

# MyETF MSCI SEA ISLAMIC DIVIDEND

## UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2015

|   | Note     | <b><u>30.09.2015</u></b><br><b>RM</b> |
|---|----------|---------------------------------------|
| <b>ASSETS</b>   |          |                                       |
| <b>Current Assets</b>                                 |          |                                       |
| Financial assets at fair value through profit or loss | 4        | 21,240,639                            |
| Dividends receivable                                  | 5        | 25,200                                |
| Cash and cash equivalents                             | 6        | 303,952                               |
| <b>TOTAL ASSETS</b>                                   |          | <b><u>21,569,791</u></b>              |
| <b>LIABILITIES</b>                                    |          |                                       |
| <b>Current Liabilities</b>                            |          |                                       |
| Amount due to Manager                                 |          | 12,625                                |
| Amount due to Trustee                                 |          | 1,085                                 |
| Auditors' remuneration                                |          | 9,837                                 |
| Tax agent's fee                                       |          | 2,192                                 |
| Other payables  | 7        | 50,307                                |
| <b>TOTAL LIABILITIES</b>                              |          | <b><u>76,046</u></b>                  |
| <b>NET ASSET VALUE OF THE FUND</b>                    |          | <b><u>21,493,745</u></b>              |
| <b>EQUITY</b>   |          |                                       |
| Unit holders' capital                                 |          | 21,985,200                            |
| Accumulated loss                                      |          | (491,455)                             |
| <b>NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS</b>        | <b>9</b> | <b><u>21,493,745</u></b>              |
| <b>NUMBER OF UNITS IN CIRCULATION</b>                 | <b>9</b> | <b><u>22,000,000</u></b>              |
| <b>NET ASSET VALUE PER UNIT (RM)</b>                  |          | <b><u>0.9770</u></b>                  |

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

## MyETF MSCI SEA ISLAMIC DIVIDEND

### UNAUDITED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD FROM 1 JULY 2015 TO 30 SEPTEMBER 2015

|  |      | <u>01.07.2015</u><br>to<br><u>30.09.2015</u> | <u>YTD</u><br><u>30.09.2015</u> |
|--|------|--|---------------------------------|
|  | Note | RM   | RM                              |
| <b>INVESTMENT LOSS</b>   |      |  |                                 |
| Gross dividend income  |      | 379,863                                      | 604,004                         |
| Profit from short term Shariah-compliant deposits  |      | 1,345  | 2,719                           |
| Net loss on financial assets at fair value through profit and loss   | 4    | (694,810)                                    | (909,930)                       |
|  |      | <u>(313,602)</u>                             | <u>(303,207)</u>                |
| <b>EXPENSES</b>  |      |  |                                 |
| Management fee   | 12   | (35,480)                                     | (59,080)                        |
| Trustee's fee  | 13   | (3,025)                                      | (5,096)                         |
| License fee  | 14   | (3,275)                                      | (5,453)                         |
| Transaction cost   |      | (5,528)                                      | (21,109)                        |
| Purification of non Shariah-compliant income   |      | (4,679)                                      | (7,457)                         |
| Other expenses   | 15   | (50,915)                                     | (62,795)                        |
|  |      | <u>(102,902)</u>                             | <u>(160,990)</u>                |
| <b>NET LOSS BEFORE TAXATION</b>  |      | <u>(416,504)</u>                             | <u>(464,197)</u>                |
| <b>TAXATION</b>  | 16   | (27,258)                                     | (27,258)                        |
| <b>NET LOSS AFTER TAX FOR THE FINANCIAL YEAR, REPRESENTING TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD</b> |      | <u>(443,762)</u>                             | <u>(491,455)</u>                |
| Net loss after taxation is made up as follows:   |      |  |                                 |
| Realised amount  |      | 353,246                                      | 366,066                         |
| Unrealised amount  |      | (797,008)                                    | (857,521)                       |
|  |      | <u>(443,762)</u>                             | <u>(491,455)</u>                |

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

## MyETF MSCI SEA ISLAMIC DIVIDEND

### UNAUDITED STATEMENT OF CHANGES IN EQUITY

#### For the financial period from 1 July 2015 to 30 September 2015

|   | Unit holders'<br>Capital<br>RM | Accumulated<br>loss<br>RM | Total<br>RM |
|---|--------------------------------|---------------------------|-------------|
| Balance as at 1 July 2015               | 21,985,200                     | (47,693)                  | 21,937,507  |
| Total comprehensive loss for the period | -                              | (443,762)                 | (443,762)   |
| Balance as at 30 September 2015         | 21,985,200                     | (491,455)                 | 21,493,745  |

