

## Manager's Report

### For the Financial Period 1 January to 31 March 2017

<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

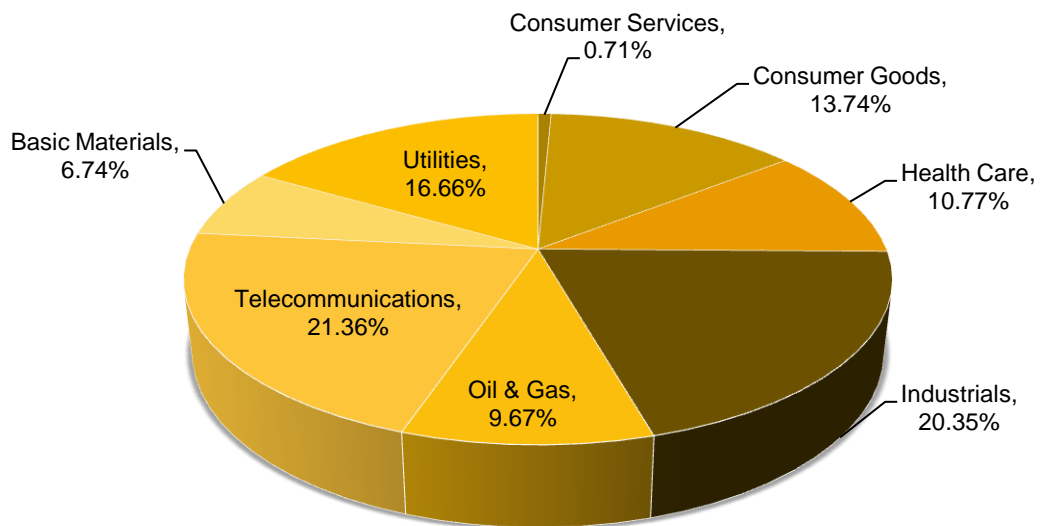
The Benchmark Index is a market capitalisation weighted and free-float adjusted index provided by S&P Dow Jones Indices (“S&P Dow Jones”).

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.

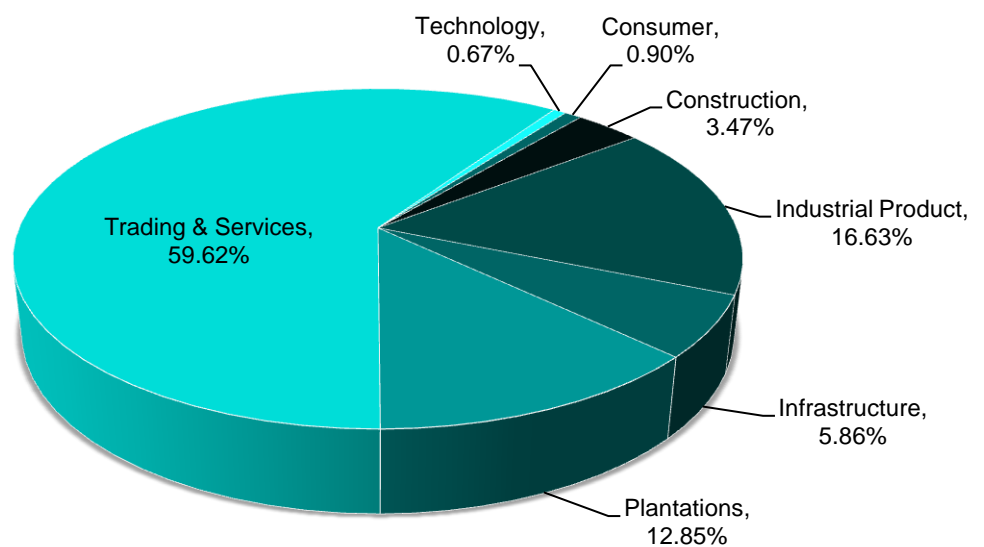
Based on the latest quarterly review (as at 17 March 2017), the sector allocation of DJIM25 Index based on S&P Dow Jones and Bursa Securities sector classifications are as follows:

**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 31 March 2017, the 3-year rolling tracking error<sup>1</sup> between the NAV per unit of the Fund and the Benchmark Index on Price Return and Total Return basis was 0.63% and 0.25% 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 increased by 2.49% to RM1.0947 from RM1.0681 at the end of the previous quarter while the Benchmark Index and Benchmark's Total Return Index (DJIM25T Index) increased by 4.13% and 4.79% respectively for the quarter. The variance between the DJIM25 Index and Fund's NAV movement was largely due to the adjustment to the Fund's NAV following the Fund's income distribution of 2.23 sen per unit (for Financial Year ended 31 December 2016) which was declared and paid during the quarter.

The Fund had a good start to the year with its NAV per unit reaching its quarter high of RM1.0997 on 13 February. The Fund however, fluctuated within a narrow band before ending the quarter positively at RM1.0947. 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 RM1.0900 for a 2.35% gain.

As at end of March, total NAV of the Fund increased to RM305.52 million from RM298.11 million as at end of 2016 due to the positive market movement. The key statistics and comparative performance of the Fund for the first quarter of 2017 and the last financial year ended 31 December 2016 are summarized as follows:

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<sup>1</sup> Independently sourced from Novagni Analytics and Advisory Sdn. Bhd.

**Table 1: Key Statistics**

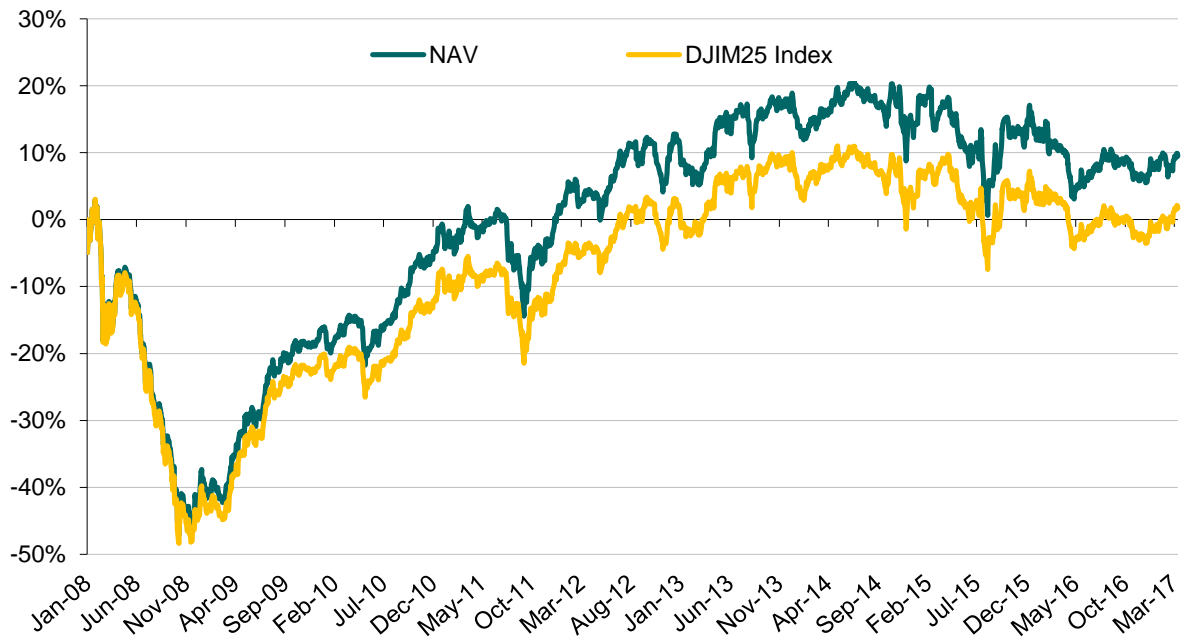
	As at 31-Mar-17	As at 31-Dec-16	QoQ Change
NAV per unit (RM) <sup>#</sup>	1.0947	1.0681	2.49%
- Highest	1.0997 (13 Feb)	1.0932 (24 Oct)	
- Lowest	1.0636 (1 Mar)	1.0551 (23 Dec)	
<i>(During the period)</i>			
Price per unit (RM) <sup>#</sup>	1.0900	1.0650	2.35%
- Highest	1.0900 (29 Mar)	1.0900 (4 Oct)	
- Lowest	1.0650 (3 Jan)	1.0450 (6 Dec)	
<i>(During the period)</i>			
Units in Circulation	279,100,000	279,100,000	0.00%
Total NAV (RM)	305,518,482	298,111,576	2.48%
Market Capitalisation (RM)	304,219,000	297,241,500	2.35%
DJIM25 Index	980.51	941.66	4.13%
DJIM25T Index	1,364.16	1,301.83	4.79%
Tracking Error vs. Price Return DJIM25 Index (%) <sup>*</sup>	0.63	0.68	
Tracking Error vs. Total Return DJIM25 Index (%) <sup>*</sup>	0.25	0.35	
Management Expense Ratio (%)	0.14	0.14	

