

## Manager's Report

### For the Financial Period 1 January to 31 March 2017

<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

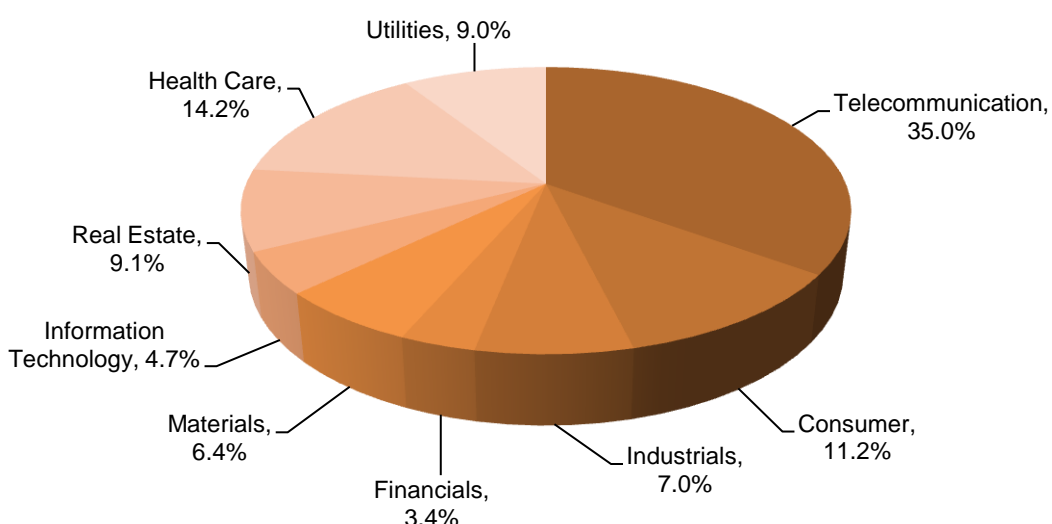
The Benchmark Index is a market capitalisation weighted and free-float adjusted index provided by MSCI Inc ("MSCI"). The Benchmark Index is designed as a performance benchmark for the high dividend-yielding companies of its Parent Index, i.e. the MSCI Malaysia IMI Islamic Index. The Benchmark Index shall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

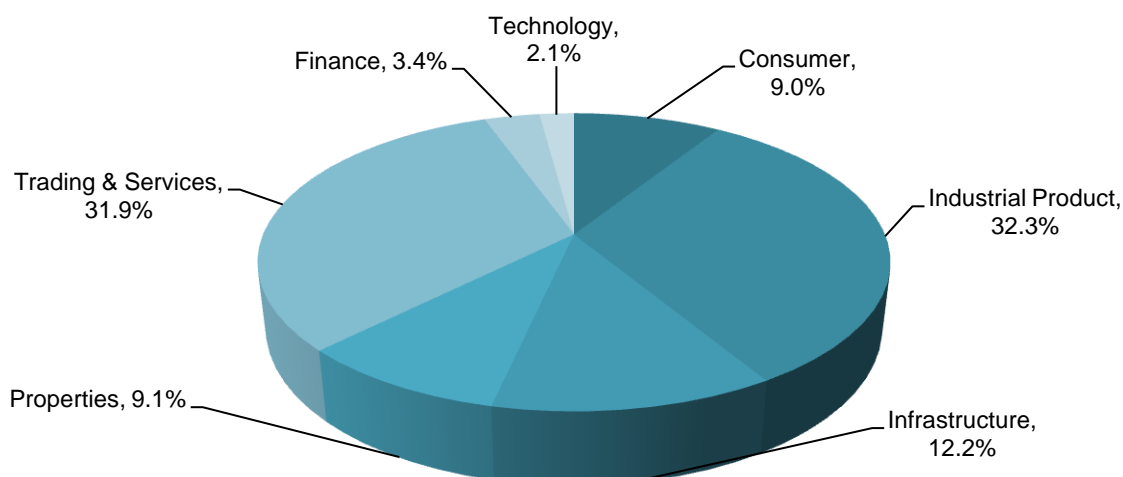
Based on the latest quarterly review (28 February 2017), the sector allocation of MIMYDY40 Index based on MSCI and Bursa Securities sector classifications are as follows:

