

## Manager's Report

**For the Financial Period 1 January to 31 March 2016**

<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-VCAP Management Sdn. Bhd. (“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

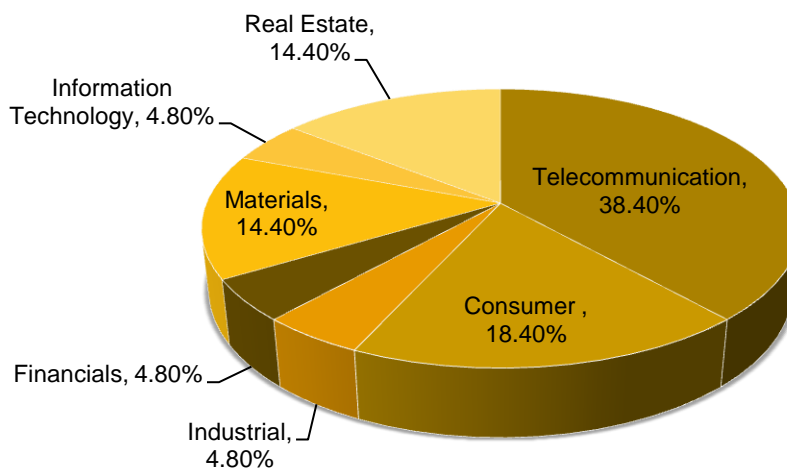
The Benchmark Index is a market capitalisation weighted and free-float adjusted index provided by MSCI Inc (“MSCI”). The Benchmark Index is designed as a performance benchmark for the high dividend-yielding companies of its Parent Index, i.e. the MSCI Malaysia IMI Islamic Index. The Benchmark Index shall 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.

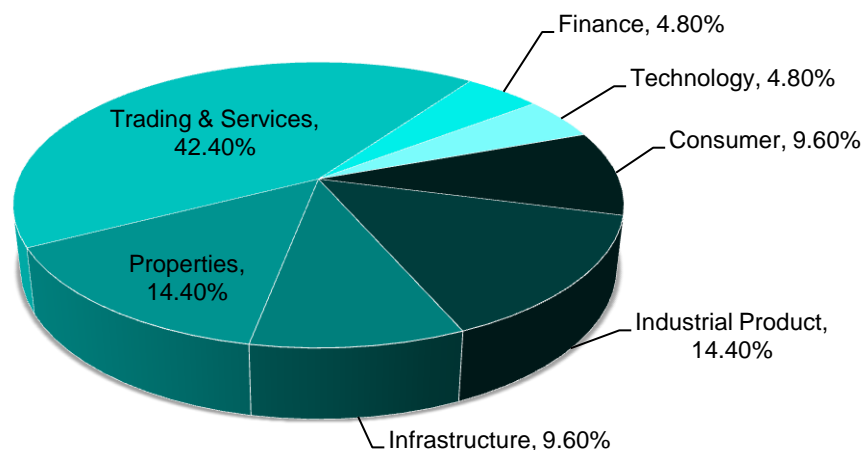
Based on the latest quarterly review (29 February 2016), the sector allocation of MIMYDY40 Index based on MSCI and Bursa Securities sector classifications are as follows:

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



Source: MSCI

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



Sources: Bursa Malaysia, MSCI

### 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 31 March 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 2.87% and 2.79% 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 4.17% to RM1.0332 from RM1.0782 at the end of the previous quarter, while the Benchmark Index and Benchmark's Total Return Index (MIMYDY40 Total Return Index) decreased by 1.69% and 0.76% respectively for the quarter. The variance between the Benchmark Index and Fund's NAV was largely due to the adjustment to the Fund's NAV following the Fund's income distribution of 3.15 sen per unit for Financial Year ended 31 December 2015 which was declared and paid during the quarter.

