

Manager's Report

For the Financial Period 1 July to 30 September 2017

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>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

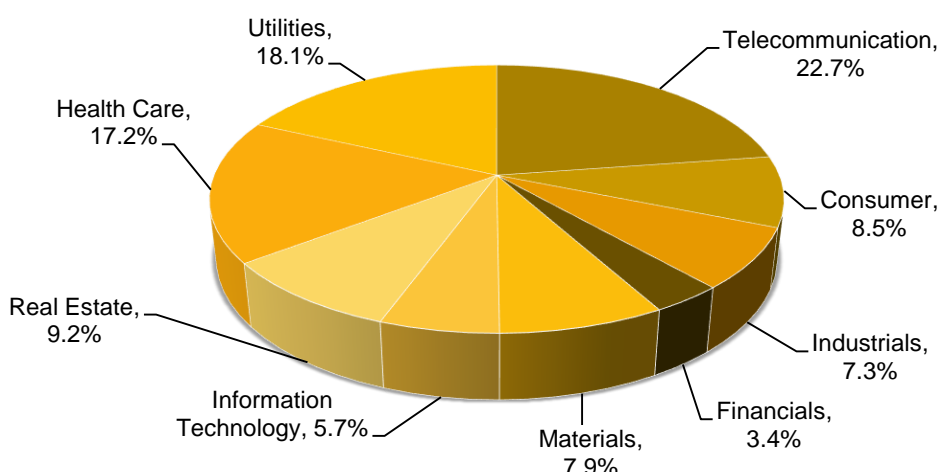
The Benchmark Index is a market capitalisation weighted and free-float adjusted index provided by MSCI Inc (“MSCI”). The Benchmark Index is designed as a performance benchmark for the high dividend-yielding companies of its Parent Index, i.e. the MSCI Malaysia IMI Islamic Index. The Benchmark Index shall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

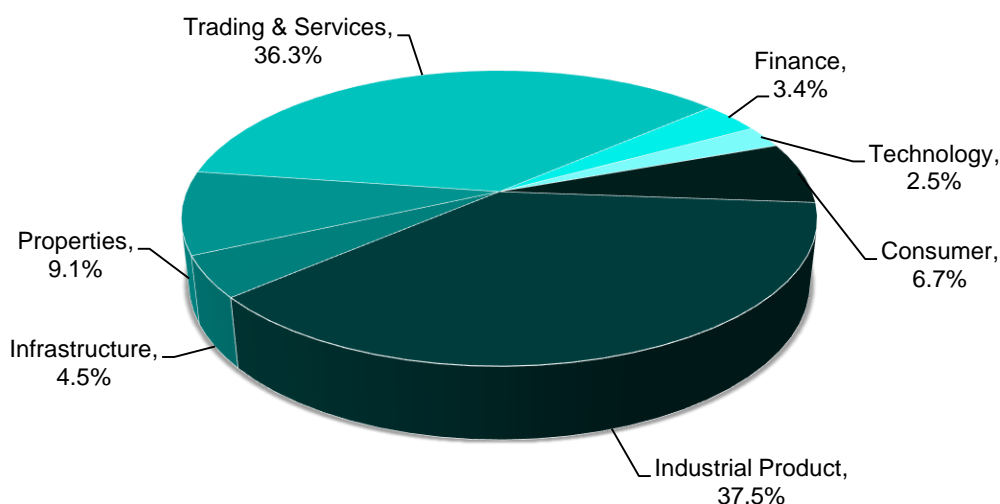
Based on the latest quarterly review (30 August 2017), the sector allocation of MIMYDY40 Index based on MSCI and Bursa Securities sector classifications are as follows:

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 30 September 2017, the 3-year rolling tracking error¹ between the NAV per unit of the Fund and the Benchmark Index on Price Return and Total Return basis was 1.02% and 0.81% 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 marginally by 0.13% to RM1.1033 from RM1.1019 at the end of the previous quarter, while the Benchmark Index decreased by 0.40% and Benchmark's Total Return Index (MIMYDY40 Total Return Index) increased by 0.38% for the same period. The Fund had a volatile start to the quarter before reaching its year-high NAV of RM1.1145 on 15 September. It however succumbed to profit taking thereafter before recovering and closed the quarter at RM1.1033. 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 RM1.0950.

