

## Manager's Report

### For the Financial Period 1 April to 30 June 2014

<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

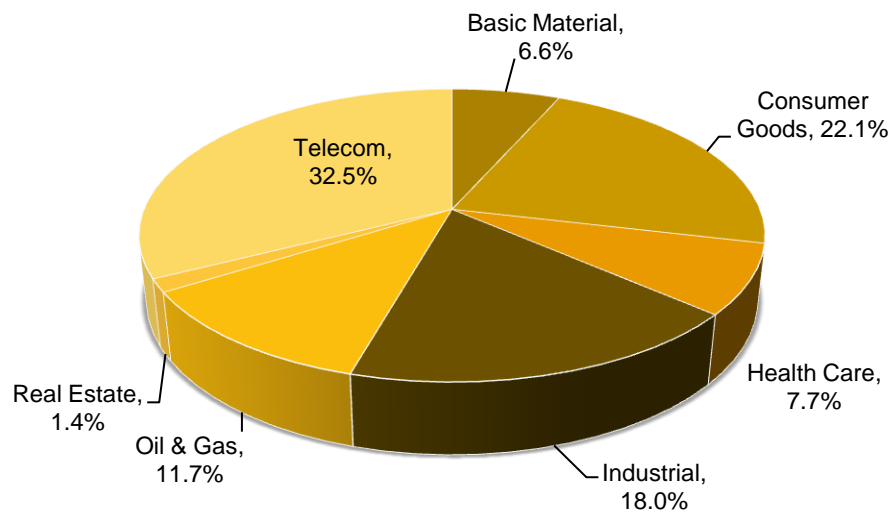
The Benchmark Index is a market capitalisation weighted and free-float adjusted index provided by S&P Dow Jones Indices ("S&P Dow Jones").

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.

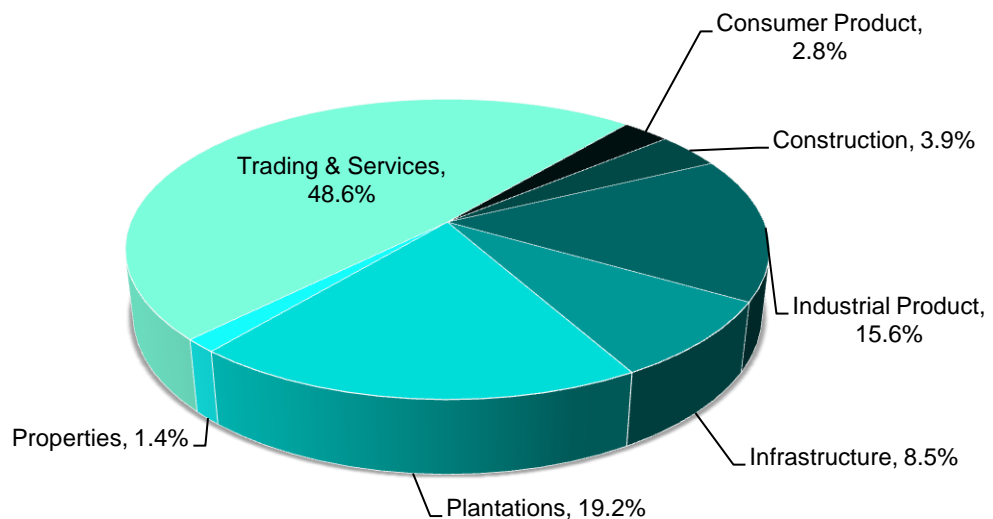
Based on the latest quarterly review (as at 13 June 2014), the sector allocation of DJIM25 Index based on S&P Dow Jones and Bursa Securities sector classifications are as follows:

**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**

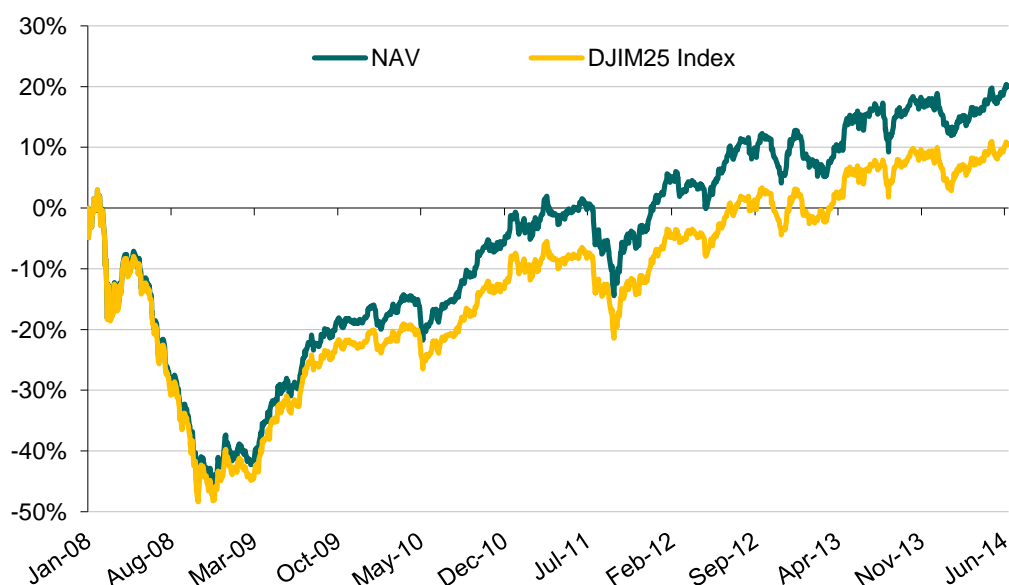
For the quarter under review, the Fund continued to achieve its investment objective which is to track closely the underlying benchmark, i.e. DJIM25 Index. As at 30 June 2014, the tracking error (calculated since inception and on daily basis) between the NAV per unit of the Fund and the Benchmark Index on Price Return and Total Return basis was 1.82% and 1.63% respectively, which were within the 3% limit stipulated under the Fund's investment objective. In terms of NAV movement, the Fund's NAV per unit reached its highest level of RM1.2028 on 24 June 2014, which was also the highest level since the inception of the Fund. As at end-June, the Fund's NAV increased by 2.93% to RM1.1997 from RM1.1655 at the end of the previous quarter, in line with its underlying benchmark that gained by 2.03% for the same period. Meanwhile, the Fund's unit price traded on Bursa Securities moved in tandem but largely at a discount to its NAV before closing the quarter at RM1.1850. Total NAV of the Fund also increased to RM302.7 million as at end-June from RM297.3 million as at end March largely due to the favourable market condition. The key statistics and comparative performance of the Fund for the second quarter of 2014 and the first quarter 2014 are summarized as follows:

**Table 1: Key Statistics**

	As at 30-Jun-14	As at 31-Mar-14	QoQ Change
NAV per unit (RM)	1.1997	1.1655	2.93%
- Highest	1.2028 (24 Jun)	1.1781 (2 Jan)	
- Lowest	1.1529 (4 Apr)	1.1191 (4 Feb)	
<i>(During the period)</i>			
Price per unit (RM)	1.1850	1.1600	2.16%
- Highest	1.2000 (24 Jun)	1.1750 (2 Jan)	
- Lowest	1.1400 (22 Apr)	1.1250 (4 Feb)	
<i>(During the period)</i>			
Units in Circulation	252,300,000	255,100,000	-1.10%
Total NAV (RM)	302,692,440	297,313,192	1.81%
Market Capitalisation (RM)	298,975,500	295,916,000	1.03%
DJIM25 Index	1,064.82	1,043.62	2.03%
Tracking Error vs. Price Return DJIM25 Index (%)*	1.82	1.85	
Tracking Error vs. Total Return DJIM25 Index (%)*	1.63	1.67	
Management Expense Ratio (%)	0.27	0.14	

