

## Manager's Report

### For the Financial Period 1 April to 30 June 2018

<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>i</i> -VCAP Management Sdn. Bhd. (" <i>i</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").

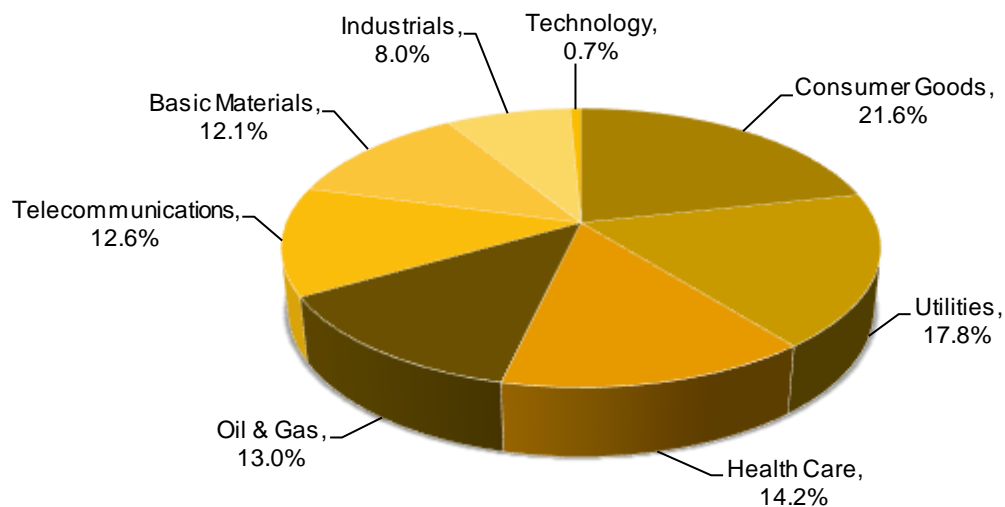
The universe for selection of the DJIM25 Index components includes all equities in the Dow Jones Islamic Market Malaysia Index, an index comprised of Malaysia-based companies that conform to the methodology established by S&P Dow Jones to screen stocks for compliance with the Shariah.

In November 2017, S&P Dow Jones Indices, a leading provider of financial market indices, and MSCI Inc., a leading provider of research-based indexes and analytics, have announced a result of their annual review of the Global Industry Classification Standard (GICS®) structure in which the Telecommunication Services Sector is being broadened and renamed as Communication Services to include companies that facilitate communication and offer related content and information through various media. The renamed Sector would include the existing telecommunication companies, as well as companies selected from the Consumer Discretionary Sector currently classified under the Media Industry Group and the Internet & Direct Marketing Retail Sub-Industry, along with select companies currently classified in the Information Technology Sector.

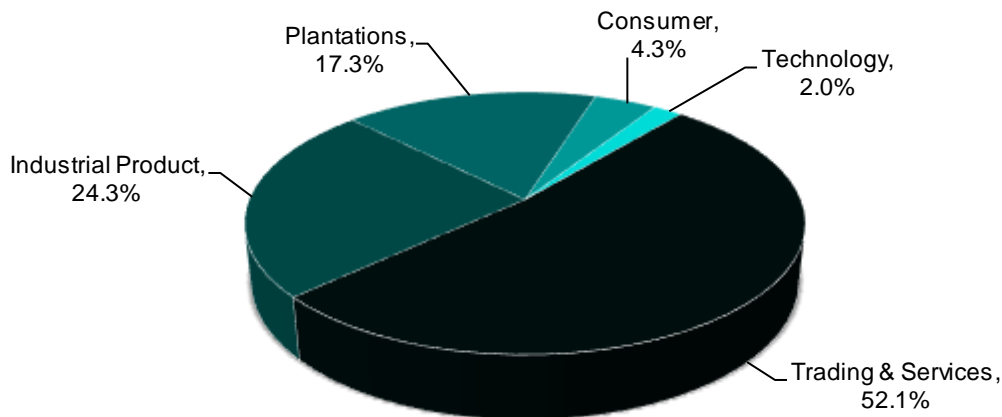
Another important change being made to the GICS structure is the reclassification of online marketplaces for consumer products and services regardless of whether they hold inventory to the Internet & Direct Marketing Retail Sub-Industry under the Consumer Discretionary Sector. All of these e-commerce companies are dominant players in the Internet Retail Industry, targeting the same consumers and competing with one another. The changes to the GICS structure will be implemented after the close of business (ET) on Friday, September 28, 2018.