As at end of September, total NAV of the Fund increased to RM56.05 million from RM55.98 million as at end of June due to the positive market condition. The key statistics and comparative performance of the Fund as compared to the previous quarter are summarised as follows:

¹ Independently sourced from Novagni Analytics and Advisory Sdn. Bhd.
MyETF-MMID Manager's Report 3Q2017

Table 1: Key Statistics

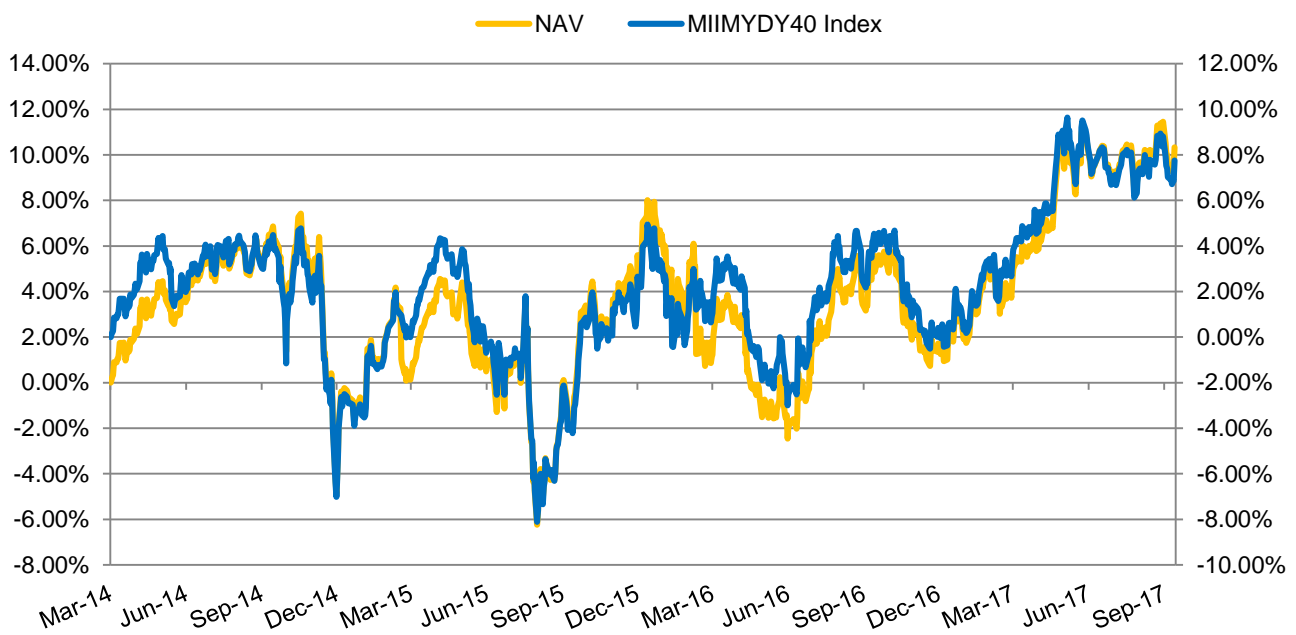
	As at 30-Sep-17	As at 30-Jun-17	QoQ Change
NAV per unit (RM) [#]	1.1033	1.1019	0.13%
- Highest	1.1145 (15 Sep)	1.1120 (9 Jun)	
- Lowest	1.0839 (11 Aug)	1.0552 (3 Apr)	
<i>(During the period)</i>			
Price per unit (RM) [#]	1.0950	1.0850	0.92%
- Highest	1.1100 (26 Jul)	1.0950 (30 May)	
- Lowest	1.0700 (13 Jul)	1.0450 (4 Apr)	
<i>(During the period)</i>			
Units in Circulation	50,800,000	50,800,000	0.00%
Total NAV (RM)	56,047,677	55,975,750	0.13%
Market Capitalisation (RM)	55,626,000	55,118,000	0.92%
MIMYDY40 Index	2,516.34	2,526.34	-0.40%
MIMYDY40 Total Return Index	4,031.40	4,016.25	0.38%
Tracking Error vs. MIMYDY40 Price Return Index (%) [*]	1.02	1.03	
Tracking Error vs. MIMYDY40 Total Return Index (%) [*]	0.81	0.80	
Management Expense Ratio (%)	0.22	0.17	

Sources: Bloomberg, i-VCAP

[#] Unit price and net asset value per unit are shown as ex-income distribution.

