

## Manager's Report

### For the Financial Period 1 July to 30 September 2013

<b>Name of Fund</b>	: MyETF Dow Jones Islamic Market Malaysia Titans 25 (“MyETF- DJIM25” or “the Fund”)
<b>Type of Fund</b>	: Exchange Traded Fund
<b>Fund Category</b>	: Shariah-Compliant Equity
<b>Commencement Date</b>	: 22 January 2008
<b>Benchmark Index</b>	: Dow Jones Islamic Market Malaysia Titans 25 Index (“DJIM25 Index”)
<b>Manager</b>	: i-VCAP Management Sdn. Bhd. (“i-VCAP”)

#### 1. Investment Objective

MyETF-DJIM25 is designed to provide investment results that closely correspond to the performance of the Benchmark Index. The Manager attempts to achieve an absolute value of tracking error of less than 3% between the Net Asset Value (“NAV”) of the Fund and the Benchmark Index.

#### 2. Benchmark Index

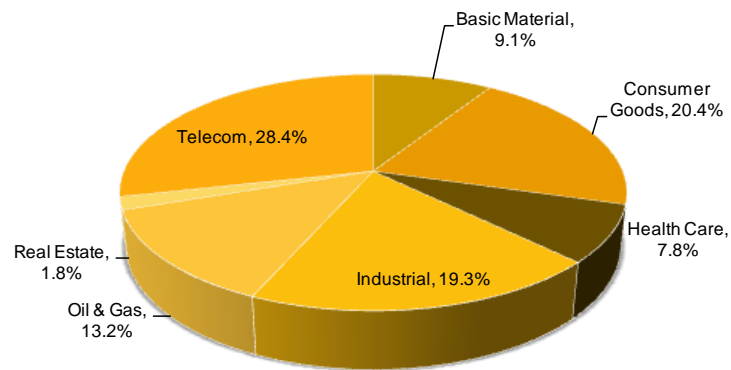
The Benchmark Index is a market capitalisation weighted and free-float adjusted index provided by S&P Dow Jones Indices (“S&P Dow Jones”).

The Benchmark Index was created on 18 January 2008 and constructed based on a reference value of 1,000 as of 17 January 2008. The Benchmark Index consists of 25 Shariah-Compliant securities of companies listed on Bursa Malaysia Securities Berhad (“Bursa Securities”).

The universe for selection of the DJIM25 Index components includes all equities in the Dow Jones Islamic Market Malaysia Index, an index comprised of Malaysia-based companies that conform to the methodology established by S&P Dow Jones to screen stocks for compliance with the Shariah.

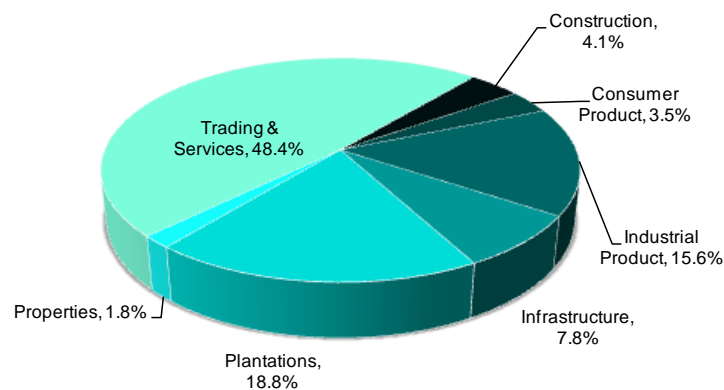
Based on the latest quarterly review (as at 13 September 2013), the sector allocation of DJIM25 Index based on S&P Dow Jones and Bursa Securities sector classifications are as follows:

**Chart 1(a): Sector Classification – S&P Dow Jones**



Source: S&P Dow Jones

**Chart 1(b): Sector Classification - Bursa Securities**



Sources: Bursa Malaysia, S&P Dow Jones

### 3. Investment Strategy

During the period under review, the Manager tracked the performance of the Benchmark Index by investing all, or substantially all, of the Fund’s assets in the constituents of the Benchmark Index in substantially the same weightings as they appear in the Benchmark Index.

The Manager used techniques including indexing by way of full or partial replication and/or investing in certain authorised investments, in seeking to achieve the investment objective of the Fund, subject to conformity to the Shariah.

