

## Manager's Report

### For the Financial Period 1 April to 30 June 2016

<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.

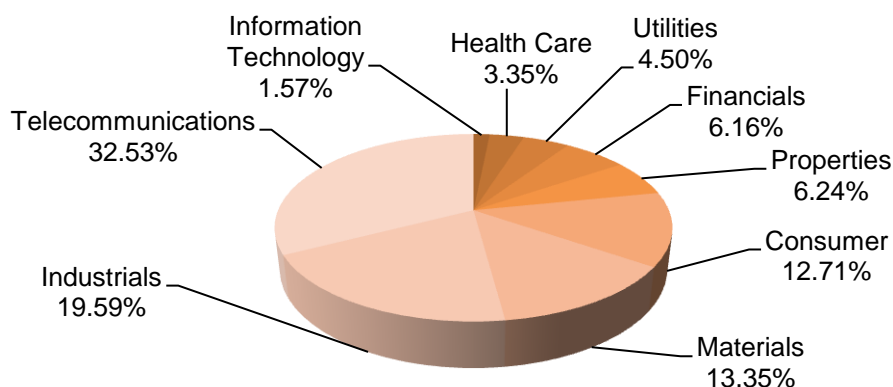
The Benchmark Index is designed as a performance benchmark for the high dividend-yielding segment of its Parent Index, the MSCI South East Asia IMI Islamic Index. The Parent Index is a free-float adjusted market capitalisation weighted index that is designed to measure the equity market performance of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

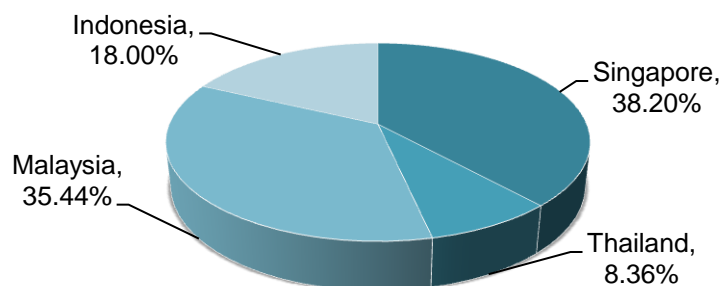
The Parent Index and Benchmark Index consist only of Shariah-compliant securities which are approved by the MSCI Shariah Supervisory Committee based on the MSCI Islamic Index Series Methodology. The MSCI Shariah Supervisory Committee will review and audit the Benchmark Index, the Parent Index as well as the MSCI Islamic Index Series Methodology on a regular basis to ensure compliance with Shariah. Based on the latest quarterly review (as at 31 May 2016), the sector allocation of MIISOD40 Index based on MSCI sector classifications are as follows:

**Chart 1: Sector Classification – MSCI**



Sources: MSCI, i-VCAP

**Chart 2: Country Exposure**



Sources: 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 used techniques including indexing by way of full or partial replication and/or investing in certain authorised investments, in seeking to achieve the investment objective of the Fund, subject to conformity to the Shariah.

### 4. Fund Performance

For the quarter under review, the Fund's NAV has met its investment objective of closely correspond the performance of the underlying benchmark, i.e. MIISOD40 Index. The tracking error of the Fund and the Benchmark Index on Price Return and Total Return basis were 2.64% and 2.46% respectively.

In terms of NAV movement, the Fund's NAV per unit increased by 1.20% to RM0.8869 from RM0.8764 at the end of the previous quarter, while the Benchmark Index and Benchmark's Total Return Index (MIISOD40 Total Return Index) increased by 0.85% and 2.52% respectively for the quarter. The Fund had a weak start before recovering in mid-April to hit its quarter high of RM0.8945 on 21 April. The Fund however, retraced to its lowest level of the quarter of RM0.8568 on 16 May before recovering in line with the positive regional equity markets and closed the second quarter at RM0.8869.

