

## Manager's Report

### For the Financial Period 1 April to 30 June 2015

<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

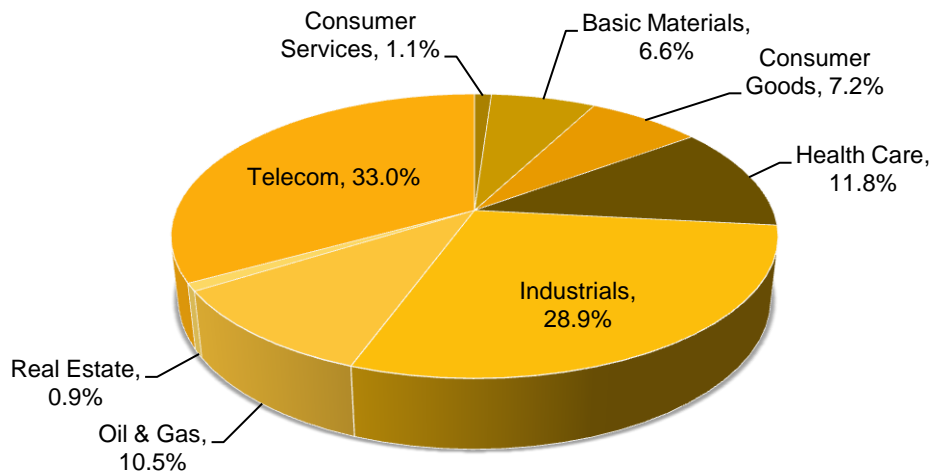
The Benchmark Index is a market capitalisation weighted and free-float adjusted index provided by S&P Dow Jones Indices (“S&P Dow Jones”).

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.

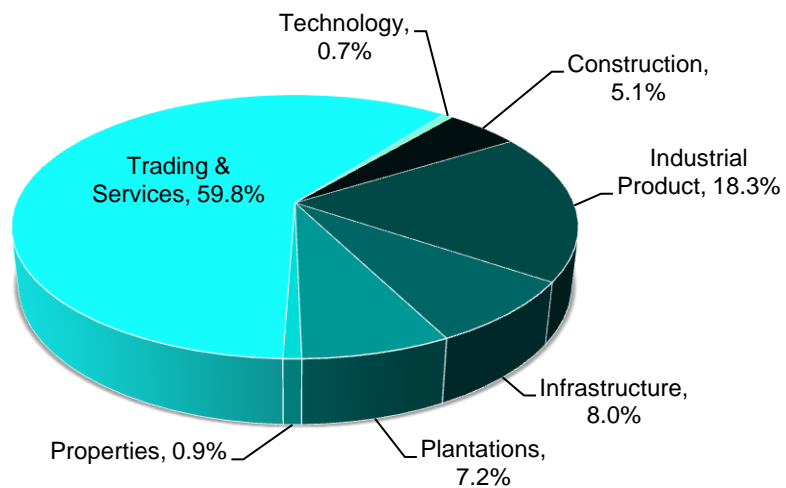
Based on the latest quarterly review (as at 20 March 2015), the sector allocation of DJIM25 Index based on S&P Dow Jones and Bursa Securities sector classifications are as follows:

**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 Index, i.e. DJIM25 Index. As at 30 June 2015, 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 1.98% and 1.83% 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 decreased by 7.09% to RM1.0844 from RM1.1672 at the end of the previous quarter while the Benchmark Index and Benchmark's Total Return Index (DJIM25T Index) decreased by 7.59% and 6.81% respectively for the quarter. The Fund started the quarter positively with its NAV and price per unit reaching its highest level for the quarter of RM1.1828 on 24 April before retracing to its lowest level for the year of RM1.0796 on 29 June. 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 RM1.0850.

