

INTERIM REPORT

For the Financial Period 1 January to 30 June 2020

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
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.

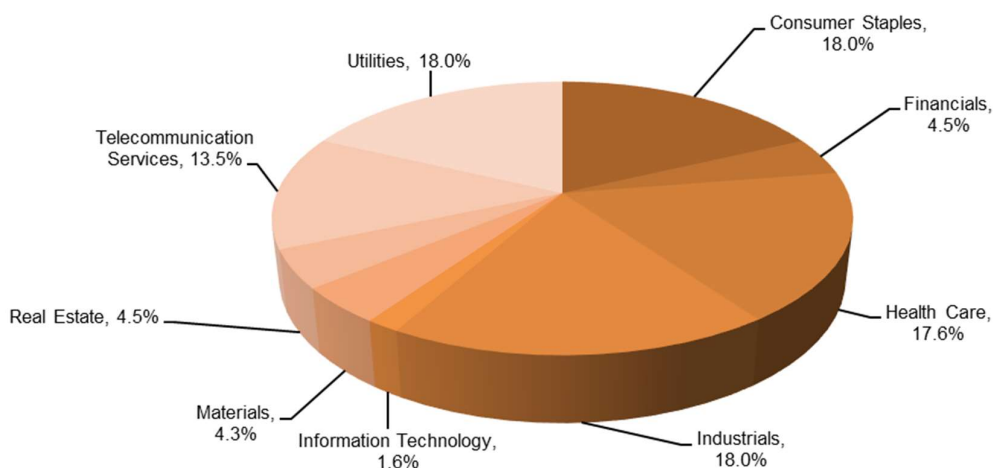
The weight of any single group or entity in the Benchmark Index is capped at 10% of the Index total market capitalisation and the sum of weights of all groups or entities representing more than 5% of the Index is capped at 40% of the Index total market capitalisation.

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.

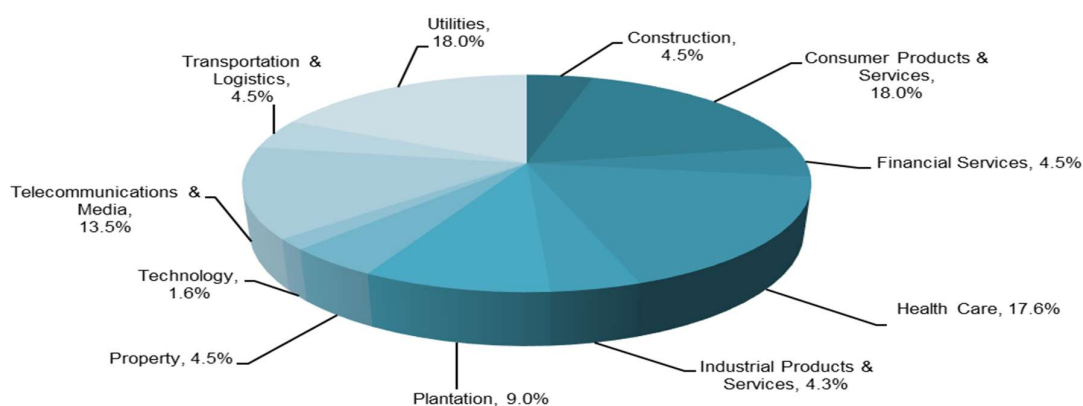
Based on the latest quarterly review (29 May 2020), the sector allocation of MIMYDY40 Index based on MSCI and Bursa Securities sector classifications are as follows:

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 continued to achieve its investment objective to track closely the underlying benchmark, i.e. MIMYDY40 Index. As at 30 June 2020, 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 at 0.21% respectively, well within the 3% limit stipulated under the Fund's investment objective.

In terms of NAV movement, the Fund's NAV per unit increased by 14.21% in 1H20 from RM1.1160 to RM1.2746 while the Benchmark Index and Benchmark's Total Return Index increased by 11.70% and 13.51% respectively. During 1H20, the fund also distributed an income distribution of 2.96 sen per unit for the Financial Year ended 31 December 2019 which was declared and paid during the period.

