

## Manager's Report

### For the Financial Period 1 July to 30 September 2015

<b>Name of Fund</b>	: MyETF MSCI SEA Islamic Dividend  ("MyETF-MSEAD" or "the Fund")
<b>Type of Fund</b>	: Exchange Traded Fund
<b>Fund Category</b>	: Shariah-Compliant Equity
<b>Commencement Date</b>	: 29 April 2015
<b>Listing Date</b>	: 7 May 2015
<b>Benchmark Index</b>	: MSCI South East Asia IMI Islamic High Dividend Yield 10/40 Index  ("MIISOD40 Index" or "Benchmark Index")
<b>Manager</b>	: i-VCAP Management Sdn. Bhd. ("i-VCAP")

#### 1. Investment Objective

MyETF-MSEAD aims to provide investment results that closely correspond to the performance of the Benchmark Index regardless of its performance.

#### 2. Benchmark Index

The Benchmark Index, namely the MSCI South East Asia IMI Islamic High Dividend Yield 10/40 Index is a free-float adjusted, market capitalisation weighted, price return index calculated, maintained and published by MSCI.

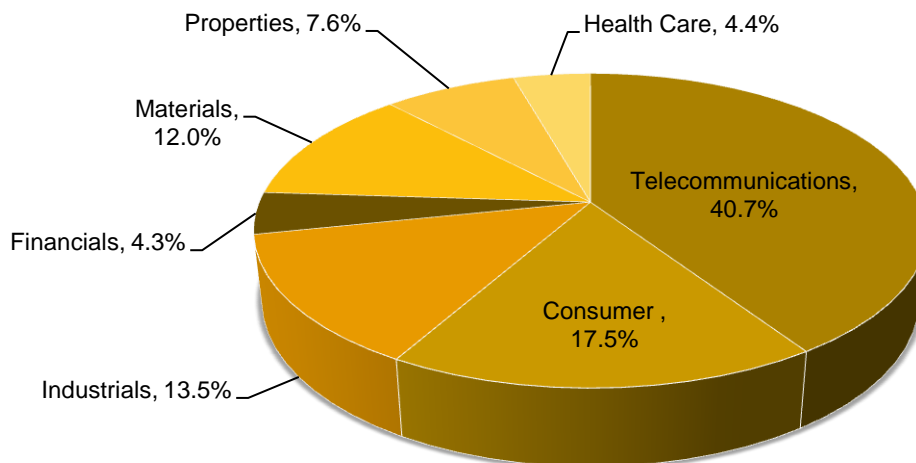
The Benchmark Index is designed as a performance benchmark for the high dividend-yielding segment of its Parent Index, the MSCI South East Asia IMI Islamic Index. The Parent Index is a free-float adjusted market capitalisation weighted index that is designed to measure the equity market performance of selected South East Asia countries.

The Benchmark Index shall comprise up to 30 Shariah-compliant companies listed on the stock exchanges in South East Asia countries with dividend yields that are at least 30% higher than the Parent Index yield that are deemed both sustainable and persistent by MSCI.

The weight of any single group entity in the Benchmark Index is capped at 10% of the Benchmark Index weight and the sum of the weights of all group entities representing more than 5% is capped at 40% of the Benchmark Index weight. The Benchmark Index is calculated and published in Ringgit Malaysia.

The Parent Index and Benchmark Index consist only of Shariah-compliant securities which are approved by the MSCI Shariah Supervisory Committee based on the MSCI Islamic Index Series Methodology. The MSCI Shariah Supervisory Committee 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 (as at 28 August 2015), the sector allocation of MIISOD40 Index based on MSCI sector classifications are as follows:

**Chart 1: Sector Classification – MSCI**

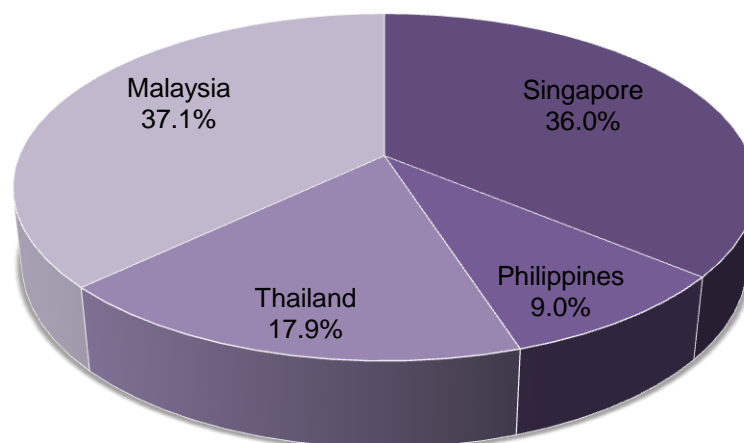


Source: MSCI, i-VCap

---

**Chart 2: Country Exposure**

---



Source: MSCI, i-VCap

---

### 3. Investment Strategy

During the period under review, the Manager tracked the performance of the Benchmark Index by investing all, or substantially all, of the Fund's assets in the constituents of the Benchmark Index in substantially the same weightings as they appear in the Benchmark Index.

The Manager will generally adopt a replication strategy to manage the Fund. The Manager may use techniques including indexing via full or partial replication in seeking to achieve the investment objective of the Fund, subject to conformity with Shariah.

### 4. Fund Performance

For the quarter under review, the Fund's NAV has closely corresponded to the performance of the underlying benchmark, i.e. MIISOD4P Index. The tracking error of the Fund and the Benchmark Index on Price Return and Total Return basis were 1.33% and 0.91% respectively. In terms of NAV movement, the Fund's NAV per unit which reached its highest level of RM1.0102 on 21 July, ended the quarter at RM0.9770 or a decrease of 2.03% for the quarter.

In line with the weak regional equity markets, MyETF-MSEAD's NAV and price per unit traded on Bursa Securities dropped sharply in August to reach its lowest level since inception of RM0.9415 and RM0.9500 respectively at end-August. Meanwhile, the Fund's unit price traded on Bursa

Securities closed at RM0.9750 at the end of September, representing a decrease of 0.51% for the quarter. The key statistics and comparative performance of the Fund for the third quarter of 2015 as compared to the previous quarter are summarized as follows:

**Table 1: Key Statistics**

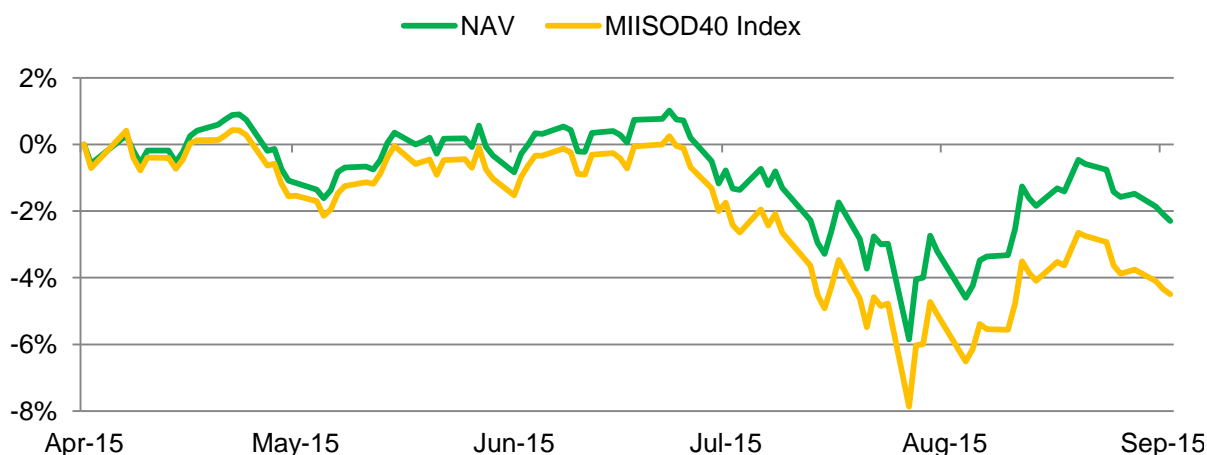
	As at 30-Sep-15	As at 30-Jun-15	Changes
NAV per unit (RM) #	0.9770	0.9972	-2.03%
- Highest	1.0102 (21 Jul)	1.0090 (21 May)	
- Lowest	0.9415 (24 Aug)	0.9839 (2 Jun)	
<i>(During the period)</i>			
Price per unit (RM) #	0.9750	0.9800	-0.51%
- Highest	0.9950 (20 Jul)	0.9950 (20 May)	
- Lowest	0.9500 (25 Aug)	0.9650 (8 May)	
<i>(During the period)</i>			
Units in Circulation	22,000,000	22,000,000	0.00%
Total NAV (RM)	21,493,745	21,937,507	-2.02%
Market Capitalisation (RM)	21,450,000	21,560,000	-0.51%
MIISOD40 Index	2,304.50	2,389.48	-3.56%
MIISOD40 Total Return Index	3,618.51	3,686.90	-1.85%
Tracking Error vs. Price Return MIISOD40 Index (%) <sup>*</sup>	1.33	1.47	
Tracking Error vs. Total Return MIISOD40 Index (%) <sup>*</sup>	0.91	1.15	
Management Expense Ratio (%)	0.42	0.25	

Sources: Bloomberg, i-VCAP

<sup>\*</sup> The tracking error (calculated since inception and on daily basis) between the NAV per unit of the Fund and the Price Return and Total Return Benchmark Index

<sup>^</sup> The Fund was initially created at RM1.00 per unit based on the close of 29 April 2015. The Fund had its listing debut on 7 May 2015.

**Chart 3: 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): Cumulative Returns\***

	Cumulative Returns <sup>(b)</sup>		
	1 Month (%)	3 Month (%)	Since Inception (%)
MyETF- MSEAD - NAV Price Return <sup>(a)</sup>	0.94%	(2.03%)	(2.30%)
MIISOD40 - Price Return Index	0.64%	(3.56%)	(4.50%)
MyETF- MSEAD - NAV Total Return <sup>(a)</sup>	0.94%	(2.03%)	(2.30%)
MIISOD40 - Total Return Index	1.13%	(1.85%)	(1.76%)

Sources: Bloomberg, i-VCAP

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

(b) Cumulative returns are up to 30 September 2015

\*Listing date was on 7 May 2015

**Table 2(b): Average Returns (Annualised)\***

	Average Returns <sup>(b)</sup>		
	1 Month (%)	3 Month (%)	Since Inception (%)
MyETF- MSEAD - NAV Price Return <sup>(a)</sup>	11.88%	(7.86%)	(5.37%)
MIISOD40 - Price Return Index	7.93%	(13.48%)	(10.33%)
MyETF- MSEAD - NAV Total Return <sup>(a)</sup>	11.88%	(7.86%)	(5.37%)
MIISOD40 - Total Return Index	14.42%	(7.22%)	(4.12%)

Sources: Bloomberg, i-VCAP

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

(b) Average returns for MIISOD40 Price Return Index and MIISOD40 Total Return Index are annualized figures computed based on the price and total returns for the respective period.

\* Listing date was on 7 May 2015

During the period under review, the Benchmark Index performed its quarter review and rebalanced the composition of the Benchmark Index in accordance with its index methodology. The review in August resulted in changes to the weightings of the component stocks whilst no change on the stock constituents in the Benchmark Index. The Manager had undertaken the rebalancing exercise to align the Fund with the changes in the Benchmark Index.

