

Manager's Report

For the Financial Period 1 July to 30 September 2016

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

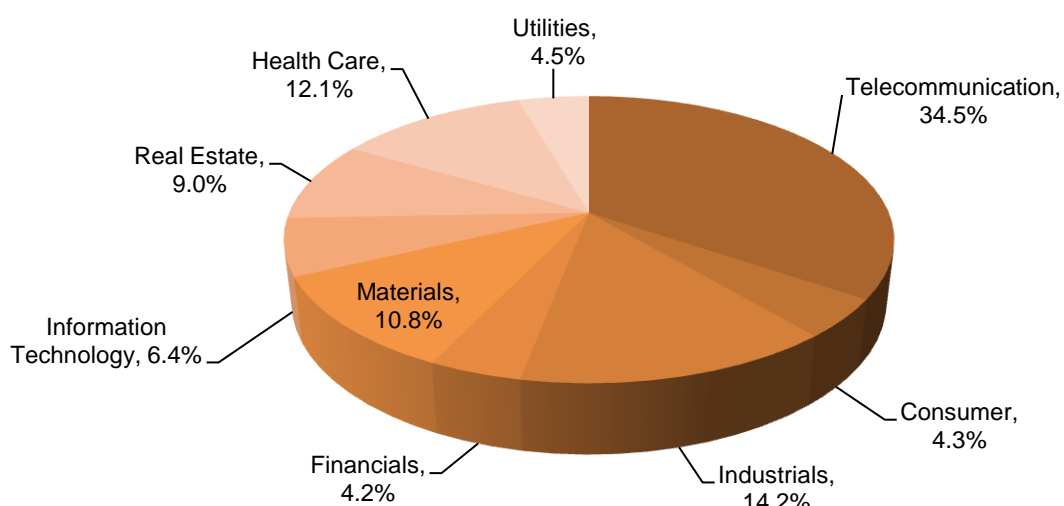
The Benchmark Index is a market capitalisation weighted and free-float adjusted index provided by MSCI Inc ("MSCI"). The Benchmark Index is designed as a performance benchmark for the high dividend-yielding companies of its Parent Index, i.e. the MSCI Malaysia IMI Islamic Index. The Benchmark Index shall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

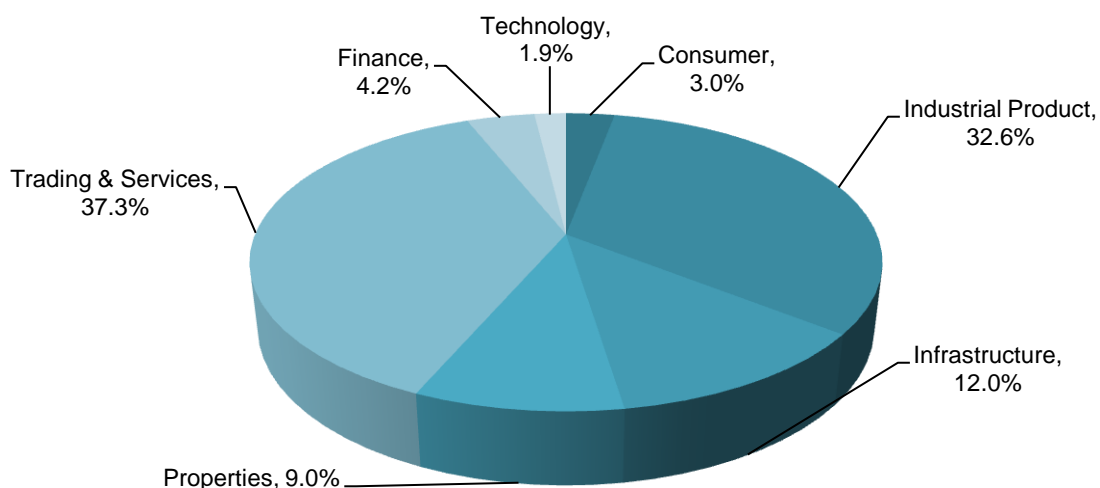
Based on the latest quarterly review (30 August 2016), the sector allocation of MIMYDY40 Index based on MSCI and Bursa Securities sector classifications are as follows:

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 September 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 1.10% and 0.89% 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 4.88% to RM1.0487 from RM0.9999 at the end of the previous quarter, while the Benchmark Index and Benchmark's Total Return Index (MIMYDY40 Total Return Index) increased by 4.35% and 5.06% respectively for the same period. The Fund started the quarter on a cautious mode and retraced to its quarter-low of RM0.9919 on 8 July but ascended gradually towards the end of the quarter and closed at RM1.0487. 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 RM1.0500.