### 4. Fund Performance

For the quarter under review, the Fund continued to achieve its investment objective which is to track closely the underlying benchmark, i.e. DJIM25 Index. As at 30 September 2013, the tracking error (calculated since inception and on daily basis) between the NAV per unit of the Fund and the Benchmark Index on Price Return and Total Return basis was 1.81% and 1.61% respectively,

which were within the 3% limit stipulated under the Fund's investment objective. The Fund's NAV per unit rose to an all time high of RM1.1727 on 13 August 2013, before easing to end the quarter at RM1.1503, decreasing by 0.26% quarter-on-quarter. The Fund's NAV underperformed the underlying benchmark, i.e. DJIM25 Index, which gained 0.39% to close at 1,028.89 points at the end of the quarter. The variance between the DJIM25 Index and Fund's NAV movement was due to the adjustment to the Fund's NAV following the Fund's income distribution of 1.5 sen, which was declared and paid during the quarter. Meanwhile, the Fund's unit price traded on Bursa Securities closed at RM1.1550/unit, up 0.43% for the same period. On a year-to-date basis, the Fund's NAV per unit had gained 2.01% while the unit price traded appreciated by 3.13% which was in line with the Benchmark Index's gain of 3.50%. As at end of September, total NAV of the Fund increased to RM295.29 million from RM292.62 million as at end of 2012 whilst the Fund's units in circulation maintained at 256.7 million for the third quarter. The key statistics and comparative performance of the Fund for the second and third quarter of 2013 and the last financial year ended 31 December 2012 are summarized as follows:

**Table 1: Key Statistics**

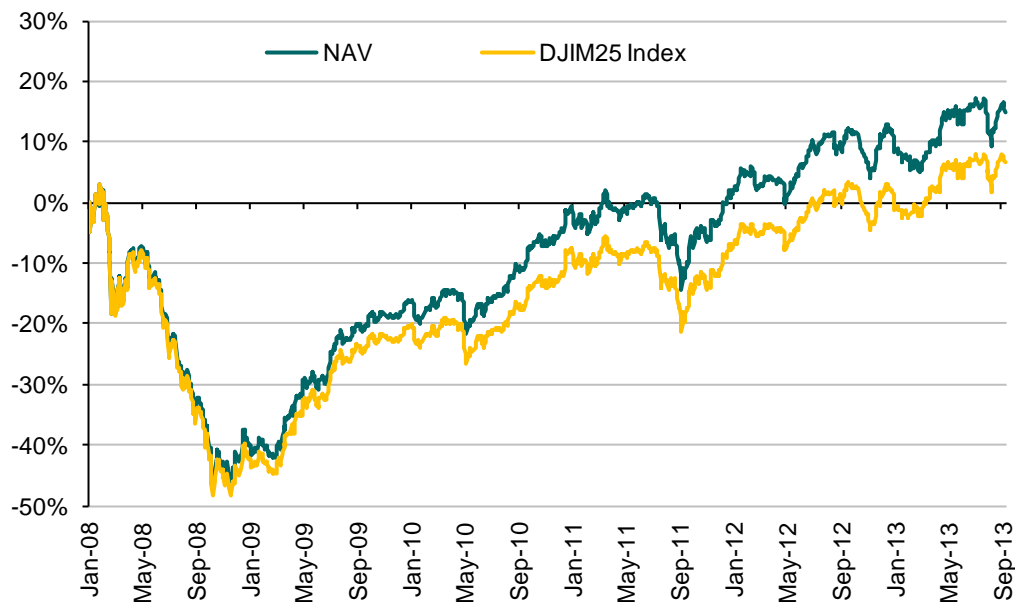
	As at 30-Sep-13	As at 30-Jun-13	QoQ Change (%)	As at 31-Dec-12	YTD Change (%)
NAV per unit (RM)	1.1503	1.1533	-0.26	1.1276	2.01
- Highest	1.1727 (13 Aug)	1.1600 (10 Jun)		1.1276 (31 Dec)	
- Lowest	1.0924 (28 Aug)	1.0742 (1 Apr)		0.9966 (4 Jan)	
<i>(During the period)</i>					
Price per unit (RM)	1.155	1.150	0.43	1.120	3.13
- Highest	1.1750 (13 Aug)	1.160 (11 Jun)		1.120 (31 Dec)	
- Lowest	1.1100 (27 Aug)	1.06 (3 Apr)		0.980 (3 Jan)	
<i>(During the period)</i>					
Units in Circulation	256,700,000	256,700,000	0.00	259,500,000	-1.08
Total NAV (RM)	295,286,451	296,058,111	-0.26	292,616,889	0.91
Market Capitalisation (RM)	296,488,500	295,205,000	0.43	290,640,000	2.01
DJIM25 Index	1,028.89	1,024.89	0.39	994.11	3.50
Tracking Error vs. Price Return DJIM25 Index (%)*	1.81	1.73		1.51	
Tracking Error vs. Total Return DJIM25 Index (%)*	1.61	1.51		1.26	
Management Expense Ratio (%)	0.14	0.14		0.49	