**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 2017, the 3-year rolling tracking error<sup>1</sup> between the NAV per unit of the Fund and the Benchmark Index on Price Return and Total Return basis was 1.05% and 0.83% 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 3.61% to RM1.0579 from RM1.0210 at the end of the previous quarter. Comparatively, the Benchmark Index and Benchmark's Total Return Index (MIMYDY40 Total Return Index) increased by 3.99% and 5.14% respectively for the quarter. Despite an income distribution of 1.52 sen per unit for Financial Year ended 31 December 2016 which was declared and paid during the quarter, the variance between the Benchmark Index and Fund's NAV is deemed minimal.

The Fund had a relatively positive quarter but traded within a band throughout the period. The gradual gain saw the Fund reached its quarter high of RM1.0602 on 29 March before ending the period at RM1.0579 for a 3.61% increase. 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 RM1.0500.

As at end of March, total NAV of the Fund increased to RM54.59 million from RM52.68 million as at end of 2016 due to the positive market movement. The key statistics and comparative performance of the Fund for the first quarter of 2017 and the last financial year ended 31 December 2016 are summarized as follows:

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<sup>1</sup> Independently sourced from Novagni Analytics and Advisory Sdn. Bhd.  
MyETF-MMID Manager's Report 1Q2017

**Table 1: Key Statistics**

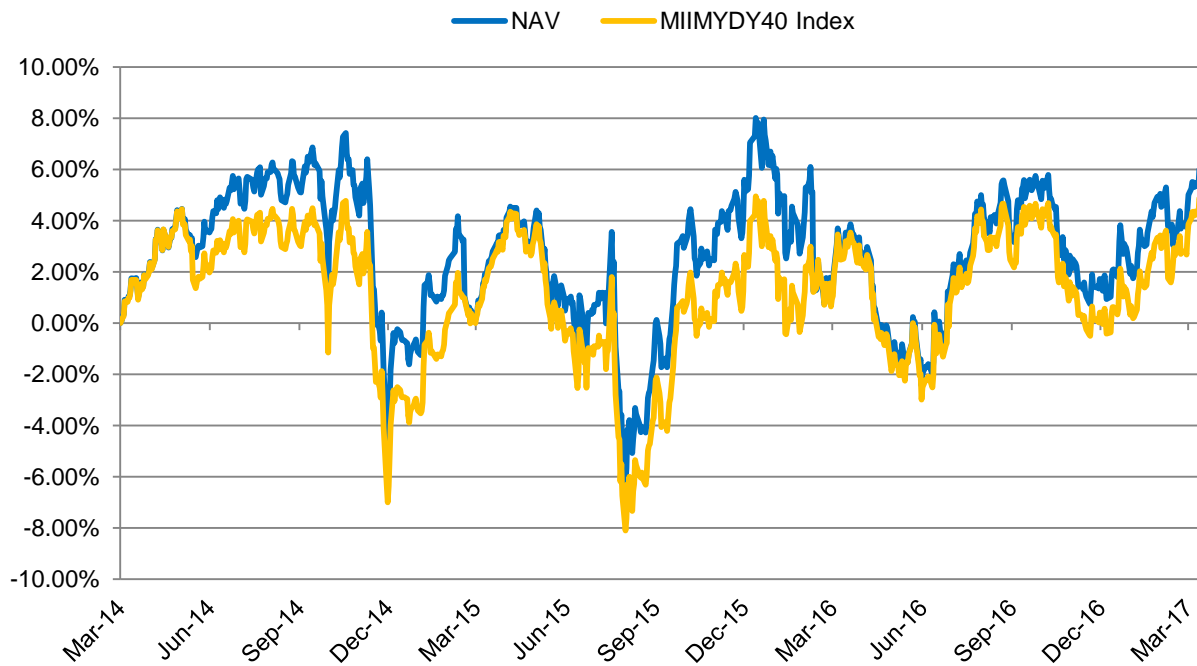
	As at 31-Mar-17	As at 31-Dec-16	QoQ Change
NAV per unit (RM) <sup>#</sup>	1.0579	1.0210	3.61%
- Highest	1.0602 (29 Mar)	1.0578 (24 Oct)	
- Lowest	1.0175 (19 Jan)	1.0074 (6 Dec)	
<i>(During the period)</i>			
Price per unit (RM) <sup>#</sup>	1.0500	1.0150	3.45%
- Highest	1.0550 (29 Mar)	1.0500 (4 Oct)	
- Lowest	1.0150 (3 Jan)	1.0150 (30 Dec)	
<i>(During the period)</i>			
Units in Circulation	51,600,000	51,600,000	0.00%
Total NAV (RM)	54,585,833	52,683,579	3.61%
Market Capitalisation (RM)	54,180,000	52,374,000	3.45%
MIMYDY40 Index	2,443.64	2,349.94	3.99%
MIMYDY40 Total Return Index	3,854.34	3,666.03	5.14%
Tracking Error vs. MIMYDY40 Price Return Index (%) <sup>*</sup>	1.05	1.06	
Tracking Error vs. MIMYDY40 Total Return Index (%) <sup>*</sup>	0.83	0.85	
Management Expense Ratio (%)	0.18	0.17	