As at end-June 2020, total units in circulation for the Fund decreased to 30.40 million units from 39.20 million units as at end-2019. The Fund closed its 1H20 with its total NAV contracted by 11.43% to RM38.75 million, as a result of a few redemption activities happened during the period. The key statistics of the Fund for 1H20 can be summarized as follows:

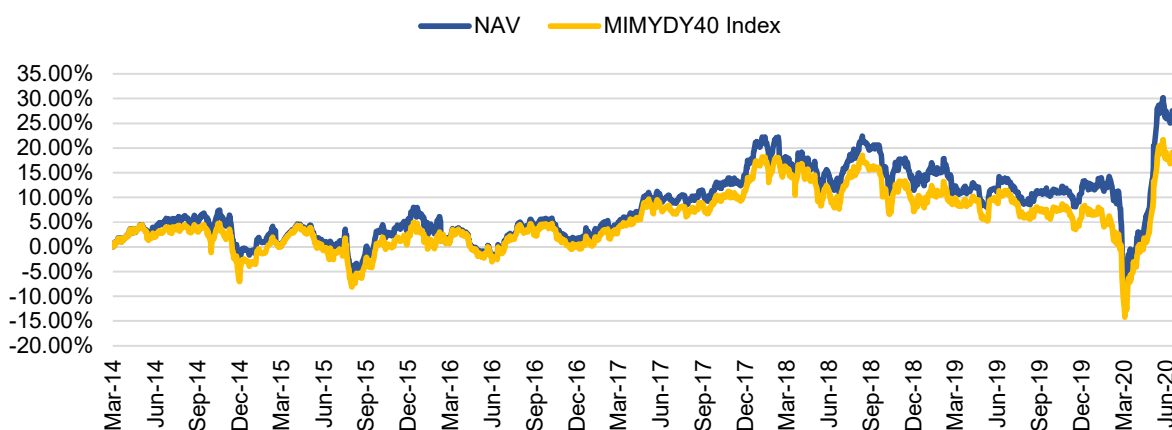
¹Independently sourced from Novagni Analytics and Advisory Sdn. Bhd.

Table 1: Key Statistics

	As at 30-Jun-20	As at 31-Dec-19	Change
NAV per unit (RM)#	1.2746	1.1160	14.21%
- Highest	1.3015 (10 Jun)	1.1783 (21 Feb)	
- Lowest	0.9057 (19 Mar)	1.0796 (26 May)	
<i>(During the period)</i>			
Price per unit (RM)#	1.2900	1.1500	12.17%
- Highest	1.2900 (30 Jun)	1.1600 (30 Dec)	
- Lowest	0.8500 (8 Apr)	1.0400 (2 Apr)	
<i>(During the period)</i>			
Units in Circulation	30,400,000	39,200,000	-22.45%
Total NAV (RM)	38,748,799	43,748,713	-11.43%
Market Capitalisation (RM)	39,216,000	45,080,000	-13.01%
MIMYDY40 Index	2,780.44	2,489.15	11.70%
MIMYDY40 Total Return Index	4,866.23	4,286.89	13.51%
Tracking Error vs. MIMYDY40 Price Return Index (%)*	0.21	0.09	
Tracking Error vs. MIMYDY40 Total Return Index (%)*	0.21	0.09	
Management Expense Ratio (%)	0.35	0.63	

Sources: Bloomberg, i-VCAP

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

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	2019	2018	2017	2016	2015
	(%)	(%)	(%)	(%)	(%)	(%)
MyETF-MMID-NAV Price Return ^(a)	30.73	(2.59)	(2.71)	15.34	(5.31)	8.55
MIMYDY40-Price Return Index	23.61	(3.13)	(3.65)	13.49	(3.96)	7.91
MyETF-MMID-NAV Total Return ^(a)	38.33	(0.17)	(0.40)	17.04	(2.36)	10.96
MIMYDY40-Total Return Index	27.27	(0.06)	(0.30)	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)				
	YTD	1-Year	3-Year	5-Year	Since Inception
	(%)	(%)	(%)	(%)	(%)
MyETF-MMID-NAV Price Return ^(a)	14.21	12.71	15.67	28.35	27.46
MIMYDY40-Price Return Index	11.70	7.97	10.06	21.52	19.06
MyETF-MMID-NAV Total Return ^(a)	17.46	15.91	24.82	44.91	47.11
MIMYDY40-Total Return Index	13.51	11.56	21.16	43.14	47.35

Sources: Bloomberg, *i*-VCAP

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

(b) Cumulative returns are up to 30 June 2020.

^ 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 ^(a)	30.73	12.71	4.97	5.11	3.93
MIMYDY40-Price Return Index	23.61	7.97	3.35	4.29	3.03
MyETF-MMID-NAV Total Return ^(a)	38.33	15.91	7.66	7.69	6.33
MIMYDY40-Total Return Index	27.27	11.56	7.04	8.60	7.51

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.

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, four stock was included while five stocks were removed from the Fund at its quarterly reviews. The Manager had undertaken the rebalancing exercises during 1H20 to ensure that the Fund's investment would be reflective of the changes in the Benchmark Index.