Sources: Bloomberg, i-VCAP

Unit price and net asset value per unit are shown as ex-income distribution

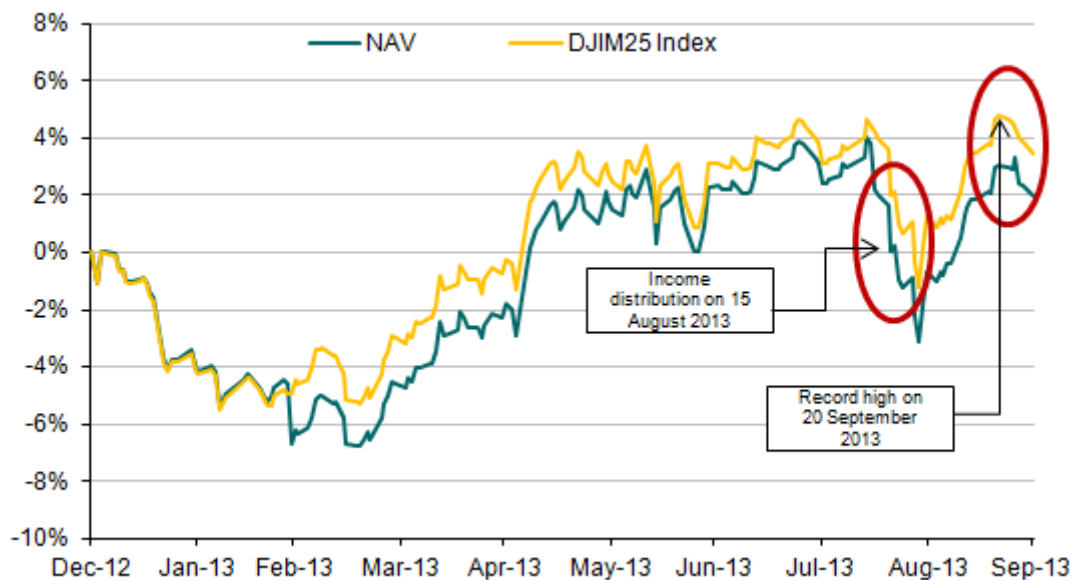
\* The tracking error (calculated since inception and on daily basis) between the NAV per unit of the Fund and the Price Return and Total Return Benchmark Index

**Chart 2 (a): Fund NAV per Unit vs. Benchmark Index\* – Performance Since Inception**



\*Price Return Index  
Sources: Bloomberg, i-VCAP

**Chart 2(b): Fund NAV per Unit vs. Benchmark Index – Performance in 2013**



\*Price Return Index  
Sources: Bloomberg, i-VCAP

**Note:** Past performance is not necessarily indicative of future performance. Unit price and investment return may go up as well as down.

**Table 2(a): Annual Return**

	YTD 30 Sep 13 (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)
MyETF-DJIM25 - NAV Price Return <sup>(a)</sup>	2.01	12.49	5.27	16.29	40.95
DJIM25 - Price Return Index	3.50	12.56	4.26	12.81	39.46
MyETF-DJIM25 - NAV Total Return <sup>(a)</sup>	5.60	15.78	7.48	16.29	42.05
DJIM25 – Total Return Index	6.20	16.70	8.04	17.33	45.03

Sources: Bloomberg, i-VCAP

(a) Independently verified by Perkasa Normandy Advisers Sdn. Bhd.

**Table 2(b): Cumulative Returns**

	Cumulative Returns <sup>(b)</sup>			
	1-Year (%)	3-Year (%)	5-Year (%)	Since Inception (%)
MyETF-DJIM25 - NAV Price Return <sup>(a)</sup>	3.99	29.13	73.84	15.03
DJIM25 - Price Return Index	4.84	29.16	64.94	6.70
MyETF-DJIM25 - NAV Total Return <sup>(a)</sup>	7.64	40.46	90.57	26.10
DJIM25 – Total Return Index	8.41	43.22	100.74	34.08

Sources: Bloomberg, i-VCAP

(a) Independently verified by Perkasa Normandy Advisers Sdn. Bhd.