Sources: Bloomberg, i-VCAP

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

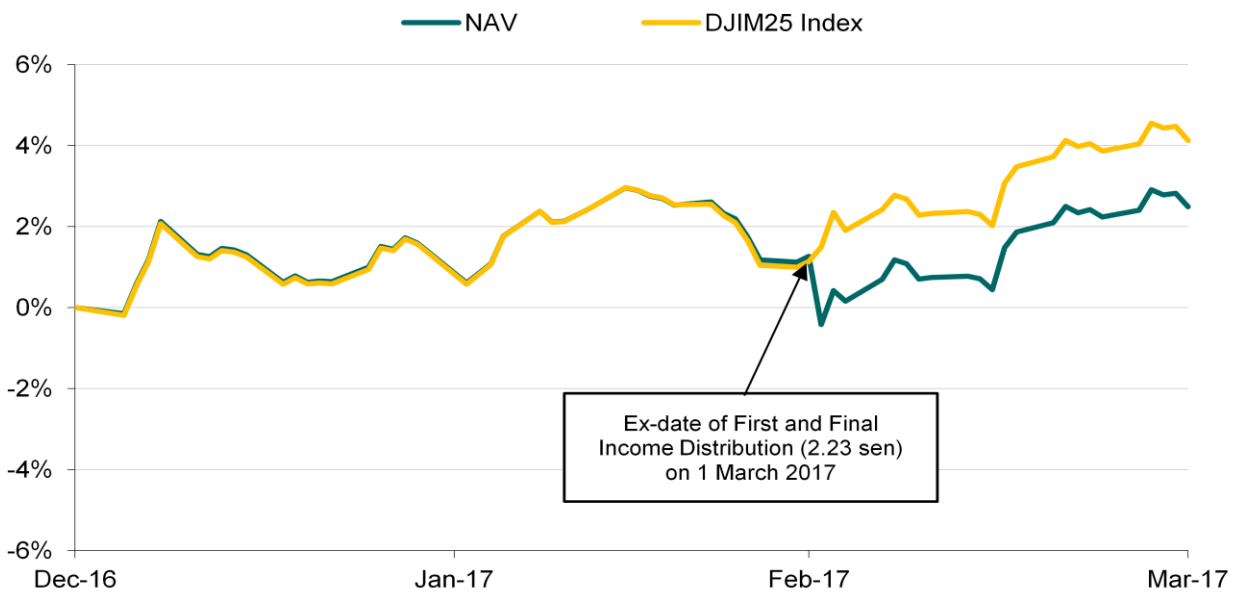
<sup>\*</sup> The 3-year rolling tracking error between the NAV per unit of the Fund and the Price Return and Total Return Benchmark Index. The calculation was independently sourced from Novagni Analytics and Advisory Sdn. Bhd.

