

## Manager's Report

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

<b>Name of Fund</b>	: MyETF MSCI Malaysia Islamic Dividend  ("MyETF-MMID" or "the Fund")
<b>Type of Fund</b>	: Exchange Traded Fund
<b>Fund Category</b>	: Shariah-Compliant Equity
<b>Commencement Date</b>	: 17 March 2014
<b>Listing Date</b>	: 21 March 2014
<b>Benchmark Index</b>	: MSCI Malaysia IMI Islamic High Dividend Yield 10/40 Index  ("MIMYDY40 Index" or "Benchmark Index")
<b>Manager</b>	: <i>i</i> -VCAP Management Sdn. Bhd. (" <i>i</i> -VCAP")

#### 1. Investment Objective

MyETF-MMID 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.

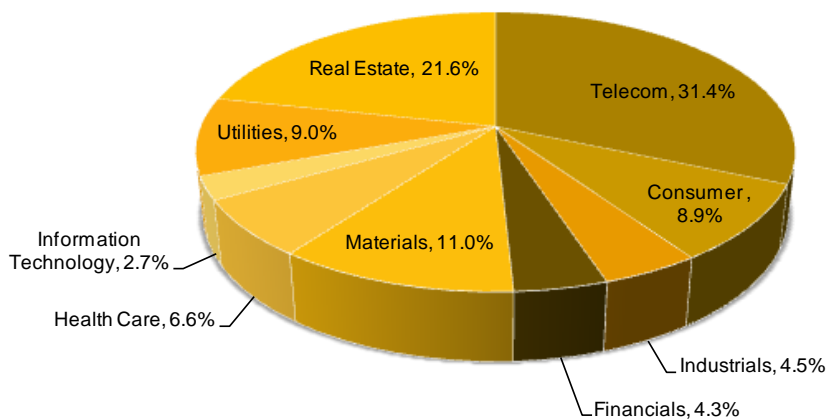
#### 2. Benchmark Index

The Benchmark Index is a market capitalisation weighted and free-float adjusted index provided by MSCI Inc ("MSCI"). The Benchmark Index is designed as a performance benchmark for the high dividend-yielding companies of its Parent Index, i.e. the MSCI Malaysia IMI Islamic Index. The Benchmark Index shall consist between 16 to 30 Shariah-Compliant companies listed on Bursa Malaysia Securities Berhad ("Bursa Securities") with higher than the average dividend yield of the Parent Index and are deemed both sustainable and persistent by MSCI.

The weight of any single group or entity in the Benchmark Index is capped at 10% of the Index total market capitalisation and the sum of weights of all groups or entities representing more than 5% of the Index is capped at 40% of the Index total market capitalisation.

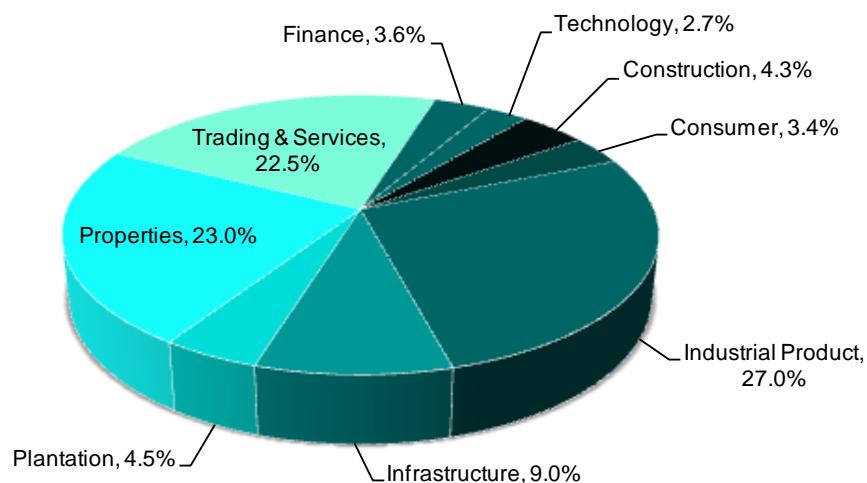
The Parent Index is a free-float adjusted market capitalisation weighted index that is designed to measure the equity market performance of Malaysia. The Parent Index and Benchmark Index consist only of Shariah-compliant securities which are approved by the MSCI Shariah Supervisory Committee (“MSSC”) based on the MSCI Islamic Index Series Methodology. The MSSC will review and audit the Benchmark Index, the Parent Index as well as the MSCI Islamic Index Series Methodology on a regular basis to ensure compliance with Shariah. Based on the latest quarterly review (31 May 2015), the sector allocation of MIMYDY40 Index based on MSCI and Bursa Securities sector classifications are as follows:

**Chart 1(a): Sector Classification – MSCI**



Source: MSCI, i-VCap

**Chart 1(b): Sector Classification - Bursa Securities**



Sources: Bursa Malaysia, MSCI, i-VCap

### **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 achieved its investment objective which is to track closely the underlying benchmark, i.e. MIMYDY40 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 Gross Return basis was 2.23% and 2.15% 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 3.06% to RM0.9931 from RM1.0244 as at end of the previous quarter, while the Benchmark Index and Benchmark's Gross Return Index (MIMYDY40 Gross Return Index) decreased by 4.11% and 2.98% respectively for the same period.

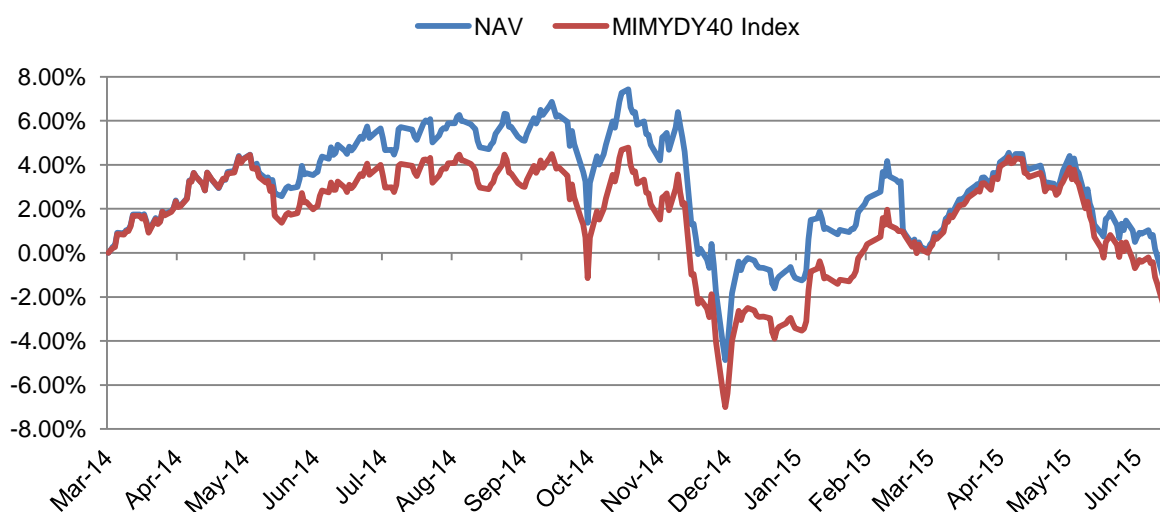
During the 2Q2015, MyETF-MMID's NAV per unit gained gradually and reached its year high of RM1.0455 on 21 April while its price per unit traded on Bursa Securities reached its quarter high of RM1.0350 on 16 April before weakening towards the end of the quarter. The key statistics and comparative performance of the Fund for the second quarter 2015 against the first quarter of 2015 are summarized as follows:

**Table 1: Key Statistics**

	As at 30-Jun-15	As at 31-Mar-15	QoQ Change
NAV per unit (RM)	0.9931	1.0244	(3.06%)
- Highest	1.0455 (21 Apr)	1.0347 (27 Feb)	
- Lowest	0.9931 (30 Jun)	0.9887 (16 Jan)	
<i>(During the period)</i>			
Price per unit (RM)	0.9950	1.0250	(2.93%)
- Highest	1.0350 (16 Apr)	1.0400 (27 Feb)	
- Lowest	0.9950 (29 Jun)	0.9850 (7 Jan)	
<i>(During the period)</i>			
Units in Circulation	21,600,000	21,600,000	0.00%
Total NAV (RM)	21,450,241	22,128,041	(3.06%)
Market Capitalisation (RM)	21,492,000	22,140,000	(2.93%)
MIMYDY40 Index	2,288.12	2,386.23	(4.11%)
MIMYDY40 Total Return Index	3,399.53	3,503.91	(2.98%)
Tracking Error vs. Price Return MIMYD40 Index (%)*	2.23	2.41	
Tracking Error vs. Total Return MIMYD40 Index (%)*	2.15	2.38	
Management Expense Ratio (%)	0.18	0.19	

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 Gross Return Benchmark Index

**Chart 2: Fund NAV per Unit vs. Benchmark Index – Performance Since Inception**


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* (%)
MyETF-MMID - NAV Price Return <sup>(a)</sup>	(0.02)	(0.67)
MIMYDY40 - Price Return Index	0.91	(2.90)
MyETF-MMID - NAV Total Return <sup>(a)</sup>	2.21	(0.67)
MIMYDY40 - Total Return Index	2.77	0.16

Sources: Bloomberg, i-VCAP

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

\*Listing date was on 21 March 2014

**Table 2(b): Cumulative Returns\***

	Cumulative Returns <sup>(b)</sup>			
	3-Month (%)	6-Month (%)	1-Year (%)	Since Inception (%)
MyETF- MMID - NAV Price Return <sup>(a)</sup>	(3.06)	(0.02)	(5.08)	(0.69)
MIMYDY40 - Price Return Index	(4.11)	0.91	(4.84)	(2.02)
MyETF- MMID - NAV Total Return <sup>(a)</sup>	(3.06)	2.21	(2.97)	1.52
MIMYDY40 - Total Return Index	(2.98)	2.77	(1.42)	2.94

Sources: Bloomberg, i-VCAP

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

(b) Cumulative returns are up to 30 June 2015

\*Listing date was on 21 March 2014

**Table 2(c): Average Returns (Annualised)\***

	Average Returns <sup>(b)</sup>			
	3-Month (%)	6-Month (%)	1-Year (%)	Since Inception (%)
MyETF- MMID - NAV Price Return <sup>(a)</sup>	(11.67)	(0.04)	(5.08)	(0.54)
MIMYDY40 - Price Return Index	(15.46)	1.82	(4.84)	(1.57)
MyETF- MMID - NAV Total Return <sup>(a)</sup>	(11.67)	4.46	(2.97)	1.18
MIMYDY40 - Total Return Index	(11.39)	5.62	(1.42)	2.27

Sources: Bloomberg, i-VCAP

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

(b) Average returns for MIMYDY40 Price Return Index and MIMYDY40 Gross Return Index are annualized figures computed based on the price and total returns for the respective period.

\* Listing date was on 21 March 2014

During the period under review, the Benchmark Index performed its semi-annual review for 2015 and rebalanced the composition of the Benchmark Index in accordance with its index methodology. The review in May 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 four stocks from the MIMYDY40 Index, namely Kian Joo Can Factory Berhad, Felda Global Ventures Holdings Berhad, Padini Holdings Berhad and Glomac Berhad. Subsequently, MSCI has included four new stocks into the Benchmark Index, namely Maxis Berhad, UMW Holdings Berhad, Ta Ann Holdings Berhad and Boustead Plantations Berhad.

In terms of sectoral weightings, notable changes to the Fund's sector composition arising from the quarterly review were the increase in Trading/Services sector from 23.41% to 25.84% and Finance sector from 4.12% to 6.24%. On the other hand, the Industrial Products sector decreased from 26.70% to 24.54% and Properties sector from 22.99% to 21.39% at the end of the first quarter. 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. Maxis Berhad	9.06
2. Petronas Gas Berhad	8.94
3. Axiata Group Berhad	8.91
4. DiGi.Com Berhad	8.68
5. Syarikat Takaful Malaysia Berhad	6.24
6. Top Glove Corporation Berhad	5.54
7. Sunway Berhad	4.60
8. Mah Sing Group Berhad	4.46
9. UOA Development Berhad	4.33
10. IOI Properties Group Berhad	4.23
<b>Total</b>	<b>64.99</b>