The Fund's unit price traded on Bursa Securities moved in tandem but largely at a discount to its NAV before closing the second quarter at a slight premium of RM0.8910, representing an increase of 1.25%. As at end of June, total NAV of the Fund increased to RM17.74 million from RM17.53 million as at end of March due to the positive market movement. The key statistics and comparative performance of the Fund as compared to the previous quarter are summarized as follows:

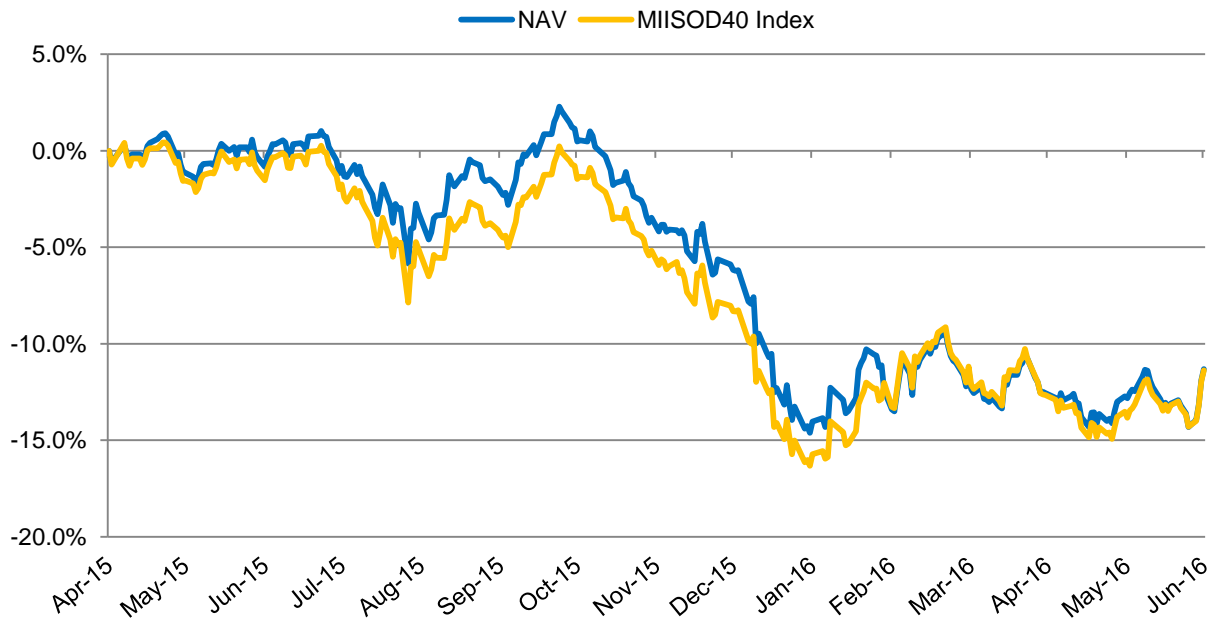
**Table 1: Key Statistics**

	As at 30-Jun-16	As at 31-Mar-16	Changes
NAV per unit (RM)	0.8869	0.8764	1.20%
- Highest	0.8945 (21 Apr)	0.9241 (6 Jan)	
- Lowest	0.8568 (16 May)	0.8539 (28 Jan)	
<i>(During the period)</i>			
Price per unit (RM)	0.8910	0.8800	1.25%
- Highest	0.8910 (30 Jun)	0.9240 (6 Jan)	
- Lowest	0.8570 (24 Jun)	0.8500 (28 Jan)	
<i>(During the period)</i>			
Units in Circulation	20,000,000	20,000,000	(0.00%)
Total NAV (RM)	17,737,741	17,527,716	1.20%
Market Capitalisation (RM)	17,820,000	17,600,000	1.25%
MIISOD40 Index	2,138.36	2,120.32	0.85%
MIISOD40 Total Return Index	3,459.73	3,374.80	2.52%
Tracking Error vs. MIISOD40 Price Return Index (%)*	2.64	2.85	
Tracking Error vs. MIISOD40 Total Return Index (%)*	2.46	2.69	
Management Expense Ratio (%)	0.26	0.27	