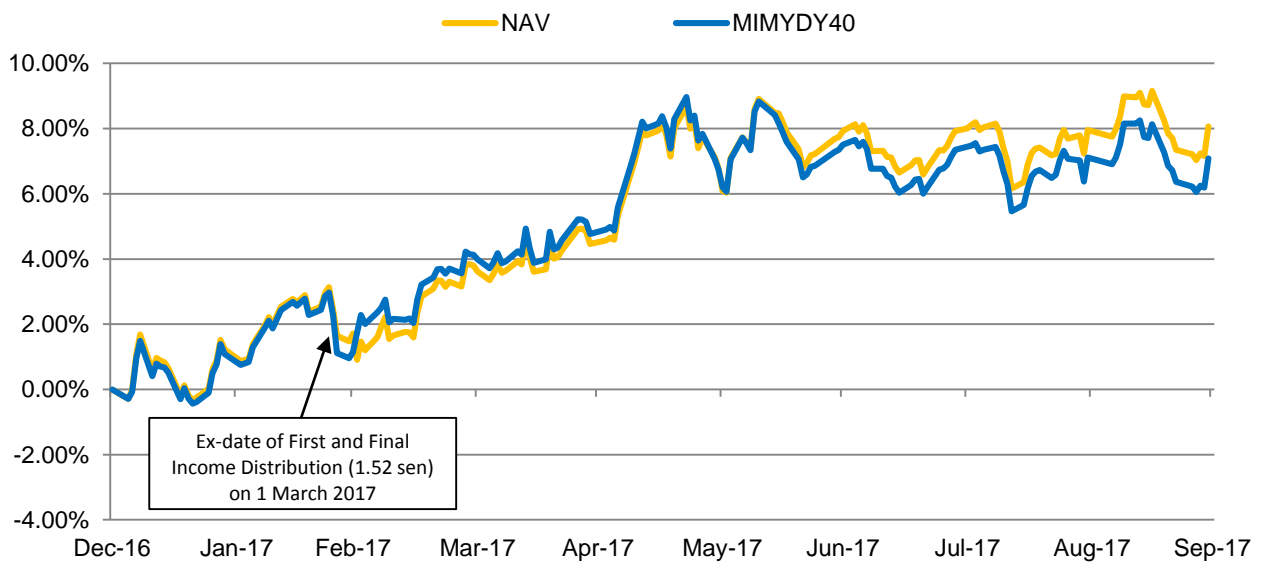
^{*} The 3-year rolling tracking error between the NAV per unit of the Fund and the Price Return and Total Return Benchmark Index. The calculation was independently sourced from Novagni Analytics and Advisory Sdn. Bhd.

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 2017



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 Sep 17 (%)	2016 (%)	2015 (%)	2014 ^(b) (%)
MyETF-MMID - NAV Price Return ^(a)	8.06	(5.31)	8.55	(0.67)
MIMYDY40 - Price Return Index	7.08	(3.96)	7.91	(2.90)
MyETF-MMID - NAV Total Return ^(a)	9.65	(2.36)	10.96	(0.67)
MIMYDY40 - Total Return Index	9.97	(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 ^(b)				
	3-Month (%)	6-Month (%)	1-Year (%)	3-Year (%)	Since Inception (%)
MyETF- MMID - NAV Price Return ^(a)	0.13	4.29	5.21	3.25	10.33
MIMYDY40 - Price Return Index	-0.40	2.98	3.78	3.12	7.75
MyETF- MMID - NAV Total Return ^(a)	0.13	4.29	6.76	10.44	18.01
MIMYDY40 - Total Return Index	0.38	4.59	7.15	14.03	22.07

Sources: Bloomberg, i-VCAP

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

(b) Cumulative returns are up to 30 September 2017.