(b) Cumulative returns are up to 30 September 2013.

**Table 2(c): Average Returns (Annualised)**

	Average Returns <sup>(b)</sup>			
	1-Year (%)	3-Year (%)	5-Year (%)	Since Inception (%)
MyETF-DJIM25 - NAV Price Return <sup>(a)</sup>	3.99	8.90	11.69	2.49
DJIM25 - Price Return Index	4.84	8.90	10.53	1.15
MyETF-DJIM25 - NAV Total Return <sup>(a)</sup>	7.64	11.99	13.77	4.16
DJIM25 – Total Return Index	8.41	12.72	14.95	5.28

Sources: Bloomberg, i-VCAP

(a) Independently verified by Perkasa Normandy Advisers Sdn. Bhd.

(b) Average returns for both MyETF-DJIM25 and DJIM25 Index are annualized figures computed based on the price and total returns for the respective period.

During the period, S&P Dow Jones performed its third quarter 2013 review and rebalanced the composition of the Benchmark Index in accordance with its index methodology. The review resulted in changes to the weightings of the component stocks and stock constituents in the Benchmark Index. The Manager had accordingly undertaken rebalancing exercise for the Fund to align with the changes in the Benchmark Index. The latest rebalancing exercise saw the removal of one stock from the DJIM25 Index, i.e. JCY International Bhd which was subsequently replaced by Kulim (Malaysia) Bhd. In terms of sectoral weightings, notable changes to the Fund's sector composition arising from the quarterly review were the increase in Industrial Products to 15.64% from 14.66% and Construction to 4.13% from 3.65%. On the flip side were the declines in Consumer Products from 4.21% to 3.32% and Property from 2.22% to 1.81%. The removal of JCY International Bhd from the Benchmark Index also resulted in the Technology sector no longer being represented in the Benchmark Index. Details of the changes for the quarter are as follows:

**Table 3: Top Ten Holdings of the Fund as at 30 September 2013**

Stock	% of NAV	Q-o-Q $\Delta$ (% holdings)
1. Axiata Group Bhd	13.81	2.46
2. Sime Darby Bhd	13.12	0.50
3. IOI Corporation Bhd	8.48	(0.14)
4. Digi. Com Bhd	7.24	0.34
5. Petronas Chemicals Group Bhd	7.20	0.52
6. Maxis Bhd	6.61	(1.86)
7. Kuala Lumpur Kepong Bhd	5.15	(0.06)
8. Petronas Gas Bhd	4.76	0.00
9. IHH Healthcare Bhd	4.76	(1.17)
10. Gamuda Bhd	4.13	0.48
<b>Total</b>	<b>75.26</b>	<b>1.07</b>

Sources: Bloomberg, i-VCAP

**Table 4: Change in Fund's Sector Allocation\***

	As at 30 Sep 2013	As at 30 Jun 2013	Change (%)
Trading/Services	47.92%	47.47%	0.45
Plantation	18.56%	18.23%	0.33
Industrial Products	15.64%	14.66%	0.98
Infrastructure	7.78%	7.44%	0.34
Construction	4.13%	3.65%	0.48
Consumer Products	3.32%	4.21%	(0.89)
Property	1.81%	2.22%	(0.41)
Technology	-	0.20%	(0.20)
Cash & Others	0.84%	1.92%	(1.08)

Sources: Bursa Malaysia, i-VCAP

\* Based on Bursa Securities classification

Details of the Fund's quoted Investments as at 30 September 2013 are as follows:

**Table 5: MyETF-DJIM25's Investment in Listed Equities**

	Quantity (Units)	Market Value (RM)	Market Value as a percentage of Net Asset Value (%)
<b><u>Trading/Services</u></b>			
1. Axiata Group Bhd	5,928,700	40,789,456	13.81
2. Sime Darby Bhd	4,077,800	38,739,100	13.12
3. Maxis Bhd	2,786,900	19,508,300	6.61
4. IHH Healthcare Bhd	3,383,800	14,042,770	4.76
5. Petronas Dagangan Bhd	369,200	10,706,800	3.63
6. Bumi Armada Bhd	1,608,600	6,273,540	2.12
7. Dialog Group Bhd	2,308,997	5,864,852	1.99
8. KPJ Healthcare Bhd	495,300	3,046,095	1.03
9. Malaysia Marine & Heavy Engineering Bhd	646,200	2,520,180	0.85
		<b>141,491,093</b>	<b>47.92</b>
<b><u>Plantation</u></b>			
10. IOI Corporation Bhd	4,669,039	25,026,049	8.48
11. Kuala Lumpur Kepong Bhd	672,600	15,200,760	5.15
12. Batu Kawan Bhd	308,400	5,705,400	1.93
13. United Plantations Bhd	127,800	3,399,480	1.15
14. Genting Plantations Bhd	306,300	2,879,220	0.98
15. Kulim (Malaysia) Bhd	787,300	2,582,344	0.87
		<b>54,793,253</b>	<b>18.56</b>
<b><u>Industrial Products</u></b>			
16. Petronas Chemicals Group Bhd	3,102,000	21,248,700	7.20
17. Petronas Gas Bhd	639,400	14,066,800	4.76
18. Lafarge Malaysia Bhd	576,600	5,431,572	1.84
19. Top Glove Corp Bhd	568,100	3,573,349	1.21
20. Supermax Corp Bhd	702,000	1,874,340	0.63
		<b>46,194,761</b>	<b>15.64</b>
<b><u>Infrastructure</u></b>			
21. Digi.Com Bhd	4,396,500	21,366,990	7.23
22. Time Dotcom Bhd	425,140	1,615,532	0.55
		<b>22,982,522</b>	<b>7.78</b>
<b><u>Construction</u></b>			
23. Gamuda Bhd	2,648,900	12,184,940	4.13
		<b>12,184,940</b>	<b>4.13</b>
<b><u>Consumer Products</u></b>			
24. UMW Holdings Bhd	830,500	9,816,510	3.32
		<b>9,816,510</b>	<b>3.32</b>
<b><u>Property</u></b>			
25. UEM Sunrise Bhd	2,095,500	5,343,525	1.81
		<b>5,343,525</b>	<b>1.81</b>
		<b>292,806,604</b>	<b>99.16</b>

Sources: Bursa Malaysia, i-VCAP

## **5. Distribution Policy**

The Fund may distribute amongst the unitholders all, or substantially all of the dividend income that the Fund received from its stock investment, pro-rated based on the number of units held by each unitholder as at the entitlement date of the income distribution. Distributions (if any) are expected to be made semi-annually. The exact amount to be distributed will be at the absolute discretion of the Manager, subject to compliance with the Exchange-Traded Funds Guidelines issued by the Securities Commission Malaysia on 11 June 2009 which may be revised from time to time.

During the quarter, the Fund had declared on 30 July 2013 an interim income distribution to its unit holders of 1.50 sen per unit for the financial year ending 31 December 2013. The entitlement date for the interim income distribution was on 19 August 2013 and the payment date was on 12 September 2013. The interim income distribution amount is derived from the dividend income that the Fund received from its stocks investment holding during the year. Based on the number of entitled unit holders, the Fund distributed a total amount of RM3,850,500.

## **6. Other Information**

There was no material litigation involving the Fund and no significant changes in the state of affairs of the Fund during the period under review.