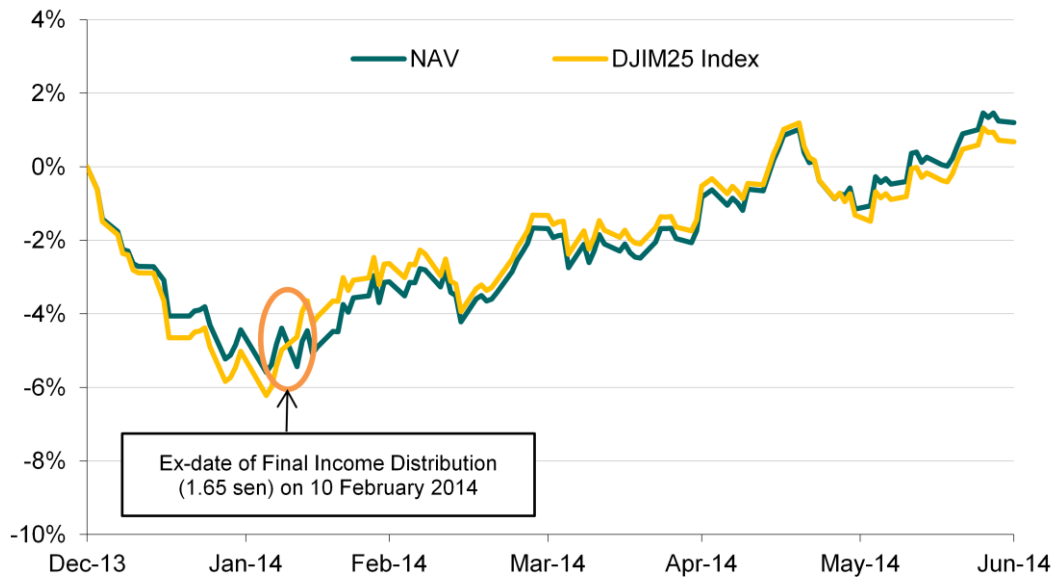
Sources: Bloomberg, i-VCAP

\* 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**


Sources: Bloomberg, i-VCAP

**Chart 2(b): Fund NAV Per Unit vs. Benchmark Index – Performance in 2014**



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 Jun 14 (%)	2013 (%)	2012 (%)	2011 (%)	2010 (%)
MyETF-DJIM25 - NAV Price Return <sup>(a)</sup>	1.21	5.13	12.49	5.27	16.29
DJIM25 - Price Return Index	0.68	6.39	12.56	4.26	12.81
MyETF-DJIM25 - NAV Total Return <sup>(a)</sup>	2.70	8.82	15.78	7.48	16.29
DJIM25 -Total Return Index	2.17	10.13	15.85	6.45	12.81

Sources: Bloomberg, i-VCAP

(a) Independently verified by Novagni Analytics and Advisory 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>	4.02	19.46	69.45	19.97
DJIM25 - Price Return Index	3.90	19.39	62.60	10.43
MyETF-DJIM25 - NAV Total Return <sup>(a)</sup>	6.93	30.52	87.03	33.45
DJIM25 - Total Return Index	6.80	30.45	79.47	22.84

Sources: Bloomberg, i-VCAP

(a) Independently verified by Novagni Analytics and Advisory Sdn. Bhd.

(b) Cumulative returns are up to 30 June 2014.

