

## Manager's Report

### For the Financial Period 1 April to 30 June 2016

<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

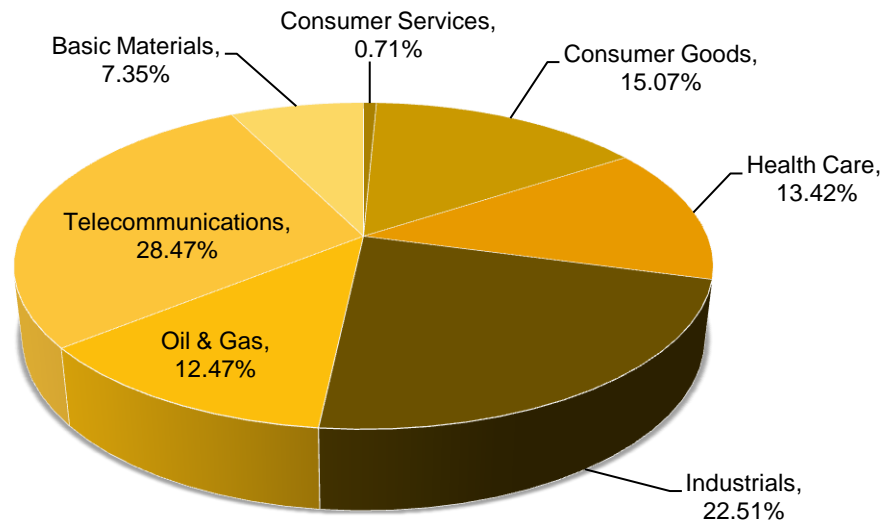
The Benchmark Index is a market capitalisation weighted and free-float adjusted index provided by S&P Dow Jones Indices (“S&P Dow Jones”).

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.

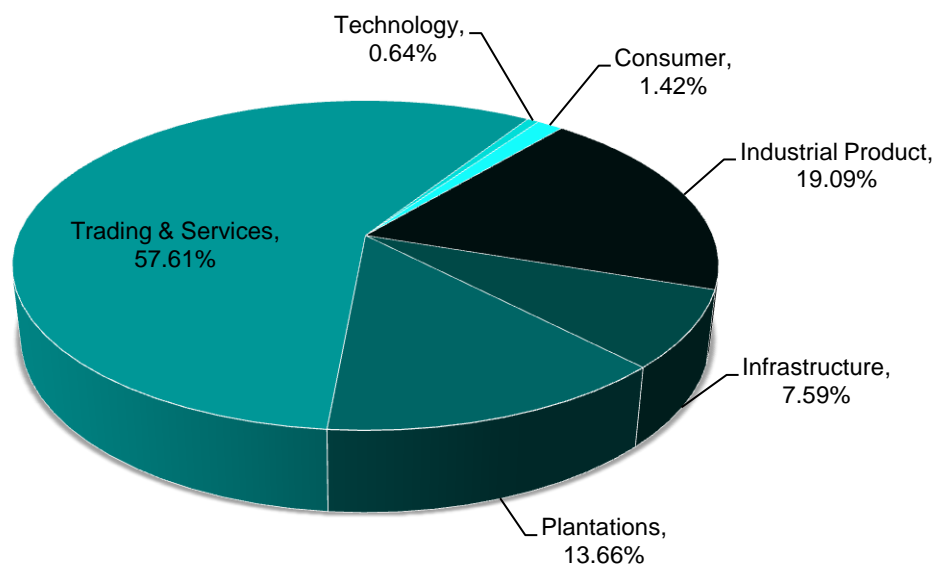
Based on the latest quarterly review (as at 17 June 2016), the sector allocation of DJIM25 Index based on S&P Dow Jones and Bursa Securities sector classifications are as follows:

**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 2016, 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 2.00% and 1.87% 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 3.35% to RM1.0714 from RM1.1085 at the end of the previous quarter while the Benchmark Index and Benchmark's Total Return Index (DJIM25T Index) decreased by 3.87% and 3.24% respectively for the same period. The Fund had a weak start with its NAV and price per unit retraced to its low for the quarter of RM1.0309 and RM1.0350 on 16 May and 13 May respectively. The Fund however, managed to regain some lost ground and its NAV closed the quarter at RM1.0714 per unit. For the period, 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 RM1.0550.

