

## INTERIM REPORT

For the Financial Period 1 January to 30 June 2019

<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>Benchmark Index</b>	: MSCI Malaysia IMI Islamic High Dividend Yield 10/40 Index (“MIMYDY40 Index” or “Benchmark Index”)
<b>Manager</b>	: <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.

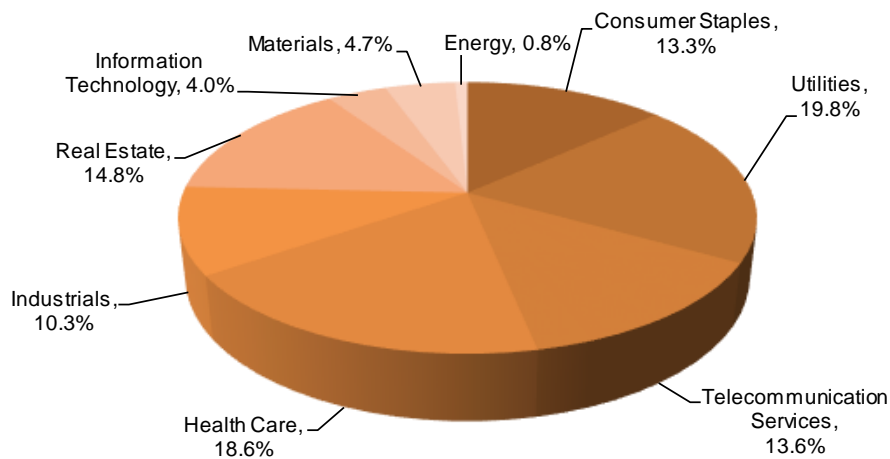
The weight of any single group or entity in the Benchmark Index is capped at 10% of the Index total market capitalisation and the sum of weights of all groups or entities representing more than 5% of the Index is capped at 40% of the Index total market capitalisation.

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.

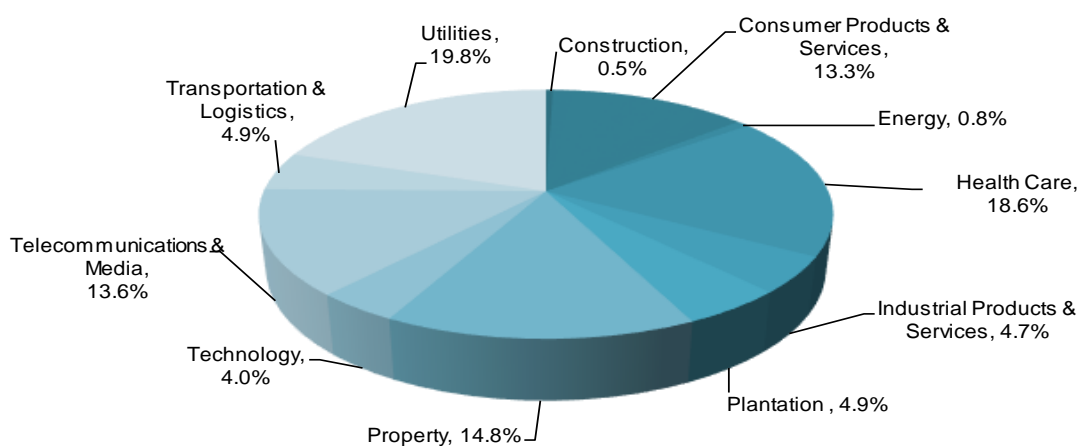
Based on the latest quarterly review (28 May 2019), the sector allocation of MIMYDY40 Index based on MSCI and Bursa Securities sector classifications are as follows:

**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 largely 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 period under review, the Fund achieved its investment objective to track closely the underlying benchmark, i.e. MIMYDY40 Index. As at 30 June 2019, the 3-year rolling tracking errors<sup>1</sup> between the NAV per unit of the Fund and the Benchmark Index on Price Return and Total Return basis were 0.05% and 0.06% respectively, well within the 3% limit stipulated under the Fund's investment objective.

The Fund's NAV per unit decreased by 1.29% to RM1.1309 from RM1.1457 in the first half of the year. The Benchmark Index and Benchmark's Total Return Index (MIMYDY40 Total Return Index) increased by 0.22% and 1.69% respectively over the same period. The variance between the Fund's NAV and Benchmark Index was largely due to the adjustment to the Fund's NAV following the Fund's income distribution of 2.76 sen per unit (for Financial Year ended 31 December 2018) which was declared and paid during the period.