Sources: Bloomberg, i-VCAP

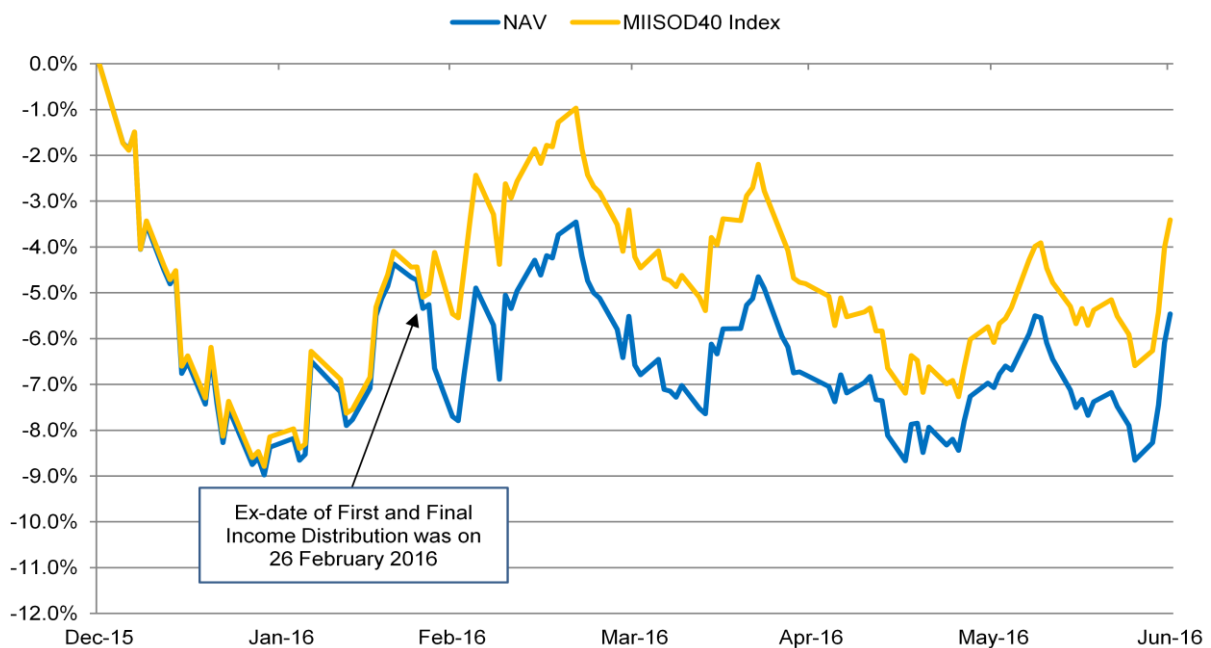
\* The tracking error (calculated since inception and on daily basis) between the NAV per unit of the Fund and the Price Return and Total Return Benchmark Index

**Chart 3(a): Fund NAV Per Unit vs. Benchmark Index – Performance Since Inception**



Sources: Bloomberg, i-VCAP

**Chart 3(b): Fund NAV Per Unit vs. Benchmark Index – Performance in 2016**



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 Returns**

	YTD 30-Jun-16 (%)	2015 (%)
MyETF- MSEAD - NAV Price Return <sup>(a)</sup>	(5.46)	(6.19)
MIISOD40 - Price Return Index	(3.40)	(8.26)
MyETF- MSEAD - NAV Total Return <sup>(a)</sup>	(3.14)	(6.19)
MIISOD40 - Total Return Index	(1.32)	(4.81)

Sources: Bloomberg, i-VCAP

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

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

	Cumulative Returns <sup>(b)</sup>			
	3 Month (%)	6 Month (%)	1 Year (%)	Since Inception (%)
MyETF- MSEAD - NAV Price Return <sup>(a)</sup>	1.20	(5.46)	(11.06)	(11.31)
MIISOD40 - Price Return Index	0.85	(3.40)	(10.51)	(11.38)
MyETF- MSEAD - NAV Total Return <sup>(a)</sup>	1.20	(3.14)	(8.88)	(9.13)
MIISOD40 - Total Return Index	2.52	(1.32)	(6.16)	(6.07)

Sources: Bloomberg, i-VCAP

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

(b) Cumulative returns are up to 30 June 2016

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

	Average Returns <sup>(b)</sup>			
	3 Month (%)	6 Month (%)	1 Year (%)	Since Inception (%)
MyETF- MSEAD - NAV Price Return <sup>(a)</sup>	4.88	(10.62)	(11.06)	(9.73)
MIISOD40 - Price Return Index	3.45	(6.69)	(10.51)	(9.79)
MyETF- MSEAD - NAV Total Return <sup>(a)</sup>	4.88	(6.17)	(8.88)	(7.84)
MIISOD40 - Total Return Index	10.45	(2.63)	(6.16)	(5.20)

Sources: Bloomberg, i-VCAP

(a) Independently sourced 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.