**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>	4.02	6.11	11.12	2.87
DJIM25 - Price Return Index	3.90	6.09	10.21	1.55
MyETF-DJIM25 - NAV Total Return <sup>(a)</sup>	6.93	9.29	13.34	4.58
DJIM25 - Total Return Index	6.80	9.27	12.41	3.24

Sources: Bloomberg, i-VCAP

(a) Independently verified by Novagni Analytics and Advisory 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 under review, S&P Dow Jones performed its Second Quarter 2014 Review (quarterly 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 undertaken the rebalancing exercise to align the Fund with the changes in the Benchmark Index. The latest rebalancing exercise saw the removal of one stock from the DJIM25 Index, namely Malaysia Marine and Heavy Engineering Bhd which was subsequently replaced by UMW Holdings Bhd. In terms of sectoral weightings, notable changes to the Fund's sector composition arising from the second quarter review were the inclusion of Consumer Products of 2.79% pursuant to the inclusion of UMW Holdings Bhd as an index constituent. On the other hand, the weighting of Trading/Services decreased from 50.02% to 48.13% while Industrial Products reduced from 16.40% to 15.35%. Details of the key changes for the quarter are as follows:

**Table 3: Top Ten Holdings of the Fund as at 30 June 2014**

Stock	% of NAV	Q-o-Q $\Delta$ (% holdings)
1. Axiata Group Berhad	12.79	(0.15)
2. Sime Darby Berhad	12.28	(0.14)
3. DiGi. Com Berhad	7.77	0.02
4. IOI Corporation Berhad	7.48	0.23
5. Petronas Chemicals Group Berhad	6.48	(0.53)
6. Maxis Berhad	5.81	(0.54)
7. Telekom Malaysia Berhad	5.10	0.08
8. Kuala Lumpur Kepong Berhad	5.01	(0.32)
9. Petronas Gas Berhad	4.83	(0.15)
10. IHH Healthcare Berhad	4.63	0.37
<b>Total</b>	<b>72.18</b>	<b>(1.12)</b>

Sources: Bloomberg, i-VCAP

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

	As at 30-Jun-14	As at 31-Mar-14	Change (%)
Trading/Services	48.13%	50.02%	(1.89)
Plantation	18.62%	19.37%	(0.75)
Industrial Products	15.35%	16.40%	(1.05)
Infrastructure	8.38%	8.30%	0.08
Construction	3.90%	4.13%	(0.23)
Consumer Products	2.79%	0.00%	2.79
Property	1.38%	1.58%	(0.20)
Cash & Others	1.45%	0.20%	1.25

Sources: Bursa Malaysia, i-VCAP

\* Based on Bursa Securities classification

Details of the Fund's quoted Investments as at 30 June 2014 are as follows:

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

	Quantity	Market Value	Market Value as a percentage of Net Asset Value
	(Units)	(RM)	(%)
<b><u>Trading/Services</u></b>			
1. Axiata Group Berhad	5,555,400	38,721,138	12.79
2. Sime Darby Berhad	3,843,900	37,170,513	12.28
3. Maxis Berhad	2,605,200	17,585,100	5.81
4. Telekom Malaysia Berhad	2,429,600	15,427,960	5.10
5. IHH Healthcare Berhad	3,201,500	14,022,570	4.63
6. Petronas Dagangan Bhd	344,800	8,288,992	2.74
7. Dialog Group Berhad	2,165,397	8,206,855	2.71
8. UMW Oil & Gas Corporation Berhad	913,600	3,800,576	1.26
9. KPJ Healthcare Berhad	725,946	2,453,697	0.81
		<b>145,677,401</b>	<b>48.13</b>
<b><u>Plantation</u></b>			
10. IOI Corporation Berhad	4,314,839	22,652,905	7.48
11. Kuala Lumpur Kepong Berhad	626,900	15,170,980	5.01
12. Felda Global Ventures Holdings Berhad	2,863,000	11,910,080	3.93
13. Genting Plantations Berhad	119,200	3,335,216	1.10
14. United Plantations Berhad	287,000	3,329,200	1.10
		<b>56,398,381</b>	<b>18.62</b>
<b><u>Industrial Products</u></b>			
15. Petronas Chemicals Group Berhad	2,897,600	19,616,752	6.48
16. Petronas Gas Berhad	597,300	14,633,850	4.83
17. Lafarge Malaysia Berhad	538,600	5,305,210	1.75
18. Hartalega Holdings Berhad	496,200	3,081,402	1.02
19. Top Glove Corporation Bhd	533,900	2,439,923	0.81
20. Supermax Corporation Berhad	656,100	1,377,810	0.46
		<b>46,454,947</b>	<b>15.35</b>
<b><u>Infrastructure</u></b>			
21. DiGi.Com Berhad	4,106,900	23,532,537	7.77
22. TIME dotCom Berhad	397,840	1,838,021	0.61
		<b>25,370,558</b>	<b>8.38</b>
<b><u>Construction</u></b>			
23. Gamuda Berhad	2,507,500	11,810,325	3.90
		<b>11,810,325</b>	<b>3.90</b>
<b><u>Consumer Products</u></b>			
24. UMW Holdings Berhad	774,200	8,454,264	2.79
		<b>8,454,264</b>	<b>2.79</b>
<b><u>Property</u></b>			
25. UEM Sunrise Berhad	2,054,400	4,170,432	1.38
		<b>4,170,432</b>	<b>1.38</b>
		<b>298,336,308</b>	<b>98.55</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, there was no income distribution declared or being paid.