#### For the financial period ended 30 September 2015

|  | Note | Unit holders'<br>Capital<br>RM | Accumulated<br>loss<br>RM | Total<br>RM |
|--|------|--------------------------------|---------------------------|-------------|
| Balance as at 8 April 2015<br>(Date of commencement) |      | -                              | -                         | -           |
| Total comprehensive loss for the period              |      | -                              | (491,455)                 | (491,455)   |
| Creations of units                                   | 9    | 21,985,200                     | -                         | 21,985,200  |
| Balance as at 30 September 2015                      |      | 21,985,200                     | (491,455)                 | 21,493,745  |

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

## MyETF MSCI SEA ISLAMIC DIVIDEND

### UNAUDITED STATEMENT OF CASH FLOW FOR THE FINANCIAL PERIOD FROM 1 JULY 2015 TO 30 SEPTEMBER 2015

|  | <u>Note</u> | <u>01.07.2015</u><br><u>to</u><br><u>30.09.2015</u><br>RM | <u>YTD</u><br><u>30.09.2015</u><br>RM |
|--|-------------|---|---------------------------------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>   |             |   |                                       |
| Cash used in purchase of investments   |             | (1,423,338)   | (11,861,659)                          |
| Proceeds from sales of investments   |             | 1,251,943   | 8,870,706                             |
| Dividends received   |             | 400,776   | 551,546                               |
| Profit from short-term Shariah-compliant deposits                                      |             | 1,345   | 2,719                                 |
| Management fee paid  |             | (46,455)  | (46,455)                              |
| Trustee fee paid   |             | (4,011)   | (4,011)                               |
| License fee paid   |             | (3,275)   | (5,453)                               |
| Payment for other fees and expenses  |             | (6,286)   | (22,467)                              |
|  |             | <hr/>   | <hr/>                                 |
| Net cash used in operating activities  |             | (170,699)   | (2,515,074)                           |
|  |             | <hr/>   | <hr/>                                 |
| <b>CASH FLOW FROM FINANCING ACTIVITY</b>   |             |   |                                       |
| Proceeds from units created, representing net cash generated from financing activities |             | -   | 2,819,026                             |
|  |             | <hr/>   | <hr/>                                 |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                                       |             |   |                                       |
|  |             | 170,699   | 303,952                               |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD</b>              |             |   |                                       |
|  |             | 133,253   | -                                     |
|  |             | <hr/>   | <hr/>                                 |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>                    |             |   |                                       |
|  | 6           | 303,952   | 303,952                               |
|  |             | <hr/> <hr/>   | <hr/> <hr/>                           |

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

# MyETF MSCI SEA ISLAMIC DIVIDEND

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015

Unless otherwise stated, the following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements.

### A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Exchange Traded Fund (“the Fund”) have been prepared in accordance with the provisions of the Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards (“IFRS”).

The financial statements have been prepared under the historical cost convention, as modified by the financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with MFRS and IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires the Manager to exercise their judgment in the process of applying the Fund’s accounting policies. Although these estimates and judgment are based on the Managers’ best knowledge of current events and actions, actual results may differ.

Estimates and judgments are continually evaluated by the Manager are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Fund makes estimates and assumption concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Fund’s results and financial position are tested for sensitivity to changes in the underlying parameters.

#### **Standards, amendments to published standards and interpretations to existing standards that are applicable to the Fund but not yet effective**

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015. None of these is expected to have a significant effect on the financial statements of the Fund.

Standards and amendments to published standards that are applicable to the Fund but not yet effective:

- (MFRS 9 ‘Financial Instruments’ (effective from 1 January 2018) will replace MFRS 139 “Financial Instruments: Recognition and Measurement”. The complete version of MFRS 9 was issued in November 2014.

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income (“OCI”). The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

## MyETF MSCI SEA ISLAMIC DIVIDEND

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (CONTINUED)

#### A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

##### **Standards, amendments to published standards and interpretations to existing standards that are applicable to the Fund but not yet effective (continued)**

Standards and amendments to published standards that are applicable to the Fund but not yet effective (continued):

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

There is now a new expected credit losses model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit losses model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

- MFRS 15 'Revenue from contracts with customers' (effective from 1 Jan 2017) deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations.

The Fund will apply these standards when effective. The adoption of these standards and amendments are not essential to have significant impact on the results of the Fund.