Sources: Bloomberg, i-VCAP

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

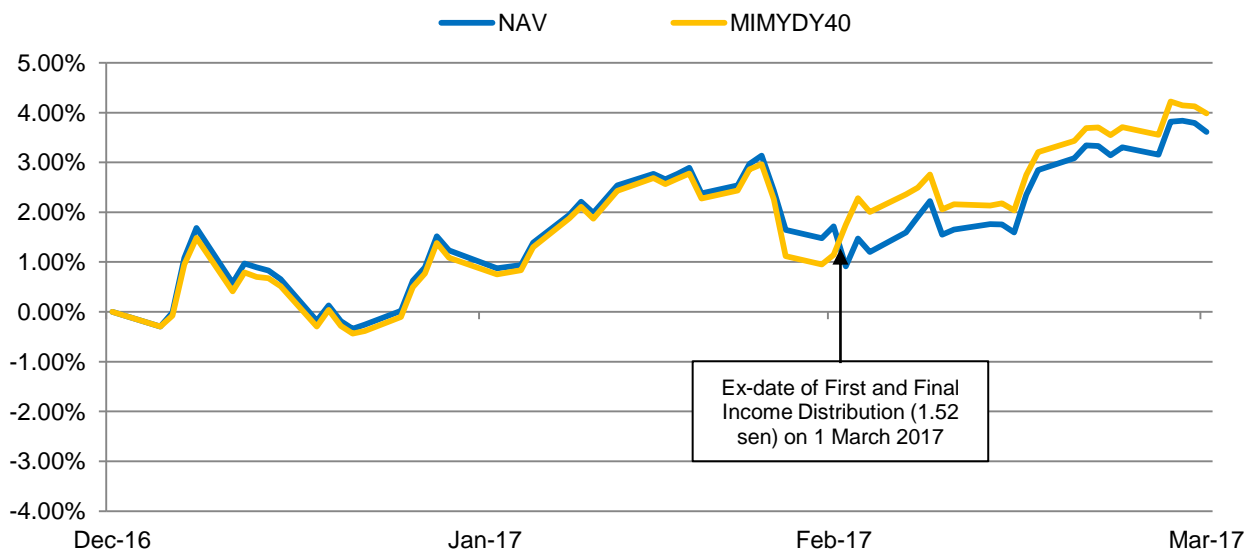
<sup>\*</sup> The 3-year rolling tracking error between the NAV per unit of the Fund and the Price Return and Total Return Benchmark Index. The calculation was independently sourced from Novagni Analytics and Advisory Sdn. Bhd.

