

## Manager's Report

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

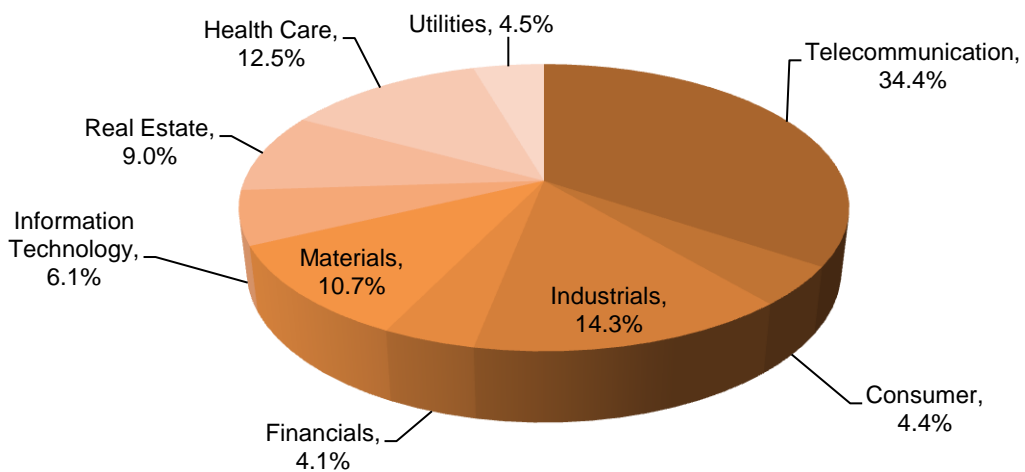
The Benchmark Index is a market capitalisation weighted and free-float adjusted index provided by MSCI Inc ("MSCI"). The Benchmark Index is designed as a performance benchmark for the high dividend-yielding companies of its Parent Index, i.e. the MSCI Malaysia IMI Islamic Index. The Benchmark Index shall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

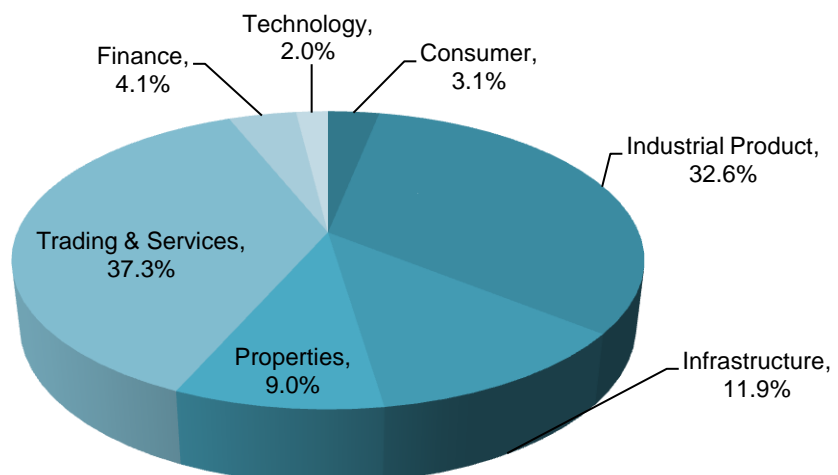
Based on the latest quarterly review (31 May 2016), the sector allocation of MIMYDY40 Index based on MSCI and Bursa Securities sector classifications are as follows:

**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 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 2.74% and 2.66% 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 3.22% to RM0.9999 from RM1.0332 at the end of the previous quarter, while the Benchmark Index and Benchmark's Total Return Index (MIMYDY40 Total Return Index) decreased by 3.40% and 2.40% respectively for the same period. The Fund moved sideways at the start of the quarter with its NAV and price per unit reaching its quarter high of RM1.0386 and RM1.0350 in early April. The Fund however, retraced gradually thereafter, clocking its lowest level of the year of RM0.9755 on 16 June before regaining some lost ground to end the quarter at RM0.9999. 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 a premium of RM1.0050.