As at end of September, total NAV of the Fund increased to RM54.1 million from RM21.6 million largely due to creation activity. The key statistics and comparative performance of the Fund as compared to the previous quarter are summarized as follows:

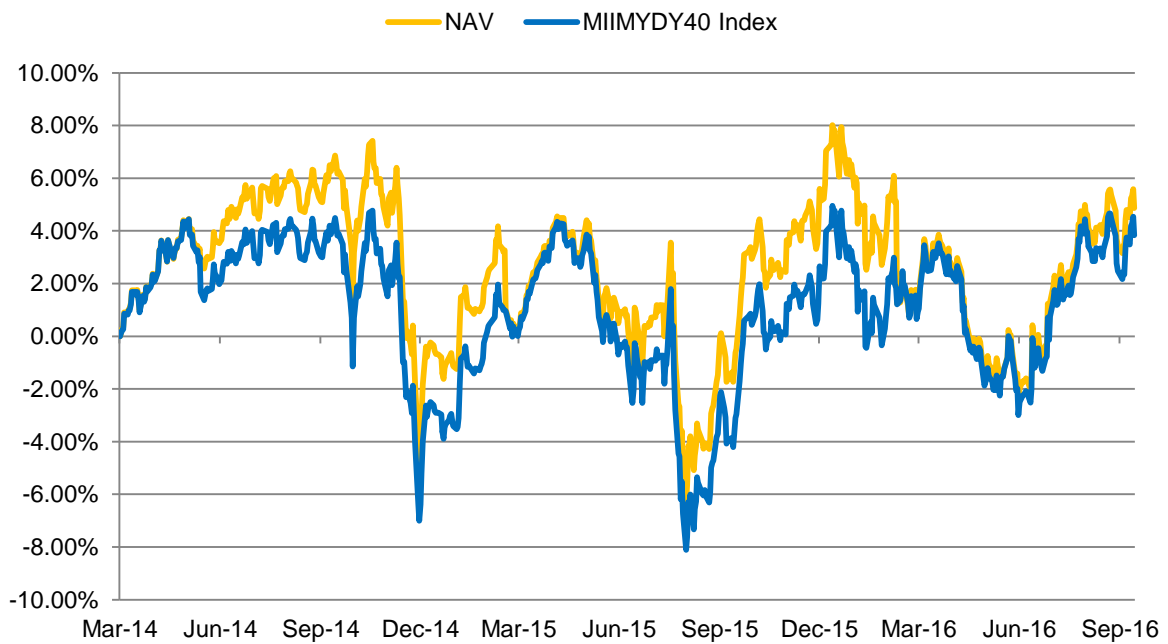
Table 1: Key Statistics

	As at 30-Sep-16	As at 30-Jun-16	Changes
NAV per unit (RM) [#]	1.0487	0.9999	4.88%
- Highest	1.0558 (29 Sep)	1.0386 (4 Apr)	
- Lowest	0.9919 (8 Jul)	0.9755 (16 Jun)	
<i>(During the period)</i>			
Price per unit (RM) [#]	1.0500	1.0050	4.48%
- Highest	1.0500 (7 Sep)	1.0350 (1 Apr)	
- Lowest	0.9920 (8 Jul)	0.9740 (24 Jun)	
<i>(During the period)</i>			
Units in Circulation	51,600,000	21,600,000	138.89%
Total NAV (RM)	54,110,649	21,597,215	150.54%
Market Capitalisation (RM)	54,180,000	21,708,000	149.59%
MIMYDY40 Index	2,424.77	2,323.67	4.35%
MIMYDY40 Total Return Index	3,762.28	3,580.94	5.06%
Tracking Error: Fund vs. MIMYDY40 Price Return Index (%) [*]	1.10	1.34	
Tracking Error: Fund vs. MIMYDY40 Total Return Index (%) [*]	0.89	1.02	
Management Expense Ratio (%)	0.17	0.21	