In line with the performance of the Benchmark Index, total NAV of the Fund decreased to RM273.15 million as at end of June from RM294.02 million recorded at the end of March. The key statistics and comparative performance of the Fund for the second quarter of 2015 as compared to the previous quarter are summarized as follows:

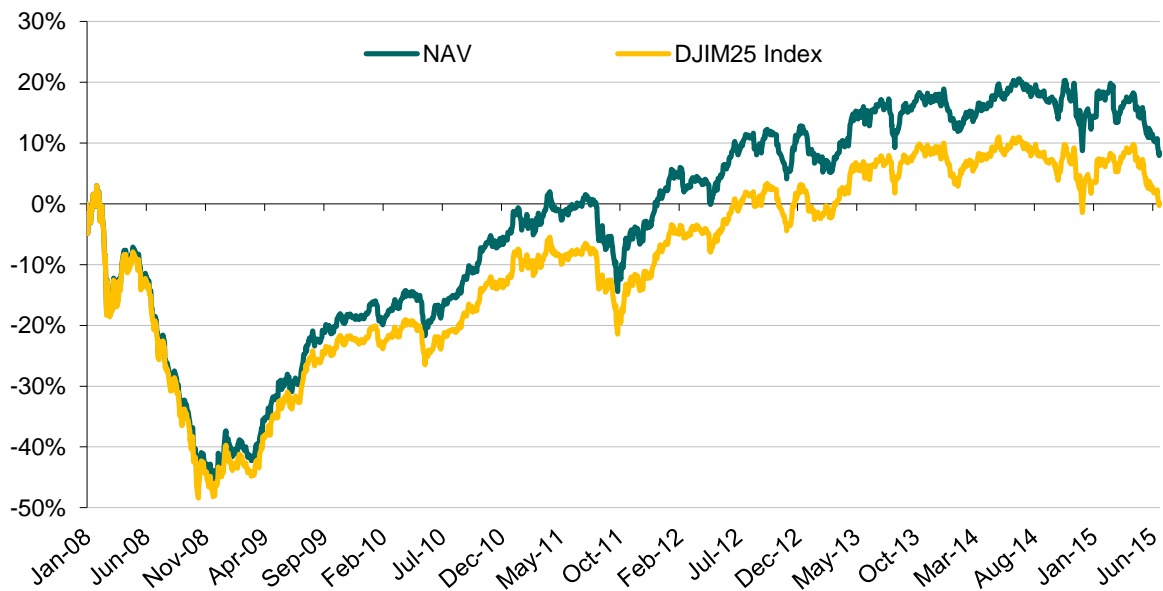
**Table 1: Key Statistics**

	As at 30-Jun-15	As at 31-Mar-15	QoQ Change
NAV per unit (RM)	1.0844	1.1672	(7.09%)
- Highest	1.1828 (24 Apr)	1.1981 (26 Feb)	
- Lowest	1.0796 (29 Jun)	1.1225 (8 Jan)	
<i>(During the period)</i>			
Price per unit (RM)	1.0850	1.1650	(6.87%)
- Highest	1.1750 (21 Apr)	1.1900 (26 Feb)	
- Lowest	1.0850 (29 Jun)	1.1250 (8 Jan)	
<i>(During the period)</i>			
Units in Circulation	251,900,000	251,900,000	0.00%
Total NAV (RM)	273,150,713	294,019,423	(7.10%)
Market Capitalisation (RM)	273,311,500	293,463,500	(6.87%)
DJIM25 Index	965.82	1,045.14	(7.59%)
DJIM25 Total Return Index	1,281.33	1,375.00	(6.81%)
Tracking Error vs. Price Return DJIM25 Index (%)*	1.98	2.01	
Tracking Error vs. Total Return DJIM25 Index (%)*	1.83	1.86	
Management Expense Ratio (%)	0.15	0.15	