The Fund's price per unit traded on Bursa Malaysia closed at RM1.1350 as at 30 June 2019, recorded a year-to-date loss of 2.16%. The Fund's units generally traded at discount to the Fund's NAV per unit in 1H2019.

As at end-June 2019, total units in circulation for the Fund decreased to 39.6 million units from 46.4 million units as at end-2018. The Fund's NAV contracted to RM44.78 million from RM53.16 million was mainly attributed to the net redemption of 6.8 million during the period.

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<sup>1</sup>Independently sourced from Novagni Analytics and Advisory Sdn. Bhd.

The key statistics of the Fund for 1H2019 (1 Jan 2019 – 30 June 2019) are summarized as follows:

**Table 1: Key Statistics**

	As at 30-Jun-19	As at 31-Dec-18	HoH Change
NAV per unit (RM) <sup>#</sup>	1.1309	1.1457	-1.29%
- Highest	1.1783 (21 Feb)	1.2239 (28 Aug)	
- Lowest	1.0796 (27 May)	1.1086 (26 Oct)	
<i>(During the period)</i>			
Price per unit (RM) <sup>#</sup>	1.1350	1.1600	-2.16%
- Highest	1.1850 (25 Feb)	1.2100 (2 Aug)	
- Lowest	1.0400 (2 Apr)	1.1000 (16 Jul)	
<i>(During the period)</i>			
Units in Circulation	39,600,000	46,400,000	-14.66%
Total NAV (RM)	44,783,544	53,158,345	-15.75%
Market Capitalisation (RM)	44,946,000	53,824,000	-16.49%
MIMYDY40 Index	2,575.28	2,569.68	0.22%
MIMYDY40 Total Return Index	4,361.84	4,289.31	1.69%
Tracking Error vs. MIMYDY40 Price Return Index (%)*	0.05	0.05	
Tracking Error vs. MIMYDY40 Total Return Index (%)*	0.06	0.06	
Management Expense Ratio (%)	0.30	0.32	

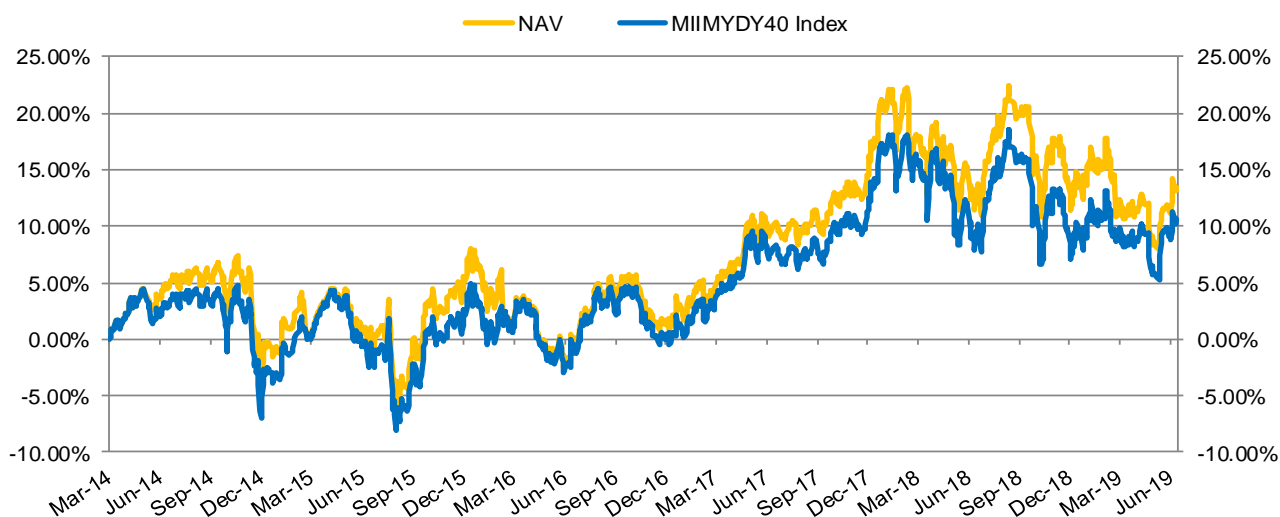
Sources: Bloomberg, i-VCAP

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

\* Based on 3-year rolling tracking error. The calculation was independently sourced from Novagni Analytics and Advisory Sdn. Bhd.

<sup>^</sup> The Fund was initially created at RM1.00 per unit based on the close of 17 March 2014. The Fund had its listing debut on 21 March 2014.

