

## Manager's Report

### For the Financial Period 1 July to 30 September 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>i</i> -VCAP Management Sdn. Bhd. (" <i>i</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.

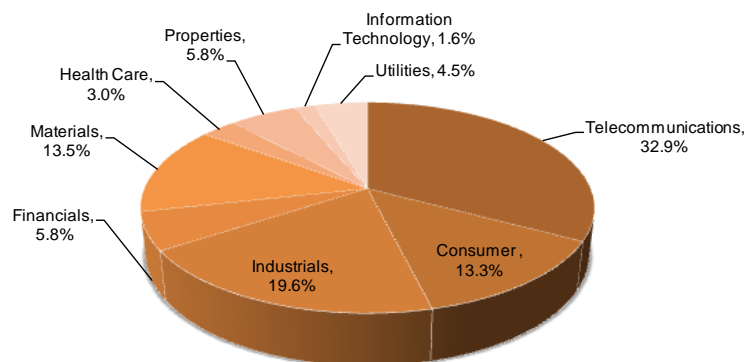
The Benchmark Index is designed as a performance benchmark for the high dividend-yielding segment of its Parent Index, the MSCI South East Asia IMI Islamic Index. The Parent Index is a free-float adjusted market capitalisation weighted index that is designed to measure the equity market performance of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

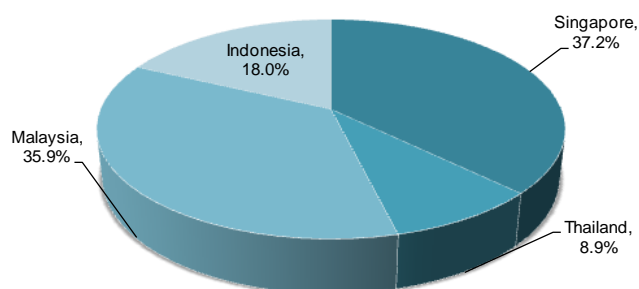
The Parent Index and Benchmark Index consist only of Shariah-compliant securities which are approved by the MSCI Shariah Supervisory Committee based on the MSCI Islamic Index Series Methodology. The MSCI Shariah Supervisory Committee will review and audit the Benchmark Index, the Parent Index as well as the MSCI Islamic Index Series Methodology on a regular basis to ensure compliance with Shariah. Based on the latest quarterly review (as at 30 August 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 corresponding 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 1.34% and 1.02% respectively.

In terms of NAV movement, the Fund's NAV per unit increased by 4.76% to RM0.9291 from RM0.8869 at the end of the previous quarter, while the Benchmark Index and Benchmark's Total Return Index (MIISOD40 Total Return Index) increased by 4.31% and 5.46% respectively for the quarter. The Fund continued its uptrend from late June and reached the third quarter high of RM0.9382 on 10 August. It however, moved sideways thereafter before closing the quarter at RM0.9291. The Fund's unit price traded on Bursa Securities moved in tandem but largely at a discount to its NAV before closing the third quarter at a slight premium of RM0.9340, representing an increase of 4.83%.

As at end of September, total NAV of the Fund increased to RM49.24 million from RM17.74 million as at end of June largely due to creation activity. The key statistics and comparative performance of the Fund as compared to the previous quarter are summarized as follows:

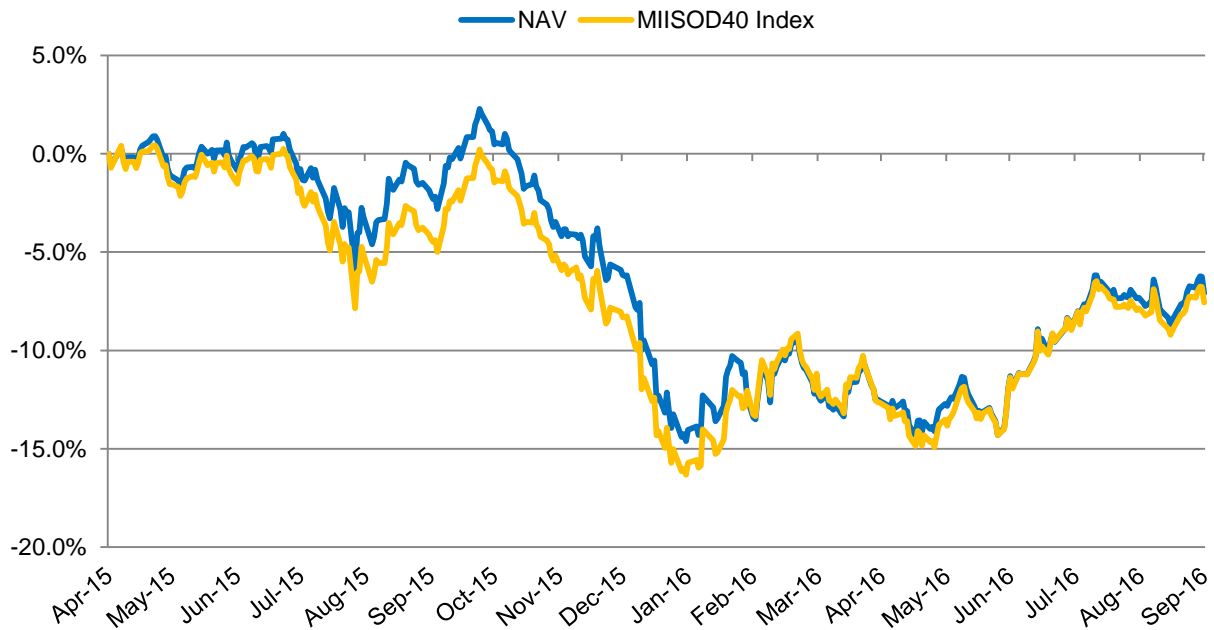
**Table 1: Key Statistics**

	As at 30-Sep-16	As at 30-Jun-16	Changes
NAV per unit (RM)	0.9291	0.8869	4.76%
- Highest	0.9382 (10 Aug)	0.8945 (21 Apr)	
- Lowest	0.8815 (1 July)	0.8568 (16 May)	
<i>(During the period)</i>			
Price per unit (RM)	0.9340	0.8910	4.83%
- Highest	0.9380 (11 Aug)	0.8910 (30 Jun)	
- Lowest	0.8900 (1 July)	0.8570 (24 Jun)	
<i>(During the period)</i>			
Units in Circulation	53,000,000	20,000,000	165.00%
Total NAV (RM)	49,244,573	17,737,741	177.63%
Market Capitalisation (RM)	49,502,000	17,820,000	177.79%
MIISOD40 Index	2,230.45	2,138.36	4.31%
MIISOD40 Total Return Index	3,648.62	3,459.73	5.46%
Tracking Error: Fund vs. MIISOD40 Price Return Index (%)*	1.34	1.37	
Tracking Error: Fund vs. MIISOD40 Total Return Index (%)*	1.02	1.05	
Management Expense Ratio (%)	0.26	0.26	