In terms of sectoral weightings, notable changes to the Fund's sector composition as compared to end-December 2019 were the increase in Financial Services from 0% to 4.51% following the inclusion of Syarikat Takaful Malaysia Keluarga Bhd in 2Q20 rebalancing exercise, followed by Plantation and Consumer Products & Services which increased by 3.84% and 2.93% respectively. On the other hand, the Industrial Products & Services sector decreased from 7.59% to 4.55% while Utilities sector dropped from 19.53% to 17.24%. Details of the Fund's latest top holdings and the key changes in 1H20 are as follows:

Table 3: Top Ten Holdings of the Fund as at 30 June 2020

Stock	% of NAV
1. Sime Darby Bhd	9.24
2. Tenaga Nasional Bhd	9.22
3. Maxis Berhad	9.08
4. Petronas Gas Bhd	8.02
5. Hartalega Holdings Bhd	4.68
6. IHH Healthcare Bhd	4.50
7. Sime Darby Plantation Bhd	4.48
8. Nestle (M) Bhd	4.44
9. Time Dotcom Bhd	4.32
10. Westports Holdings Bhd	4.32
Total	62.30

Source: i-VCAP

Table 4: List of Stock Inclusions and Exclusion

	Stock Inclusions	Stock Exclusions
1Q20	AirAsia Group Bhd	Kerjaya Prospek Group Bhd
2Q20	Kuala Lumpur Kepong Bhd	AirAsia Group Bhd
	Syarikat Takaful Malaysia Keluarga Bhd	Kossan Rubber Industries Bhd
	Top Glove Corporation Bhd	Cahaya Mata Sarawak Bhd
	-	Supermax Corp Bhd

Source: MSCI

Table 5: Fund's Sector Allocation

	As at 30-Jun-20	As at 31-Dec-19	Change (%)
Consumer Products & Services	17.97%	15.04%	2.93
Health Care	17.95%	19.86%	-1.91
Utilities	17.24%	19.53%	-2.29
Telecommunications & Media	13.40%	14.66%	-1.26
Plantation	9.02%	5.18%	3.84
Property	4.78%	4.62%	0.16
Industrial Products & Services	4.55%	7.59%	-3.04
Financial Services	4.51%	0.00%	4.51
Transportation & Logistics	4.32%	4.90%	-0.58
Construction	4.21%	6.10%	-1.89
Technology	1.84%	2.03%	-0.19
Cash & Others	0.22%	0.49%	-0.27

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 2020 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>Consumer Products & Services</u>			
Sime Darby Bhd	1,665,700	3,581,255	9.24
Nestle (M) Bhd	12,300	1,720,770	4.44
QL Resources Bhd	173,100	1,661,760	4.29
		6,963,785	17.97
<u>Health Care</u>			
Top Glove Corporation Bhd	119,500	1,923,950	4.97
Hartalega Holdings Bhd	139,600	1,814,800	4.68
IHH Healthcare Berhad	317,300	1,745,150	4.50
KPJ Healthcare Bhd	1,752,800	1,472,352	3.80
		6,956,252	17.95
<u>Utilities</u>			
Tenaga Nasional Bhd	307,300	3,570,826	9.22
Petronas Gas Bhd	184,200	3,109,296	8.02
		6,680,122	17.24
<u>Telecommunications & Media</u>			
Maxis Berhad	655,300	3,518,961	9.08
Time Dotcom Bhd	153,800	1,673,344	4.32
		5,192,305	13.40
<u>Plantation</u>			
Kuala Lumpur Kepong Bhd	79,200	1,758,240	4.54
Sime Darby Plantation Bhd	353,000	1,736,760	4.48
		3,495,000	9.02
<u>Property</u>			
Matrix Concepts Holdings Bhd	1,022,700	1,851,087	4.78
		1,851,087	4.78
<u>Industrial Products & Services</u>			
Scientex Berhad	197,900	1,761,310	4.55
		1,761,310	4.55
<u>Financial Services</u>			
Syarikat Takaful Malaysia Keluarga Bhd	392,300	1,745,735	4.51
		1,745,735	4.51
<u>Transportation & Logistics</u>			
Westports Holdings Berhad	440,700	1,674,660	4.32
		1,674,660	4.32
<u>Construction</u>			
Gamuda Bhd	448,600	1,632,904	4.21
		1,632,904	4.21
<u>Technology</u>			
Vitrox Corporation Bhd	77,800	711,092	1.84
		711,092	1.84
		38,664,252	99.78

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.