## **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. There is also no other material information that will adversely affect the Fund's valuation and the interest of unit holders.

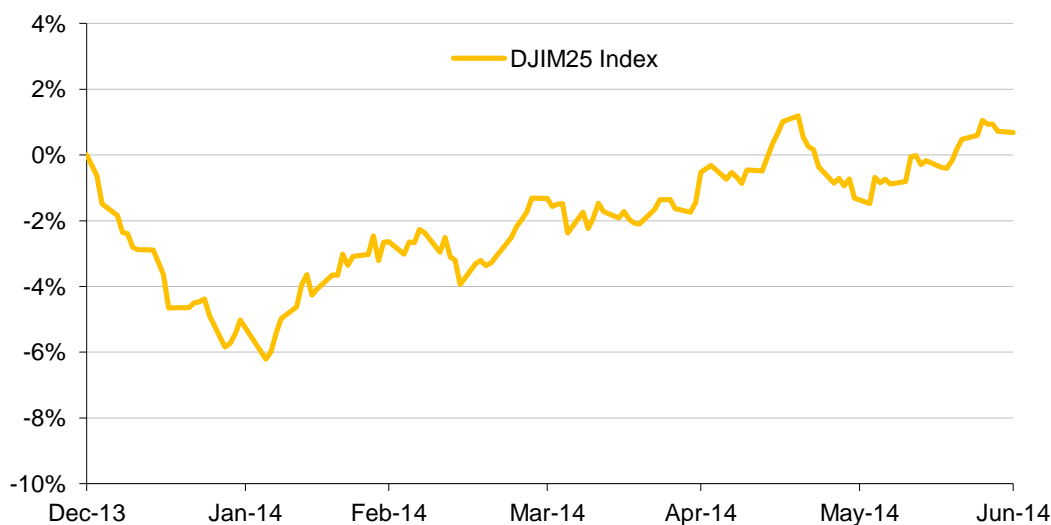
## **7. Soft Dollar Commissions**

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

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

Global equity markets continued their upward trend in second quarter 2014 as economic data largely met or exceeded expectations. The assertion of an accommodative monetary policy in the near future also contributed to the positive performance for equities. Emerging markets led the gainers quarter-on-quarter as signs of stabilising economic growth in China emerged.

The domestic equity market recovered in the second quarter after a slow start to the year. Sentiment improved on the back of positive economic data with real gross domestic product (GDP) expanding by 6.2% year-on-year in 1Q14 (+4.2% in 1Q13 and +5.1% in 4Q13), anchored by domestic demand and a turnaround in net exports. In addition, corporate earnings generally met expectations with positive signs, leading foreign investors to turn net buyers for the quarter as local equity indices registered a new all time high. Meanwhile, the Ringgit continued to strengthen against the US Dollar from the end of the previous quarter of RM3.26 to close at RM3.21 in June, representing an increase of 1.67% quarter-on-quarter.