## **7. Soft Dollar Commissions**

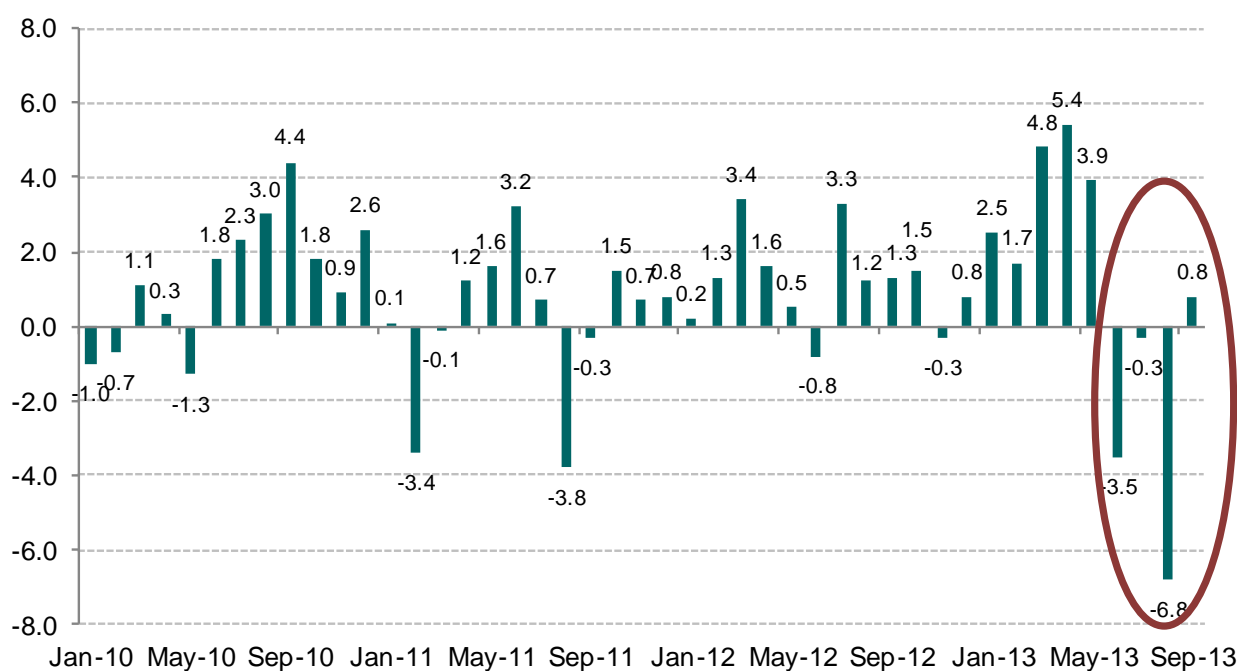
It is the Manager's policy to not receive any goods or services by way of soft commission.

## **8. Market Review and Outlook**

Investors entered the third quarter of 2013 with the looming threat of US asset purchase tapering following signs of economic strength in the US economy. Global equity markets reacted negatively on the Federal Reserve's announcement which led to a massive outflow of funds from emerging markets. Malaysian equities also saw ferocious selling as data showed foreign funds withdrew a total of RM8 billion in August and early September. The fund outflow also dragged down most Asian currencies including Ringgit which depreciated further to RM3.33 level against the US Dollar at the end of August before recovering to close the quarter at RM3.26.