**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 1Q2017**



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 31 Mar 17 (%)	2016 (%)	2015 (%)	2014 (%)	2013 (%)
MyETF-DJIM25 - NAV Price Return <sup>(a)</sup>	2.49	(8.78)	1.78	(2.95)	5.13
DJIM25 - Price Return Index	4.13	(8.91)	2.79	(4.90)	6.39
MyETF-DJIM25 - NAV Total Return <sup>(a)</sup>	4.64	(6.82)	4.69	(1.52)	8.82
DJIM25 - Total Return Index	4.79	(6.30)	5.63	(1.62)	9.82

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>	(1.24)	(6.07)	5.40	9.47
DJIM25 - Price Return Index	(1.26)	(6.05)	6.05	1.69
MyETF-DJIM25 - NAV Total Return <sup>(a)</sup>	0.83	0.75	20.13	30.62
DJIM25 - Total Return Index	1.50	2.65	23.93	41.47

Sources: Bloomberg, i-VCAP

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

(b) Cumulative returns are up to 31 March 2017.

**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>	(1.24)	(2.02)	1.08	1.03
DJIM25 - Price Return Index	(1.26)	(2.01)	1.21	0.18
MyETF-DJIM25 - NAV Total Return <sup>(a)</sup>	0.83	0.25	4.02	3.32
DJIM25 - Total Return Index	1.50	0.88	4.78	4.50

Sources: Bloomberg, i-VCAP

(a) Independently verified 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 First Quarter 2017 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 in the Fund. The Manager had undertaken the rebalancing exercise during the quarter 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 59.57% (minimal drop from 59.60% previously) followed by Industrial Products that saw a 0.37% decrease to 16.67% as at end-March. Details of the key changes for the quarter are as follows:

**Table 3: Top Ten Holdings of the Fund as at 31 March 2017**

Stock	% of NAV
1. Tenaga Nasional Bhd	16.58
2. Sime Darby Bhd	10.72
3. Petronas Chemicals Group Bhd	7.05
4. Axiata Group Bhd	6.94
5. IHH Healthcare Bhd	6.69
6. IOI Corporation Bhd	6.32
7. DiGi.Com Bhd	5.78
8. Kuala Lumpur Kepong Bhd	4.85
9. Telekom Malaysia Bhd	4.65
10. Maxis Bhd	4.10
<b>Total</b>	<b>73.68</b>

Sources: Bloomberg, i-VCAP

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

	As at 31 Mar 2017	As at 31 Dec 2016	Change (%)
Trading/Services	59.57%	59.60%	(0.03)
Industrial Products	16.67%	17.04%	(0.37)
Plantation	12.64%	12.48%	0.16
Infrastructure	5.78%	5.67%	0.11
Construction	3.47%	3.31%	0.16
Consumer Products	0.89%	0.85%	0.04
Technology	0.81%	0.64%	0.17
Cash & Others	0.17%	0.41%	(0.24)