Based on the latest quarterly review (as at 14 June 2018), 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 2018, the 3-year rolling tracking errors<sup>1</sup> between the NAV per unit of the Fund and the Benchmark Index on Price Return and Total Return basis were 0.05% and 0.04% respectively, well within the 3% limit stipulated under the Fund's investment objective.

In terms of NAV movement, the Fund's NAV per unit decreased by 9.06% to RM1.1136 from RM1.2245 at the end of the previous quarter while the Benchmark Index and Benchmark's Total Return Index (DJIM25T Index) decreased by -9.50% and -8.92% respectively for the quarter.

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

The Fund carried on a good momentum from the first quarter into the second quarter up to mid-April with its NAV per unit reaching year high of RM1.2425 on 19 April. The Fund however, moved lower in tandem with the market as investors turned risk-off and ended the quarter with NAV of RM1.1136. The Fund's unit price traded on Bursa Securities closed the quarter at RM1.1500 for a quarter loss of 1.71%.

As at end of June, total units in circulation for the Fund grew to 275.9 million from 256.3 million on a net creation of 19.6 million units. Despite an increase in total units, the Fund's total NAV dropped to RM307.26 million from RM313.83 million as at end-March 2018, tracking the performance of the general domestic equity market. The key statistics and comparative performance of the Fund for the second quarter of 2018 and the previous quarter are summarized as follows:

**Table 1: Key Statistics**

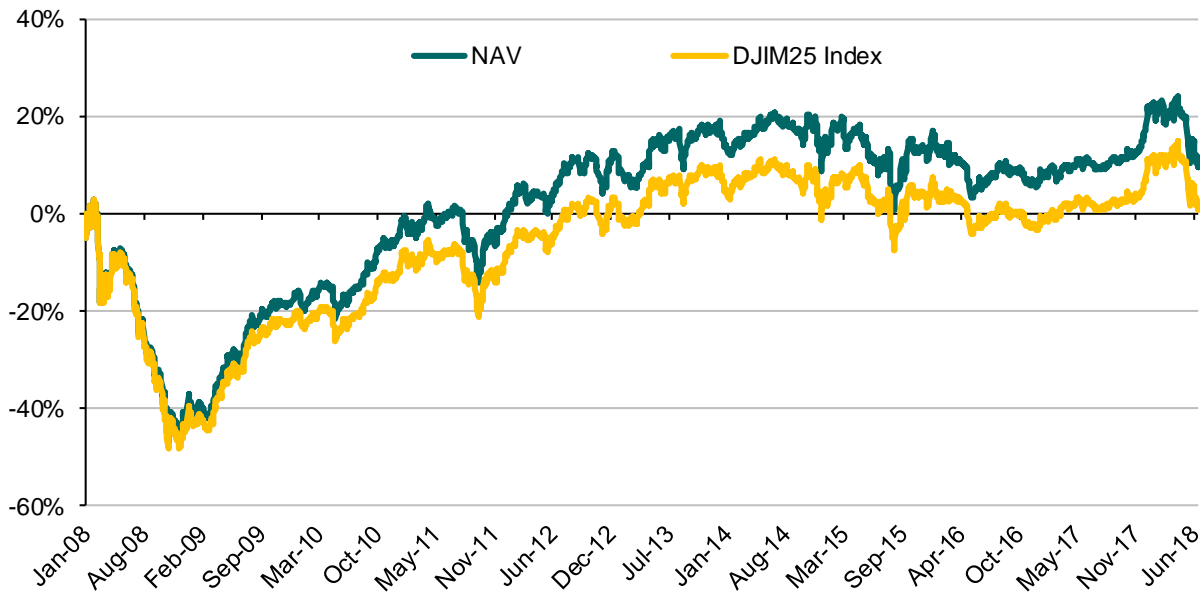
	As at 30-Jun-18	As at 31-Mar-18	QoQ Change
NAV per unit (RM)#	1.1136	1.2245	(9.06%)
- Highest	1.2425 (19 Apr)	1.2305 (27 Feb)	
- Lowest	1.0949 (28 Jun)	1.1692 (2 Jan)	
<i>(During the period)</i>			
Price per unit (RM)#	1.1500	1.1700	(1.71%)
- Highest	1.2400 (17 Apr)	1.2000 (21 Mar)	
- Lowest	1.1500 (6 Jun)	1.1350 (2 Jan)	
<i>(During the period)</i>			
Units in Circulation	275,900,000	256,300,000	7.65%
Total NAV (RM)	307,255,659	313,833,488	(2.10%)
Market Capitalisation (RM)	317,285,000	299,871,000	5.81%
DJIM25 Index	988.33	1,092.06	(9.50%)
DJIM25T Index	1,422.78	1,562.04	(8.92%)
Tracking Error vs. Price Return DJIM25 Index (%)*	0.05	0.05	
Tracking Error vs. Total Return DJIM25 Index (%)*	0.04	0.04	
Management Expense Ratio (%)	0.14	0.14	