Table 2(c): Average Returns (Annualised)

	Average Returns ^(b)				
	3-Month (%)	6-Month (%)	1-Year (%)	3-Year (%)	Since Inception (%)
MyETF- MMID - NAV Price Return ^(a)	0.50	8.56	5.21	1.08	2.91
MIMYDY40 - Price Return Index	-1.57	5.93	3.78	1.04	2.19
MyETF- MMID - NAV Total Return ^(a)	0.50	8.56	6.76	3.47	5.08
MIMYDY40 - Total Return Index	1.50	9.16	7.15	4.67	6.22

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 third quarter review for 2017 and rebalanced the composition of the Benchmark Index in accordance with its index methodology. As a result of the review, Digi.Com Berhad was removed from the Fund, while the weightings of the remaining stocks in the Fund have changed. In terms of sectoral weightings, notable changes to the Fund's sector composition arising from the third quarter review were the increase in Industrial Products and Trading/Services sector to 37.27% and 36.79% respectively. On the other hand, the Infrastructure sector decreased from 12.30% to 4.25% due to the exclusion of Digi.Com Berhad. 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 2017

Stock	% of NAV
1. Telekom Malaysia Berhad	9.09
2. Tenaga Nasional Berhad	9.02
3. Maxis Berhad	9.01
4. Petronas Gas Berhad	8.74
5. Bermaz Auto Berhad	5.10
6. Hartalega Holdings Berhad	4.60
7. Westports Holdings Berhad	4.57
8. UOA Development Berhad	4.55
9. Top Glove Corporation Berhad	4.45
10. Matrix Concepts Holdings Berhad	4.40
Total	63.53

Sources: Bloomberg, i-VCAP

Table 5: Fund's Sector Allocation*

	As at 30-Sep-17	As at 31-Jun-17	Change (%)
Industrial Products	37.27%	31.12%	6.15
Trading/Services	36.79%	31.30%	5.49
Properties	8.95%	9.64%	(0.69)
Consumer Products	6.70%	9.43%	(2.73)
Infrastructure	4.25%	12.30%	(8.05)
Finance	3.21%	3.20%	0.01
Technology	2.32%	2.58%	(0.26)
Cash & Others	0.51%	0.43%	0.08

Sources: Bursa Malaysia, i-VCAP

* Based on Bursa Securities classification

Details of the Fund's quoted Investments as at 30 September 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 (%)
<u>Industrial Products</u>			
1. Petronas Gas Berhad	273,700	4,899,230	8.74
2. Hartalega Holdings Berhad	370,700	2,580,072	4.60
3. Top Glove Corporation Berhad	449,400	2,494,170	4.45
4. Kossan Rubber Industries Berhad	333,900	2,303,910	4.11
5. Supermax Corporation Berhad	1,240,500	2,108,850	3.76
6. V.S Industry Berhad	760,900	2,023,994	3.61
7. Scientex Berhad	198,700	1,748,560	3.12
8. Cahya Mata Sarawak Berhad	391,000	1,567,910	2.80
9. Ta Ann Holdings Berhad	315,500	1,167,350	2.08
		20,894,046	37.27
<u>Trading/Services</u>			
10. Telekom Malaysia Berhad	784,100	5,096,650	9.09
11. Tenaga Nasional Berhad	353,100	5,056,392	9.02
12. Maxis Berhad	870,700	5,050,060	9.01
13. Bermaz Auto Berhad	1,355,200	2,859,472	5.10
14. Westports Holdings Berhad	672,200	2,561,082	4.57
		20,623,656	36.79
<u>Properties</u>			
15. Matrix Concepts Holdings Berhad	1,141,635	2,465,932	4.40
16. UOA Development Berhad	984,600	2,550,114	4.55
		5,016,046	8.95
<u>Consumer Products</u>			
17. QL Resources Berhad	575,640	2,285,291	4.08
18. Hong Leong Industries Berhad	156,100	1,467,340	2.62
		3,752,631	6.70
<u>Infrastructure</u>			
19. Time DotCom Berhad	268,500	2,384,280	4.25
		2,384,280	4.25
<u>Finance</u>			
20. Syarikat Takaful Malaysia Berhad	473,200	1,798,160	3.21
		1,798,160	3.21
<u>Technology</u>			
21. Malaysian Pacific Industries Berhad	97,200	1,300,536	2.32
		1,300,536	2.32
		55,769,354	99.49