Sources: Bloomberg, i-VCAP

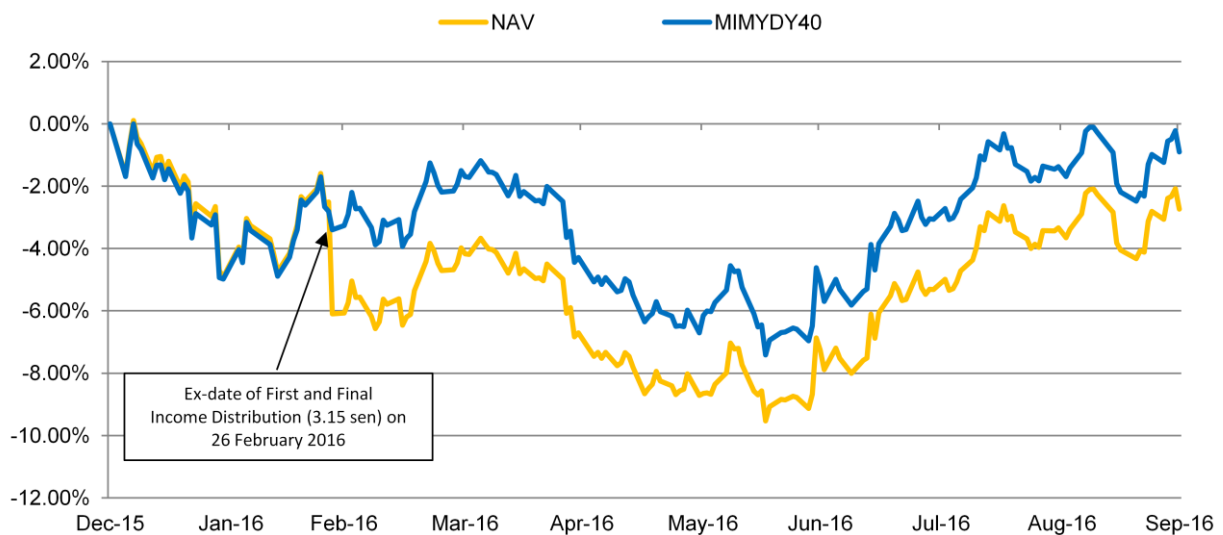
^{*} The tracking error (calculated since inception and on daily basis) between the NAV per unit of the Fund and the Price Return and Total Return Benchmark Index. The calculation was independently sourced from Novagni Analytics and Advisory Sdn. Bhd.

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 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 Sep 16 (%)	2015 (%)	2014 (%)
MyETF-MMID - NAV Price Return ^(a)	(2.74)	8.55	(0.67)
MIMYDY40 - Price Return Index	(0.90)	7.91	0.16
MyETF-MMID - NAV Total Return ^(a)	0.29	10.96	(0.67)
MIMYDY40 - Total Return Index	1.77	11.76	0.16

Sources: Bloomberg, i-VCAP

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

Table 2(b): Cumulative Returns

	Cumulative Returns ^(b)			
	3-Month (%)	6-Month (%)	1-Year (%)	Since Inception (%)
MyETF- MMID - NAV Price Return ^(a)	4.88	1.50	6.23	4.87
MIMYDY40 - Price Return Index	4.35	0.81	7.87	3.83
MyETF- MMID - NAV Total Return ^(a)	4.88	1.50	9.53	10.54
MIMYDY40 - Total Return Index	5.06	2.55	11.47	13.92

Sources: Bloomberg, i-VCAP

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

(b) Cumulative returns are up to 30 September 2016

Table 2(c): Average Returns (Annualised)

	Average Returns ^(b)			
	3-Month (%)	6-Month (%)	1-Year (%)	Since Inception (%)
MyETF- MMID - NAV Price Return ^(a)	19.38	2.99	6.23	1.92
MIMYDY40 - Price Return Index	17.27	1.61	7.87	1.51
MyETF- MMID - NAV Total Return ^(a)	19.38	2.99	9.53	4.14
MIMYDY40 - Total Return Index	20.11	5.08	11.47	5.47

Sources: Bloomberg, i-VCAP

(a) Independently sourced from 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 third quarter review for 2016 and rebalanced the composition of the Benchmark Index in accordance with its index methodology. The review in August resulted in changes to the weightings of the component stocks 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.