Sources: Bloomberg, i-VCAP

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

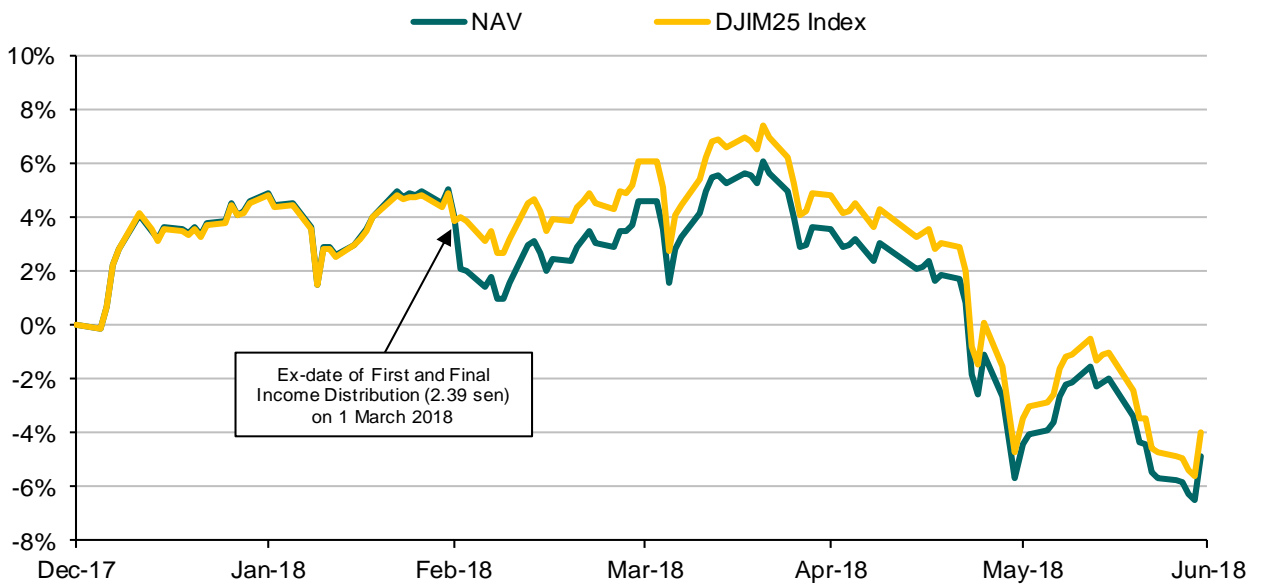
\* The 3-year rolling tracking error between the NAV per unit of the Fund and the Price Return and Total Return Benchmark Index. The calculation was independently sourced from Novagni Analytics and Advisory Sdn. Bhd.