Sources: Bloomberg, i-VCAP

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

	As at 30-June-15	As at 31-Mar-15	Change (%)
Trading/Services	25.84%	23.41%	2.43
Industrial Products	24.54%	26.70%	(2.16)
Properties	21.39%	22.99%	(1.60)
Infrastructure	8.68%	8.89%	(0.21)
Finance	6.24%	4.12%	2.12
Construction	3.83%	3.99%	(0.16)
Consumer Products	3.61%	3.35%	0.26
Technology	2.57%	3.06%	(0.49)
Plantation	2.53%	3.45%	(0.92)
Cash & Others	0.77%	0.04%	0.70

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-MMID'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. Maxis Berhad	305,000	1,942,850	9.06
2. Axiata Group Berhad	298,700	1,911,680	8.91
3. Telekom Malaysia Berhad	135,400	885,516	4.12
4. Oldtown Berhad	260,800	417,280	1.94
5. Pharmaniaga Berhad	54,600	389,298	1.81
		<b>5,546,624</b>	<b>25.84</b>
<b><u>Industrial Products</u></b>			
6. Petronas Gas Berhad	90,200	1,917,652	8.94
7. Top Glove Corporation Berhad	178,600	1,187,690	5.54
8. Lafarge Malaysia Berhad	102,800	869,688	4.05
9. Ta Ann Holdings Berhad	180,000	685,800	3.20
10. Scientex Berhad	87,600	603,564	2.81
		<b>5,264,394</b>	<b>24.54</b>
<b><u>Properties</u></b>			
11. Sunway Berhad	287,000	987,280	4.60
12. Mah Sing Group Berhad	580,375	957,619	4.46
13. UOA Development Bhd	442,000	928,200	4.33
14. IOI Properties Group Berhad	490,400	907,240	4.23
15. Matrix Concepts Holdings Berhad	248,750	771,125	3.60
16. Sunway Construction Berhad*	29,700	35,640	0.17
		<b>4,587,104</b>	<b>21.39</b>
<b><u>Infrastructure</u></b>			
17. DiGi.Com Berhad	347,200	1,860,992	8.68
		<b>1,860,992</b>	<b>8.68</b>
<b><u>Finance</u></b>			
18. Syarikat Takaful Malaysia Berhad	352,000	1,337,600	6.24
		<b>1,337,600</b>	<b>6.24</b>
<b><u>Construction</u></b>			
19. WCT Holdings Berhad	579,138	822,376	3.83
		<b>822,376</b>	<b>3.83</b>
<b><u>Consumer Products</u></b>			
20. UMW Holdings Berhad	76,300	773,682	3.61
		<b>773,682</b>	<b>3.61</b>
<b><u>Technology</u></b>			
21. Malaysian Pacific Industries Berhad	82,700	550,782	2.57
		<b>550,782</b>	<b>2.57</b>
<b><u>Plantation</u></b>			
22. Boustead Plantations Berhad	387,400	542,360	2.53
		<b>542,360</b>	<b>2.53</b>
		<b>21,285,914</b>	<b>99.23</b>

\* Received by way of dividend in specie as shareholders of Sunway Berhad.

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 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 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