#### B INCOME FROM SHARIAH-COMPLIANT FINANCIAL INSTRUMENTS

Revenue arising from assets yielding profit is recognised on a time proportionate basis using the effective yield method on an accruals basis.

Dividend income is recognised when the right to receive payment is established.

#### C NON SHARIAH-COMPLIANT INCOME

Any income or distribution received by the Fund from its investment portfolio which relates to interest income or dividend income from fortuitous activities (does not comply with the Shariah principles) of the underlying companies is considered Non Shariah-compliant Income.

This Non Shariah-compliant Income is subject to an income purification process as determined by the Shariah Adviser from time to time and without limitation based on the impure ratio for each component stock as determined by MSCI Inc. The Non Shariah-compliant Income may be distributed to organisations considered beneficial to the public at large which are endorsed by the Shariah Adviser and approved by the Trustee. The amount is recognized as an expense in the statement of comprehensive income.

## MyETF MSCI SEA ISLAMIC DIVIDEND

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (CONTINUED)

#### D TAXATION

Current tax expense is determined according to the Malaysian tax laws and includes all taxes based upon the taxable profits.

#### E CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statement, cash and cash equivalents comprise cash and bank balances and deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### F AMOUNT DUE TO/FROM STOCKBROKERS

Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively.

These amounts are recognised initially at fair value and subsequently measured at amortised cost using the effective profit method, less provision for impairment for amounts due from brokers. See accounting policy G(iii) on impairment of financial assets.

The effective profit method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the profit income or profit expense over the relevant period. The effective profit rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective profit rate, the Fund estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective profit rate, transaction costs and all other premiums or discounts.

# MyETF MSCI SEA ISLAMIC DIVIDEND

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (CONTINUED)

### G FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

#### (i) Classification

The Fund designates its investment in equity securities as financial assets at fair value through profit or loss at inception.

Financial assets are designated at fair value through profit or loss when they are managed and their performance evaluated on a fair value basis.

Financing and receivables are non-derivative financial assets with fixed or determinable payment that are not quoted in an active market and have been included in current assets. The Fund's financing and receivables comprise cash and cash equivalent and dividend receivable which are all due within 12 months.

#### (ii) Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Fund commits to purchase or sell the asset. Investments are initially recognised at fair value. Transaction costs are expensed in profit or loss.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

Unrealised gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss are presented in the statement of comprehensive income within 'net gain/(loss) on financial assets at fair value through profit and loss' in the period in which they arise.

Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of gross dividend income when the Fund's right to receive payments is established.

Investments principally consist of quoted investments are initially recognised at fair value and subsequently re-measured at fair value based on the market price quoted on the relevant stock exchanges at the close of the business on the valuation day, where the close price falls within the bid-ask spread. In circumstances where the close price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is most representative of the fair value. Purchases and sales of investments are accounted for on the trade date.

If a valuation based on the market price does not represent the fair value of the securities, for example during the abnormal market conditions or no market price is available, including in the event of a suspension in the quotation of the securities for a period exceeding 14 days, or such shorter period as agreed by Trustee, the securities are valued as determined in good faith by the Manager, based on the methods and bases approved by the Trustee after appropriate technical consultation.



## MyETF MSCI SEA ISLAMIC DIVIDEND

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (CONTINUED)

#### G FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

##### (iii) Impairment of financial assets

For assets carried at amortised cost, the Fund assesses at the end of the reporting year whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective profit rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If 'financing and receivables' has a variable profit rate, the discount rate for measuring any impairment loss is the current effective profit rate determined under the contract. As a practical expedient, the Fund may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss. When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

#### H CREATION AND CANCELLATION OF UNITS

The Fund issues cancellable units, which are cancelled at the unit holder's option and are classified as equity. Cancellable units can be put back to the Fund at any time for shares and cash equal to a proportionate share of the Fund's net asset value. The outstanding units are carried at the redemption amount that is payable at each financial year if unitholder exercises the right to put the unit back to the Fund.

Units are created and cancelled at prices based on the Fund's net asset value per unit at the time of creation or cancellation. The Fund's net asset value per unit is calculated by dividing the net assets attributable to unit holders with the total number of outstanding units. In accordance with the Securities Commission ("SC") Guidelines on Exchange Traded Funds, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for creations and cancellations.

# MyETF MSCI SEA ISLAMIC DIVIDEND

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (CONTINUED)

### I FOREIGN CURRENCY

#### (i) Functional and presentation currency

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which the Fund operates (the “functional currency”). The financial statements are presented in Ringgit Malaysia (“RM”), which is the Fund’s functional and presentation currency.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in statement of comprehensive income.