As at end of June, total NAV of the Fund increased to RM299.03 million from RM278.78 million as at end of March largely due to a creation activity in June. Total units in circulation for the Fund as at end of second quarter stood at 279.1 million. The key statistics and comparative performance of the Fund as compared to the previous quarter are summarized as follows:

**Table 1: Key Statistics**

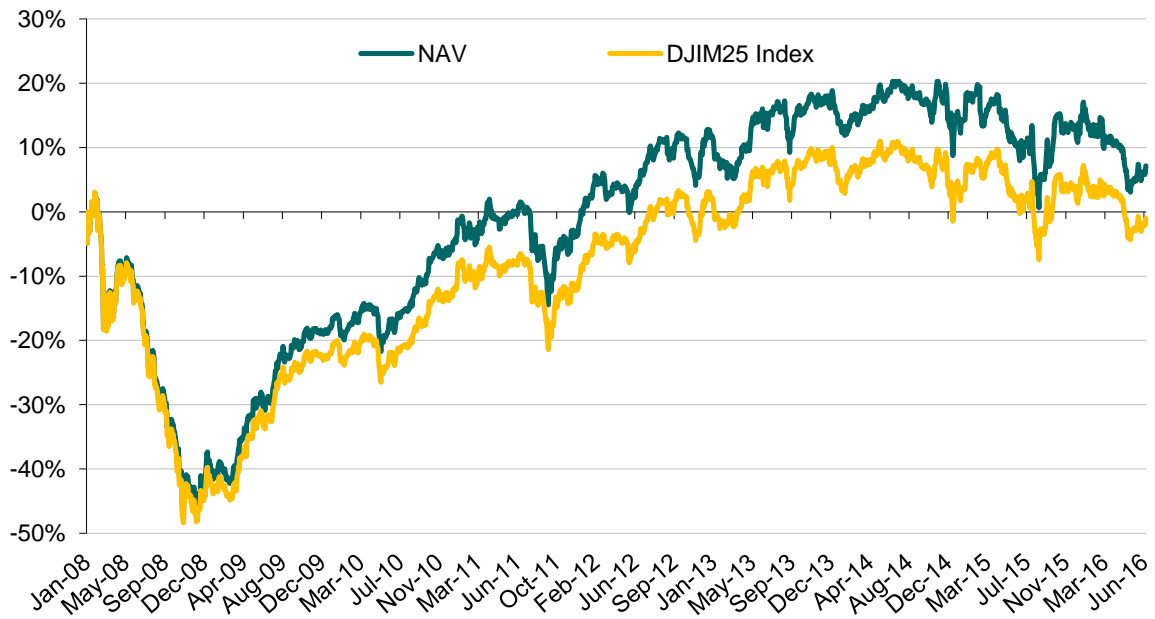
	As at 30-Jun-16	As at 31-Mar-16	QoQ Change
NAV per unit (RM) <sup>#</sup>	1.0714	1.1085	(3.35%)
- Highest	1.1104 (4 Apr)	1.1600 (6 Jan)	
- Lowest	1.0309 (16 May)	1.0983 (29 Feb)	
<i>(During the period)</i>			
Price per unit (RM) <sup>#</sup>	1.0550	1.1100	(4.95%)
- Highest	1.1100 (1 Apr)	1.1500 (6 Jan)	
- Lowest	1.0350 (13 May)	1.1000 (28 Mar)	
<i>(During the period)</i>			
Units in Circulation	279,100,000	251,500,000	10.97%
Total NAV (RM)	299,030,005	278,782,827	7.26%
Market Capitalisation (RM)	294,450,500	279,165,000	5.48%
DJIM25 Index	954.55	993.01	(3.87%)
DJIM25T Index	1,300.37	1,343.94	(3.24%)
Tracking Error vs. Price Return DJIM25 Index (%) <sup>*</sup>	2.00	2.03	
Tracking Error vs. Total Return DJIM25 Index (%) <sup>*</sup>	1.87	1.90	
Management Expense Ratio (%)	0.15	0.14	

Sources: Bloomberg, i-VCAP

<sup>#</sup> Unit price and net asset value per unit are shown as ex-income distribution