**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 2Q2018**



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 18 (%)	2017 (%)	2016 (%)	2015 (%)	2014 (%)
MyETF-DJIM25 - NAV Price Return <sup>(a)</sup>	(4.91)	9.64	(8.78)	1.78	(2.95)
DJIM25 - Price Return Index	(4.02)	9.35	(8.91)	2.79	(4.90)
MyETF-DJIM25 - NAV Total Return <sup>(a)</sup>	(3.01)	11.94	(6.82)	4.69	(1.52)
DJIM25 - Total Return Index	(2.78)	12.41	(6.30)	5.63	(1.62)

Sources: Bloomberg, i-VCAP

(a) Independently sourced from 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>	1.36	2.69	(3.44)	11.36
DJIM25 - Price Return Index	0.86	2.33	(3.57)	2.50
MyETF-DJIM25 - NAV Total Return <sup>(a)</sup>	3.38	9.24	8.59	35.53
DJIM25 - Total Return Index	3.78	11.04	11.41	47.55

Sources: Bloomberg, i-VCAP

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

(b) Cumulative returns are up to 30 June 2018.

**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>	1.36	0.90	(0.69)	1.09
DJIM25 - Price Return Index	0.86	0.78	(0.71)	0.24
MyETF-DJIM25 - NAV Total Return <sup>(a)</sup>	3.38	3.08	1.72	3.40
DJIM25 - Total Return Index	3.78	3.68	2.28	4.54

Sources: Bloomberg, i-VCAP

(a) Independently sourced from 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 2018 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. During the quarter, one stock was removed, i.e. Gamuda Berhad while one stock was included, i.e. Sime Darby Plantation Berhad into the Fund at its quarterly reviews. The Manager had undertaken the rebalancing exercise during the quarter to ensure that the Fund's investment would be reflective of the changes in the Benchmark Index. In terms of sectoral weightings, notable changes to the Fund's sector composition as compared to the previous quarter were the increase in Plantation from 11.41% to 17.42% due to inclusion of Sime Darby Plantation Berhad while the weighting of Trading/Services further decreased from 55.57% to 50.93%. During the quarter, the construction sector was removed from the Fund due to exclusion of Gamuda Berhad. Details of the Fund's latest top holdings and the key changes for the quarter are as follows:

**Table 3: Top Ten Holdings of the Fund as at 30 June 2018**

Stock	% of NAV
1. Tenaga Nasional Berhad	18.60%
2. Petronas Chemicals Group Berhad	10.93%
3. IHH Healthcare Berhad	6.94%
4. Sime Darby Plantation Berhad	6.10%
5. IOI Corporation Berhad	5.82%
6. Dialog Group Berhad	5.72%
7. Axiata Group Berhad	5.37%
8. Kuala Lumpur Kepong Berhad	4.40%
9. Hartalega Holdings Berhad	3.93%
10. Top Glove Corporation Berhad	3.85%
<b>Total</b>	<b>71.66%</b>

Sources: Bloomberg, i-VCAP

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

	As at 30-Jun-18	As at 31-Mar-18	Change (%)
Trading/Services	50.93%	55.57%	(4.64%)
Industrial Products	24.86%	22.77%	2.09%
Plantation	17.42%	11.41%	6.01%
Consumer Products	4.50%	4.52%	(0.02%)
Technology	2.08%	1.70%	0.38%
Construction	0.00%	3.60%	(3.60%)
Cash & Others	0.21%	0.43%	(0.22%)