In terms of sectoral weightings, notable changes to the Fund's sector composition (MSCI) arising from the Benchmark Index's quarterly review were the increase in Materials sector from 11.7% to 12.4% and Properties sector from 7.2% to 7.8%. On the other hand, the Telecommunications sector decreased from 40.9% to 39.2% at the end of the third quarter. The rebalancing exercise also saw minor changes in the country exposure. Details of the key changes for the quarter are as follows:

**Table 3: Top Ten Holdings of the Fund as at 30 September 2015**

Stock	Country	% of NAV
1. Advanced Info Service PCL-NVDR	Thailand	9.26
2. Keppel Corporation Ltd	Singapore	8.84
3. Singapore Telecommunications Limited	Singapore	8.50
4. Philippine Long Distance Telephone Company	Philippine	7.04
5. Digi.Com Berhad	Malaysia	5.00
6. Thai Vegetable Oil PCL-NVDR	Thailand	4.79
7. Telekom Malaysia Berhad	Malaysia	4.76
8. Yangzijiang Shipbulding Ltd	Singapore	4.68
9. M1 Ltd	Singapore	4.62
10. UOA Development Berhad	Malaysia	4.62
<b>Total</b>		<b>62.11</b>

Sources: Bloomberg, i-VCAP

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

	As at 30-Sep-15	As at 30-Jun-15	Change (%)
Telecommunication Services	39.18%	40.85%	(1.67)
Consumer	17.38%	17.03%	0.35
Industrials	13.52%	13.15%	0.37
Materials	12.40%	11.68%	0.72
Properties	7.76%	7.24%	0.52
Health Care	4.36%	4.85%	(0.49)
Financials	4.24%	4.44%	(0.20)
Cash & Others	1.16%	0.76%	0.40

Sources: MSCI, i-VCAP

\* Based on MSCI classification

**Table 5: Country Exposure**

Country	As at 30-Sep-15	As at 30-Jun-15	Change (%)
Malaysia	38.51%	34.43%	4.08
Singapore	35.80%	37.04%	(1.24)
Thailand	18.56%	19.25%	(0.69)
Philippines	7.13%	9.28%	(2.15)

Sources: MSCI, i-VCAP

Details of the Fund's quoted Investments as at 30 September 2015 are as follows:

**Table 6: MyETF-MSEAD's Investment in Listed Equities**

	Country	Quantity (Units)	Market Value (RM)	Market Value as a percentage of Net Asset Value (%)
<b><u>Telecommunication Services</u></b>				
1. Advanced Info Service PCL-NVDR	Thailand	72,780	1,989,913	9.26
2. Singapore Telecommunications Limited	Singapore	164,482	1,827,625	8.50
3. Philippine Long Distance Telephone Company	Philippines	7,350	1,513,184	7.04
4. Digi.Com Berhad	Malaysia	193,700	1,075,035	5.00
5. Telekom Malaysia Berhad	Malaysia	153,100	1,022,708	4.76
6. M1 Ltd	Singapore	114,100	993,118	4.62
			<b>8,421,583</b>	<b>39.18</b>
<b><u>Consumer</u></b>				
7. Thai Vegetable Oil PCL-NVDR	Thailand	298,700	1,029,897	4.79
9. Boustead Plantations Berhad	Malaysia	691,200	946,944	4.41
8. Singapore Press Holdings Limited	Singapore	79,300	939,876	4.37
10. UMW Holdings Berhad	Malaysia	108,800	818,176	3.81
			<b>3,734,893</b>	<b>17.38</b>
<b><u>Industrials</u></b>				
11. Keppel Corporation Ltd	Singapore	90,800	1,900,123	8.84
12. Yangzijiang Shipbuilding Ltd	Singapore	287,200	1,006,113	4.68
			<b>2,906,236</b>	<b>13.52</b>
<b><u>Materials</u></b>				
13. Lafarge Malaysia Berhad	Malaysia	108,800	979,200	4.56
14. PTT Global Chemical PCL-NVDR	Thailand	141,950	923,055	4.30
15. Ta Ann Holdings Berhad	Malaysia	205,500	760,350	3.54
			<b>2,662,605</b>	<b>12.40</b>
<b><u>Properties</u></b>				
16. UOA Development Berhad	Malaysia	516,900	992,448	4.62
17. Matrix Concepts Holdings Berhad	Malaysia	294,633	674,710	3.14
			<b>1,667,158</b>	<b>7.76</b>
<b><u>Health Care</u></b>				
18. Religare Health Trust	Singapore	319,800	937,710	4.36
			<b>937,710</b>	<b>4.36</b>
<b><u>Financial</u></b>				
19. Syarikat Takaful Malaysia Berhad	Malaysia	241,500	910,455	4.24
			<b>910,455</b>	<b>4.24</b>
			<b>21,240,640</b>	<b>98.84</b>