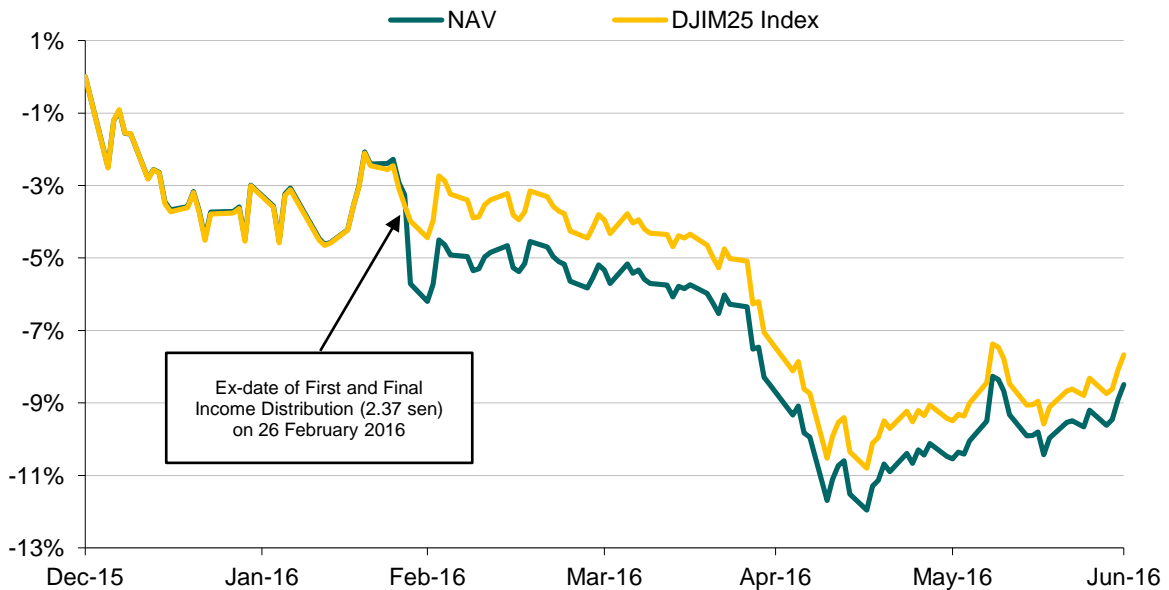
<sup>\*</sup> The tracking error (calculated since inception and on daily basis) between the NAV per unit of the Fund and the Price Return and Total Return Benchmark Index

**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 2016**



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 Returns**

	YTD 30 Jun 16 (%)	2015 (%)	2014 (%)	2013 (%)	2012 (%)
MyETF-DJIM25 - NAV Price Return <sup>(a)</sup>	(8.50)	1.78	(2.95)	5.13	12.49
DJIM25 - Price Return Index	(7.67)	2.79	(4.90)	6.39	12.56
MyETF-DJIM25 - NAV Total Return <sup>(a)</sup>	(6.53)	4.69	(1.52)	8.82	15.78
DJIM25 - Total Return Index	(6.41)	5.63	(1.62)	9.82	16.70

Sources: Bloomberg, i-VCAP

(a) Independently sourced 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>	(1.20)	(7.10)	6.68	7.14
DJIM25 - Price Return Index	(1.17)	(6.86)	7.03	(1.01)
MyETF-DJIM25 - NAV Total Return <sup>(a)</sup>	0.92	0.33	22.47	25.21
DJIM25 - Total Return Index	1.49	1.82	26.05	34.86

Sources: Bloomberg, i-VCAP

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

(b) Cumulative returns are up to 30 June 2016.

**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>	(1.20)	(2.43)	1.30	0.82
DJIM25 - Price Return Index	(1.17)	(2.34)	1.37	(0.12)
MyETF-DJIM25 - NAV Total Return <sup>(a)</sup>	0.92	0.11	4.14	2.70
DJIM25 - Total Return Index	1.49	0.60	4.74	3.60

Sources: Bloomberg, i-VCAP

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

(b) Average returns for both DJIM25 Price Return Index and DJIM25 Total Return 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 2016 Review (quarterly review) in June 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 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. In terms of sectoral weightings, there were no major changes after the rebalancing. Trading/Services maintained the top sector exposure with 57.12% (minimal drop from 57.23% previously) followed by Industrial Products that saw a 0.29% increase to 19.31% as at end-June. Details of the key changes for the quarter are as follows:

**Table 3: Top Ten Holdings of the Fund as at 30 June 2016**

Stock	% of NAV
1. Sime Darby Berhad	10.35
2. Axiata Group Berhad	9.67
3. IHH Healthcare Berhad	8.36
4. DiGi. Com Berhad	7.66
5. Petronas Chemicals Group Berhad	7.52
6. IOI Corporation Berhad	6.84
7. Telekom Malaysia Berhad	5.98
8. Kuala Lumpur Kepong Berhad	5.36
9. Petronas Gas Berhad	5.30
10. Maxis Berhad	5.16
<b>Total</b>	<b>72.20</b>

Sources: Bloomberg, i-VCAP

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

	As at 30-Jun-16	As at 31-Mar-16	Change (%)
Trading/Services	57.12%	57.23%	(0.11)
Industrial Products	19.31%	19.02%	0.29
Plantation	13.50%	13.53%	(0.03)
Infrastructure	7.66%	7.79%	(0.13)
Consumer Products	1.39%	1.32%	0.07
Technology	0.64%	0.66%	(0.02)
Cash & Others	0.38%	0.45%	(0.07)

Sources: Bursa Malaysia, i-VCAP

\* Based on Bursa Securities classification

Details of the Fund's quoted Investments as at 30 June 2016 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. Sime Darby Berhad	4,077,300	30,946,707	10.35
2. Axiata Group Berhad	5,135,800	28,914,554	9.67
3. IHH Healthcare Berhad	3,785,700	24,985,620	8.36
4. Telekom Malaysia Berhad	2,641,400	17,882,278	5.98
5. Maxis Berhad	2,620,500	15,434,745	5.16
6. MISC Berhad	1,883,200	14,048,672	4.70
7. Petronas Dagangan Berhad	496,900	11,627,460	3.89
8. Dialog Group Berhad	6,172,740	9,506,020	3.18
9. Westports Holdings Berhad	1,939,300	8,145,060	2.72
10. My E.G Services Berhad	2,183,600	4,301,692	1.44
11. KPJ Healthcare Berhad	688,046	2,910,435	0.97
12. Berjaya Auto Berhad	897,000	2,081,040	0.70
		<b>170,784,283</b>	<b>57.12</b>
<b><u>Industrial Products</u></b>			
13. Petronas Chemicals Group Berhad	3,400,300	22,475,983	7.52
14. Petronas Gas Berhad	720,500	15,851,000	5.30
15. Top Glove Corporation Berhad	1,051,500	4,836,900	1.62
16. Lafarge Malaysia Berhad	588,700	4,609,521	1.54
17. Hartalega Holdings Berhad	996,000	4,312,680	1.44
18. Kossan Rubber Industries Berhad	468,700	3,210,595	1.07
19. Cahya Mata Sarawak Berhad	682,600	2,443,708	0.82
		<b>57,740,387</b>	<b>19.31</b>
<b><u>Plantation</u></b>			
20. IOI Corporation Berhad	4,710,300	20,442,702	6.84
21. Kuala Lumpur Kepong Berhad	689,300	16,033,118	5.36
22. Genting Plantations Berhad	366,500	3,892,230	1.30
		<b>40,368,050</b>	<b>13.50</b>
<b><u>Infrastructure</u></b>			
23. DiGi.Com Berhad	4,792,600	22,908,628	7.66
		<b>22,908,628</b>	<b>7.66</b>
<b><u>Consumer Products</u></b>			
24. QL Resources Berhad	953,100	4,165,047	1.39
		<b>4,165,047</b>	<b>1.39</b>
<b><u>Technology</u></b>			
25. Inari Amertron Berhad	652,075	1,936,663	0.64
		<b>1,936,663</b>	<b>0.64</b>
		<b>297,903,057</b>	<b>99.62</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

Weakness in the global economy persisted in 2Q2016 which was accompanied by the ballooning public debt in both the Advanced and Emerging economies. Given its bigger role to spur domestic growth, central banks particularly in the Advanced economies, continued with its large-scale bond-buying activities. This action by European Central Bank (ECB) and Bank of Japan (BoJ) in particular, has also pushed their respective interest rates to negative level in a bid to limit the downside risk to their economy.