During the period under review, MSCI performed the semi-annual review of the Benchmark Index for 2016 and rebalanced the composition of the Benchmark Index in accordance with its index methodology. The review in May resulted in changes to the weightings of the component stocks and stock constituents in the Benchmark Index. The Manager had undertaken the rebalancing exercise to align the Fund with the changes in the Benchmark Index. During the quarter, fifteen stocks were included while six stocks were removed from the MIISOD40 Index. The summary of the changes is as follows:

**Table 3: Changes in Stock Constituents – 2Q2016**

Stock Inclusions	Country	Stock Exclusions	Country
Ara Asset Management Ltd	Singapore	Ichitan Group PCL-NVDR	Thailand
Cahaya Mata Sarawak Bhd	Malaysia	Keppel Corporation Ltd	Singapore
Carabao Group PCL-NVDR	Thailand	Padini Holdings Bhd	Malaysia
Comfortdelgro Corporation Ltd	Singapore	Sembcorp Marine Ltd	Singapore
LPN Development PCL-NVDR	Thailand	UMW Holdings Bhd	Malaysia
Maxis Bhd	Malaysia	Yangzijiang Shipbuilding	Singapore
MBM Resources Bhd	Malaysia		
MISC Bhd	Malaysia		
Petronas Gas Bhd	Malaysia		
PT Semen Indonesia Persero TBK	Indonesia		
PT Telekomunikasi Indonesia Persero TBK	Indonesia		
Siam Future Development PCL-NVDR	Thailand		
Singapore Post Ltd	Singapore		
V.S Industry Bhd	Malaysia		
Westports Holdings Bhd	Malaysia		

Sources: MSCI.

In terms of sectoral weightings, notable changes to the Fund's sector composition (MSCI) arising from the Benchmark Index's semi-annual review were the increase in Telecommunications sector from 22.31% to 34.41% and Materials sector from 8.75% to 13.20%. On the other hand, the Consumer sector decreased from 31.42% to 13.08% at the end of the second quarter. The rebalancing exercise also saw some changes in the country exposure with Singapore decreased from 46.21% to 38.20% while Indonesia increased from 4.21% to 18.00%. Details of the top ten holdings and the key changes for the quarter are as follows:

**Table 4: Top Ten Holdings of the Fund as at 30 June 2016**

Stock	% of NAV
1. PT Telekomunikasi Indonesia Persero TBK	9.57
2. Singapore Telecommunications Limited	9.35
3. Singapore Press Holdings Limited	6.39
4. Comfortdelgro Corporation Limited	6.02
5. Digi.Com Berhad	5.83
6. M1 Limited	4.96
7. Maxis Berhad	4.73
8. PT Semen Indonesia Persero TBK	4.53
9. PT Indocement Tunggal Prakarsa TBK	4.50
10. Petronas Gas Berhad	4.48
<b>Total</b>	<b>60.36</b>

Sources: Bloomberg, i-VCAP

**Table 5: Fund's Sector Allocation \***

	As at 30-Jun-16	As at 31-Mar-16	Change (%)
Telecommunications	34.41%	22.31%	12.10
Industrials	18.77%	18.99%	(0.22)
Materials	13.20%	8.75%	4.45
Consumer	13.08%	31.42%	(18.34)
Financial	6.13%	4.75%	1.38
Properties	4.96%	9.25%	(4.29)
Utilities	4.48%	-	4.48
Health Care	3.20%	4.45%	(1.25)
Information Technology	1.00%	-	1.00
Cash & Others	0.74%	0.08%	0.66

Sources: MSCI, i-VCAP

\* Based on MSCI classification

**Table 6: Country Exposure**

	As at 30-Jun-16	As at 31-Mar-16	Change (%)
Singapore	38.20%	46.21%	(8.01)
Malaysia	35.44%	36.17%	(0.73)
Indonesia	18.00%	4.21%	13.79
Thailand	8.36%	13.41%	(5.05)

Sources: MSCI, i-VCAP



Details of the Fund's quoted Investments as at 30 June 2016 are as follows:

**Table 7: MyETF-MSEAD's Investment in Listed Equities**

	Country	Quantity (Units)	Market Value (RM)	Market Value as a percentage of Net Asset Value (%)
<b><u>Telecommunications</u></b>				
1. PT Telekomunikasi Indonesia Persero TBK	Indonesia	1,400,000	1,697,231	9.57
2. Singapore Telecommunications Limited	Singapore	134,382	1,658,777	9.35
3. Digi.Com Berhad	Malaysia	216,280	1,033,818	5.83
4. M1 Limited	Singapore	107,760	879,260	4.96
5. Maxis Berhad	Malaysia	142,400	838,736	4.73
			<b>6,107,822</b>	<b>34.44</b>
<b><u>Industrials</u></b>				
6. Comfortdelgro Corporation Limited	Singapore	130,000	1,068,496	6.02
7. MISC Berhad	Malaysia	103,800	774,348	4.37
8. Westports Holdings Berhad	Malaysia	182,100	764,820	4.31
9. Singapore Post Limited	Singapore	164,400	722,297	4.07
			<b>3,329,961</b>	<b>18.77</b>
<b><u>Materials</u></b>				
10. PT Semen Indonesia Persero TBK	Indonesia	282,000	801,139	4.53
11. PT Indocement Tunggul Prakarsa TBK	Indonesia	155,350	798,518	4.50
12. Cahya Mata Sarawak Berhad	Malaysia	166,000	594,280	3.35
13. Ta Ann Holdings Berhad	Malaysia	43,904	144,883	0.82
			<b>2,338,820</b>	<b>13.20</b>
<b><u>Consumer</u></b>				
14. Singapore Press Holdings Limited	Singapore	96,020	1,133,589	6.39
15. Carabao Group PCL-NVDR	Thailand	74,000	446,986	2.52
16. Thai Vegetable Oil PCL-NVDR	Thailand	121,450	445,028	2.51
17. MC Group PCL-NVDR	Thailand	114,030	174,970	0.99
18. MBM Resources Berhad	Malaysia	59,200	118,992	0.67
			<b>2,319,565</b>	<b>13.08</b>
<b><u>Financial</u></b>				
19. Ara Asset Management Limited	Singapore	185,000	763,041	4.30
20. Syarikat Takaful Malaysia Berhad	Malaysia	80,340	325,377	1.83
			<b>1,088,418</b>	<b>6.13</b>
<b><u>Properties</u></b>				
21. UOA Development Berhad	Malaysia	154,240	337,786	1.90
22. LPN Development PCL-NVDR	Thailand	170,000	251,118	1.42
23. Matrix Concepts Holdings Berhad	Malaysia	79,143	196,275	1.11
24. Siam Future Development PCL-NVDR	Thailand	140,000	95,386	0.53
			<b>880,565</b>	<b>4.96</b>
<b><u>Utilities</u></b>				
25. Petronas Gas Berhad	Malaysia	36,100	794,200	4.48
			<b>794,200</b>	<b>4.48</b>
<b><u>Health Care</u></b>				
26. Religare Health Trust	Singapore	192,780	567,538	3.20
			<b>567,538</b>	<b>3.20</b>
<b><u>Information Technology</u></b>				
27. V.S Industry Berhad	Malaysia	150,000	177,000	1.00
			<b>177,000</b>	<b>1.00</b>
			<b>17,605,889</b>	<b>99.26</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.

## 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

Weakness in the global economy persisted in 2Q2016 which was accompanied by the ballooning public debt in both the Advanced and Emerging economies. Given its bigger role to spur domestic growth, central banks particularly in the Advanced economies, continued with its large-scale bond-buying activities. This action by European Central Bank (ECB) and Bank of Japan (BoJ) in particular, has also pushed their respective interest rates to negative level in a bid to limit the downside risk to their economy.

On the macro front, the US economy grew at an annualized pace of 1.2% in the second quarter, marginally higher than the previous quarter. In the Eurozone, GDP rose at an annualized rate of 0.5% compared to 0.6% in the preceding quarter. As for China, its economic growth pace decreased further to 6.7% in the second quarter, with a sharp slowdown in its industrial activities stemming from the declining private investments. Meanwhile, inflation continued to be subdued globally. The Federal Reserve's preferred gauge for inflation, the Core Personal Consumption

Expenditure, stayed below the central bank’s long-run target of 2.0%, recording 1.6% y-o-y in April 2016.