**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 1Q2017**



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 17 (%)	2016 (%)	2015 (%)	2014 <sup>(b)</sup> (%)
MyETF-MMID - NAV Price Return <sup>(a)</sup>	3.61	(5.31)	8.55	(0.67)
MIMYDY40 - Price Return Index	3.99	(3.96)	7.91	(2.90)
MyETF-MMID - NAV Total Return <sup>(a)</sup>	5.14	(2.36)	10.96	(0.67)
MIMYDY40 - Total Return Index	5.14	(0.84)	11.76	0.16

Sources: Bloomberg, i-VCAP

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

(b) The inception date of the Fund was on 17 March 2014.

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

	Cumulative Returns <sup>(b)</sup>				
	3-Month (%)	6-Month (%)	1-Year (%)	3-Year (%)	Since Inception (%)
MyETF- MMID - NAV Price Return <sup>(a)</sup>	3.61	0.88	2.39	3.98	5.79
MIMYDY40 - Price Return Index	3.99	0.78	1.59	2.91	4.64
MyETF- MMID - NAV Total Return <sup>(a)</sup>	5.14	2.37	3.90	11.22	13.16
MIMYDY40 - Total Return Index	5.14	2.45	5.05	14.69	16.71

Sources: Bloomberg, i-VCAP

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

(b) Cumulative returns are up to 31 March 2017.

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

	Average Returns <sup>(b)</sup>				
	3-Month (%)	6-Month (%)	1-Year (%)	3-Year (%)	Since Inception (%)
MyETF- MMID - NAV Price Return <sup>(a)</sup>	14.67	1.76	2.39	1.33	1.90
MIMYDY40 - Price Return Index	16.18	1.56	1.59	0.97	1.52
MyETF- MMID - NAV Total Return <sup>(a)</sup>	20.87	4.74	3.90	3.74	4.32
MIMYDY40 - Total Return Index	20.85	4.91	5.05	4.89	5.49

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 2017 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 Fund. 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 Fund, i.e. MISC Berhad and MBM Resources Berhad. In terms of sectoral weightings, notable changes to the Fund's sector composition arising from the quarterly review were the decrease in Trading/Services sector from 41.94% to 31.30% while the Industrial Products sector increased from 25.76% to 31.12%. Details of the key changes for the quarter are as follows:

**Table 3: Top Ten Holdings of the Fund as at 31 March 2017**

Stock	% of NAV
1. Axiata Group Bhd	9.10
2. DiGi.Com Bhd	9.03
3. Maxis Bhd	8.96
4. Petronas Gas Bhd	8.53
5. UOA Development Bhd	4.89
6. Matrix Concepts Holdings Bhd	4.75
7. Telekom Malaysia Bhd	4.65
8. Hartalega Holdings Bhd	4.61
9. Bermaz Auto Bhd	4.32
10. Top Glove Corporation Bhd	4.31
<b>Total</b>	<b>63.15</b>

Sources: Bloomberg, i-VCAP

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

	As at 31 Mar 2017	As at 31 Dec 2016	Change (%)
Trading/Services	31.30%	41.94%	(10.64)
Industrial Products	31.12%	25.76%	5.36
Infrastructure	12.30%	11.29%	1.01
Properties	9.64%	8.71%	0.93
Consumer Products	9.43%	7.60%	1.83
Finance	3.20%	2.92%	0.38
Technology	2.58%	1.45%	1.13
Cash & Others	0.43%	0.33%	0.10