**Chart 2: Fund NAV Per Unit vs. Benchmark Index – Performance Since Inception**



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 (%)	2018 (%)	2017 (%)	2016 (%)
MyETF-MMID - NAV Price Return <sup>(a)</sup>	(1.29)	(2.71)	15.34	(5.31)
MIMYDY40 - Price Return Index	0.22	(3.65)	13.49	(3.96)
MyETF-MMID - NAV Total Return <sup>(a)</sup>	1.17	(0.40)	17.04	(2.36)
MIMYDY40 - Total Return Index	1.69	(0.30)	17.35	(0.84)

Sources: Bloomberg, i-VCAP

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

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

	Cumulative Returns (b)				
	YTD (%)	1-Year (%)	3-Year (%)	5-Year (%)	Since Inception (%)
MyETF- MMID - NAV Price Return <sup>(a)</sup>	(1.29)	0.12	13.10	8.09	13.09
MIMYDY40 - Price Return Index	0.22	0.79	10.83	7.10	10.27
MyETF- MMID - NAV Total Return <sup>(a)</sup>	1.17	2.62	20.42	21.30	26.92
MIMYDY40 - Total Return Index	1.69	3.83	21.81	26.48	32.07

Sources: Bloomberg, i-VCAP

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

(b) Cumulative returns are up to 30 June 2019.

^ Performance from inception date on 17 March 2014.

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

	Average Returns (b)				
	YTD	1-Year	3-Year	5-Year	Since Inception
	(%)	(%)	(%)	(%)	(%)
MyETF- MMID - NAV Price Return <sup>(a)</sup>	(2.60)	0.12	4.19	1.57	2.35
MIMYDY40 - Price Return Index	0.44	0.79	3.61	1.42	1.94
MyETF- MMID - NAV Total Return <sup>(a)</sup>	2.38	2.62	6.39	3.94	4.61
MIMYDY40 - Total Return Index	3.43	3.83	7.26	5.29	6.05

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.

^ Performance from inception date on 17 March 2014.

**Table 2(d): Historical Income Distribution**

	For Financial Year Ended		
	2018	2017	2016
	<u>First &amp; Final</u>	<u>First &amp; Final</u>	<u>First &amp; Final</u>
Income Distribution Per Unit (Sen)	2.76	2.81	1.52
Income Distribution Yield (%)*	2.38	2.37	1.45
Declaration Date	21-Feb-19	12-Feb-18	13-Feb-17
Ex-Date	11-Mar-19	1-Mar-18	1-Mar-17
Payment Date	8-Apr-19	29-Mar-18	30-Mar-17
NAV Per Unit Before Ex-Date (RM)	1.1357	1.2136	1.0385
NAV Per Unit On Ex-Date (RM)	1.1081	1.1836	1.0303

Sources: Bloomberg, i-VCAP

\* Based on NAV on income distribution declared date.

The Benchmark Index is reviewed quarterly and rebalanced semi-annually and any changes to the constituents of Benchmark Index will be implemented at the close of the last business day of May and November. Meanwhile, the Parent Index of MIMYDY40 Index, the MSCI Malaysia IMI Islamic Index is reviewed quarterly (in February, May, August and November) and will not result in any change on the Benchmark Index except for inclusion or deletion of companies from the Parent Index due to corporate events or Shariah status and changes in the weighting of the Benchmark Index's constituents. During the first half of the year, one stock was included while three stocks were removed from the Fund at its quarterly reviews. The summary of the changes are as follows:

**Table 3: List of Stock Inclusions and Exclusion**

Stock Inclusions		Stock Exclusions
1Q19	-	Unisem (M) Bhd
2Q19	Top Glove Corporation Bhd	-
		Petronas Chemicals Group Bhd
		Lingkar Trans Kota Holdings Bhd

Source: MSCI

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

	As at 30-Jun-19	As at 31-Dec-18*	Change (%)
Utilities	20.54%	18.24%	2.30%
Health Care	18.43%	12.16%	6.27%
Telecommunications & Media	13.44%	11.68%	1.76%
Consumer Products & Services	12.90%	11.90%	1.00%
Property	14.03%	16.09%	(2.06%)
Industrial Products & Services	4.44%	12.82%	(8.38%)
Plantation	4.85%	4.39%	0.46%
Transportation & Logistics	4.99%	6.95%	(1.96%)
Technology	3.97%	2.33%	1.64%
Energy	0.75%	0.65%	0.10%
Construction	0.50%	0.30%	0.20%
Financial Services	-	-	-
Cash & Others	1.16%	2.49%	(1.33%)

Sources: Bursa Malaysia, i-VCAP

\* Restated based on Bursa Malaysia's latest sector classification.