Sources: Bloomberg, i-VCAP

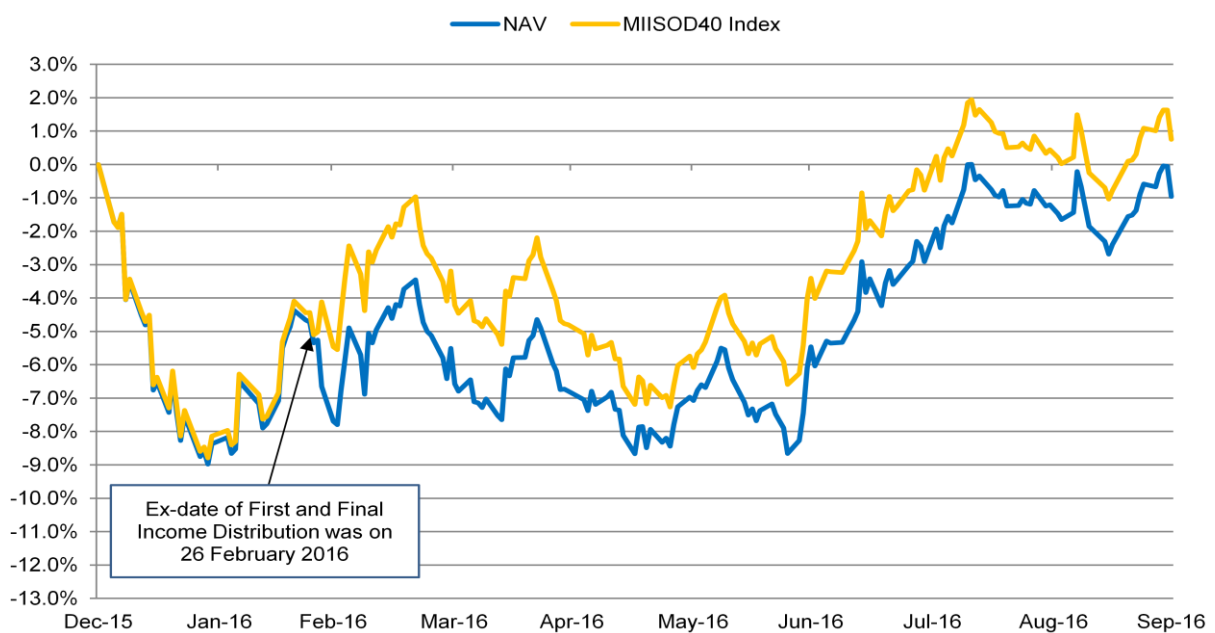
\* The tracking error (calculated since inception and on daily basis) between the NAV per unit of the Fund and the Price Return and Total Return Benchmark Index. The calculation was independently sourced from Novagni Analytics and Advisory Sdn. Bhd.

**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-Sep-16 (%)	2015 (%)
MyETF- MSEAD - NAV Price Return <sup>(a)</sup>	(0.96)	(6.19)
MIISOD40 - Price Return Index	0.76	(8.26)
MyETF- MSEAD - NAV Total Return <sup>(a)</sup>	1.47	(6.19)
MIISOD40 - Total Return Index	4.07	(4.81)

Sources: Bloomberg, i-VCAP

(a) Independently sourced from 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>	4.76	6.01	(4.90)	(7.09)
MIISOD40 - Price Return Index	4.31	5.19	(3.21)	(7.56)
MyETF- MSEAD - NAV Total Return <sup>(a)</sup>	4.76	6.01	(2.57)	(4.81)
MIISOD40 - Total Return Index	5.46	8.11	0.83	(0.94)

Sources: Bloomberg, i-VCAP

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

(b) Cumulative returns are up to 30 September 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>	18.89	12.00	(4.90)	(4.98)
MIISOD40 - Price Return Index	17.10	10.36	(3.21)	(5.31)
MyETF- MSEAD - NAV Total Return <sup>(a)</sup>	18.89	12.00	(2.57)	(3.38)
MIISOD40 - Total Return Index	21.68	16.19	0.83	(0.66)

Sources: Bloomberg, i-VCAP

(a) Independently sourced from 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 South East Asia IMI Islamic Index, which is the Parent Index of MIISOD40 Index performed its third quarter review for 2016 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 in the Benchmark Index. The Manager had undertaken the rebalancing exercise to align the Fund with the changes in the Benchmark Index. The changes took effect after the close of trading on 30 August 2016.

In terms of sectoral weightings, there were no major changes after the rebalancing as compared to the previous quarter. Telecommunications maintained as the top sector exposure with 32.59% (minimal drop from 34.41% previously) followed by Industrials that saw an increase of 1.03% to 19.80% as at end-September. Details of the Fund's key top ten holdings and sectoral changes for the quarter are as follows:

**Table 3: Top Ten Holdings of the Fund as at 30 September 2016**

Stock	% of NAV
1. PT Telekomunikasi Indonesia Persero TBK	9.67
2. Singapore Telecommunications Limited	8.80
3. Singapore Press Holdings Limited	6.17
4. Comfortdelgro Corporation Limited	6.06
5. Digi.Com Berhad	5.74
6. Singapore Post Limited	4.82
7. PT Semen Indonesia Persero TBK	4.63
8. Westports Holdings Berhad	4.47
9. MISC Berhad	4.45
10. PT Indocement Tunggal Prakarsa TBK	4.41
<b>Total</b>	<b>59.22</b>