Sources: Bursa Malaysia, i-VCAP

\* Based on Bursa Securities classification

Details of the Fund's quoted Investments as at 31 March 2017 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. Axiata Group Berhad	982,100	4,969,426	9.10
2. Maxis Berhad	759,100	4,888,604	8.96
3. Telekom Malaysia Berhad	395,000	2,535,900	4.65
4. Bermaz Auto Berhad	1,178,900	2,357,800	4.32
5. Westports Holdings Berhad	574,900	2,328,345	4.27
		<b>17,080,075</b>	<b>31.30</b>
<b><u>Industrial Products</u></b>			
6. Petronas Gas Berhad	235,600	4,655,456	8.53
7. Hartalega Holdings Berhad	507,500	2,517,200	4.61
8. Top Glove Corporation Berhad	477,600	2,349,792	4.31
9. Ta Ann Holdings Berhad	452,280	1,687,004	3.09
10. Kossan Rubber Industries Berhad	270,300	1,683,969	3.09
11. Scientex Berhad	215,800	1,592,604	2.92
12. V.S Industry Berhad	902,600	1,561,498	2.86
13. Supermax Corporation Berhad	469,500	934,305	1.71
		<b>16,981,828</b>	<b>31.12</b>
<b><u>Infrastructure</u></b>			
14. Digi.Com Berhad	960,900	4,929,417	9.03
15. Time DotCom Berhad	205,400	1,786,980	3.27
		<b>6,716,397</b>	<b>12.30</b>
<b><u>Properties</u></b>			
16. UOA Development Berhad	988,100	2,667,870	4.89
17. Matrix Concepts Holdings Berhad	1,021,108	2,593,614	4.75
		<b>5,261,484</b>	<b>9.64</b>
<b><u>Consumer Products</u></b>			
18. Padini Holdings Berhad	719,300	2,157,900	3.95
19. QL Resources Berhad	378,200	1,724,592	3.16
20. Hong Leong Industries Berhad	135,400	1,268,698	2.32
		<b>5,151,190</b>	<b>9.43</b>
<b><u>Finance</u></b>			
21. Syarikat Takaful Malaysia Berhad	439,700	1,745,609	3.20
		<b>1,745,609</b>	<b>3.20</b>
<b><u>Technology</u></b>			
22. Malaysian Pacific Industries Berhad	123,100	1,415,650	2.58
		<b>1,415,650</b>	<b>2.58</b>
		<b>54,352,234</b>	<b>99.57</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 2016 of 1.52 sen per unit was declared on 13 February with the ex-date on 1 March and entitlement date on 3 March 2017. The final income distribution was paid on 30 March 2017. Based on the number of entitled unit holders, the Fund distributed a total amount of RM784,320.

## 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 outlook was clouded with concern over the possibility of increased trade protectionism particularly by the new US administration. This in turn created uncertainties for growth forecasts as well as monetary policy actions. The heightened level of uncertainties could lead to financial market disruptions amidst tighter global financing, slower potential growth and elevated vulnerabilities in some emerging and developing economies. On the other hand, the Federal Reserve's interest rate hike in March could mark the beginning of a significant shift in the global interest rate environment, with benchmark US policy rates over the long-term may settle higher than the current market expectations.

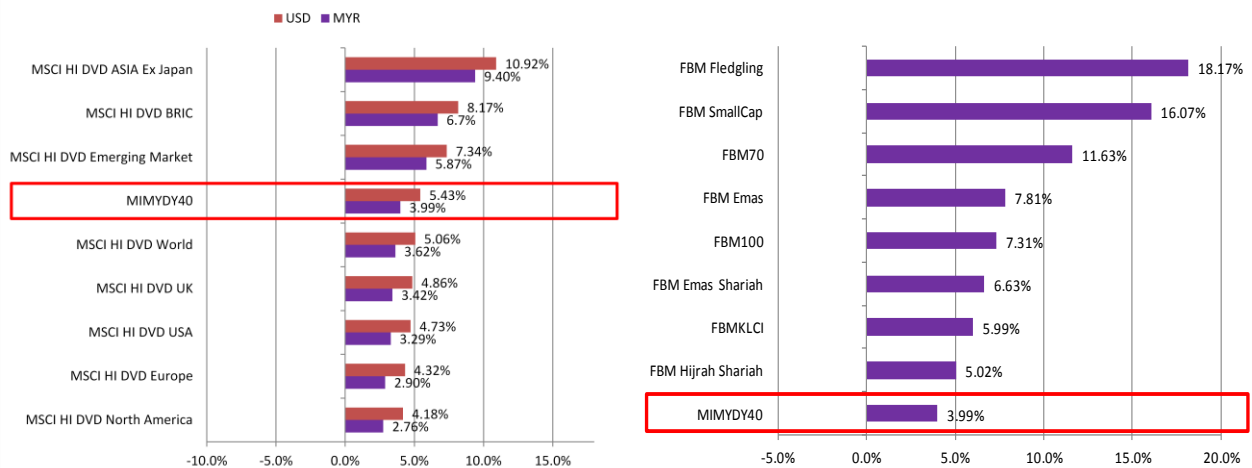
On the economic front, the US economy grew at an annualized rate of 0.7% in 1Q2017 (2.1% in 4Q2016), the weakest performance since the first quarter of 2014. Nonetheless, growth rate in the US is expected to gather higher pace given Trump's commitment to increase public investment and tax cuts. Other developed economies, namely Eurozone and Japan economies, also advanced albeit marginally at 0.5% respectively in 1Q2017. The European Central Bank (ECB) and Bank of Japan (BoJ) could still embark on further stimulus measures and maintain accommodative policy to support the economic growth with the ECB committed to continue with its asset buying program until December 2017. However, the major risk to Eurozone's economic growth going forward, potentially can be driven by the uncertainties in its monetary policy affected by the political landscape. As for China, the economy expanded 6.9% in the 1Q2017, supported by higher government spending as it aims for 6.5-7.0% growth for the year.

