

Manager's Report

For the Financial Period 1 April to 30 June 2018

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.

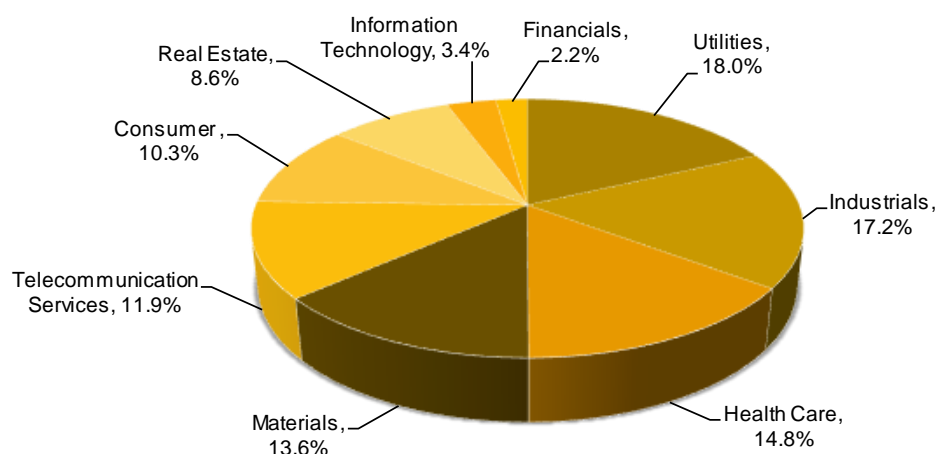
The Parent Index is a free-float adjusted market capitalisation weighted index that is designed to measure the equity market performance of Malaysia. The Parent Index and Benchmark Index consist only of Shariah-compliant securities which are approved by the MSCI Shariah Supervisory Committee (“MSSC”) 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.

In November 2017, S&P Dow Jones Indices, a leading provider of financial market indices, and MSCI Inc., a leading provider of research-based indexes and analytics, have announced a result of their annual review of the Global Industry Classification Standard (GICS®) structure in which the Telecommunication Services Sector is being broadened and renamed as Communication Services to include companies that facilitate communication and offer related content and information through various media. The renamed Sector would include the existing telecommunication companies, as well as companies selected from the Consumer Discretionary Sector currently classified under the Media Industry Group and the Internet & Direct Marketing Retail Sub-Industry, along with select companies currently classified in the Information Technology Sector.

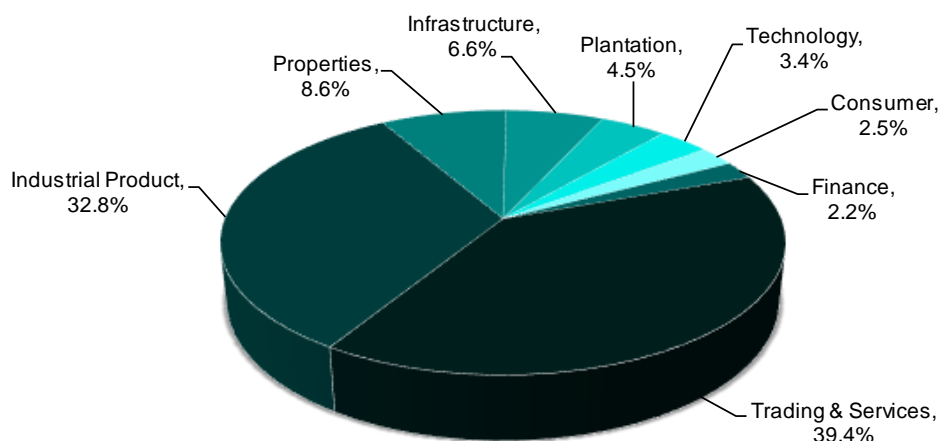
Another important change being made to the GICS structure is the reclassification of online marketplaces for consumer products and services regardless of whether they hold inventory to the Internet & Direct Marketing Retail Sub-Industry under the Consumer Discretionary Sector. All of these e-commerce companies are dominant players in the Internet Retail Industry, targeting the same consumers and competing with one another. The changes to the GICS structure will be implemented after the close of business (ET) on Friday, September 28, 2018.

Based on the latest quarterly review (31 May 2018), 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 to track closely the underlying benchmark, i.e. MIMYDY40 Index. As at 30 June 2018, the 3-year rolling tracking errors¹ between the NAV per unit of the Fund and the Benchmark Index on Price Return and Total Return basis were 0.06% and 0.07% respectively, well within the 3% limit stipulated under the Fund's investment objective.