Sources: MSCI, i-VCAP



## **5. Distribution Policy**

The Fund may distribute to the Unit Holders all or a substantial portion of the Fund's Distributable Income, pro-rated based on the number of Units held by each Unit Holder as at the entitlement date of the income distribution.

Income distributions (if any) are expected to be made annually. The amount to be distributed will be at the discretion of the Manager. However, if the distribution available is too small or insignificant, any distribution may not be of benefit to the Unit Holders as the total cost to be incurred in any such distribution may be higher than the amount for distribution. During the quarter, there was no income distribution being paid.

## **6. Other Information**

There was no material litigation involving the Fund and no significant changes in the state of affairs of the Fund during the period under review. There is also no other material information that will adversely affect the Fund's valuation and the interest of unit holders. With the implementation of Goods and Service Tax (GST), effective from 1 April 2015, fees and expenses incurred by the Fund are subjected to GST.

## **7. Soft Dollar Commissions**

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

## **8. Market Review and Outlook**

The global economic growth remained uneven and slow in 3Q2015 given the persistent headwinds. The IMF in August echoed the World Bank's downward revision in global growth forecast for 2015, revising its projections lower at +3.3% compared with +3.5% in April. The lower commodity prices and economic rebalancing in China continued to weaken the currencies and economies in the emerging markets, while the US saw an unexpected output contraction which dragged growth in the 1H2015.

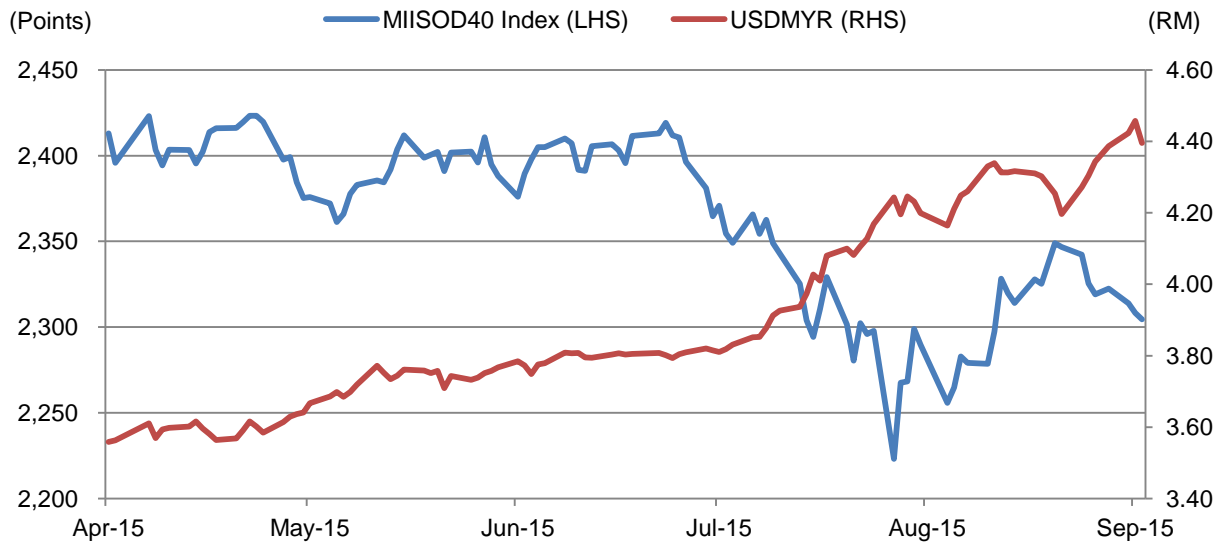
Meanwhile, the Eurozone economy moderated marginally in 2Q2015 but will likely continue to expand modestly throughout the year, aided by the ECB's quantitative easing. In addition, business activities maintained a near four-year high in July, signaling the manufacturing and services activities expansion. This suggests further resilience in the Eurozone economic activities in the wake of the Greek crisis which has been headlining market sentiment.