In Malaysia, the economy registered stronger growth of 5.6% in 1Q2017, compared to 4.5% during the previous quarter lifted by stronger domestic demand, particularly private sector spending. Nonetheless, despite the stronger achievement, the Government still retain its projection on the Malaysian economy to register 4.0%-5.0% growth in 2017. Meanwhile, headline inflation rose to 4.3% in 1Q2017 (1.7% in 4Q2016) due to cost push impact from higher fuel prices. For 2017, inflation is expected to be between 3.0-4.0% on the back of higher global oil prices over the medium-term.

In the financial markets, global equities started off on a strong footing led by the US market with expectation that Trump would commit to deliver his election promises. This led the major indices of the developed markets that include Dow Jones, Nasdaq and FTSE 100 to reach all-time record high levels in the early part of the quarter. However, anxiety over Trump's new executive orders including the controversial immigration policy and his earlier campaign rhetoric on anti-trade measures provided jitters to the market. The setback in March on the failure to repeal Obama's health care plan also raised doubts over the ability to push through Trump's tax reform plan and fiscal spending legislations. After the record breaking rallies in February, US equity market saw modest pullback towards end-quarter on profit taking activities and re-assessment on market outlook. Nonetheless, the correction of the developed markets in March helped to see inflows channelled into the emerging markets including Malaysia, which had lagged previously.

MIMYDY40 Index registered an increase of 3.99% to close the quarter at 2,443.64 points but lagged other domestic indices during the quarter. Nevertheless, MIMYDY40 emerged among MSCI High Dividend Yield index series outperformers. The MIMYDY40 Index outperformed advanced markets and only trailed Asia ex-Japan, BRIC and emerging market indices during the quarter.

**Chart 3: MIMYDY40 Index Performance in 1Q2017**



Sources: Bloomberg, i-VCAP

As the second quarter gets going, geo-political developments may have an impact on market sentiment. Nonetheless, with economic outlook to project positive growth, equity market is expected to be the preferred asset class for investors who are willing to take additional risks. Domestic equity market is expected to ride on a sustained economic growth path of 4.0-5.0% in 2017, on the back of stable domestic demand, improvement in global trade activities, manageable inflationary rate and accommodative monetary policy.

Notwithstanding, equity market valuations will be closely monitored in order to determine the risk-reward attractiveness. The Ringgit which is now deemed to be undervalued, may potentially attract inflows from foreigners in terms of direct and portfolio investments. Given the cautious positive outlook for domestic equity market, MyETF-MMID could ride on any uptrend in the medium term. Investors' preference for dividend yielding stocks may provide resiliency for MyETF-MMID during market volatilities.