Details of the Fund's quoted Investments as at 30 June 2019 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>Utilities</u></b>			
Tenaga Nasional Bhd	334,400	4,628,096	10.33
Petronas Gas Bhd	263,500	4,574,360	10.21
		<b>9,202,456</b>	<b>20.54</b>
<b><u>Health Care</u></b>			
Hartalega Holdings Bhd	419,400	2,197,656	4.91
IHH Healthcare Bhd	396,300	2,298,540	5.13
Top Glove Corporation Bhd	428,700	2,104,917	4.70
Kossan Rubber Industries Bhd	228,800	912,912	2.04
Supermax Corporation Bhd	441,200	736,804	1.65
		<b>8,250,829</b>	<b>18.43</b>
<b><u>Telecommunications &amp; Media</u></b>			
Maxis Bhd	789,400	4,396,958	9.82
Time Dotcom Bhd	180,700	1,620,879	3.62
		<b>6,017,837</b>	<b>13.44</b>
<b><u>Consumer Products &amp; Services</u></b>			
Nestle (Malaysia) Bhd	14,200	2,117,220	4.73
Sime Darby Bhd	952,300	2,152,198	4.81
QL Resources Bhd	220,200	1,506,168	3.36
		<b>5,775,586</b>	<b>12.90</b>
<b><u>Property</u></b>			
UOA Development Bhd	879,700	2,111,280	4.71
Mah Sing Group Bhd	2,060,300	1,895,476	4.23
Matrix Concepts Holdings Bhd	750,000	1,425,000	3.18
Sime Darby Property Bhd	829,900	854,797	1.91
		<b>6,286,553</b>	<b>14.03</b>
<b><u>Industrial Products &amp; Services</u></b>			
Scientex Bhd	120,500	1,041,120	2.33
Cahaya Mata Sarawak Bhd	313,500	946,770	2.11
		<b>1,987,890</b>	<b>4.44</b>
<b><u>Plantation</u></b>			
Sime Darby Plantation Bhd	441,400	2,171,688	4.85
		<b>2,171,688</b>	<b>4.85</b>
<b><u>Transportation &amp; Logistics</u></b>			
Westports Holdings Bhd	567,200	2,234,768	4.99
		<b>2,234,768</b>	<b>4.99</b>
<b><u>Technology</u></b>			
Globetronics Technology Bhd	793,000	1,324,310	2.96
Vitrox Corporation Bhd	64,400	450,156	1.01
		<b>1,774,466</b>	<b>3.97</b>
<b><u>Energy</u></b>			
Petron Malaysia Refining & Marketing Bhd	55,200	337,272	0.75
		<b>337,272</b>	<b>0.75</b>
<b><u>Construction</u></b>			
Kerjaya Prospek Group Bhd	162,000	223,560	0.50
		<b>223,560</b>	<b>0.50</b>
		<b>44,262,905</b>	<b>98.84</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 period, the Fund has announced and paid the first and final income distribution of 2.76 cent per unit for Financial Year ended 31 December 2018. The income distribution is derived from the dividend income that the Fund received during the year.

## 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. Cross Trade

It is the Manager's policy not to perform any cross trade transaction.

## 8. Soft Dollar Commissions

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

## 9. Market Review and Outlook

In the first half of 2019, most global stock markets advanced after suffering their worst year in a decade in 2018. Several key market indexes hit record highs in 1H2019 as investor sentiment improved after the US Federal Reserve and the European Central Bank clearly indicated that interest rate cuts or other stimulus measures could be on the way. Easing of trade tensions near the end of the second quarter also contributed to market gains after the meeting between US President Donald Trump and Chinese President Xi at G20 summit. MSCI World Index and S&P 500 Index registered year-to-date (YTD) return of 17% and 18.5% respectively as of end June 2019.

On the economic front, global economy recorded positive growth in the first half of 2019. However, leading economic indicators continue to point to slowing growth momentum in most major economies against the backdrop of intensified US-China trade war and prolonged uncertainty on Brexit. In June, World Bank cut its 2019 global growth forecast to 2.6% from 2.9%, citing a drop in global investment and a slowdown in trade growth.

In Asia, growth had significantly softened in the second quarter. China recorded a 6.2% GDP growth in 2Q2019, the lowest in 27 years, as the country's trade war with the US took its toll. Similarly, Singapore's economy shrank in the second quarter as the export and manufacturing sector continued to decline.