During the 1Q2016, MyETF-MMID's NAV and price per unit traded on Bursa Securities reached its quarter high of RM1.0794 and RM1.0750 respectively on 6 January while the units in circulation remain unchanged of 21.60 million units. The key statistics and comparative performance of the Fund for the first quarter 2016 against the fourth quarter of 2015 are summarized as follows:

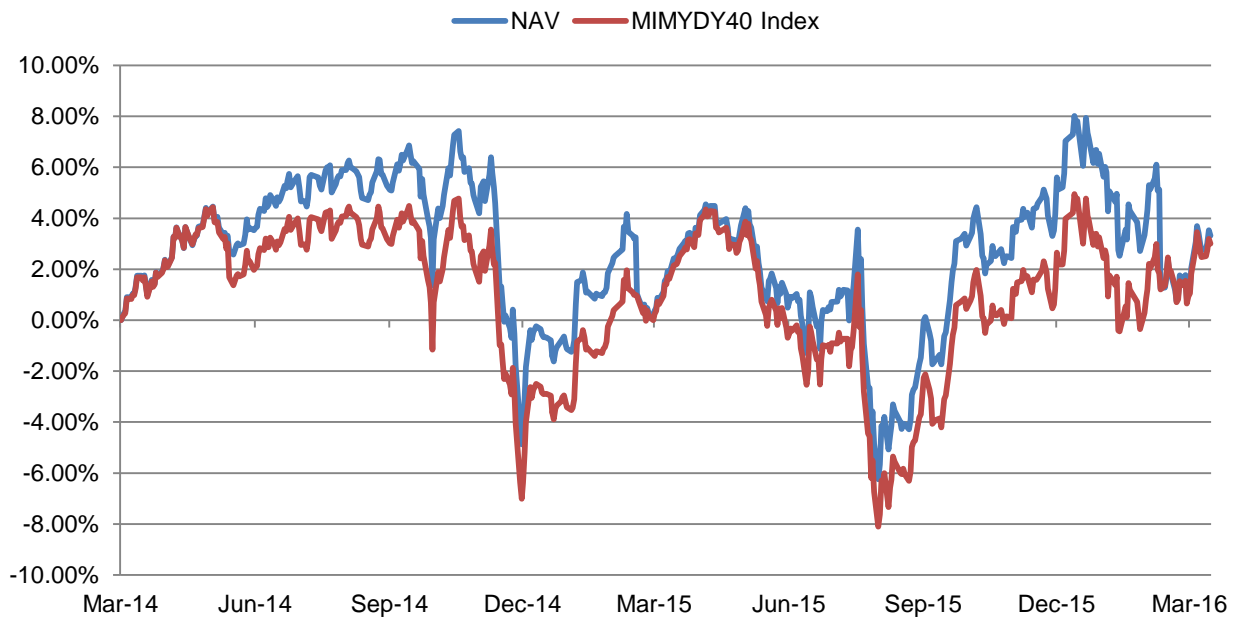
**Table 1: Key Statistics**

	As at 31-Mar-16	As at 31-Dec-15	Changes
NAV per unit (RM) <sup>#</sup>	1.0332	1.0782	(4.17%)
- Highest	1.0794 (6 Jan)	1.0801 (29 Dec)	
- Lowest (During the period)	1.0074 (8 Mar)	0.9937 (1 Oct)	
Price per unit (RM) <sup>#</sup>	1.0350	1.0750	(3.72%)
- Highest	1.0750 (6 Jan)	1.0750 (29 Dec)	
- Lowest (During the period)	1.0000 (14 Mar)	0.9920 (1 Oct)	
Units in Circulation	21,600,000	21,600,000	0.00%
Total NAV (RM)	22,317,535	23,289,939	(4.18%)
Market Capitalisation (RM)	22,356,000	23,220,000	(3.72%)
MIMYDY40 Index	2,405.37	2,446.78	(1.69%)
MIMYDY40 Total Return Index	3,668.89	3,696.95	(0.76%)
Tracking Error vs. MIMYDY40 Price Return Index (%) <sup>*</sup>	2.87	1.97	
Tracking Error vs. MIMYDY40 Total Return Index (%) <sup>*</sup>	2.79	1.88	
Management Expense Ratio (%)	0.20	0.20	