As at end of June, total NAV of the Fund decreased to RM21.6 million from RM22.3 million as at end of March due to the weak market condition. The key statistics and comparative performance of the Fund as compared to the previous quarter are summarized as follows:

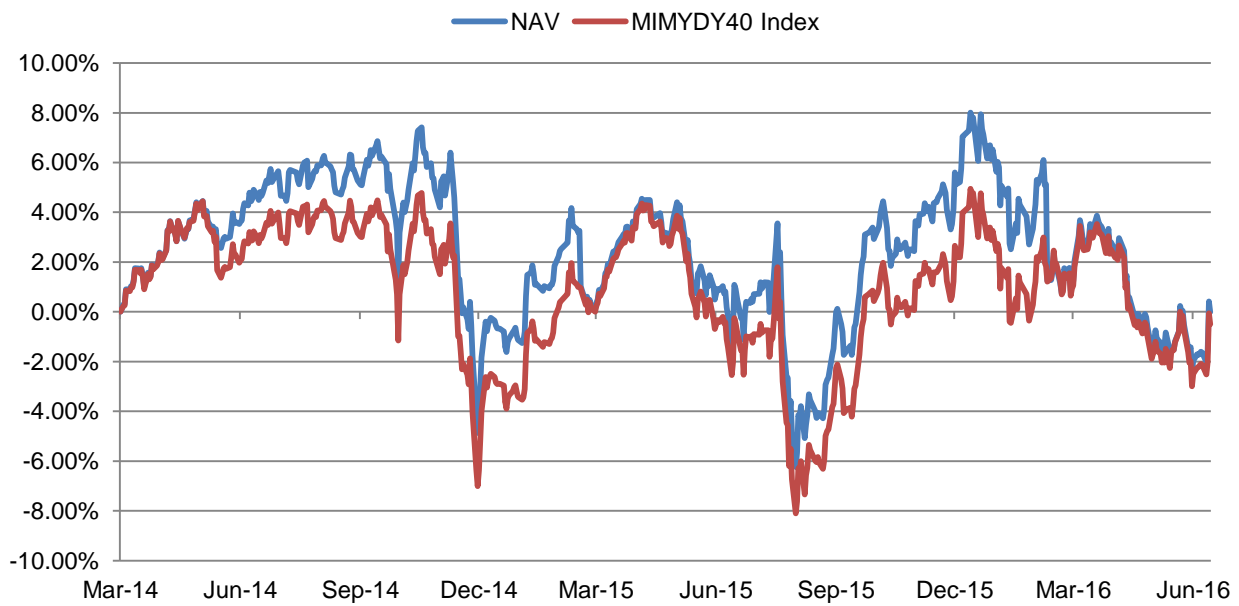
**Table 1: Key Statistics**

	As at 30-Jun-16	As at 31-Mar-16	Changes
NAV per unit (RM) <sup>#</sup>	0.9999	1.0332	(3.22%)
- Highest	1.0386 (4 Apr)	1.0794 (6 Jan)	
- Lowest	0.9755 (16 Jun)	1.0074 (8 Mar)	
<i>(During the period)</i>			
Price per unit (RM) <sup>#</sup>	1.0050	1.0350	(2.90%)
- Highest	1.0350 (1 Apr)	1.0750 (6 Jan)	
- Lowest	0.9740 (24 Jun)	1.0000 (14 Mar)	
<i>(During the period)</i>			
Units in Circulation	21,600,000	21,600,000	0.00%
Total NAV (RM)	21,597,215	22,317,535	(3.23%)
Market Capitalisation (RM)	21,708,000	22,356,000	(2.90%)
MIMYDY40 Index	2,323.67	2,405.37	(3.40%)
MIMYDY40 Total Return Index	3,580.94	3,668.89	(2.40%)
Tracking Error vs. MIMYDY40 Price Return Index (%) <sup>*</sup>	2.74	2.87	
Tracking Error vs. MIMYDY40 Total Return Index (%) <sup>*</sup>	2.66	2.79	
Management Expense Ratio (%)	0.21	0.20	