In terms of NAV movement, the Fund's NAV per unit decreased by 3.08% to RM1.1295 from RM1.1654 at the end of the previous quarter. Comparatively, the Benchmark Index and Benchmark's Total Return Index (MIMYDY40 Total Return Index) decreased by 4.36% and 3.47% respectively for the quarter.

¹ Independently sourced from Novagni Analytics and Advisory Sdn. Bhd.

During the 2Q2018, The Fund's unit price traded on Bursa Securities moved in tandem but largely at a slight premium to its NAV before closing the quarter at RM1.1350, a decrease of 2.16%. Meanwhile, the units in circulation grew to 48.8 million units on the back of new unit creation in the quarter. The key statistics and comparative performance of the Fund for the second quarter 2018 against the prior quarter are summarized as follows:

Table 1: Key Statistics

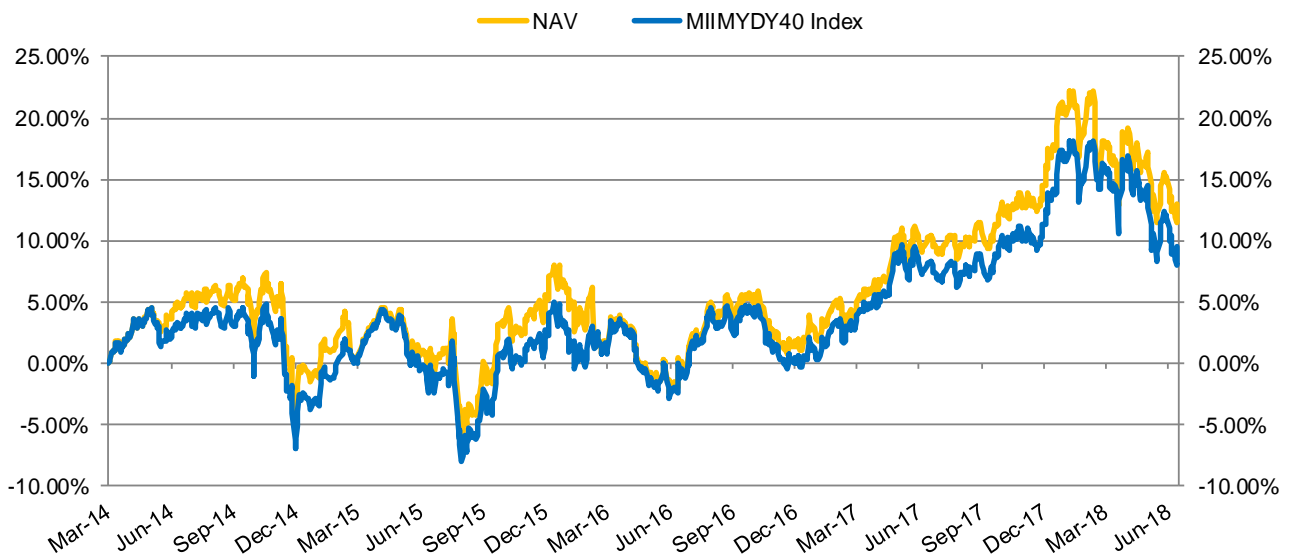
	As at 30-Jun-18	As at 31-Mar-18	QoQ Change
NAV per unit (RM) [#]	1.1295	1.1654	-3.08%
- Highest	1.1916 (19 Apr)	1.2221 (27 Feb)	
- Lowest	1.1145 (31 May)	1.1561 (8 Mar)	
<i>(During the period)</i>			
Price per unit (RM) [#]	1.1350	1.1600	-2.16%
- Highest	1.1900 (19 Apr)	1.1750 (4 Jan)	
- Lowest	1.0900 (24 May)	1.1300 (28 Mar)	
<i>(During the period)</i>			
Units in Circulation	48,800,000	28,800,000	69.44%
Total NAV (RM)	55,120,827	33,563,271	64.23%
Market Capitalisation (RM)	55,388,000	33,408,000	65.79%
MIMYDY40 Index	2,555.20	2,671.75	-4.36%
MIMYDY40 Total Return Index	4,200.94	4,352.14	-3.47%
Tracking Error vs. MIMYDY40 Price Return Index (%) [*]	0.06	0.06	
Tracking Error vs. MIMYDY40 Total Return Index (%) [*]	0.07	0.07	
Management Expense Ratio (%)	0.16	0.16	