Sources: Bloomberg, i-VCAP

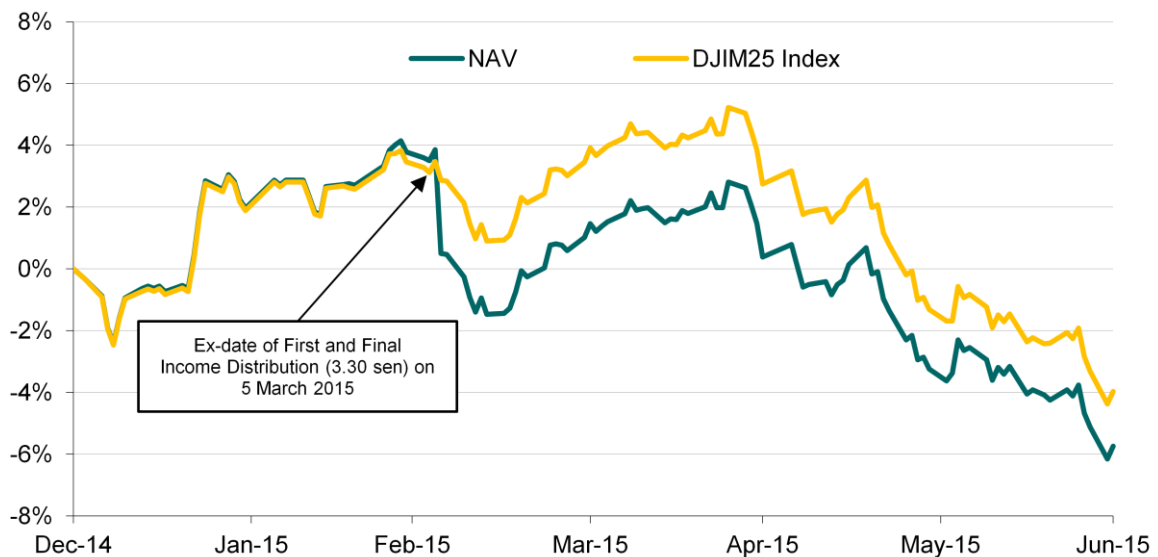
\* The tracking error (calculated since inception and on daily basis) between the NAV per unit of the Fund and the Price Return and Total Return Benchmark Index

**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 1H2015**



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 15 (%)	2014 (%)	2013 (%)	2012 (%)	2011 (%)
MyETF-DJIM25 - NAV Price Return <sup>(a)</sup>	(5.74)	(2.95)	5.13	12.49	5.27
DJIM25 - Price Return Index	(3.97)	(4.90)	6.39	12.56	4.26
MyETF-DJIM25 - NAV Total Return <sup>(a)</sup>	(3.05)	(1.52)	8.82	15.78	7.48
DJIM25 - Total Return Index	(2.58)	(1.62)	9.82	16.70	8.04

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>	(9.61)	2.13	31.41	8.44
DJIM25 - Price Return Index	(9.30)	3.11	29.50	0.16
MyETF-DJIM25 - NAV Total Return <sup>(a)</sup>	(7.03)	11.61	49.18	24.07
DJIM25 - Total Return Index	(6.48)	13.50	53.75	32.88

Sources: Bloomberg, i-VCAP

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

(b) Cumulative returns are up to 30 June 2015.

**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>	(9.61)	0.70	5.62	1.09
DJIM25 - Price Return Index	(9.30)	1.03	5.31	0.02
MyETF-DJIM25 - NAV Total Return <sup>(a)</sup>	(7.03)	3.73	8.33	2.94
DJIM25 - Total Return Index	(6.48)	4.31	8.98	3.89

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 2015 Review (quarterly review) and rebalanced the composition of the Benchmark Index in accordance with its index methodology. The quarterly review had resulted in changes to the weightings of the component stocks and stock constituents in the Benchmark Index. The Manager had undertaken the rebalancing exercise during the quarterly reviews to ensure that the Fund's investment would be in line with the changes in the Benchmark Index. The latest rebalancing exercise saw the removal of three stocks from the DJIM25 Index, i.e. IOI Corporation Berhad, UMW Holdings Berhad and UMW Oil & Gas Corporation Berhad which were subsequently replaced by Cahya Mata Sarawak Berhad, Berjaya Auto Berhad and Inari Amertron Berhad. In terms of sectoral weightings, notable changes to the Fund's sector composition as compared to the previous quarter were the increase in Trading/Services from 55.53% to 59.43% and Industrial Products from 14.56% to 18.68%. On the other hand, the weighting of Plantation sector decreased from 13.40% to 7.22%. Pursuant to the exclusion of UMW Holdings Bhd as an index constituent, the Fund currently has no exposure in the Consumer Products sector while the inclusion of Inari Amertron Berhad resulted in the Fund's sole exposure in the Technology sector. Details of the key changes for the quarter are as follows:

**Table 3: Top Ten Holdings of the Fund as at 30 June 2015**

Stock	% of NAV
1. Axiata Group Berhad	12.36
2. Sime Darby Berhad	12.34
3. Digi. Com Berhad	7.74
4. IHH Healthcare Berhad	7.29
5. Petronas Chemicals Group Berhad	7.00
6. Telekom Malaysia Berhad	6.68
7. Maxis Berhad	5.79
8. Kuala Lumpur Kepong Berhad	4.86
9. Gamuda Berhad	4.76
10. Petronas Gas Berhad	4.73
<b>Total</b>	<b>73.55</b>

Sources: Bloomberg, i-VCAP

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

	As at 30-Jun-15	As at 31-Mar-15	Change (%)
Trading/Services	59.43%	55.53%	3.90
Industrial Products	18.68%	14.56%	4.12
Infrastructure	7.74%	8.00%	(0.26)
Plantation	7.22%	13.40%	(6.18)
Construction	4.76%	4.54%	0.22
Properties	0.81%	1.06%	(0.25)
Technology	0.66%	-	0.66
Consumer Products	-	2.72%	(2.72%)
Cash & Others	0.70%	0.19%	0.53

Sources: Bursa Malaysia, i-VCAP

\* Based on Bursa Securities classification

Details of the Fund's quoted Investments as at 30 June 2015 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 Berhad	5,273,200	33,748,480	12.36
2. Sime Darby Berhad	3,955,300	33,699,156	12.34
3. IHH Healthcare Berhad	3,518,700	19,915,842	7.29
4. Telekom Malaysia Berhad	2,788,300	18,235,482	6.68
5. Maxis Berhad	2,482,800	15,815,436	5.79
6. MISC Berhad	1,623,600	12,534,192	4.59
7. Dialog Group Berhad	5,109,140	8,123,533	2.97
8. Petronas Dagangan Berhad	363,900	7,489,062	2.75
9. Westports Holdings Berhad	1,747,600	7,392,348	2.72
10. Berjaya Auto Berhad	1,044,400	2,819,880	1.03
11. KPJ Healthcare Berhad	605,346	2,554,560	0.94
		<b>162,327,971</b>	<b>59.43</b>
<b><u>Industrial Products</u></b>			
12. Petronas Chemicals Group Berhad	3,025,500	19,121,160	7.00
13. Petronas Gas Berhad	608,100	12,928,206	4.73
14. Hartalega Holdings Berhad	654,500	5,569,795	2.04
15. Lafarge Malaysia Berhad	538,000	4,551,480	1.67
16. Cahya Mata Sarawak Berhad	858,600	4,421,790	1.62
17. Top Glove Corporation Berhad	461,700	3,070,305	1.12
18. Supermax Corporation Berhad	659,100	1,364,337	0.50
		<b>51,027,073</b>	<b>18.68</b>
<b><u>Infrastructure</u></b>			
19. Digi.Com Berhad	3,945,800	21,149,488	7.74
		<b>21,149,488</b>	<b>7.74</b>
<b><u>Plantation</u></b>			
20. Kuala Lumpur Kepong Berhad	620,700	13,282,980	4.86
21. Felda Global Ventures Holdings Berhad	2,120,800	3,456,904	1.27
22. Genting Plantations Berhad	300,000	2,973,000	1.09
		<b>19,712,884</b>	<b>7.22</b>
<b><u>Construction</u></b>			
23. Gamuda Berhad	2,784,900	13,005,483	4.76
		<b>13,005,483</b>	<b>4.76</b>
<b><u>Properties</u></b>			
24. UEM Sunrise Berhad	2,259,500	2,203,013	0.81
		<b>2,203,013</b>	<b>0.81</b>
<b><u>Technology</u></b>			
25. Inari Amertron Berhad	557,500	1,811,875	0.66
		<b>1,811,875</b>	<b>0.66</b>
		<b>271,237,787</b>	<b>99.30</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. With the implementation of Goods and Service Tax (GST), effective from 1 April 2015, fees and expenses incurred by the Fund are subjected to GST.