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) shall 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 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

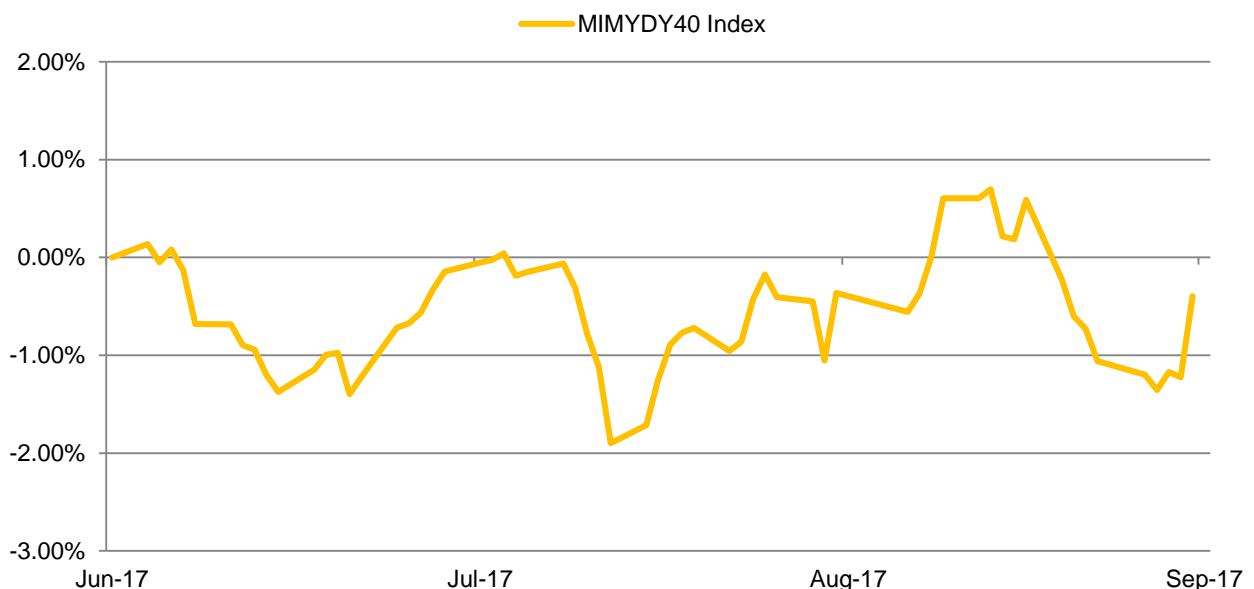
The global economy continues to strengthen with growth becoming more entrenched and synchronised across countries. Growth in global merchandise trade, which includes manufactured goods and commodities, has picked up since last year. In the advanced economies, both consumption and investment continue to improve. In Asia, growth is driven by sustained domestic activity and strong external demand. These developments point to sustained momentum in global growth.

The global equity markets continued to rally in the third quarter 2017, in spite of ongoing geo-political tension between the US and North Korea. Equity markets were left undeterred as the Dow Jones and S&P 500 indices closed higher quarter-on-quarter at 22,405.09 points (+4.94% q-o-q) and 2,519.36 points (+3.96% q-o-q), respectively. Similarly, China and Tokyo's Nikkei also ended stronger at 3,348.94 (+4.90% q-o-q) points and 20,356.30 points (+1.61% q-o-q) respectively, despite the ongoing geopolitical tensions. Steady growth in these markets have also underpinned economic growth stability within Asia.