China remained on track to grow at its slowest annual rate in six years, with two consecutive quarters of lower growth in 1H2015 which dampened demand for commodities and weighed on global trade. To revive its economy, the government has stepped in to introduce a series of monetary and fiscal policy easing. These include multiple interest rate cuts by the People's Bank of China, as well as the Chinese Government's debt swap plan to help state governments refinance its debts by converting short-term high interest bank loans into low interest long-term municipal bonds. Separately, China's stock market plunged by 30% between July and August, recording its lowest point since December 2014. To stabilize the stock market slide, the government announced a ban on short selling of stocks to curb volatility and stem further losses during the period.

Nonetheless, most ASEAN economies continued to show growth resiliency in the midst of lingering global uncertainties, albeit at a slower pace. Philippines registered fastest growth in the region, expanding 5.6% yoy in 2Q2015, from a revised 5.0% in the previous quarter on the back of higher expenditure in the private and state spending which offset the narrowing trade surplus. Meanwhile, Malaysia's GDP growth moderated to 4.9% yoy in 2Q2015 from 5.6% in 1Q2015, weighted down by domestic demand as well as external factors. Elsewhere, Indonesia GDP growth held stable at 4.7% yoy in 2Q2015 on the back of stable private consumption spending and higher trade surplus. By contrast, Singapore's economic growth slowed in 2Q2015, recording 4.0% qoq compared to a modestly stronger 4.1% in 1Q2015. This was as a result of the weakness in external demand, but was counterbalanced by resilient domestic demand due to the strong growth in the services sector. Over in Thailand, GDP growth was markedly slower at 2.8% yoy in 2Q2015 from 3.0% in the previous quarter, mainly due to weak private consumption and exports, but the impact was cushioned by the increase in public spending and rising tourist arrivals during the period.

The MIISOD40 Index trended upwards at the start of the period under review to touch its quarterly high of 2,421.66 points on 21 July. It however suffered a sharp pullback, dropping by 8.3% to reach 2,220.23 points on 24 August, its lowest level since the Fund's inception. The Benchmark Index managed to gain some lost ground towards the end of the quarter and closed at 2,304.53 points. This translates to a decline of 3.56% quarter-on-quarter and -4.61% since the Fund's initial creation on 29 April.