Sources: Bloomberg, i-VCAP

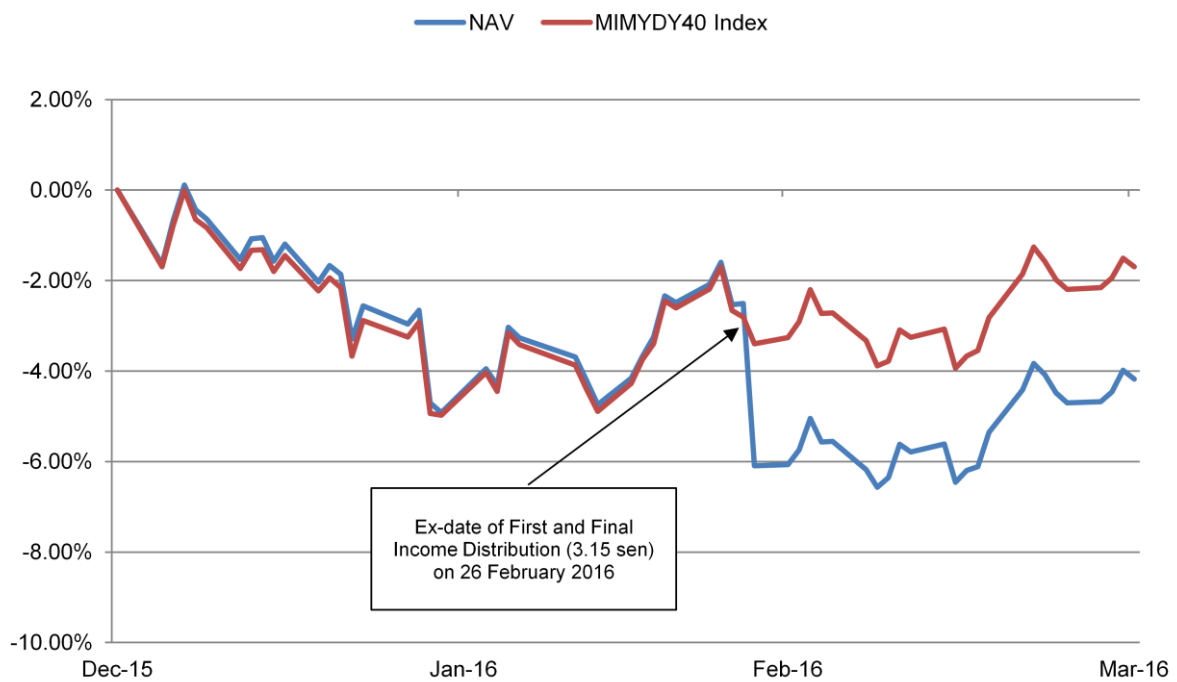
<sup>\*</sup> The tracking error (calculated since inception and on daily basis) between the NAV per unit of the Fund and the Price Return and Total Return Benchmark Index

**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 1Q2016**



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 16 (%)	2015 (%)	2014 (%)
MyETF-MMID - NAV Price Return <sup>(a)</sup>	(4.17)	8.55	(0.67)
MIMYDY40 - Price Return Index	(1.69)	7.91	0.16
MyETF-MMID - NAV Total Return <sup>(a)</sup>	(1.19)	10.96	(0.67)
MIMYDY40 - Total Return Index	(0.76)	11.76	0.16

Sources: Bloomberg, i-VCAP

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

**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>	(4.17)	4.66	0.86	3.32
MIMYDY40 - Price Return Index	(1.69)	7.01	0.80	3.00
MyETF- MMID - NAV Total Return <sup>(a)</sup>	(1.19)	7.92	4.00	8.91
MIMYDY40 - Total Return Index	(0.76)	8.71	4.71	11.09

Sources: Bloomberg, i-VCAP

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

(b) Cumulative returns are up to 31 March 2016

**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>	(15.68)	9.54	0.86	1.61
MIMYDY40 - Price Return Index	(6.60)	14.52	0.80	1.46
MyETF- MMID - NAV Total Return <sup>(a)</sup>	(4.68)	16.46	4.00	4.27
MIMYDY40 - Total Return Index	(3.00)	18.17	4.71	5.29

Sources: Bloomberg, i-VCAP

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

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

During the period under review, MSCI Malaysia IMI Islamic Index, which is the Parent Index of MIMYDY40 Index performed its first quarter review for 2016 and rebalanced the composition of the Benchmark Index in accordance with its index methodology. The review in February 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 ensure that the Fund's investment would be in line with the changes in the Benchmark Index. The rebalancing exercise saw the removal of two stocks from the Benchmark Index, i.e. Sunway Berhad and Pharmaniaga Berhad. In terms of sectoral weightings, notable changes to the Fund's sector composition arising from the quarterly review were the increase in Consumer Products sector from 8.02% to 9.65% and Trading and Services sector from 41.92% to 42.27%. On the other hand, the Properties sector decreased from 17.19% to 14.36% due to the deletion of Sunway Berhad. Details of the key changes for the quarter are as follows:

**Table 3: Top Ten Holdings of the Fund as at 31 March 2016**

Stock	% of NAV
1. Maxis Berhad	9.52
2. DiGi.Com Berhad	9.51
3. Telekom Malaysia Berhad	9.48
4. Axiata Group Berhad	9.38
5. Scientex Berhad	5.15
6. IOI Properties Group Berhad	4.93
7. Padini Holdings Berhad	4.87
8. Matrix Concepts Berhad	4.82
9. Westports Holdings Berhad	4.79
10. UMW Holdings Berhad	4.78
<b>Total</b>	<b>67.23</b>

Sources: Bloomberg, i-VCAP

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

	As at 31-Mar-16	As at 31-Dec-15	Change (%)
Trading/Services	42.27%	41.92%	0.35
Industrial Products	14.38%	14.31%	0.07
Properties	14.36%	17.19%	(2.83)
Consumer Products	9.65%	8.02%	1.63
Infrastructure	9.51%	9.26%	0.25
Finance	4.58%	4.46%	0.12
Technology	4.57%	4.55%	0.02
Cash & Others	0.68%	0.29%	0.39

Sources: Bursa Malaysia, i-VCAP

\* Based on Bursa Securities classification

Details of the Fund's quoted Investments as at 31 March 2016 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	334,500	2,124,075	9.52
2. Telekom Malaysia Berhad	320,700	2,116,620	9.48
3. Axiata Group Berhad	355,500	2,093,895	9.38
4. Westports Holdings Berhad	259,000	1,069,670	4.79
5. Berjaya Auto Berhad	483,200	1,048,544	4.70
6. MBM Resources Berhad	446,100	981,420	4.40
		<b>9,434,224</b>	<b>42.27</b>
<b><u>Industrial Products</u></b>			
7. Scientex Berhad	88,700	1,149,552	5.15
8. Lafarge Malaysia Berhad	116,800	1,051,200	4.71
9. Ta Ann Holdings Berhad	199,700	1,008,485	4.52
		<b>3,209,237</b>	<b>14.38</b>
<b><u>Properties</u></b>			
10. IOI Properties Group Berhad	476,700	1,101,177	4.93
11. Matrix Concepts Holdings Berhad	433,408	1,074,852	4.82
12. UOA Development Berhad	485,600	1,029,472	4.61
		<b>3,205,501</b>	<b>14.36</b>
<b><u>Consumer Products</u></b>			
13. Padini Holdings Berhad	524,500	1,085,715	4.87
14. UMW Holdings Berhad	155,200	1,066,224	4.78
		<b>2,151,939</b>	<b>9.65</b>
<b><u>Infrastructure</u></b>			
15. Digi.Com Berhad	429,800	2,123,212	9.51
		<b>2,123,212</b>	<b>9.51</b>
<b><u>Finance</u></b>			
16. Syarikat Takaful Malaysia Berhad	251,500	1,021,090	4.58
		<b>1,021,090</b>	<b>4.58</b>
<b><u>Technology</u></b>			
17. Malaysian Pacific Industries Berhad	137,000	1,020,650	4.57
		<b>1,020,650</b>	<b>4.57</b>
		<b>22,165,853</b>	<b>99.32</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 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 2015 of 3.15 sen per unit was declared on 10 February with the ex-date on 26 February and entitlement date on 1 March 2016. The final income distribution was paid on 29 March 2016. Based on the number of entitled unit holders, the Fund distributed a total amount of RM680,400.

## 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

Last year's volatile market continued into the first quarter of 2016, against a backdrop of tepid global growth outlook, concern on China's slowdown and the fall in oil prices in January and February. These concerns started to ebb in the later part of the quarter as more stimulus measures were announced by the European Central Bank (ECB) and a more dovish tone from the Federal Reserve may mean a less tightening policy. Correspondingly, the USD weakened against regional currencies whilst commodity prices began to stabilize. This then led to higher risk appetite for investors, fueling a short-lived rebound in the equity markets at the later part of the quarter.