On the local front, Malaysia's GDP growth weakened to 4.5% yoy in 1Q2019, dragged down by weak investments and export. Poor business sentiment weighed on machinery and equipment capex while weak property market and public sector project reviews impacted construction sector. In May 2019, Bank Negara Malaysia cut its Overnight Policy Rate (OPR) by 25bp to 3.00% to stimulate growth.

Despite the strong rally in global equities in 1H2019, Malaysia's equity market finished the first half of 2019 as one of the worst performing markets in the world. The local stock market declined to a near four-year low in May 2019, triggered by the intensifying US-China trade war and weak corporate earnings. Market rebounded in June 2019 as investors returned to bargain hunt following the underperformance against regional peers. Foreign investors continued selling Malaysian equity in 1H2019 with a total net outflows of RM4.8 billion.

Despite weak market condition, MIMYDY40 Index posted a minimal increase of 0.22% in the first half of the year. The Index hit a multi-year low of 2,458.55 points on 27<sup>th</sup> May 2019 before it rebounded and closed at 2,575.28 points in June 2019.

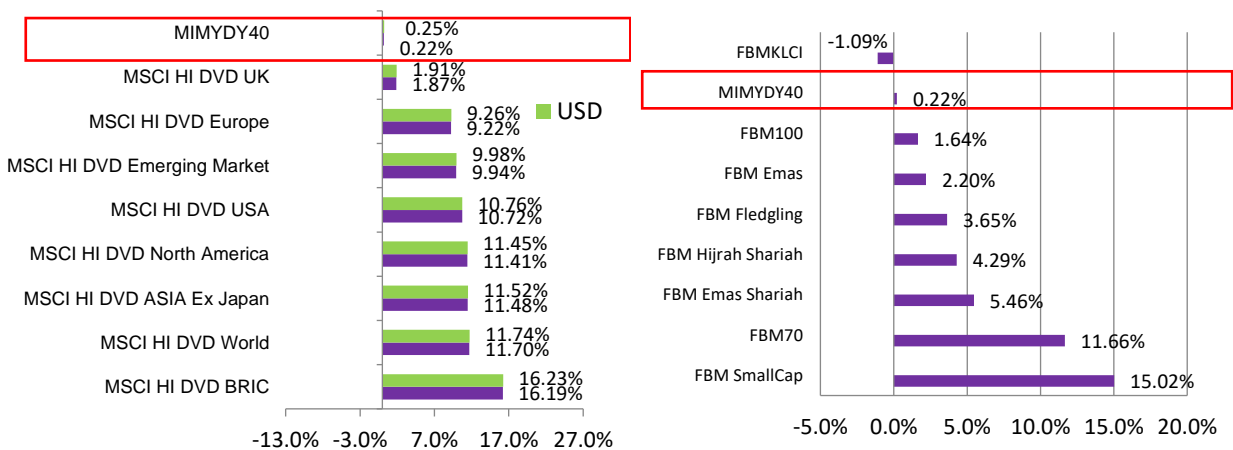
**Chart 3(a): MIMYDY40 Index Performance in 1H2019**



Sources: Bloomberg, i-VCAP

On comparative performance within MSCI High Dividend Yield index series, the MIMYDY40 Index was the worst performing index, in line with the weak domestic stock market during the period. On the local front, MIMYDY40 Index outperformed FBMKLCI Index but lagged most domestic indices.

**Chart 3(b): DJIM25 Index and Comparable Performances in 1H2019**



Sources: Bloomberg, i-VCAP

Bank Negara Malaysia projected a moderate GDP growth between 4.3% and 4.8% for 2019. Nonetheless, this projection is subject to downside risks from ongoing uncertainties in the global and domestic environment, worsening trade tensions and extended weakness in commodity related sectors. Given the challenging external environment, economic growth in the remaining year is estimated to be contributed by domestic demand. Consumer spending is expected to be driven by the stable labour market while capital spending would be supported by capacity expansions in sectors such as manufacturing and services.

While easing monetary policy in the major economies are expected to improve global financial conditions in the near term, it could lead to a higher volatility in financial markets. In the second half of the year, equity market is expected to remain volatile. Trade war, global recession fear and domestic political landscape would continue to top the list of market concerns for the remainder of the year.

Against these backdrops, Malaysian equity market is expected to be volatile in the near term. We expect MyETF-MMID to be less volatile as the stock components are defensive in nature due to the high dividend yield nature.