### J SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer (“CEO”) of the Fund’s manager that undertakes strategic decisions for the Fund.

### K REALISED AND UNREALISED PORTIONS OF NET INCOME AFTER TAX

The analysis of realised and unrealised net income after tax as disclosed in the statement of comprehensive income is prepared in accordance with the SC Guidelines on Exchange Traded Funds.

### L DISTRIBUTION

Distributions are at the discretion of the Fund. A distribution to the Fund’s unitholders is accounted for as a deduction from realised reserves. A proposed distribution is recognised as a liability in the year in which it is approved by the Board of Directors of the Manager.

### M UNITHOLDERS’ CAPITAL

The unitholders’ contributions to the Fund meet the definition of puttable instruments classified as equity instruments under MFRS 132 “Financial Instruments: Presentation”.

# MyETF MSCI SEA ISLAMIC DIVIDEND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015

### 1 INFORMATION ON THE FUND

The Exchange Traded Fund (the "Fund") was constituted under the name MyETF MSCI SEA Islamic Dividend pursuant to the execution of a trust deed dated 6 February 2015 (the "Deed") entered into between i-VCAP Management Sdn. Bhd. (the "Manager") and Deutsche Trustees Malaysia Berhad (the "Trustee").

The Fund was launched on 8 April 2015 and commenced operations on 29 May 2015. The Fund will continue its operations until terminated by the Trustee in accordance with the provisions of the Deed.

The Fund is an exchange traded fund that is designed to provide investment results that closely correspond to the performance of the MSCI South East Asia IMI Islamic High Dividend Yield 10/40 Index ("Benchmark Index") regardless of its performance. The Benchmark Index is a free-float adjusted, market capitalisation weighted, price return index representing securities of 30 leading Shariah-compliant companies listed in the stock exchanges in South East Asia countries as determined by MSCI Inc. All investments will be subjected to the SC Guidelines on Exchange Traded Funds, the Deed and the objective of the Fund.

As provided in the Deed, the financial year shall end on 31 December.

The Manager is a company incorporated in Malaysia. The principal activity of the Manager is the provision of Shariah investment management services.

### 2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund is exposed to a variety of risks which include market risk, profit rate risk and credit/default risk from the following financial instruments:

|  | Financing<br>and<br>receivables | Financial Assets<br>at fair value<br>through profit or<br>loss | Total             |
|--|---------------------------------|--|-------------------|
|  | RM                              | RM   | RM                |
| <u>30 September 2015</u>                                 |                                 |  |                   |
| Financial Assets at fair value<br>through profit or loss | -                               | 21,240,639   | 21,240,639        |
| Dividends receivables                                    | 25,200                          | -  | 25,200            |
| Cash and cash equivalents                                | 303,952                         | -  | 303,952           |
| <b>Total</b>   | <b>329,152</b>                  | <b>21,240,639</b>  | <b>21,569,791</b> |

All current liabilities are financial liabilities which are carried at amortised cost.

Financial risk management is carried out through internal control processes adopted by the Manager and adherence to the investment restrictions as stipulated in the SC Guidelines on Exchange Traded Funds.

# MyETF MSCI SEA ISLAMIC DIVIDEND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (CONTINUED)

### 2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Market risk

##### *Price Risk*

The Fund is exposed to equity securities price risk arising from investments held by the Fund for which prices in the future are uncertain. The very nature of an exchange traded fund, however, helps mitigate this risk because a fund would generally hold a well-diversified portfolio of securities from different market sectors so that the collapse of any one security or any one market sector would not impact too greatly on the value of the fund.

At 30 September 2015, the fair value of equities exposed to price risk was as follows:

|   |                                |
|---|--------------------------------|
|   | Fair Value<br>30.09.2015<br>RM |
| Financial assets at fair value through profit or loss | 21,240,639                     |

The table below summarises the sensitivity of the Fund's unrealized income or loss to equity price movements as 30 September 2015. The analysis is based on the assumptions that the MSCI SEA IMI Islamic High Dividend Yield 10/40 Index ("the Index") increased by 10% and decreased by 10%, with all other variables held constant, and that the fair value of the Fund's portfolio of equity securities moved according to their historical correlation with the Index.

| <u>30 September 2015</u>    |                 |                    | Change in<br>unrealised gain |
|-----------------------------|-----------------|--------------------|------------------------------|
| % Change in benchmark index | Benchmark Index | Market Value<br>RM | RM                           |
| -10%                        | 2,074.05        | 19,714,594         | (1,526,045)                  |
| 0%                          | 2,304.50        | 21,240,639         | -                            |
| 10%                         | 2,534.95        | 22,766,684         | 1,526,045                    |

The Index is used as a benchmark as the Fund is designed to provide investment results that closely correspond to the performance of the Index.