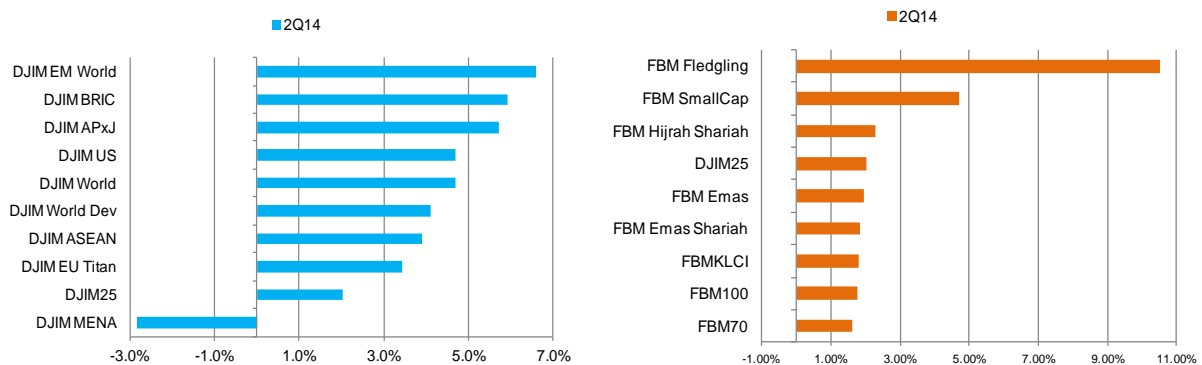
**Chart 3: DJIM25 Index Performance in 2Q14**

Sources: Bloomberg, i-VCAP

The DJIM25 Index started the quarter on a moderate pace before it had its breakthrough performance after the announcement of 1Q14 Malaysia's GDP number in May. The Benchmark Index reached its record high of 1,070.23 points on 19<sup>th</sup> May, before retracing towards month end due to profit taking activities. The Benchmark Index recovered thereafter and ended the period at 1,064.82 points. The recovery was also helped by positive sentiment in the US market as well as the favourable statement by the Federal Reserve's chairman at the Federal Open Market Committee meeting in June that interest rates will remain low possibly up to 2016, thus providing another reason for equity investors to stay bullish.

The performance of the DJIM25 Index during the quarter was largely supported by cyclical plays in the Oil & Gas and Telecommunication sectors while the key laggards during the quarter were stocks in the Plantation and Industrial sectors. On comparative performance within Dow Jones Islamic Market ("DJIM") index series, the DJIM25 Index quarterly gain lagged most of the major global Islamic equity benchmark indices and only outperformed the DJIM MENA Index. On the domestic front, it was a better performance for the DJIM25 Index against most of big-cap and mid-cap indices while it trailed the FBM Fledgling, FBM Small Cap and FBM Hijrah Shariah indices.

**Chart 4: DJIM and Domestic Indices Performance – 2nd Quarter 2014**



Sources: Bloomberg, i-VCAP

Moving forward, the outlook for the global economy suggested a cautiously positive undertone for 2H2014. Global economic condition is expected to improve following the positive signs in the developed economies and signs of stability in China’s moderating growth.

Malaysian equity market is expected to remain resilient relative to regional and emerging markets as economic fundamentals remained intact due to healthy domestic demand and continued strength in exports data. Private sector consumption is expected to remain supportive of economic activities on the back of stable income growth and favourable labour market conditions which should support the GDP growth forecast of between 5.0% to 5.5% in 2014. Meanwhile, even though BNM had increased the Overnight Policy Rate (OPR) by 25 basis points to 3.25% at the Monetary Policy Committee (MPC) meeting in July, it is not expected to negatively impact the growth in the short term as the hike was to mitigate the risk of broader economic and financial imbalances in the Malaysian economy. Given its defensiveness due to the stable economic fundamentals, the outlook for Malaysia’s equity market should remain cautiously positive in the medium term.