Sources: Bloomberg, i-VCAP

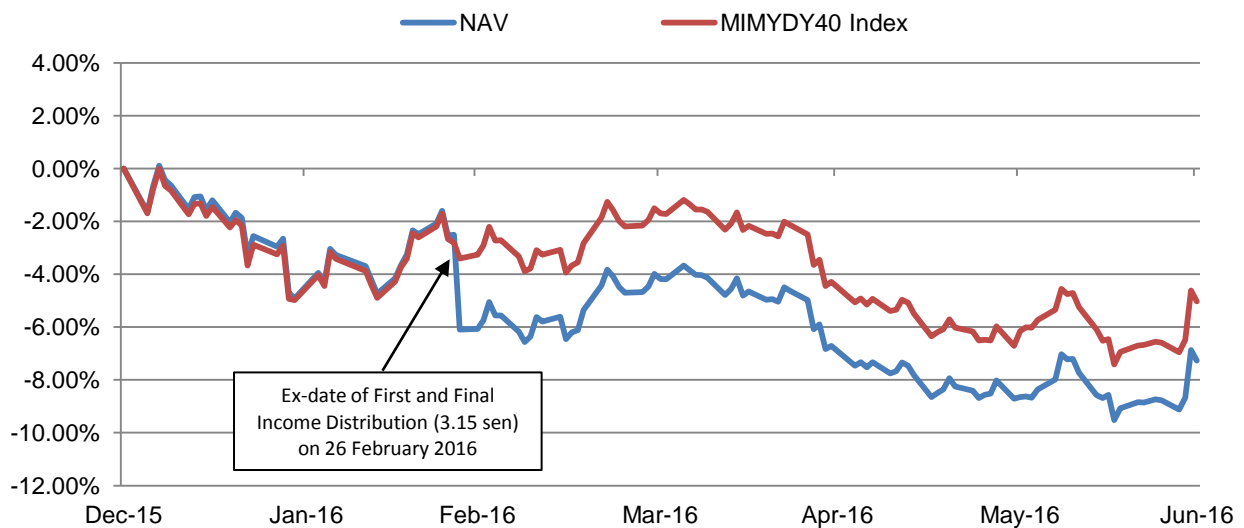
<sup>\*</sup> The tracking error (calculated since inception and on daily basis) between the NAV per unit of the Fund and the Price Return and Total Return Benchmark Index

**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 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 (%)
MyETF-MMID - NAV Price Return <sup>(a)</sup>	(7.26)	8.55	(0.67)
MIMYDY40 - Price Return Index	(5.03)	7.91	0.16
MyETF-MMID - NAV Total Return <sup>(a)</sup>	(4.38)	10.96	(0.67)
MIMYDY40 - Total Return Index	(3.14)	11.76	0.16

Sources: Bloomberg, i-VCAP

(a) Independently sourced 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>	(3.22)	(7.26)	0.68	(0.01)
MIMYDY40 - Price Return Index	(3.40)	(5.03)	1.55	(0.50)
MyETF- MMID - NAV Total Return <sup>(a)</sup>	(3.22)	(4.38)	3.82	5.40
MIMYDY40 - Total Return Index	(2.40)	(3.14)	5.34	8.43

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>			
	3-Month (%)	6-Month (%)	1-Year (%)	Since Inception (%)
MyETF- MMID - NAV Price Return <sup>(a)</sup>	(12.28)	(14.00)	0.68	0.00
MIMYDY40 - Price Return Index	(12.91)	(9.81)	1.55	(0.22)
MyETF- MMID - NAV Total Return <sup>(a)</sup>	(12.28)	(8.56)	3.82	2.32
MIMYDY40 - Total Return Index	(9.25)	(6.18)	5.34	3.60