# MyETF MSCI SEA ISLAMIC DIVIDEND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (CONTINUED)

### 2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Profit rate risk

Cash flow profit rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market profit rates.

Fair value profit rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market profit rates.

The Fund's exposure to fair value profit rate risk arises from investment in money market instruments. The profit rate risk is expected to be minimal as the Fund's investments comprise mainly short term deposits with approved licensed financial institutions. The Fund is not exposed to cash flow profit rate risk as the Fund does not hold any financial instruments at variable profit rate.

#### Credit/Default risk

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The credit risk arising from placements of deposits in licensed financial institutions is managed by ensuring that the Fund will only place deposits in reputable licensed financial institutions. For amount due from stockbrokers, the settlement terms are governed by the relevant rules and regulations as prescribed by Bursa Securities. The settlement terms of the proceeds from the creation of units receivable from the Manager are governed by the SC's Guidelines on Exchange Traded Funds.

The credit/default risk is minimal as all transactions in quoted investments are settled/ paid upon delivery using approved brokers.

The maximum exposure to credit risk before any credit enhancements at 30 September 2015 is the carrying amount of the financial assets as set out below.

|                              | <u>Cash and<br/>cash equivalents</u><br>RM | <u>Other<br/>receivables</u><br>RM | <u>Total</u><br>RM |
|------------------------------|--|------------------------------------|--------------------|
| <u>30 September 2015</u>     |  |                                    |                    |
| Financial institutions - AA1 | 77,882                                     | -                                  | 77,882             |
| Financial institutions - A1  | 226,070                                    | -                                  | 226,070            |
| Others                       | -  | 25,200                             | 25,200             |
|                              | <u>303,952</u>                             | <u>25,200</u>                      | <u>329,152</u>     |

## MyETF MSCI SEA ISLAMIC DIVIDEND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (CONTINUED)

#### 3 CAPITAL AND LIQUIDITY RISK MANAGEMENT

The capital of the Fund is represented by the net assets attributable to unit holders. The amount of net asset attributable to unit holders can change significantly on a daily basis as the Fund is subject to daily creations and cancellations of units at the discretion of unit holders. The Manager will provide Perfect Basket which comprises a portfolio of the Benchmark Index shares in substantially the same composition and weighting as the Benchmark Index and cash component to be delivered by the investors in the case of creations and to be transferred to the unit holders in the case of cancellations. The Fund maintains sufficient quantity of shares and cash in proportion to the Perfect Basket.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts in the table below are the contractual undiscounted cash flows.

| <u>30 September 2015</u>    | <u>Within<br/>one month</u><br>RM | <u>Between<br/>one month<br/>to one year</u><br>RM | <u>Total</u><br>RM |
|-----------------------------|-----------------------------------|--|--------------------|
| Amount due to Manager       | 12,625                            | -  | 12,625             |
| Amount due to Trustee       | 1,085                             | -  | 1,085              |
| Auditors' remuneration      | -                                 | 9,837  | 9,837              |
| Tax agent's fee             | -                                 | 2,192  | 2,192              |
| Other payables and accruals | -                                 | 50,307   | 50,307             |
|                             | <u>13,710</u>                     | <u>62,336</u>                                      | <u>76,046</u>      |

#### 4 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

|   | <u>30 September 2015</u><br>RM                         |   |
|---|--|---|
| Designated at fair value through profit or loss at inception      |  |   |
| - Shares quoted in Malaysia                                       |  | <u>21,240,639</u>                                     |
|   |  |   |
|   | <u>Quarter Ended</u><br><u>30 September 2015</u><br>RM | <u>Year to Date</u><br><u>30 September 2015</u><br>RM |
| Net loss on financial assets at fair value through profit or loss |  |   |
| - Realised gain/(loss)  | 127,398  | (27,209)  |
| - Unrealised loss   | (822,208)  | (882,721)   |
|   | <u>(694,810)</u>                                       | <u>(909,930)</u>                                      |

## MyETF MSCI SEA ISLAMIC DIVIDEND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (CONTINUED)

#### 5 DIVIDENDS RECEIVABLE

Dividends Receivable represents dividends declared on the Fund's component stocks at the Ex-Date and not yet received at the end of the financial period.

Dividends declared are recognized on the Ex-Date and are reversed out from the receivables upon receipt by the Fund.