## **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**

The world economy is still struggling to gain momentum as both, the Advanced and Emerging Market economies registered a more modest growth in 1Q2015. As a result, the World Bank recently downgraded global growth to 2.8% for 2015, which is 0.2% lower compared to the projection made in January this year. Sluggish commodity prices and a surge in capital outflows have weakened the economies and the local currencies of the Emerging markets, while the US is touted to get off the recovery ground on stronger footing than other economies.

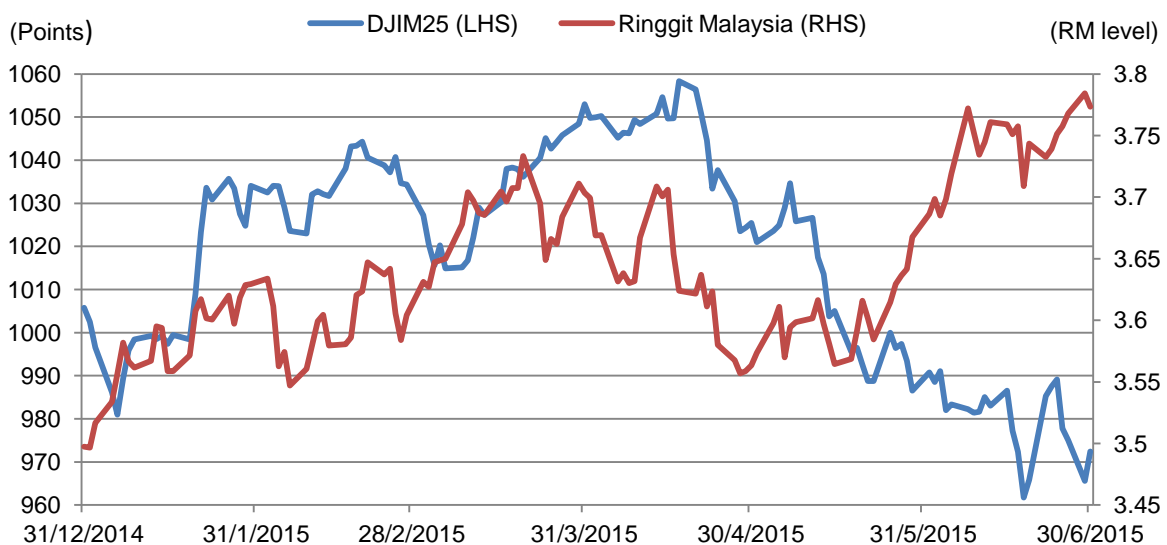
Meanwhile, the Eurozone economies have shown some signs of a recovery in 2Q2015, after the ECB announced additional monetary support to the union. However, the recovery optimism tapered off when the fear of Greece exit from Euro or "Grexit" appeared plausible after the Greeks overwhelmingly voted "No" to the international bailout terms in its national referendum. The looming possibility of a Grexit ignited selling pressure across the equity, fixed income and also currency, especially in the Emerging Markets. Not surprisingly, US dollar strengthened and

demand for fixed income instruments picked up as investors turned more defensive and moved away from riskier assets.