Sources: Bloomberg, i-VCAP

(a) Independently sourced 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, the MSCI performed its semi-annual review of the Benchmark Index for 2016 in May and rebalanced the composition of the Benchmark Index in accordance with its index methodology. The review 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. During the quarter, ten stocks were included while five stocks were removed from the MIMYDY40 Index resulting in the increase number of stock constituents to 22. The summary of the changes is as follows:

**Table 3: Changes in Stock Constituents – 2Q2016**

Stock Inclusions	Stock Exclusions
Cahaya Mata Sarawak Bhd	Berjaya Auto Bhd
Coastal Contracts Bhd	IOI Properties Group Bhd
Hartalega Holdings Bhd	Lafarge Malaysia Bhd
Kossan Rubber Industries Bhd	Padini Holdings Bhd
MISC Bhd	UMW Holdings Bhd
Petronas Gas Bhd	
QL Resources Bhd	
Time DotCom Bhd	
Top Glove Corporation Bhd	
V.S Industry Bhd	

Sources: MSCI.

In terms of sectoral weightings, notable changes to the Fund's sector composition arising from the quarterly review was the increase in Industrial Products sector from 14.38% to 31.86%. On the other hand, the Consumer Products sector decreased from 9.65% to 3.05% and Properties sector decreased from 14.36% to 8.62%. Details of the Fund's key top ten holdings and sectoral changes for the quarter are as follows:

**Table 4: Top Ten Holdings of the Fund as at 30 June 2016**

Stock	% of NAV
1. DiGi.Com Berhad	9.51
2. Maxis Berhad	9.49
3. Axiata Group Berhad	9.37
4. MISC Berhad	8.72
5. Petronas Gas Berhad	4.49
6. Hartalega Holdings Berhad	4.48
7. Telekom Malaysia Berhad	4.45
8. Matrix Concepts Berhad	4.38
9. Westports Holdings Berhad	4.32
10. Cahya Mata Sarawak Berhad	4.28
<b>Total</b>	<b>63.49</b>

Sources: Bloomberg, i-VCAP

**Table 5: Fund's Sector Allocation\***

	As at 30-Jun-16	As at 31-Mar-16	Change (%)
Trading/Services	38.13%	42.27%	(4.14)
Industrial Products	31.86%	14.38%	17.48
Infrastructure	11.28%	9.51%	1.77
Properties	8.62%	14.36%	(5.74)
Finance	4.23%	4.58%	(0.35)
Consumer Products	3.05%	9.65%	(6.60)
Technology	1.94%	4.57%	(2.63)
Cash & Others	0.89%	0.68%	0.21

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 6: 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	348,000	2,049,720	9.49
2. Axiata Group Berhad	359,600	2,024,548	9.37
3. MISC Berhad	252,500	1,883,650	8.72
4. Telekom Malaysia Berhad	141,900	960,663	4.45
5. Westports Holdings Berhad	222,000	932,400	4.32
6. MBM Resources Berhad	190,100	382,101	1.78
		<b>8,233,082</b>	<b>38.13</b>
<b><u>Industrial Products</u></b>			
7. Petronas Gas Berhad	44,100	970,200	4.49
8. Hartalega Holdings Berhad	223,600	968,188	4.48
9. Cahya Mata Sarawak Berhad	258,200	924,356	4.28
10. Ta Ann Holdings Berhad	278,880	920,304	4.26
11. V.S Industry Berhad	729,100	860,338	3.98
12. Top Glove Corporation Berhad	185,400	852,840	3.95
13. Kossan Rubber Industries Berhad	113,300	776,105	3.59
14. Scientex Berhad	35,800	445,352	2.06
15. Coastal Contracts Berhad	106,400	164,920	0.77
		<b>6,882,603</b>	<b>31.86</b>
<b><u>Infrastructure</u></b>			
16. Digi.Com Berhad	429,800	2,054,444	9.51
17. Time DotCom Berhad	50,000	380,000	1.77
		<b>2,434,444</b>	<b>11.28</b>
<b><u>Properties</u></b>			
18. Matrix Concepts Holdings Berhad	381,808	946,884	4.38
19. UOA Development Berhad	418,400	916,296	4.24
		<b>1,863,180</b>	<b>8.62</b>
<b><u>Finance</u></b>			
20. Syarikat Takaful Malaysia Berhad	225,300	912,465	4.23
		<b>912,465</b>	<b>4.23</b>
<b><u>Consumer Products</u></b>			
21. QL Resources Berhad	150,900	659,433	3.05
		<b>659,433</b>	<b>3.05</b>
<b><u>Technology</u></b>			
22. Malaysian Pacific Industries Berhad	55,900	419,250	1.94
		<b>419,250</b>	<b>1.94</b>
		<b>21,404,457</b>	<b>99.11</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, 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.