Sources: Bloomberg, i-VCAP

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

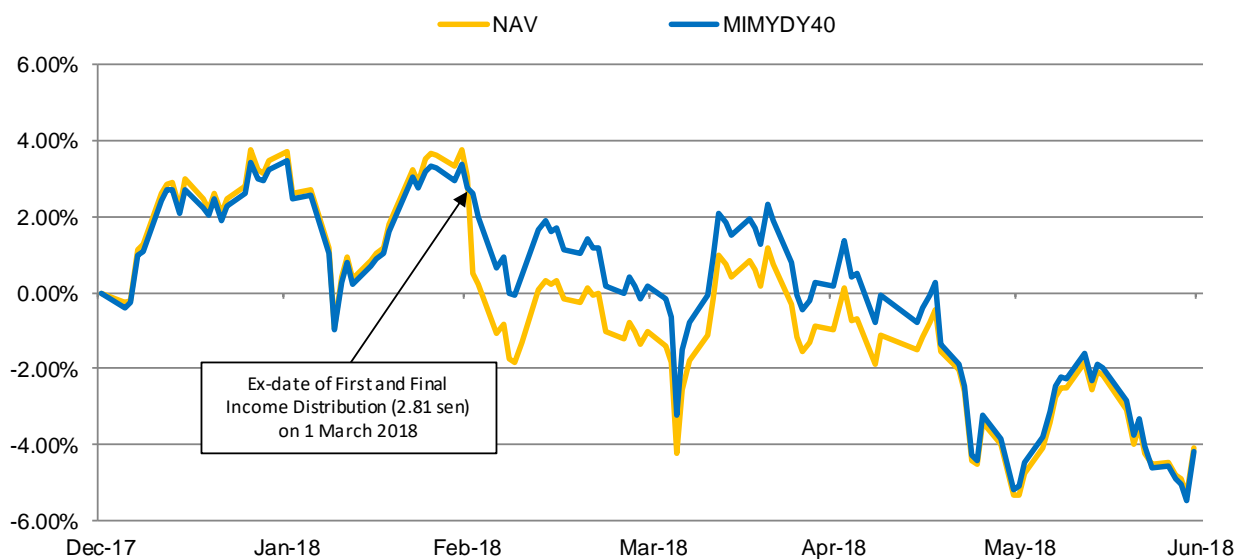
^{*} The 3-year rolling tracking error between the NAV per unit of the Fund and the Price Return and Total Return Benchmark Index. The calculation was independently sourced from Novagni Analytics and Advisory Sdn. Bhd.

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 2Q2018



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 Jun 18 (%)	2017 (%)	2016 (%)	2015 (%)
MyETF-MMID - NAV Price Return ^(a)	(4.08)	15.34	(5.31)	8.55
MIMYDY40 - Price Return Index	(4.19)	13.49	(3.96)	7.91
MyETF-MMID - NAV Total Return ^(a)	(1.81)	17.04	(2.36)	10.96
MIMYDY40 - Total Return Index	(2.35)	17.35	(0.84)	11.76

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 (%)	3-Year (%)	Since Inception (%)
MyETF- MMID - NAV Price Return ^(a)	(3.08)	(4.08)	2.50	13.73	12.95
MIMYDY40 - Price Return Index	(4.36)	(4.19)	1.14	11.67	9.41
MyETF- MMID - NAV Total Return ^(a)	(3.08)	(1.81)	4.94	21.83	23.68
MIMYDY40 - Total Return Index	(3.47)	(2.35)	4.60	23.57	27.20

Sources: Bloomberg, i-VCAP

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

(b) Cumulative returns are up to 30 June 2018.

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)	(12.35)	(8.24)	2.50	4.57	3.02
MIMYDY40 - Price Return Index	(17.49)	(8.44)	1.14	3.89	2.19
MyETF- MMID - NAV Total Return ^(a)	(12.35)	(3.64)	4.94	7.26	5.51
MIMYDY40 - Total Return Index	(13.93)	(4.74)	4.60	7.84	6.33

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 semi-annual review for 2018 and rebalanced the composition of the Benchmark Index in accordance with its index methodology. The review in May 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. Telekom Malaysia Bhd and Hong Leong Industries Bhd and the inclusion of new stocks, i.e. Petronas Chemicals Group Bhd, MISC Bhd, Sime Darby Bhd, Sime Darby Plantations Bhd and Unisem (Malaysia) Bhd.