Sources: Bursa Malaysia, i-VCAP

\* Based on Bursa Securities classification

Details of the Fund's quoted Investments as at 30 June 2018 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	3,904,200	57,157,488	18.60
2. IHH Healthcare Berhad	3,493,800	21,312,180	6.94
3. Dialog Group Berhad	5,691,100	17,585,499	5.72
4. Axiata Group Berhad	4,343,300	16,504,540	5.37
5. Petronas Dagangan Berhad	412,100	10,220,080	3.33
6. Maxis Berhad	1,739,300	9,496,578	3.09
7. Sime Darby Berhad	3,578,600	8,767,570	2.85
8. Telekom Malaysia Berhad	2,329,800	7,245,678	2.36
9. Westports Holdings Berhad	1,609,500	5,456,205	1.78
10. My E.G Services Berhad	2,845,700	2,746,101	0.89
		<b>156,491,919</b>	<b>50.93</b>
<b><u>Industrial Products</u></b>			
11. Petronas Chemicals Group Berhad	3,992,400	33,576,084	10.93
12. Hartalega Holdings Berhad	2,015,700	12,074,043	3.93
13. Top Glove Corporation Berhad	975,200	11,838,928	3.85
14. Petronas Gas Berhad	651,400	11,269,220	3.67
15. Lotte Chemical Titan Holding Berhad	918,800	4,548,060	1.48
16. Cahya Mata Sarawak Berhad	651,900	1,531,965	0.50
17. Lafarge Malaysia Berhad	490,700	1,521,170	0.50
		<b>76,359,470</b>	<b>24.86</b>
<b><u>Plantation</u></b>			
18. Sime Darby Plantation Berhad	3,517,100	18,746,143	6.10
19. IOI Corporation Berhad	3,940,400	17,889,416	5.82
20. Kuala Lumpur Kepong Berhad	560,100	13,532,016	4.40
21. Genting Plantations Berhad	356,000	3,364,200	1.10
		<b>53,531,775</b>	<b>17.42</b>
<b><u>Consumer</u></b>			
21. Nestle (Malaysia) Berhad	62,000	9,145,000	2.98
22. Fraser & Neave Holdings Berhad	119,500	4,662,890	1.52
		<b>13,807,890</b>	<b>4.50</b>
<b><u>Technology</u></b>			
24. Inari Amertron Berhad	1,995,600	4,510,056	1.47
25. Unisem Berhad	816,200	1,885,422	0.61
		<b>6,395,478</b>	<b>2.08</b>
		<b>306,586,532</b>	<b>99.79</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. 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.

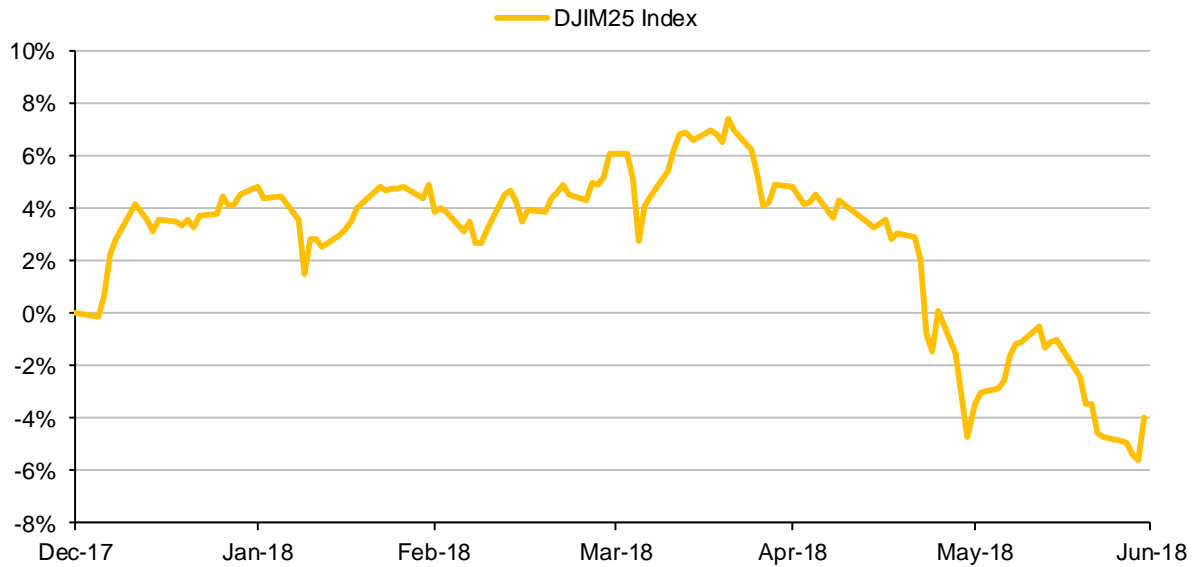
## 8. Market Review and Outlook

Malaysian equity markets started on a steady note early of the year with strong interest from foreign investors in the period between January and April. The strong performance was largely underpinned by a stronger ringgit and improved global market sentiment. Kuala Lumpur Composite Index (KLCI), the best known proxy to Malaysian equity markets, hit year's high of 1,895 points on 19 April 2018. However, share prices weakened significantly after the 14th general elections (GE14) with KLCI closing the first half of the year at 1,691 points, declining by about 11% from the peak. Apart from the general elections outcomes, local equity markets were also hit by disappointing 1Q18 corporate earnings and concerns over external risks. Foreign investors also stayed on the sidelines in the months of May and June.