#### 6 CASH AND CASH EQUIVALENTS

|  | <u>30 September 2015</u><br>RM |
|--|--------------------------------|
| Shariah-compliant deposits with a licensed bank  | 226,070                        |
| Cash at Bank – From Shariah-compliant Income     | 75,120                         |
| Cash at Bank – From Non Shariah-compliant Income | 2,762                          |
|  | <hr/>                          |
|  | 303,952                        |
|  | <hr/> <hr/>                    |

The effective average profit rate of short term deposits per annum as at the date of the statement of financial position is as follows:

|   | <u>30 September 2015</u><br>%pa |
|---|---------------------------------|
| Shariah-compliant deposits with a licensed bank | 3.25                            |
|   | <hr/> <hr/>                     |

As at the end of the financial period ended 30 September 2015, the Shariah-compliant deposit with a licensed bank of the Fund has a weighted average maturity period of 2 days and is denominated in Ringgit Malaysia.

#### 7 PAYABLES

|   | <u>30 September 2015</u><br>RM |
|---|--------------------------------|
| Amount due to Index Licensor                    | 5,781                          |
| Amount due to Shariah Adviser                   | 5,247                          |
| Amount due to beneficial organisations (Note 8) | 2,762                          |
| Other payables                                  | 36,517                         |
|   | <hr/>                          |
|   | 50,307                         |
|   | <hr/> <hr/>                    |

## MyETF MSCI SEA ISLAMIC DIVIDEND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (CONTINUED)

#### 8 AMOUNT DUE TO BENEFICIAL ORGANISATIONS (CONTINUED)

Amount due to beneficial organisations is the Non Shariah-compliant Income portion of dividends received and receivable as at 30 September 2015. It comprises the following amounts:

|   | <u>30 September 2015</u><br>RM |
|---|--------------------------------|
| Cash at Bank – Non Shariah-compliant Income         | 2,762                          |
| Dividends Receivable – Non Shariah-compliant Income | -                              |
|   | <u>2,762</u>                   |

Cash at bank – Non Shariah-compliant Income represents the portion of dividends already received during the financial period which relates to income that does not comply with Shariah principles.

Dividends Receivable – Non Shariah-compliant Income represents the portion of the dividends receivable which relates to income that does not comply with Shariah principles. The level of Non Shariah-compliant Income is based on the impure ratio for each component stock as determined by MSCI Inc.

#### 9 NUMBER OF UNITS IN CIRCULATION AND NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS

Net Asset Value (NAV) attributable to unit holders is represented by:

|                            | Note | <u>30 September 2015</u><br>RM |
|----------------------------|------|--------------------------------|
| Unit holders' contribution | (a)  | 21,985,200                     |
| Accumulated loss           |      | (491,455)                      |
|                            |      | <u>21,493,745</u>              |

##### (a) UNIT HOLDERS' CONTRIBUTION/UNITS IN CIRCULATION

|                            | <u>30 September 2015</u> |                   |
|----------------------------|--------------------------|-------------------|
|                            | No. of Units             | RM                |
| At beginning of period     | -                        | -                 |
| Creation during the period | 22,000,000               | 21,985,200        |
| At the end of period       | <u>22,000,000</u>        | <u>21,985,200</u> |
| Approved size of Fund      | <u>500,000,000</u>       |                   |

In accordance with the Deed, the Manager may increase the size of the Fund from time to time with the approval of the Trustee and the SC. The maximum number of units that can be issued out for circulation by the Fund is 500,000,000. As at 30 September 2015, the number of units not yet issued by the Fund is 478,000,000.

The Manager, *i*-VCAP Management Sdn. Bhd., held 44,800 units in the Fund as at 30 September 2015.



## MyETF MSCI SEA ISLAMIC DIVIDEND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (CONTINUED)

#### 10 TRANSACTIONS WITH BROKERS

Details of transactions with the brokers for the financial period ended 30 September 2015 are as follows:

| Name of brokers                | Value<br>of trade | Percentage<br>of total<br>trades | Brokerage<br>fees | Percentage<br>of total<br>brokerage |
|--------------------------------|-------------------|----------------------------------|-------------------|-------------------------------------|
|                                | RM                | %                                | RM                | %                                   |
| Maybank Investment Bank Berhad | 14,373,024        | 69.34                            | 17,930            | 55.43                               |
| CIMB Investment Bank Berhad    | 5,462,460         | 26.35                            | 12,547            | 38.79                               |
| RHB Investment Bank Berhad     | 893,912           | 4.31                             | 1,872             | 5.78                                |
|                                | <u>20,729,396</u> | <u>100.00</u>                    | <u>32,349</u>     | <u>100.00</u>                       |

