Manager, Sales & Marketing, Manulife Vietnam Fund Management Company Limited.
Tel: (84) 8 5416 6777 Fax: (84) 8 5416 0761 Email: thanh_dang@manulife.com

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