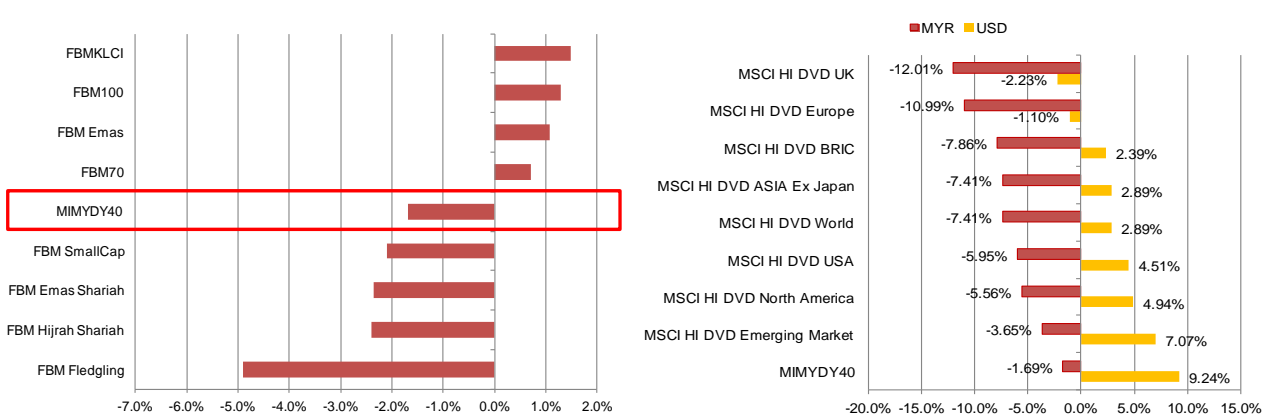
On the economic front, the US economy expanded at a slower pace of 0.7% in 4Q2015 compared to 2.0% in the 3Q2015 as growth was dragged down by the decline in household spending and cut back on capital investments by businesses. This translated to a full year's GDP of 1.8% in 2015, lower than 2.4% growth in 2014. Elsewhere, the Eurozone economy sustained a positive

annualized rate of growth albeit at a slower rate of 0.3% in 4Q2015. Nonetheless, the risk of deflation remained a concern as headline inflation fell into negative territory in February 2016, prompting the ECB to deliver more aggressive monetary policy easing measures which include cutting the deposit and refinancing rate to 0% level and raising the monthly amount of bonds buying. As for China, its economy grew at 6.9% in 2015, in line with the government’s target of around 7.0% despite earlier concern. In its efforts to propel growth, the government announced higher fiscal spending alongside a large budget deficit of 3.0% of GDP for 2016 (-2.3% in 2015).

Malaysia’s GDP growth moderated further to 4.5% y-o-y in 4Q15, resulting in an annual GDP growth of 5.0% in 2015 (2014: 6.0%). The slower expansion was further validated by the 4.2% GDP growth clocked for 1Q2016. Separately, headline inflation registered at 2.1% in 2015 was within the BNM’s estimate of 2.0%-2.5%, and slower when compared to 3.2% recorded in 2014. The lower inflation was largely due to the impact of declining global energy and commodity prices, which overshadowed upward price pressures arising from the implementation of GST.

In the financial markets, global equities started off on a roller-coaster ride triggered by a combination of factors, which include the collapse of oil prices to below USD30/barrel in January, fears of sharp economic slowdown in China and its impact to the rest of the world. However, global equities reversed its downtrend in the second-half of February, and have since showed steady gains, particularly in the Emerging market region. Within ASEAN, the strengthening currencies in the region lent support to the rally whilst raising investors’ confidence that led to large foreign fund inflows.

**Chart 3: MIMYDY40 Index Performance in 1Q2016**



Sources: Bloomberg, i-VCAP

Despite a volatile start to the year, MIMYDY40 Index posted a minimal decrease of 1.69% to close the quarter at 2,405.37 points. MIMYDY40 Index also emerged among the Islamic domestic index outperformers (based on USD) during the quarter. On comparative performance within MSCI High Dividend Yield index series, the MIMYDY40 Index outperformed other indices despite the unfavourable market condition during the quarter.

Going forward, domestic demand is expected to continue to be the main anchor of growth, albeit at a more moderate pace. GDP projection is expected to grow between 4.0-5.0% in 2016. The growth projection takes into account weaknesses in the global commodity sector, growth moderation in China, the narrowing in the savings-investments gap as well as the government's budget constraints. On the demand side, private consumption is projected to trend below its long-term average, as households continue to make expenditure adjustments. This is in response to the lingering effects of the GST and changes in the administered prices as well as weaker consumer sentiment given the uncertain labour and financial market conditions.

Domestic equity market is expected to draw support from the continued Ringgit recovery and stabilizing commodity prices though upside is dependent on corporate earnings performance. Nonetheless, bouts of volatility could arise, especially due to the persistent external headwinds, which may induce investors to choose companies with earnings resiliency and fairly attractive dividend payouts as offered by MyETF-MMID.