#### 11 UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER

The related parties of and their relationship with the Fund are as follows:

| <u>Related parties</u>   | <u>Relationship</u>            |
|--|--------------------------------|
| i-VCAP Management Sdn. Bhd. (“i-VCAP”)                             | The Manager                    |
| Valuecap Sdn Bhd (“Valuecap”)                                      | Holding company of the Manager |
| Shareholders of Valuecap<br>with significant influence on Valuecap | Shareholders of Valuecap       |

##### (a) Units held by the Manager and parties related to the Manager

|                                       | <u>30 September 2015</u> |                   |
|---------------------------------------|--------------------------|-------------------|
|                                       | No. of units             | RM                |
| The Manager at NAV                    | 44,800                   | 43,770            |
| Holding company of the Manager at NAV | 10,515,300               | 10,273,448        |
| Shareholders of Valuecap at NAV       | 2,000,000                | 1,954,000         |
|                                       | <u>12,560,100</u>        | <u>12,271,218</u> |

# MyETF MSCI SEA ISLAMIC DIVIDEND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (CONTINUED)

### 11 UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER (CONTINUED)

#### (a) Transactions with Government-related entities

Shareholders of Valuecap are entity controlled by the Government of Malaysia ("GOM"). Management considers that, for the purpose of MFRS 124 "Related Party Disclosures", GOM is in the position to exercise control over the Fund. As a result, the GOM and GOM-related entities (collectively referred to as "government-related entities") are related parties of the Fund.

The Fund has collectively, but not individually, entered into significant transactions with other government-related entities which include but not limited to the investment transactions and investment income of the Fund.

### 12 MANAGEMENT FEE

The Manager is entitled to a management fee at a rate not exceeding 3.0% per annum on the Net Asset Value ("NAV") of the Fund calculated on daily basis, as provided under Clause 15.1(b) of the Deed.

For the financial period ended 30 September 2015, the management fee was recognised at a rate of 0.65% per annum on the NAV of the Fund, calculated on daily basis.

There will be no further liability to the Manager in respect of management fee other than the amounts recognised above.

### 13 TRUSTEE'S FEE

The Trustee is entitled to an annual fee, inclusive of custodian fee, at a rate not exceeding 0.2% per annum on the Net Asset Value ("NAV") of the Fund, as provided under Clause 15.2(b) of the Deed.

For the financial period ended 30 September 2015, the Trustee's fee was recognised at a rate of 0.045% per annum on the NAV of the Fund, inclusive of local custodian fee, calculated on daily basis.

There will be no further liability to the Trustee in respect of trustee fee other than the amounts recognised above.

### 14 LICENSE FEE

License fee is payable to MSCI Inc, the Benchmark Index provider.

For the financial period ended 30 September 2015, the License Fee was recognised at a rate of 0.06% per annum of the Net Asset Value ("NAV") of the Fund, calculated on daily basis.

There will be no further liability to MSCI Inc. in respect of license fee other than the amounts recognised above.

# MyETF MSCI SEA ISLAMIC DIVIDEND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (CONTINUED)

### 15 OTHER EXPENSES

Included in Other Expenses are professional fees, other than Management, Trustee's and License Fees, and other expenses as permitted by the Deed, paid or provided for during the year.

For the financial period ended 30 September 2015, the Other Expenses was accrued on a daily basis based on the estimated Other Expenses to be incurred for the financial year 2015, which is approximately 0.70% per annum of the NAV of the Fund.

The expenses are reversed out from the accrual on their respective payment dates.

### 16 TAXATION

|                  | <u>01.07.2015</u><br>to<br><u>30.09.2015</u><br>RM |
|------------------|--|
| Current taxation |  |
| - Current period | 27,258   |
|                  | <u><u>27,258</u></u>                               |

The numerical reconciliation between net income before taxation multiplied by the Malaysian statutory tax rate and tax expense of the Fund is as follows:

|   | <u>01.07.2015</u><br>to<br><u>30.09.2015</u><br>RM |
|---|--|
| Net loss before taxation  | (464,197)  |
| Tax at Malaysian statutory rate of 25%                              | (116,049)  |
| Tax effect of:  |  |
| Investment income not subject to tax                                | 118,980  |
| Effect of lower foreign tax rate                                    | (15,920)   |
| Restriction on tax deductible expenses for<br>exchange-traded funds | 23,809   |
| Expenses not deductible for tax purposes                            | 16,438   |
|   | <u><u>27,258</u></u>                               |

## MyETF MSCI SEA ISLAMIC DIVIDEND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (CONTINUED)

#### 17 INCOME DISTRIBUTION

There is no income distribution declared for the financial period ended 30 September 2015.