Among the ASEAN-5 countries, Philippines led the region’s growth in the last four consecutive quarters, with the latest growth being at +6.9% y-o-y in 1Q2016, followed by Indonesia at 5.2% y-o-y in 2Q2016. Meanwhile, Malaysia grew at 4.0% y-o-y in 2Q2016, driven by the pick-up in private consumption. Elsewhere, Thailand’s GDP growth expanded at 3.5% y-o-y in 2Q2016 with increased exports and private consumption being the key drivers for the quarter. Separately, Singapore’s GDP growth sustained a similar pace of 2.1% y-o-y as the preceding quarter given the sluggish manufacturing and services activities as well as weaker exports performance. On Ringgit’s performance, the local currency weakened against the regional currencies during the quarter partly on the back of foreign fund outflows in the equity market for the period.

**Table 8: Performance of Ringgit against Regional Currencies in 2Q2016**

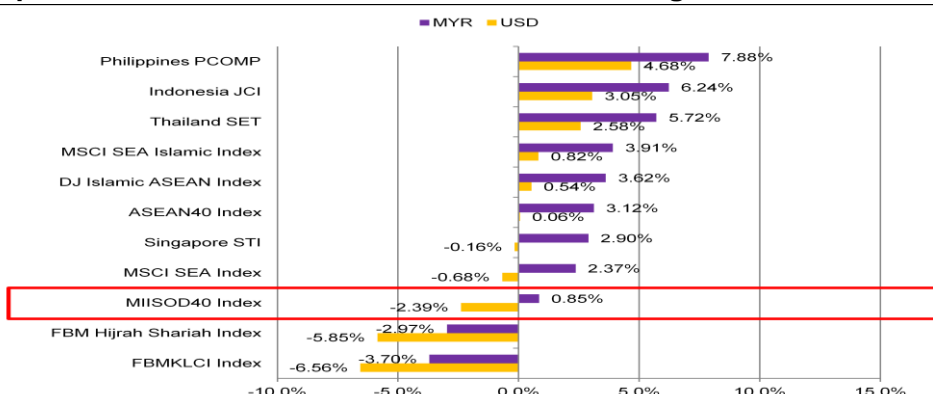
Currency	Performance QoQ*
Philippines Peso	-0.71%
Singapore Dollar	-3.16%
Thailand Baht	-3.28%
Indonesian Rupiah	-3.60%

\*Note: - indicates weakening of Ringgit

Sources: Bloomberg, i-VCAP

The MIISOD40 Index trended downwards at the start of the quarter, retracing to its lowest level for the period of 2,052.84 points on 25 May before recovering and closed the second quarter at 2,138.36 points. Despite the weak market sentiment, the Benchmark Index managed to clock an increase of 0.85% q-o-q, largely attributed to the favorable performance of its key heavyweights (Indonesian and Singapore telecommunication stocks as well as Thailand’s consumer stocks). In addition, the weakening Ringgit during the quarter also worked in favour of the Benchmark Index.

**Chart 4: Comparative Performance of MIISOD40 Index vs Regional Indices in 2Q2016**



Sources: Bloomberg, i-VCAP

Moving forward, global growth is likely to face further downside risks as major economies are required to undertake accommodative monetary policy to stimulate the economy. The advanced economies remain constrained with legacy issues since the 2008-2009 financial crisis era, such as the lengthy process of deleveraging, high unemployment rate, and mounting deflationary threat. Meanwhile, the growth in the Emerging Market is falling below trend due to the external slowdown. Separately, global inflation is likely to stay below its long-term trend which allows central banks to continue adopting easy monetary policy. As a result of the moderating growth and subdued inflation, most countries in the region are expected to keep interest rates stable, or embark on further easing if growth deteriorates.

The medium to long-term growth prospects still remain in favour of Emerging markets as the growth rates are expected to outpace the more developed markets. The growth resilience in the ASEAN region is supported by favourable demographics, rising incomes and expanding trade linkages. Besides being fundamentally stable, the dividend yielding feature of the stocks may generate interest and provide downside support for MyETF-MSEAD during an uncertain market environment.