**Chart 3: Foreign Net Flows into Bursa Malaysia Stock Exchange**

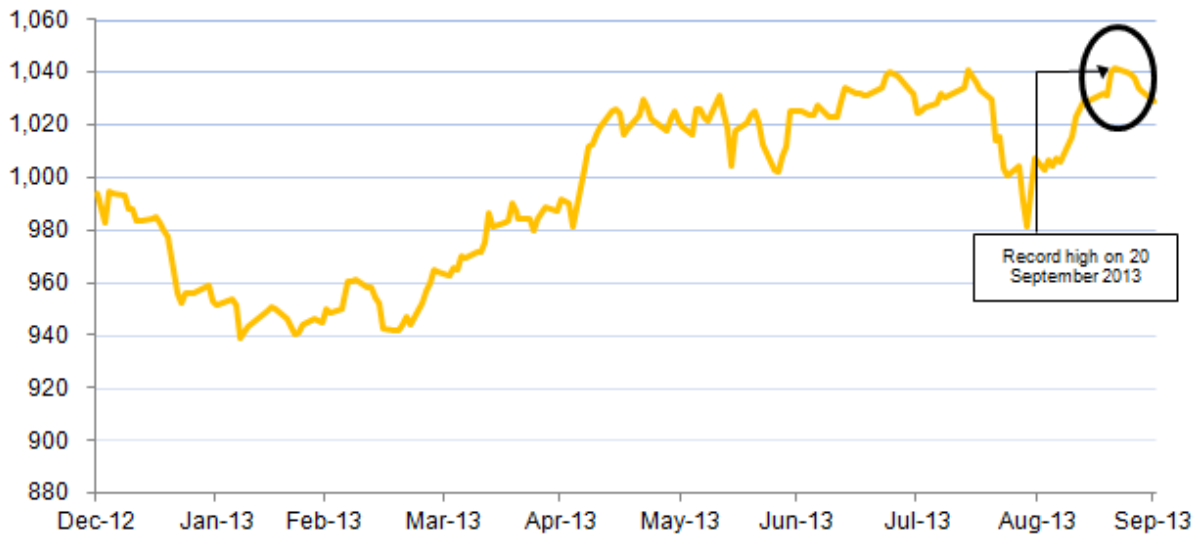


Source: Bursa Malaysia

The DJIM25 Index which started the quarter on a modest gain, underwent volatile market condition midway through the quarter following Fitch Ratings Agency’s downgrading of Malaysia’s sovereign rating outlook from stable to negative and the US Federal Reserve’s Quantitative Easing reduction announcement. The DJIM25 Index retraced to its lowest level of the quarter of 963.20 points on 28 August 2013 as risk aversion turned high with the geopolitical risk in Syria while sentiment was further affected by the release of a slower-than-expected domestic GDP growth rate for 2Q2013. Despite global equity markets suffering further over concern on debt crisis impasse in the US, DJIM25 Index however managed to rebound as investors viewed the pullback as an opportunity to collect defensively strong fundamental stocks. The index closed the quarter at 1,028.89 points, translating to a 0.39% gain quarter-on-quarter and 3.5% gain year-to-date.

The performance of the DJIM25 Index during the quarter was largely supported by cyclical plays in the Industrial Products, Oil & Gas and Telecommunications sectors as investors shifted their focus to laggard stocks. The underperformers for the quarter were in the Consumer and Plantation sectors which saw contracting growth and weak commodity prices weighing down the stocks’ share price performance.

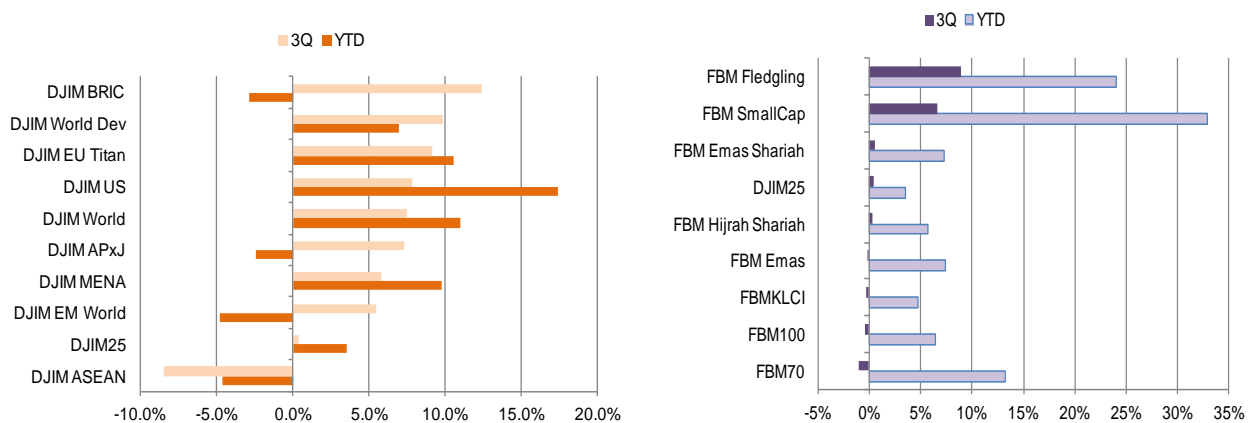
**Chart 4: DJIM25 Index Performance**



Sources: Bloomberg, i-VCAP

The DJIM25 Index underperformed most of Dow Jones Islamic’s major global equity benchmark indices during the quarter while only outperforming the DJIM Asean which registered a quarterly loss of 8.46%. On the domestic front, DJIM25 Index’s marginal gain lagged behind the smaller cap indices but outperformed the medium to large cap indices.

**Chart 5: DJIM and Domestic Indices Performance**



Sources: Bloomberg, i-VCAP

The outlook for equity markets will continue to be tempered by volatility as monetary and fiscal policies are expected to affect investors’ sentiment. The global economy is looking to find its foothold as improving data from the US and signs of positive economic numbers from China have

temporarily offset debt concerns in the Eurozone. Given the US Federal Reserve decision to continue with its assets purchase program for the time being, equity markets have turned positive relative to other asset classes in the short to medium term. Meanwhile, Malaysian equity market is expected to hold steady until the end of the year due to its defensiveness. On economic front, GDP is expected to grow at a higher rate in 2014 from the estimated growth of 4.5% to 5.0% in 2013. In addition, proactive measures announced by the Prime Minister in Budget 2014 in managing the country's budget deficit have been viewed positively by investors. The fiscal reforms to ensure sustainable and balanced economic growth may help to support the outlook for Malaysia's sovereign ratings which in turn should improve sentiment in the equity market for the next quarter.