Despite positive performances in most ASEAN equity markets, the domestic equity market continued to consolidate in the third quarter. Sentiment nonetheless improved on the back of positive economic data with real gross domestic product (GDP) accelerating further in 2Q2017 to 5.8% (1Q2017: 5.6%) attributed to strong private consumption and net exports. Growth in private consumption during the quarter was underpinned by robust demand in staple items i.e. F&B, communication and restaurants & hotels. Meanwhile, investment growth moderated back to single digit growth, largely due to contraction in public investment.

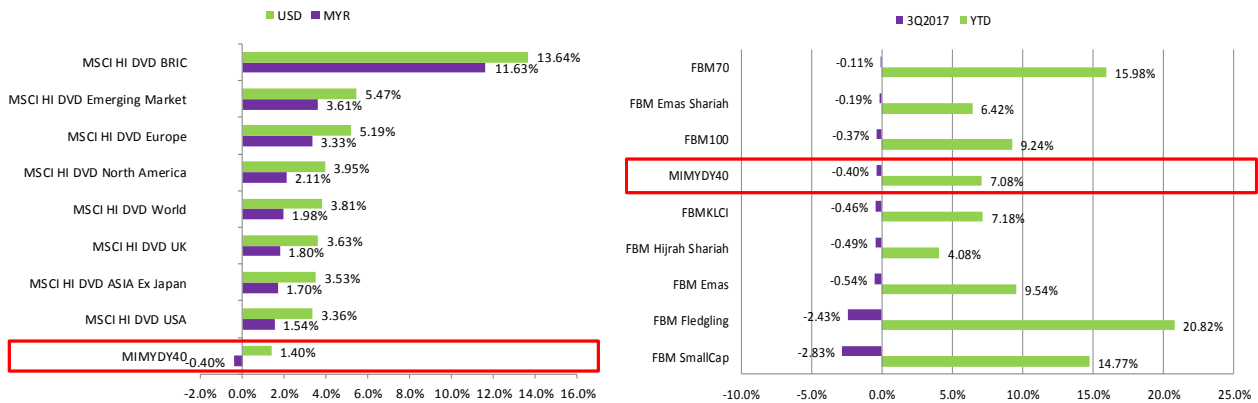
The MIMYDY40 Index had a volatile start to the quarter before closing the quarter at 2,516.34, translating to a decrease of 0.40% quarter-on-quarter. On comparative performance within MSCI High Dividend Yield index series, the MIMYDY40 Index trailed other regional indices. Meanwhile, comparing to domestic indices, MIMYDY40 Index outperformed other local main indices but lagged behind FBM70, FBM EMAS Shariah and FBM100 indices. The relatively favourable performance of MIMYDY40 Index against other local main indices was attributed to the strong performance of the mid-cap glove manufacturers, technology and industrial stocks given their resilient earnings with some of them benefiting most from the currency movement.

Chart 3: MIMYDY40 Index Performance in 3Q2017



Sources: Bloomberg, i-VCAP

Chart 4: MIMYDY40 Index Performance in 3Q2017 against MSCI High Dividend Series Index and Local Indices



Sources: Bloomberg, i-VCAP

Global monetary policy is expected to remain divergent at least in the near term with most economies continuing with their supportive policy stance. Meanwhile, strong broad-based recovery in global trade and improved labour market conditions may help to sustain the growth momentum. It is estimated that synchronized recovery in the global economy observed in the last three quarters of 2017 to persist in the medium term supported by stabilizing commodity prices, improvement in manufacturing, pickup in trade activities and strengthening consumer confidence.

Domestic equity market is projected to ride on a sustained economic growth path of 4.5-5.5% in 2017, on the back of improving macroeconomic data, especially domestic consumption recovery, robust export growth and continued government spending on infrastructure. In addition, Budget 2018 has lived up to expectations with a number of wide ranging initiatives which will support the nascent recovery in consumer sentiment and consumption such as personal income tax cuts, various cash handouts and increase in civil servants' overall emoluments. The sustainable and balanced economic growth may help to support the outlook for Malaysia's sovereign ratings which in turn should improve sentiment in the equity market going forward. MyETF-MMID may provide good proxy for investors who want exposure into Malaysian equity market, with exposure in favourable dividend yielding stocks.