In terms of sectoral weightings, notable changes to the Fund's sector composition arising from the quarterly review were the decrease in Consumer Products sector from 7.89% to 2.69% and new exposure to Plantation and Technology following the inclusions of Sime Darby Plantation Bhd and Unisem (Malaysia) Bhd. Details of the key changes for the quarter are as follows:

Table 3: Top Ten Holdings of the Fund as at 30 June 2018

Stock	% of NAV
1. Petronas Chemicals Bhd	8.76
2. Petronas Gas Bhd	8.64
3. Maxis Bhd	8.58
4. Tenaga Nasional Bhd	8.37
9. Top Glove Corporation Bhd	5.38
6. IHH Healthcare Bhd	4.55
7. Westports Holdings Bhd	4.53
8. Hartalega Holdings Bhd	4.48
9. Matrix Concepts Bhd	4.36
10. UOA Development Bhd	4.20
Total	61.85

Sources: Bloomberg, i-VCAP

Table 4: Fund's Sector Allocation *

	As at 30-Jun-18	As at 31-Mar-18	Change (%)
Trading/Services	36.71%	39.64%	(2.93%)
Industrial Products	33.79%	31.16%	2.63%
Properties	8.56%	8.27%	0.29%
Infrastructure	6.89%	8.92%	(2.03%)
Plantation	4.06%	-	4.06%
Technology	3.61%	-	3.61%
Consumer Products	2.69%	7.89%	(5.20%)
Finance	2.39%	3.06%	(0.67%)
Cash & Others	1.30%	1.06%	0.24%

Sources: Bursa Malaysia, i-VCAP

* Based on Bursa Securities classification

Details of the Fund's quoted Investments as at 30 June 2018 are as follows:

Table 5: MyETF-MMID's Investment in Listed Equities

	Quantity	Market Value	Market Value as a percentage of Net Asset Value
	(Units)	(RM)	(%)
<u>Trading/Services</u>			
1. Maxis Berhad	865,800	4,727,268	8.58
2. Tenaga Nasional Berhad	315,100	4,613,064	8.37
3. IHH Healthcare Berhad	410,700	2,505,270	4.55
4. Westports Holdings Berhad	735,800	2,494,362	4.53
5. Sime Darby Berhad	889,300	2,178,785	3.95
6. Bermaz Auto Berhad	864,000	1,900,800	3.45
7. MISC Berhad	305,500	1,808,560	3.28
		20,228,109	36.71
<u>Industrial Products</u>			
8. Petronas Chemicals Group Berhad	574,400	4,830,704	8.76
9. Petronas Gas Berhad	275,400	4,764,420	8.64
10. Top Glove Corporation Berhad	244,300	2,965,802	5.38
11. Hartalega Holdings Berhad	412,600	2,471,474	4.48
12. Cahya Mata Sarawak Berhad	557,200	1,309,420	2.38
13. Scientex Berhad	128,000	922,880	1.67
14. Supermax Corporation Berhad	218,300	910,311	1.65
15. Ta Ann Holdings Berhad	174,000	457,620	0.83
		18,632,631	33.79
<u>Properties</u>			
16. Matrix Concepts Holdings Berhad	1,207,400	2,402,726	4.36
17. UOA Development Berhad	971,900	2,313,122	4.20
		4,715,848	8.56
<u>Infrastructure</u>			
18. Lingkaran Trans Kota Berhad	535,600	2,265,588	4.11
19. Time DotCom Berhad	200,700	1,533,348	2.78
		3,798,936	6.89
<u>Plantation</u>			
20. Sime Darby Plantation Berhad	419,600	2,236,468	4.06
		2,236,468	4.06
<u>Technology</u>			
21. Syarikat Takaful Malaysia Berhad	861,800	1,990,758	3.61
		1,990,758	3.61
<u>Consumer Products</u>			
22. QL Resources Berhad	247,100	1,482,600	2.69
		1,482,600	2.69
<u>Finance</u>			
23. Syarikat Takaful Malaysia Berhad	334,600	1,318,324	2.39
		1,318,324	2.39
		54,403,674	98.70

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. No income distribution was declared or paid during the quarter.