Globally, headwinds and risks to growth are rising, mainly in the forms of rising interest rates globally and compounded by the beginning of the end of major central banks' QE policy. These in turn are causing volatility and corrections in the financial markets due to the re-pricing of growth and policy outlook. There are also signs of China's economy slowing due to China's policies to balance growth with more emphasis on preventing financial risks. The global economic outlook is

further clouded by US trade tension with China that has spread to other US key trading partners – EU, Canada and Mexico.

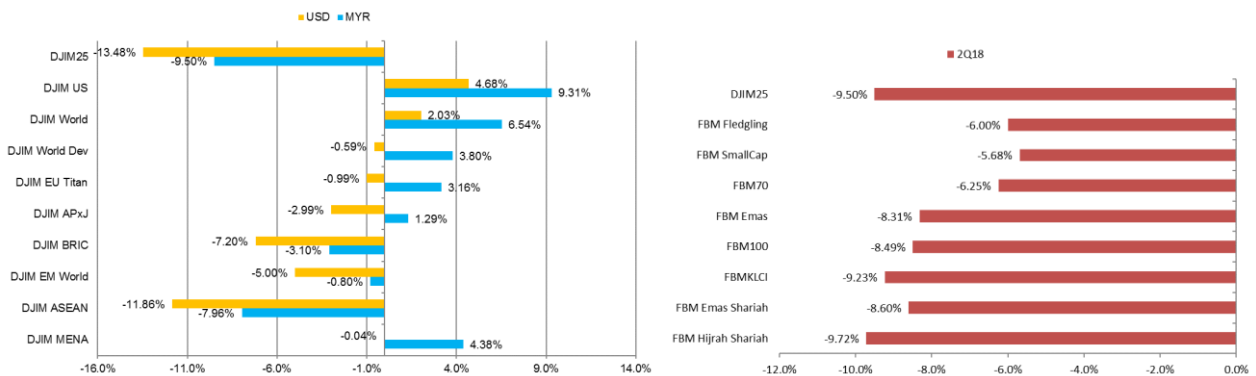
**Chart 3: DJIM25 Index Performance in 2Q2018**



Sources: Bloomberg, i-VCAP

On comparative performance within Dow Jones Islamic Market (“DJIM”) index series (based on USD), the DJIM25 Index underperformed major global Islamic equity benchmark indices as foreign investors stayed on sidelines, waiting for directions from the new government. The ongoing public-statement exchanges between US-China on import tariffs further dampen the global sentiments, with indices such as DJIM ASEAN, DJIM EM World and DJIM BRIC also showing massive losses as capital outflows hit the emerging market.

**Chart 3: DJIM25 Index and Comparable Performances in 2Q2018**



Sources: Bloomberg, i-VCAP

For Malaysia, the long-term growth outlook is still intact based on strong economic data. Investors are expected to remain in a holding position, pending clarity on longer term government's policy direction and re-assurance on the government's fiscal position especially beyond 2018. More clarity is expected in Budget 2019 on 2 November 2018.

Since taking over, the new government has implemented about half of its 10 GE14 manifesto for the first 100 days while the Finance Minister had announced that at least 5 of the initiatives will be deferred until the country's finances improve. The most significant of the 100-day manifesto implemented is the GST zero-rating from 1 June, while the most significant of the 100-day manifesto deferred is the equalisation and level-up of minimum wage between Peninsular and East Malaysia.

The new government's commitment and efforts in strengthening the finances it inherited and in stepping up on governance, accountability and transparency will in turn lift investors' confidence over time.