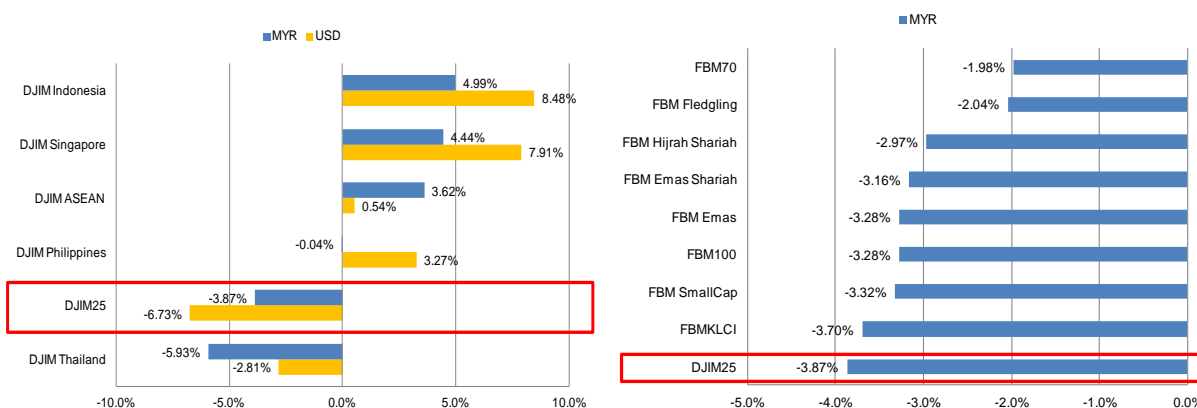
On the macro front, the US economy grew at an annualized pace of 1.2% in the second quarter, marginally higher than the previous quarter. In the Eurozone, GDP rose at an annualized rate of 0.5% compared to 0.6% in the preceding quarter. As for China, its economic growth pace decreased further to 6.7% in the second quarter, with a sharp slowdown in its industrial activities stemming from the declining private investments. Meanwhile, inflation continued to be subdued globally. The Federal Reserve's preferred gauge for inflation, the Core Personal Consumption Expenditure, stayed below the central bank's long-run target of 2.0%, recording 1.6% y-o-y in April 2016.

The Malaysian economy expanded at a slower rate of 4.0% y-o-y in 2Q2016, compared to 4.2% in the preceding quarter and 4.9% in the same period last year. For the whole of 2016, the Government estimates real GDP to grow between 4.0 to 4.5%. Separately, headline inflation rate eased for the fourth consecutive month in June to 1.6% y-o-y, from +2.0% in May. This was attributable to the cheaper transportation cost component as fuel prices remained low, combined with the fading effects of the goods and services tax imposed in April 2015.

In the financial markets, the local equity market moved downwards at end-April on the back of disappointing corporate results and lack of re-rating catalysts for key sectors. This also led the Ringgit to fall further as foreign fund outflows stepped up. Nonetheless, sentiment improved thereafter following the government’s wider majority win in the Sarawak state and by-elections. The equity markets also showed resilience as the shock from Brexit at end-June was short-lived with regional markets gaining ground towards the end of the period. Concerns over Brexit implications led to expectations that global monetary policy will stay accommodative to address the risk of heightened economic uncertainties.

The DJIM25 Index had a weak start to the second quarter 2016, reaching a low of 922.22 points on 16 May before reclaiming some lost ground to close the quarter at 954.55 points. This translated to a decrease of 3.87% q-o-q. The tepid performance of the DJIM25 Index during the quarter was largely attributed to the Benchmark Index’s heavily weighted telecommunication and trading and services stocks that dropped between 4.0% to 7.0% q-o-q. On comparative performance within Dow Jones Islamic Market (“DJIM”) index series (based in MYR), the DJIM25 Index lagged most of the major regional Islamic equity benchmark indices. Meanwhile, the DJIM25 lagged other local benchmark indices during the quarter.

**Chart 3: DJIM25 Index Performance in 2Q2016**



Sources: Bloomberg, Dow Jones, i-VCAP

Going forward, domestic demand is expected to continue to be the main anchor of growth, albeit at a more moderate pace which could likely be at the lower end of the 4.0-4.5% projection for 2016. The growth projection takes into account weaknesses in the global commodity sector, growth moderation in China, the narrowing domestic current account as well as the government's budget constraints. However, on the demand side, the risk of deterioration in private consumption may be somewhat mitigated following measures such as the recent interest rate cut by Bank Negara.

Given the more moderate domestic macroeconomic outlook as well as the prevailing external uncertainties, investors' focus should be on companies that can demonstrate clear growth strategy coupled with resilient earnings, strong balance sheet and cash flows. MyETF-DJIM25's constituents of big-cap stocks therefore provide exposure for investors into key sectors that can drive domestic economic growth which are generally preferred on any market pullbacks.