In terms of sectoral weightings, there were no major changes after the rebalancing. Trading/Services maintained as the top sector exposure with 36.24% (minimal drop from 38.13% previously) followed by Industrial Products that saw an increase of 1.58% to 33.44% as at end-September. 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 September 2016

Stock	% of NAV
1. MISC Berhad	8.88
2. DiGi.Com Berhad	8.79
3. Maxis Berhad	8.78
4. Axiata Group Berhad	8.44
5. Top Glove Corporation Berhad	5.35
6. Matrix Concepts Berhad	4.59
7. Hartalega Holdings Berhad	4.53
8. UOA Development Berhad	4.51
9. Westports Holdings Berhad	4.45
10. Ta Ann Holdings Berhad	4.45
Total	62.77

Sources: Bloomberg, i-VCAP

Table 5: Fund's Sector Allocation*

	As at 30-Sep-16	As at 30-Jun-16	Change (%)
Trading/Services	36.24%	38.13%	(1.89)
Industrial Products	33.44%	31.86%	1.58
Infrastructure	11.71%	11.28%	0.43
Properties	9.10%	8.62%	0.48
Finance	4.08%	4.23%	(0.15)
Consumer Products	2.98%	3.05%	(0.07)
Technology	1.91%	1.94%	(0.03)
Cash & Others	0.54%	0.89%	(0.35)

Sources: Bursa Malaysia, i-VCAP

* Based on Bursa Securities classification

Details of the Fund's quoted Investments as at 30 September 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 (%)
<u>Trading/Services</u>			
1. MISC Berhad	636,400	4,804,820	8.88
2. Maxis Berhad	771,000	4,749,360	8.78
3. Axiata Group Berhad	874,800	4,566,456	8.44
4. Westports Holdings Berhad	548,900	2,409,671	4.45
5. Telekom Malaysia Berhad	350,700	2,377,746	4.39
6. MBM Resources Berhad	283,800	709,500	1.30
		19,617,553	36.24
<u>Industrial Products</u>			
7. Top Glove Corporation Berhad	567,100	2,892,210	5.35
8. Hartalega Holdings Berhad	528,500	2,452,240	4.53
9. Ta Ann Holdings Berhad	672,180	2,406,404	4.45
10. Petronas Gas Berhad	108,200	2,363,088	4.37
11. V.S Industry Berhad	1,677,300	2,314,674	4.28
12. Cahya Mata Sarawak Berhad	608,800	2,313,440	4.28
13. Kossan Rubber Industries Berhad	270,600	1,861,728	3.44
14. Scientex Berhad	168,800	1,117,456	2.06
15. Coastal Contracts Berhad	242,900	366,779	0.68
		18,088,019	33.44
<u>Infrastructure</u>			
16. Digi.Com Berhad	954,700	4,754,406	8.79
17. Time DotCom Berhad	195,800	1,580,106	2.92
		6,334,512	11.71
<u>Properties</u>			
18. Matrix Concepts Holdings Berhad	955,608	2,484,580	4.59
19. UOA Development Berhad	975,000	2,437,500	4.51
		4,922,080	9.10
<u>Finance</u>			
20. Syarikat Takaful Malaysia Berhad	529,000	2,205,930	4.08
		2,205,930	4.08
<u>Consumer Products</u>			
21. QL Resources Berhad	364,200	1,613,406	2.98
		1,613,406	2.98
<u>Technology</u>			
22. Malaysian Pacific Industries Berhad	132,800	1,035,840	1.91
		1,035,840	1.91
		53,817,341	99.46

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

Global growth remained subdued up to 3Q2016, given the mixed economic activities in the first half of the year, particularly in the advanced economies. On this basis, the International Monetary Fund (IMF) has revised global growth by 0.1% lower to 3.1% in 2016 and 3.4% in 2017 respectively. Nonetheless, negative sentiment towards emerging market economies has subsided given the stabilised commodity prices and reduced concern over China's near-term prospects following its policy support to growth.