#### 18 MANAGEMENT EXPENSE RATIO ("MER")

|     |                          |
|-----|--------------------------|
|     | <u>30 September 2015</u> |
|     | %                        |
| MER | 0.65                     |

MER is derived from the following calculation:

$$\text{MER} = \frac{(A + B + C + D + E + F + G)}{H} \times 100$$

|   |   |   |
|---|---|---|
| A | = | Management fee  |
| B | = | Trustee's fee   |
| C | = | Licensing fee   |
| D | = | Auditors' remuneration                                    |
| E | = | Tax agent's fee   |
| F | = | Shariah adviser's fee                                     |
| G | = | Other expenses  |
| H | = | Average net asset value of Fund calculated on daily basis |

The average net asset value of the Fund for the financial period calculated on daily basis is RM21,655,082.

#### 19 PORTFOLIO TURNOVER RATIO ("PTR")

|             |                          |
|-------------|--------------------------|
|             | <u>30 September 2015</u> |
| PTR (times) | 0.92                     |

PTR is derived from the following calculation:

$$\frac{\text{Total acquisition for the financial period} + \text{total disposal for the financial period}}{\text{Average net asset value of the Fund for the financial period calculated on daily basis}} \div 2$$

where: total acquisition for the financial period = RM31,039,212  
total disposal for the financial period = RM8,856,358

The average net asset value of the Fund for the financial period calculated on daily basis is RM21,655,082.

## MyETF MSCI SEA ISLAMIC DIVIDEND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (CONTINUED)

#### 20 SEGMENT REPORTING

The Fund is designed to provide investment results that closely correspond to the performance of the Benchmark Index. The manager attempts to achieve a tracking error of less than 3% between the Net Asset Value of the fund and the Benchmark Index.

The internal reporting provided to the CEO for the fund's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of MFRS. The CEO is responsible for the performance of the fund and considers the business to have a single operating segment. There were no changes in the reportable segments during the period.

#### 21 NON CASH TRANSACTIONS

Creations and cancellations are done either by cash or transferring the Perfect Basket from and to the Unit holders respectively. A reconciliation of the cash flows used in creation and cancellation and the total creation and cancellation as presented in the statement of changes in equity is presented below:

|  | <u>30 September 2015</u> |
|--|--------------------------|
|  | RM                       |
| Creation                               |                          |
| - Fair value of Benchmark Index shares | 19,166,174               |
| - Cash component                       | 2,819,026                |
|  | <hr/>                    |
|  | 21,985,200               |
|  | <hr/> <hr/>              |
| Cancellation                           |                          |
| - Fair value of Benchmark Index shares | -                        |
| - Cash component                       | -                        |
|  | <hr/>                    |
|  | -                        |
|  | <hr/> <hr/>              |

#### 22 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount at which a financial asset could be exchanged or a financial liability could be settled between knowledgeable and willing parties in an arm's length transactions.

The Fund classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data, (that is, unobservable inputs) (level 3).

## MyETF MSCI SEA ISLAMIC DIVIDEND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (CONTINUED)

#### 22 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

The level in fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The Fund's financial asset designated as fair value through profit or loss is an investment whose values are based on quoted market prices in active markets, and therefore classified within level 1.

The following table analyses within the fair value hierarchy the financial asset measured at fair value at 30 September 2015.

#### Financial assets at fair value through profit and loss

|                           | Level 1<br>RM |
|---------------------------|---------------|
| Quoted shares in Malaysia | 21,240,639    |

#### 23 SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

The following analysis of realised and unrealised retained profits at the legal entity level is prepared in accordance with Bursa Malaysia Securities Berhad's Listing Requirements and the Guidance on Special Matter No. 1, "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements", as issued by the Malaysian Institute of Accountants whilst the disclosure is based on the prescribed format by Bursa Malaysia Securities Berhad.

|                                    | <u>30 September 2015</u><br>RM |
|------------------------------------|--------------------------------|
| Total accumulated loss of the Fund |                                |
| - Realised                         | 391,266                        |
| - Unrealised                       | (882,721)                      |
|                                    | <u>(491,455)</u>               |

The analysis between realised and unrealised above is prepared on a different basis as compared to the analysis of realised and unrealised as disclosed in the statement of comprehensive income.