Sources: Bursa Malaysia, i-VCAP

\* Based on Bursa Securities classification

Details of the Fund's quoted Investments as at 31 March 2017 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. Tenaga Nasional Berhad	3,691,400	50,646,008	16.58
2. Sime Darby Berhad	3,529,700	32,755,616	10.72
3. Axiata Group Berhad	4,188,600	21,194,316	6.94
4. IHH Healthcare Berhad	3,404,100	20,424,600	6.69
5. Telekom Malaysia Berhad	2,211,600	14,198,472	4.65
6. Maxis Berhad	1,942,500	12,509,700	4.10
7. Dialog Group Berhad	5,240,900	9,276,393	3.04
8. Petronas Dagangan Berhad	344,100	8,258,400	2.70
9. Westports Holdings Berhad	1,541,100	6,241,455	2.04
10. My E.G Services Berhad	2,395,200	4,431,120	1.45
11. Bermaz Auto Berhad	1,017,100	2,034,200	0.66
		<b>181,970,280</b>	<b>59.57</b>
<b><u>Industrial Products</u></b>			
12. Petronas Chemicals Group Berhad	2,795,100	21,522,270	7.05
13. Petronas Gas Berhad	611,800	12,089,168	3.96
14. Top Glove Corporation Berhad	974,700	4,795,524	1.57
15. Hartalega Holdings Berhad	955,800	4,740,768	1.55
16. Lafarge Malaysia Berhad	435,800	2,919,860	0.96
17. Cahya Mata Sarawak Berhad	652,300	2,746,183	0.90
18. Kossan Rubber Industries Berhad	340,500	2,121,315	0.68
		<b>50,935,088</b>	<b>16.67</b>
<b><u>Plantation</u></b>			
19. IOI Corporation Berhad	4,151,900	19,306,335	6.32
20. Kuala Lumpur Kepong Berhad	599,900	14,805,532	4.85
21. Genting Plantations Berhad	388,100	4,533,008	1.47
		<b>38,644,875</b>	<b>12.64</b>
<b><u>Infrastructure</u></b>			
22. DiGi.Com Berhad	3,440,200	17,648,226	5.78
		<b>17,648,226</b>	<b>5.78</b>
<b><u>Construction</u></b>			
23. Gamuda Berhad	2,048,700	10,612,266	3.47
		<b>10,612,266</b>	<b>3.47</b>
<b><u>Consumer</u></b>			
24. Fraser & Neave Holdings Berhad	110,700	2,732,076	0.89
		<b>2,732,076</b>	<b>0.89</b>
<b><u>Technology</u></b>			
25. Inari Amertron Berhad	1,206,300	2,460,852	0.81
		<b>2,460,852</b>	<b>0.81</b>
		<b>305,003,663</b>	<b>99.83</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 first and final income distribution for the Financial Year Ended 31 December 2016 of 2.23 sen per unit was declared on 13 February with the ex-date on 1 March and entitlement date on 3 March 2016. The first and final income distribution was paid on 30 March 2017. Based on the number of entitled unit holders, the Fund distributed a total amount of RM6,223,930.

## 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 growth outlook was clouded with concern over the possibility of increased trade protectionism particularly by the new US administration. This in turn created uncertainties for growth forecasts as well as monetary policy actions. The heightened level of uncertainties could lead to financial market disruptions amidst tighter global financing, slower potential growth and elevated vulnerabilities in some emerging and developing economies. On the other hand, the Federal Reserve's interest rate hike in March could mark the beginning of a significant shift in the global interest rate environment, with benchmark US policy rates over the long-term may settle higher than the current market expectations.

On the economic front, the US economy grew at an annualized rate of 0.7% in 1Q2017 (2.1% in 4Q2016), the weakest performance since the first quarter of 2014. Nonetheless, growth rate in the US is expected to gather higher pace given Trump's commitment to increase public investment and tax cuts. Other developed economies, namely Eurozone and Japan economies, also advanced albeit marginally at 0.5% respectively in 1Q2017. The European Central Bank (ECB) and Bank of Japan (BoJ) could still embark on further stimulus measures and maintain accommodative policy to support the economic growth with the ECB committed to continue with its asset buying program until December 2017. However, the major risk to Eurozone's economic growth going forward, potentially can be driven by the uncertainties in its monetary policy affected by the political landscape. As for China, the economy expanded 6.9% in the 1Q2017, supported by higher government spending as it aims for 6.5-7.0% growth for the year.