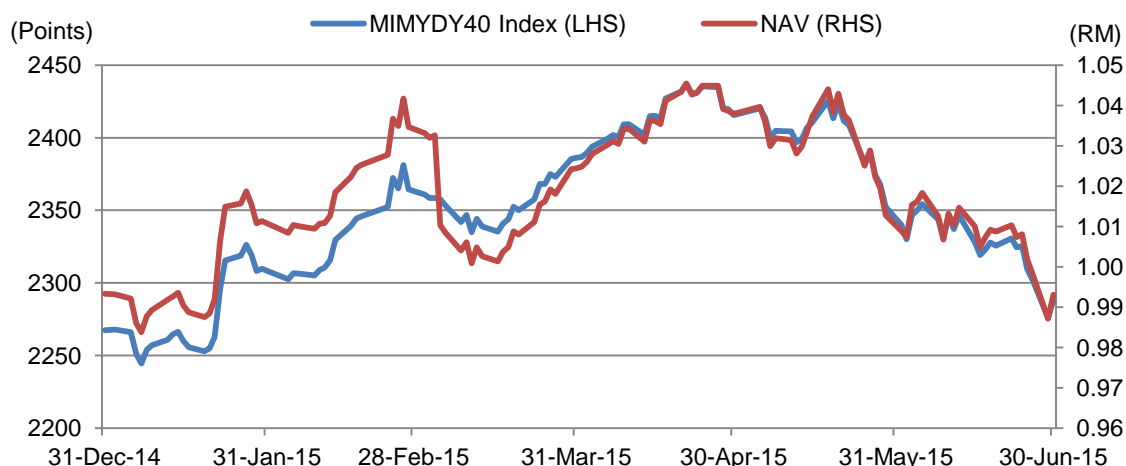


away from riskier assets. The exact ramifications to the markets from an actual Grexit still remains to be seen, although expectation that heightened near-term volatility in the financial markets globally will be almost inevitable. In addition, equity markets in Emerging Markets became more sensitive to sentiment changes as investors were increasingly becoming more risk-averse.

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.

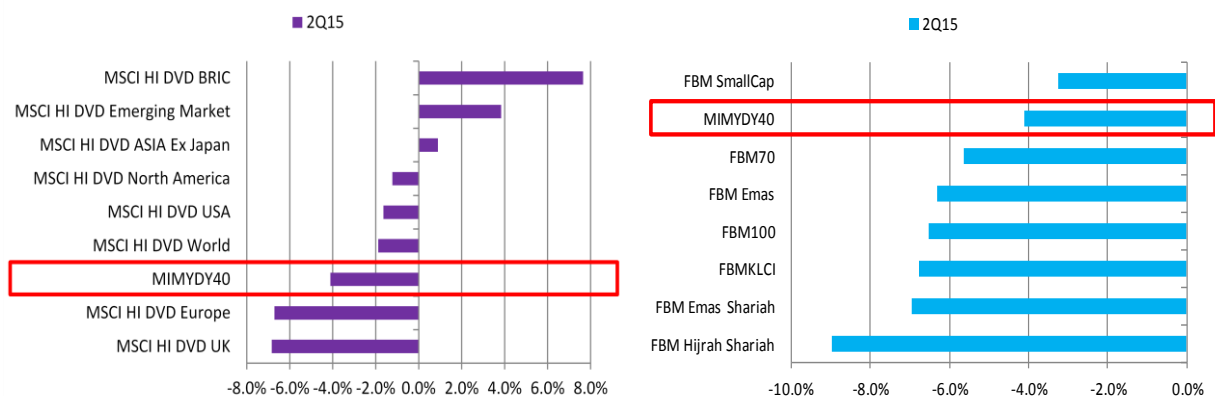
**Chart 3: MIMYDY40 Index Performance in 1H2015**



Sources: Bloomberg, i-VCAP

The MIMYDY40 Index started the second quarter 2015 positively and reached its year high of 2,436.86 points on 21 April. However, the Benchmark Index pulled back thereafter due to profit taking activities and lack of fresh leads. The Benchmark Index recovered marginally in June but ended the quarter weaker and closed at 2,288.12 points, translating to a decrease of 4.11% quarter-on-quarter. On comparative performance within MSCI High Dividend Yield index series, the MIMYDY40 Index underperformed most of MSCI’s High Dividend Yield Index series globally but outperformed the European markets. On the domestic front, the MIMYDY40 Index is more resilient comparatively and emerged as one of the best performers. The resiliency can be attributed to the better performance of mid-cap stocks in the index during period of heavy sell down by foreign investors on big-cap stocks.

**Chart 4: Comparative Performance of MSCI High Dividend Yield Indices and Domestic Indices**



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 in 2015 is forecasted to be moderate, ranging between 4.5-5.5%. The slower growth compared to 6.0% in 2014 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. Therefore, investors are expected to remain defensive but preference for companies that show better earnings growth with generous dividend payout may see MyETF-MMID to be comparatively favourable.