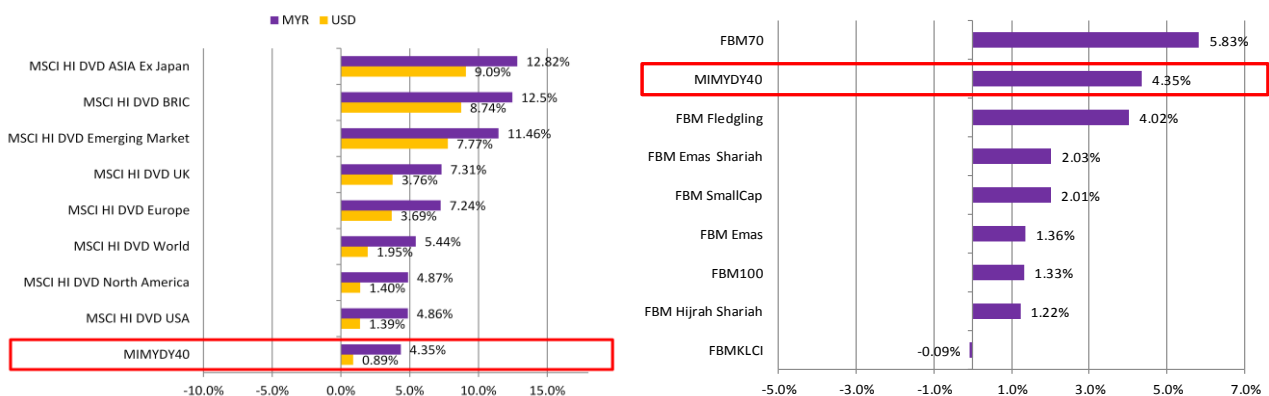
The US economy grew at an annualised rate of 2.9% in 3Q2016, an improvement from 1.4% recorded in 2Q2016. In the Eurozone, GDP growth came in at an annualised rate of 0.5% in 3Q2016, still fragile though better when compared to 0.3% in 2Q2016. As for China, its economic growth expended at an annual rate of 6.7% in the third quarter, in line with the government's full-year target. The mixed growth trajectory across the region has prompted central banks globally to keep the accommodative monetary stance through the Federal Reserve in the U.S is expected to tighten momentarily in December in order to keep in its inflationary rate.

In Malaysia, the economy registered a stronger growth of 4.3% in 3Q2016, compared to 4.0% in the previous quarter mainly due to rebound in net exports, offsetting the softer growth traction in domestic demand following slower public spending and investment. Meanwhile, inflation rate moderated to 1.4% y-o-y in October due to the high base effects from fuel price adjustments in 2015.

On monetary policy, BNM cut the Overnight Policy Rate (OPR) by 25bps to 3.0% at its July MPC meeting and kept it unchanged for the rest of the year in a bid to spur growth. Concurrently, BNM maintained its Statutory Reserve Requirement ratio (SRR) and revised down its 2016 inflation forecast to 2.0-3.0% from 2.5-3.5%. Meanwhile, foreign participation remained positive in July and August as net inflows into domestic equities rose to RM1.7 billion. Nonetheless, uncertainties surrounding the US interest rate hike dampened risk appetite as September saw net outflows of MYR0.3 billion by foreign investors, resulted in the domestic equity market failing to hold gains towards the end of the quarter.

The MIMYDY40 Index rebounded from the previous quarter’s pullback and remained largely in the positive territory during the quarter. It reached its quarter high of 2,444.19 points on 7 September but subsequently moved within a trading band before ending the quarter at 2,424.77 points. This translated to an increase of 4.35% q-o-q. On comparative performance within MSCI High Dividend Yield index series, the MIMYDY40 Index lagged other indices due to lack of positive catalysts as compared to other regional markets. Compared to domestic indices, MIMYDY40 Index was among the outperformers, trailing only to the FBM70 Index.

Chart 3: MIMYDY40 Index Performance in 3Q2016



Sources: Bloomberg, i-VCAP

Going forward, domestic demand is expected to continue to be the main growth driver, albeit at a moderate pace. GDP growth is expected to stay between 4.0-5.0% in 2017, similar to 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, private consumption is expected to remain a key contributor to economic growth given the government's announced initiatives on the voluntary reduction in EPF employee contribution from 11.0% to 8.0% and special income tax relief for middle income class that are expected to increase household's income. Meanwhile, the inflation rate projection for this year is expected to be manageable at 2.0-3.0%.

Despite the moderate domestic macroeconomic outlook as well as the prevailing external uncertainties, MyETF-MMID offers to investors exposure to dividend yielding stocks that should generate capital growth and income in the medium to long term period.