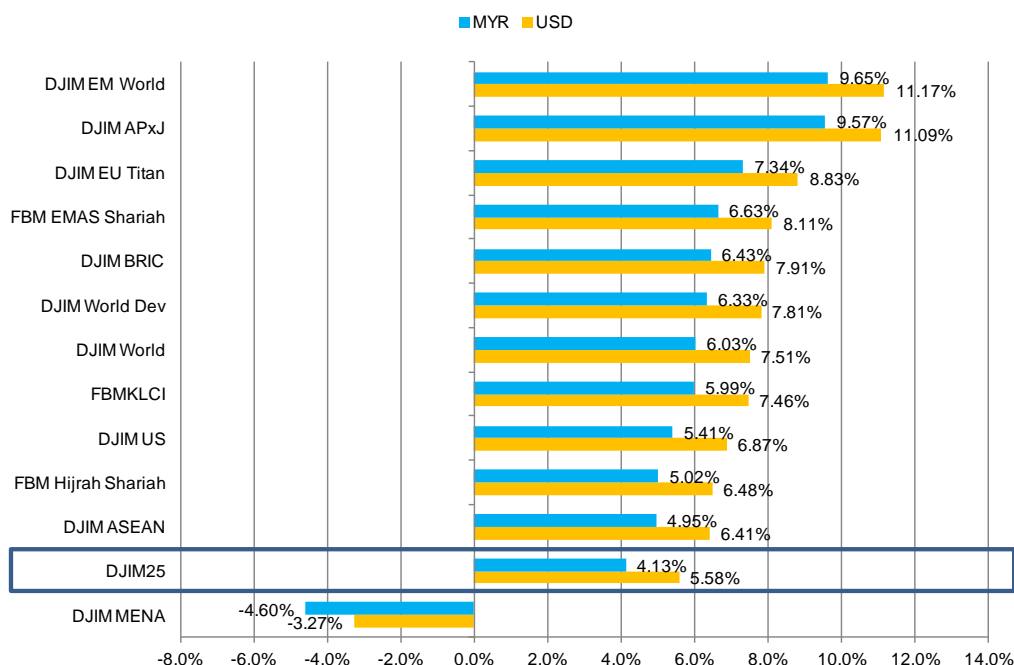
In Malaysia, the economy registered stronger growth of 5.6% in 1Q2017, compared to 4.5% during the previous quarter lifted by stronger domestic demand, particularly private sector spending. Nonetheless, despite the stronger achievement, the Government still retain its projection on the Malaysian economy to register 4.0%-5.0% growth in 2017. Meanwhile, headline inflation rose to 4.3% in 1Q2017 (1.7% in 4Q2016) due to cost push impact from higher fuel prices. For 2017, inflation is expected to be between 3.0-4.0% on the back of higher global oil prices over the medium-term.

In the financial markets, global equities started off on a strong footing led by the US market with expectation that Trump would commit to deliver his election promises. This led the major indices of the developed markets that include Dow Jones, Nasdaq and FTSE 100 to reach all-time record high levels in the early part of the quarter. However, anxiety over Trump's new executive orders including the controversial immigration policy and his earlier campaign rhetoric on anti-trade measures provided jitters to the market. The setback in March on the failure to repeal Obama's health care plan also raised doubts over the ability to push through Trump's tax reform plan and fiscal spending legislations. After the record breaking rallies in February, US equity market saw modest pullback towards end-quarter on profit taking activities and re-assessment on market outlook. Nonetheless, the correction of the developed markets in March helped to see inflows channelled into the emerging markets including Malaysia, which had lagged previously.

The DJIM25 Index started the quarter positively and continued its uptrend until end of March on the back of foreign fund inflows into Malaysia's equity market. DJIM25 Index reached its highest level of 984.53 points on 28 March before closing the quarter at 980.51 points. This translated to an increase of 4.13% quarter-on-quarter. The relatively strong performance after a disappointing 2016 was largely driven by foreign investors' interest in most of Malaysia's big-cap stocks.

On comparative performance within Dow Jones Islamic Market (“DJIM”) index series (based on USD), the DJIM25 Index lagged most of the other major global Islamic equity benchmark indices during the quarter with the exception of DJIM MENA index. DJIM25 Index also trailed when compared against other domestic indices during the quarter.

**Chart 3: DJIM25 Index Performance against Other Shariah Indices in 1Q2017**



Sources: Bloomberg, i-VCAP

As the second quarter gets going, geo-political developments may have an impact on market sentiment. Nonetheless, with economic outlook to project positive growth, equity market is expected to be the preferred asset class for investors who are willing to take additional risks. Domestic equity market is expected to ride on a sustained economic growth path of 4.0-5.0% in 2017, on the back of stable domestic demand, improvement in global trade activities, manageable inflationary rate and accommodative monetary policy.

Notwithstanding, equity market valuations will be closely monitored in order to determine the risk-reward attractiveness. The Ringgit which is now deemed to be undervalued, may potentially attract inflows from foreigners in terms of direct and portfolio investments. With expectation that corporate earnings may see growth recovery in 2H2017, MyETF-DJIM25 could provide a good proxy for investors who may want quick exposure into Malaysia’s big-cap stocks.