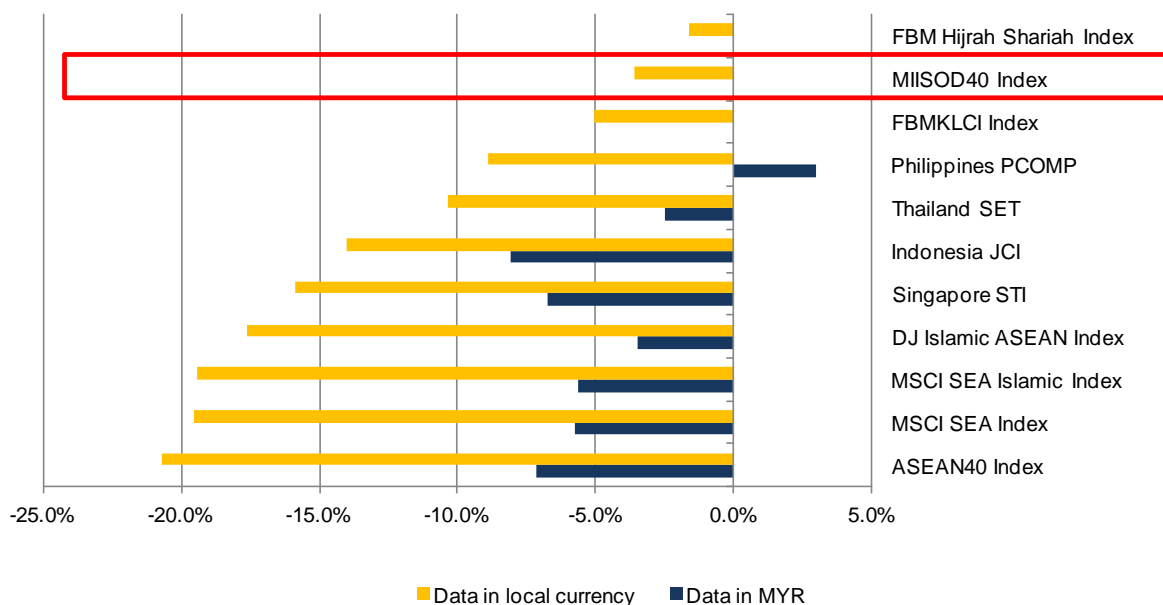
**Chart 4: MIISOD40 Index Performance in 3Q2015**



Sources: Bloomberg, i-VCAP

On regional comparison, MIISOD40 Index was among the resilient index during 3Q2015 by outperforming most of major ASEAN indices and major big-cap indices. Given the index country diversification, its performance was sheltered from the volatility of the various countries whilst the weakening of Ringgit against other regional currencies worked in favour of the Fund. For the period under review, the Benchmark Index only trailed the FBM Hijrah Shariah Index whilst outperforming the widely tracked market cap regional indices.

**Chart 5: Comparative Performance of MIISOD40 Index vs Regional Indices during 3Q2015**



Sources: Bloomberg, i-VCAP

Moving forward, the challenging and subdued external growth outlook mainly from the slump in the commodity prices and weaker currencies suggests that ASEAN countries are expected to rely on domestic demand to spur the economic activities in the medium-term. For many of the ASEAN economies, commodity-related activities have been the primary generators to support employment growth, government revenue, and major source of foreign exchange receivables to fund its imports. The slack in commodity exports has resulted in the narrowing of the current account surplus or worse still, enlarging the current account deficit as seen in Indonesia. The slow recovery in the global economy suggests that exports may face challenges as it has been one of the key drivers of ASEAN economic growth over the near-term. Meanwhile, ASEAN inflation is expected to pick-up while remaining manageable, balancing between improvements in economic activities and persistent weakness in commodity prices. As a result, most countries in the region are expected to keep monetary policy rates relatively stable. Separately, the sustained currency weakness against the USD is expected to delay spending by businesses and consumers. Notwithstanding, on a longer-term growth perspective, investors are expected to turn into ASEAN given its growth resilience on the back of favourable demographics, expanding trade linkages and relatively cheap labour force.

Investors may look at the region on the longer term potential growth. With multi-faceted economies, culturally diverse and highly populated, South East Asia in particular, continues to be a bright spot in an otherwise dim global economy. Besides being fundamentally stable, the dividend yielding feature of the stocks may generate interest and provide downside support for the Fund during uncertain market environment.