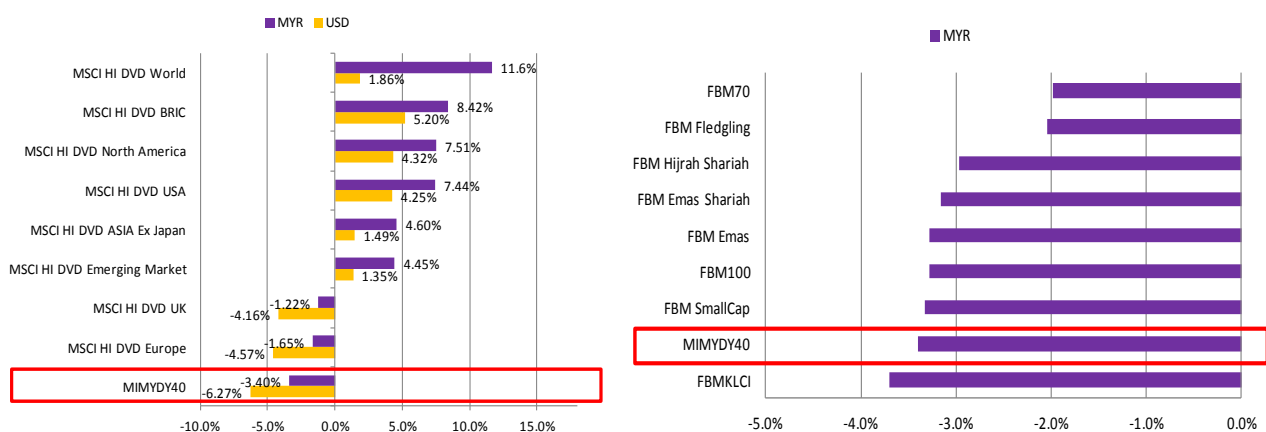
On the macro front, the US economy grew at an annualized pace of 1.2% in the second quarter, marginally higher than the previous quarter. In the Eurozone, GDP rose at an annualized rate of 0.5% compared to 0.6% in the preceding quarter. As for China, its economic growth pace decreased further to 6.7% 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 MIMYDY40 Index started positively and reached its quarter high of 2,417.90 points on 4 April before retracing to its lowest level for the year of 2,265.39 points on 16 June. The Benchmark Index however, recovered marginally before ending the quarter at 2,323.67 points, translating to a decrease of 3.40% q-o-q.

**Chart 3: MIMYDY40 Index Performance in 2Q2016**



Sources: Bloomberg, i-VCAP

On comparative performance within MSCI High Dividend Yield index series, the MIMYDY40 Index lagged other indices on the back of massive foreign fund outflows from Malaysian equity market during the quarter. Comparing to domestic indices, MIMYDY40 Index was relatively weaker except against the FBMKLCI.

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, stocks with good cash flows, low beta as well as fairly decent dividend yields could be in favour for investors. Constituents in the MyETF-MMID are considered fairly defensive as they demonstrate solid earnings resilience and attractive dividend payouts which could be preferred during times of persistent headwinds.