Another notable event for the quarter was the sharp drop in China’s equity markets in June. In a span of a few short weeks towards end-June, the Chinese market lost about 30% of its value and shed USD2.8 trillion in market capitalization. Prior to it, China’s equity markets was riding on a super charged rally where at its peak, the Chinese market was up by 74% for the year. The strong performance was attributed to the liberalization measures such as the opening up of China’s capital account, via the Shanghai-Hong Kong Connect programme as well as lowering of its lending rates which encouraged a significant rise in margin lending activities. Despite the sharp drop in late June, China’s equity markets were nonetheless the top performers for the quarter with Shanghai and Shenzhen composite index up 14.1% and 25.8% respectively.

In Malaysia, overall sentiment has been negative so far this year with the equity market contracting sharply in the 2Q2015. The Ringgit weakened further to the 1998 pegged level of RM3.80, a depreciation of 7.3% against the US dollar year-to-date. Capital outflows remain sizeable with USD10.7 billion being shaved off from BNM’s international reserves in the last six months. The outflows can be attributed partially by the external headwinds particularly concern over Grexit, whilst investors also reacted negatively towards rising domestic risks, i.e. weaker Ringgit, poor export performance, narrowing current account surplus, depressed commodity prices, and political quagmire.

**Chart 3: DJIM25 Index Performance against Ringgit Malaysia in 1H2015**

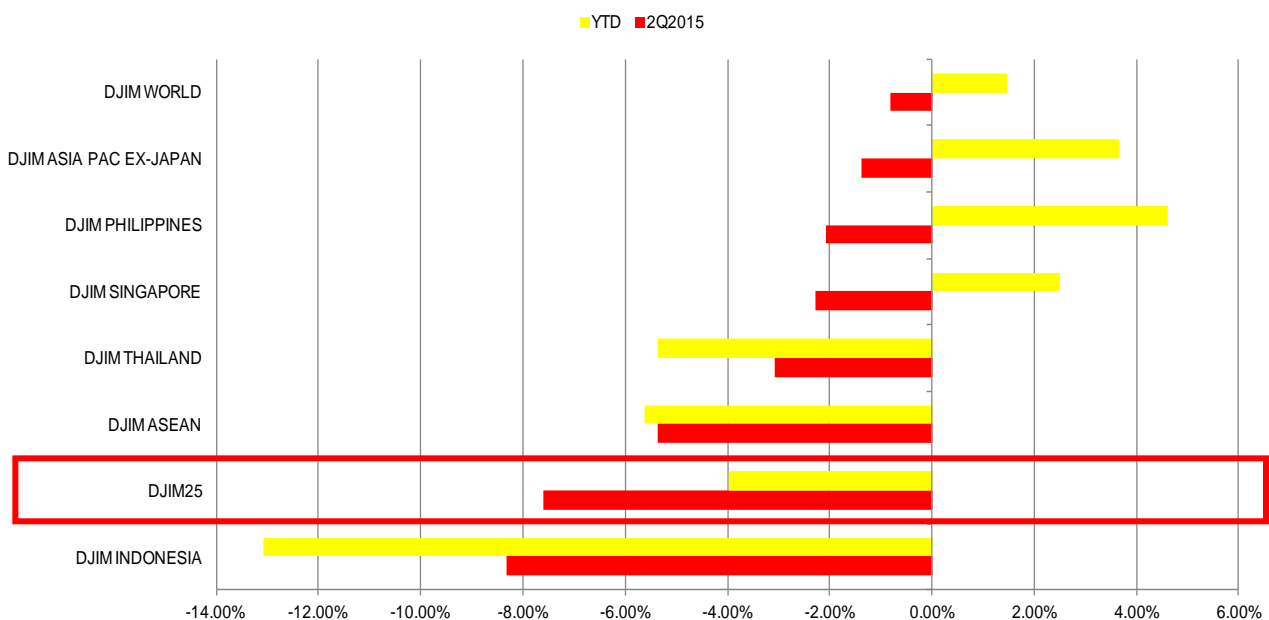


Sources: Bloomberg, i-VCAP

The DJIM25 Index generally moved in line with the overall negative sentiment in global equity markets. The Benchmark index reached its intraday year-high of 1,059.77 on 27 April but succumbed to selling pressure thereafter. The DJIM25 Index ended the second quarter at 965.82 points, 7.59% lower than the previous quarter's end of 1,045.14 points. The tepid performance of the DJIM25 Index during the quarter was largely attributed to the Trading/Services