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

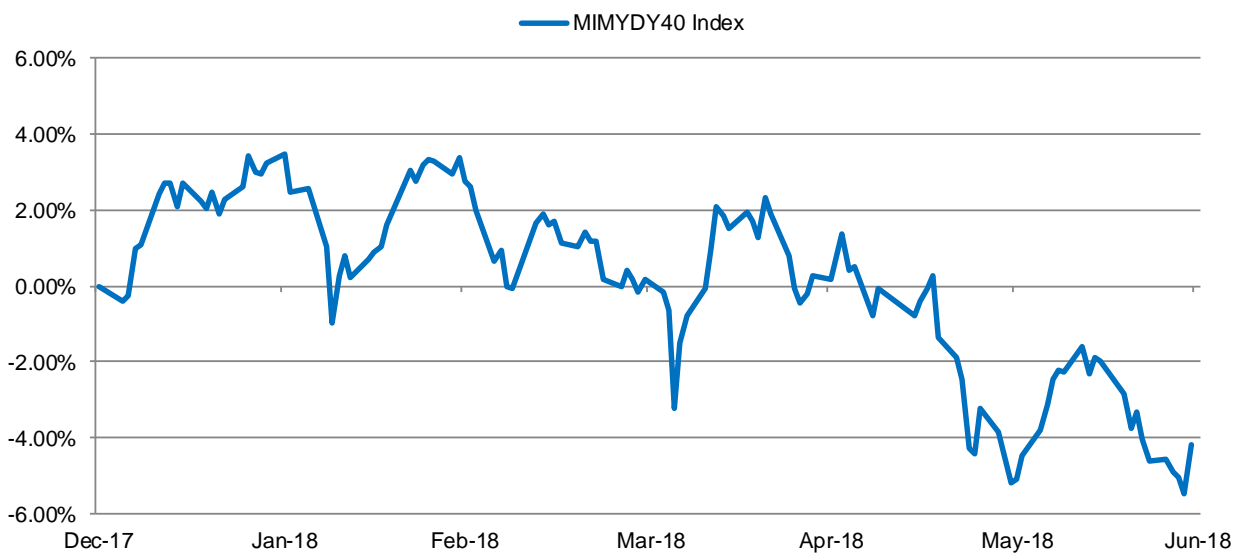
It is the Manager's policy to not receive any goods or services by way of soft commission.

8. Market Review and Outlook

Malaysian equity markets started on a steady note early of the year with strong interest from foreign investors in the period between January and April. The strong performance was largely underpinned by a stronger ringgit and improved global market sentiment. Kuala Lumpur Composite Index (KLCI), the best known proxy to Malaysian equity markets, hit year's high of 1,895 points on 19 April 2018. However, share prices weakened significantly after the 14th general elections (GE14) with KLCI closing the first half of the year at 1,691 points, declining by about 11% from the peak. Apart from the general elections outcomes, local equity markets were also hit by disappointing 1Q18 corporate earnings and concerns over external risks. Foreign investors also stayed on the sidelines in the months of May and June.

Globally, headwinds and risks to growth are rising, mainly in the forms of rising interest rates globally and compounded by the beginning of the end of major central banks' QE policy. These in turn are causing volatility and corrections in the financial markets due to the re-pricing of growth and policy outlook. There are also signs of China's economy slowing due to China's policies to balance growth with more emphasis on preventing financial risks. The global economic outlook is further clouded by US trade tension with China that has spread to other US key trading partners – EU, Canada and Mexico.

Chart 3: MIMYDY40 Index Performance in 2Q2018



Sources: Bloomberg, i-VCAP

Chart 3: MIMYDY40 Index Comparable Performances in 2Q2018



Sources: Bloomberg, i-VCAP

For Malaysia, the long-term growth outlook is still intact based on strong economic data. Investors are expected to remain in a holding position, pending clarity on longer term government's policy direction and re-assurance on the government's fiscal position especially beyond 2018. More clarity is expected in Budget 2019 on 2 November 2018.

Since taking over, the new government has implemented about half of its 10 GE14 manifesto for the first 100 days while the Finance Minister had announced that at least 5 of the initiatives will be deferred until the country's finances improve. The most significant of the 100-day manifesto implemented is the GST zero-rating from 1 June, while the most significant of the 100-day manifesto deferred is the equalisation and level-up of minimum wage between Peninsular and East Malaysia.

The new government's commitment and efforts in strengthening the finances it inherited and in stepping up on governance, accountability and transparency will in turn lift investors' confidence over time.