In April 2020, the Fund paid an income distribution amounted to RM911,680 in relation to the first and final distribution of 2.96 sen per unit for the Financial Year 2019 (declared in February 2020). The first and final income distribution amount is derived from the dividend income that the Fund received from its stocks investment holding and the profit income 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

Global equity markets started the year 2020 on a positive note, continued the bullish sentiment from 2019. Investors were excited by the improved economic data as well as the signing of phase one trade deal between the US and China in mid-January. Nonetheless, the rally was short-lived as global stock markets saw massive declines on concerns over the Covid-19 pandemic and its detrimental effects on global economy. Panic sell-off across all asset classes took place in March as the pandemic spread beyond China to the rest of the world, triggering the unprecedented implementation of either full or partial lockdowns over 100 countries. The situation was intensified as oil market crashed after Saudi Arabia and Russia failed to reach an agreement on production cuts

during the OPEC meeting. In mid-March, most equity markets plunged to a multi-year low despite the government announced measures to support businesses and households and reduce borrowing costs. All sectors saw substantial declines in share prices, particularly energy, financial, travel and hospitality sectors.

Despite gloomy economic outlook and Covid-19 pandemic continued with no end in sight, global equity markets rebounded sharply in the second quarter of 2020. Investors were encouraged by the stimulus programs, accommodative monetary policy and easing of lockdown restrictions implemented by most countries during the quarter. Market sentiment was further boosted by the strong jump in oil prices as the world's largest oil producers reached an agreement to a historic production cut.

On the macro front, the US economy recorded tepid economic growth of 0.5% yoy in 1Q20, while Eurozone and China plunged 3.8% and 6.8% yoy respectively. The historic drop in output reflected the worst months of pandemic-related shutdowns to control the spread of Covid-19. In the June FOMC meeting, Fed reiterated its dovish stance and provided lower projections on growth and inflation outlook against the backdrop of Covid-19 pandemic. In the latest US dot plot projections released in June, the Fed left the target range for its federal fund rate unchanged at 0-0.25% and reiterated its commitments to maintain ultra-low monetary policy until 2022.

The Malaysian economy decelerated sharply at 0.7% yoy in 1Q20 (4Q2019: 3.6%), the weakest growth since 4Q09 due to decreases in both public and private investments as well as net exports. Nevertheless, the economy was supported by public and private consumption. The overall deceleration of the domestic economy was in tandem with the sluggish global economic performance as countries struggled to keep their economies running while containing the Covid-19 pandemic.

In the financial markets, the local equity market moved downwards starting end-February to more than 20% in March 2020 mainly in response to the Covid-19 pandemic and an oil price war between Russia and the OPEC countries led by Saudi Arabia. Nonetheless, sentiment improved thereafter following the government's initiatives to revive the economic activities by formulating a comprehensive short, medium and long-term economic recovery plan, which will complement the various announced economic stimulus packages.

The MIMYDY40 Index started well at the beginning of the year before retracing at end-February to its lowest level of 2,004.43 points or -19.5% on 19 March 2020. The Benchmark Index recovered thereafter but traded within a tight range before rebounding sharply to end the period at 2,780.44 points, translating to an increase of 14.21% in 1H20. The recovery was helped by net buying as investors deemed the earlier pullback as an opportunity to re-enter the market on expectations that

the Covid-19 pandemic will gradually come under control, stable economic growth and corporate earnings.

Chart 3: MIMYDY40 Index Performance in 1H20



Sources: Bloomberg, i-VCAP

To support growth prospects, central banks globally have swiftly embarked on monetary policy easing measures as efforts to boost growth prospects. The downside risks to growth have increased significantly due to impact from the Covid-19 pandemic. Back home, Bank Negara Malaysia (BNM) in its latest monetary policy decision on 7 July 2020 eased the OPR level by another 25 bps bringing the level to a new low of 1.75% as a pre-emptive measure. Going forward, domestic demand is expected to continue to be the main anchor of growth, albeit at a more moderate pace. Investment activity is expected to see a modest recovery, helped by ongoing and new projects. Nevertheless, the downside risks to growth remain, due to uncertainty from various trade negotiations, geopolitical risks, weaker-than-expected growth of major trade partners, and domestic factors such as weakness in commodity-related sectors and delays in the implementation of projects. However, on the demand side, the risk of deterioration in private consumption may be somewhat mitigated following measures such as the recent interest rate cut by Bank Negara Malaysia, that should increase household's disposable income.

Given the more moderate domestic macroeconomic outlook as well as the prevailing external uncertainties, investors' focus are expected to position defensively with focus on companies that are resilient in earnings. Interest in fairly attractive dividend payout stocks will also depend on the ability of these companies to sustain earnings and ride on the various stimulus activities implemented by the government. Hence, for investors who may prefer a mixed bag of big and mid-cap stocks with competitive dividend payout, MyETF-MMID will provide such exposure.