sectors which saw the index's heavy weighted telecommunication stocks drop between 9 to 15% quarter-on-quarter. In addition, the combination of a weak Ringgit, low crude oil prices as well as downward revisions of corporate earnings led to continuous foreign selling, particularly on big-cap stocks with high foreign shareholding.

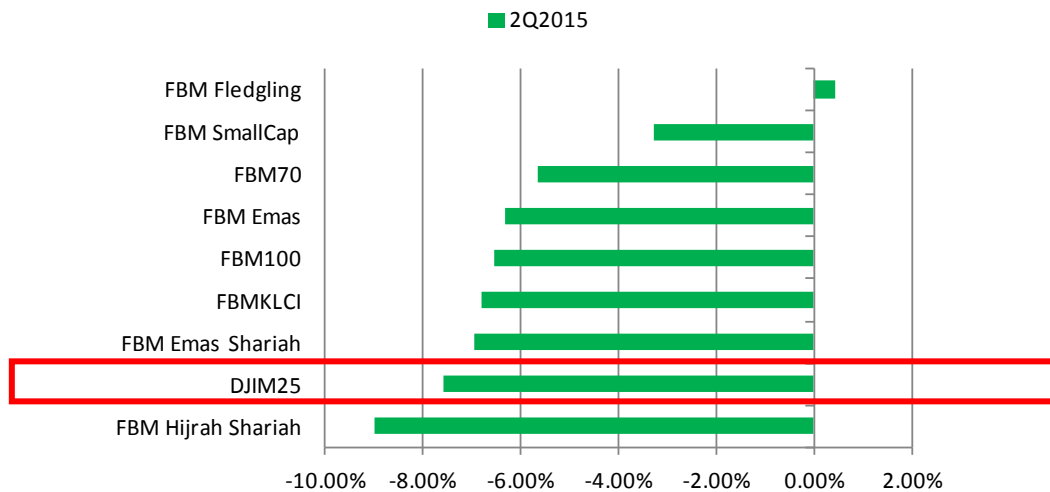
On comparative performance within Dow Jones Islamic Market ("DJIM") index series, the DJIM25 Index were in line with most of the other major ASEAN indices during the quarter though it still lagged most of the developed markets for the year. On the domestic front, the DJIM25 Index was among the laggards as it only managed to outperform the big-cap index of FBM Hijrah Shariah.

**Chart 4: Comparative Performance of DJIM25 vs Regional Indices – 2Q2015**



Sources: Bloomberg, i-VCAP

**Chart 5: Comparative Performance of DJIM25 vs Domestic Indices – 2Q2015**



Sources: Bloomberg, i-VCAP

Despite the weak equity market, on the economic front, Malaysia emerged as one of the stronger growing economies in ASEAN with the 5.6% GDP growth registered in 1Q2015. The growth was supported by pre-GST consumption and ongoing investment activities. Nonetheless, a slowdown in growth is expected in the middle of the year, especially coming from private consumption before it is expected to bounce back towards year-end. Malaysia's growth rate in 2015 is forecasted to moderate to between 4.5-5.5% (6.0% in 2014), which can be attributed largely to external headwinds.

In the near-term, local equity market is expected to remain volatile, especially due to uncertainties surrounding the Fed's tightening of its monetary policy, sovereign debt solution in the Eurozone and China's declining economic growth rate. Investors are therefore expected to take a defensive stance with focus on companies that are resilient in its earnings and may ride on the various stimulus activities implemented by the government. Big-cap stocks are likely to be preferred on any market pullbacks as the stable domestic economic growth provides downside support.