Sources: Bloomberg, i-VCAP

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

	As at 30-Sep-16	As at 30-Jun-16	Change (%)
Telecommunications	32.59%	34.41%	(1.82)
Industrials	19.80%	18.77%	1.03
Materials	13.49%	13.20%	0.29
Consumer	13.10%	13.08%	0.02
Financial	5.79%	6.13%	(0.34)
Properties	5.68%	4.96%	0.72
Utilities	4.38%	4.48%	0.10
Health Care	3.13%	3.20%	(0.07)
Information Technology	1.64%	1.00%	0.64
Cash & Others	0.40%	0.74%	(0.34)

Sources: MSCI, i-VCAP

\* Based on MSCI classification

**Table 5: Country Exposure**

	As at 30-Sep-16	As at 30-Jun-16	Change (%)
Singapore	37.26%	38.20%	(0.94)
Malaysia	35.34%	35.44%	(0.10)
Indonesia	18.78%	18.00%	0.78
Thailand	8.62%	8.36%	0.26

Sources: MSCI, i-VCAP

Details of the Fund's quoted Investments as at 30 September 2016 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>Telecommunications</u></b>				
1. PT Telekomunikasi Indonesia Persero TBK	Indonesia	3,490,000	4,760,761	9.67
2. Singapore Telecommunications Limited	Singapore	360,782	4,335,156	8.80
3. Digi.Com Berhad	Malaysia	567,080	2,824,058	5.74
4. Maxis Berhad	Malaysia	346,500	2,134,440	4.33
5. M1 Limited	Singapore	274,360	1,992,973	4.05
			<b>16,047,388</b>	<b>32.59</b>
<b><u>Industrials</u></b>				
6. Comfortdelgro Corporation Limited	Singapore	351,000	2,985,264	6.06
7. Singapore Post Limited	Singapore	536,800	2,372,110	4.82
8. Westports Holdings Berhad	Malaysia	501,100	2,199,829	4.47
9. MISC Berhad	Malaysia	290,100	2,190,255	4.45
			<b>9,747,458</b>	<b>19.80</b>
<b><u>Materials</u></b>				
10. PT Semen Indonesia Persero TBK	Indonesia	713,300	2,280,170	4.63
11. PT Indocement Tunggul Prakarsa TBK	Indonesia	395,350	2,170,976	4.41
12. Cahya Mata Sarawak Berhad	Malaysia	436,400	1,658,320	3.37
13. Ta Ann Holdings Berhad	Malaysia	148,704	532,360	1.08
			<b>6,641,826</b>	<b>13.49</b>
<b><u>Consumer</u></b>				
14. Singapore Press Holdings Limited	Singapore	263,420	3,037,688	6.17
15. Carabao Group PCL-NVDR	Thailand	175,300	1,346,782	2.74
16. Thai Vegetable Oil PCL-NVDR	Thailand	334,050	1,213,576	2.46
17. MC Group PCL-NVDR	Thailand	311,630	504,817	1.03
18. MBM Resources Berhad	Malaysia	140,300	350,750	0.70
			<b>6,453,613</b>	<b>13.10</b>
<b><u>Financial</u></b>				
19. Ara Asset Management Limited	Singapore	492,300	2,011,560	4.09
20. Syarikat Takaful Malaysia Berhad	Malaysia	201,740	841,256	1.70
			<b>2,852,816</b>	<b>5.79</b>
<b><u>Properties</u></b>				
21. UOA Development Berhad	Malaysia	420,740	1,051,850	2.14
22. LPN Development PCL-NVDR	Thailand	474,500	644,313	1.31
23. Matrix Concepts Holdings Berhad	Malaysia	226,843	589,792	1.20
24. Siam Future Development PCL-NVDR	Thailand	712,000	513,087	1.03
			<b>2,799,042</b>	<b>5.68</b>
<b><u>Utilities</u></b>				
25. Petronas Gas Berhad	Malaysia	98,800	2,157,792	4.38
			<b>2,157,792</b>	<b>4.38</b>
<b><u>Health Care</u></b>				
26. Religare Health Trust	Singapore	487,680	1,542,484	3.13
			<b>1,542,484</b>	<b>3.13</b>
<b><u>Information Technology</u></b>				
27. V.S Industry Berhad	Malaysia	584,200	806,196	1.64
			<b>806,196</b>	<b>1.64</b>
			<b>49,048,613</b>	<b>99.60</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.

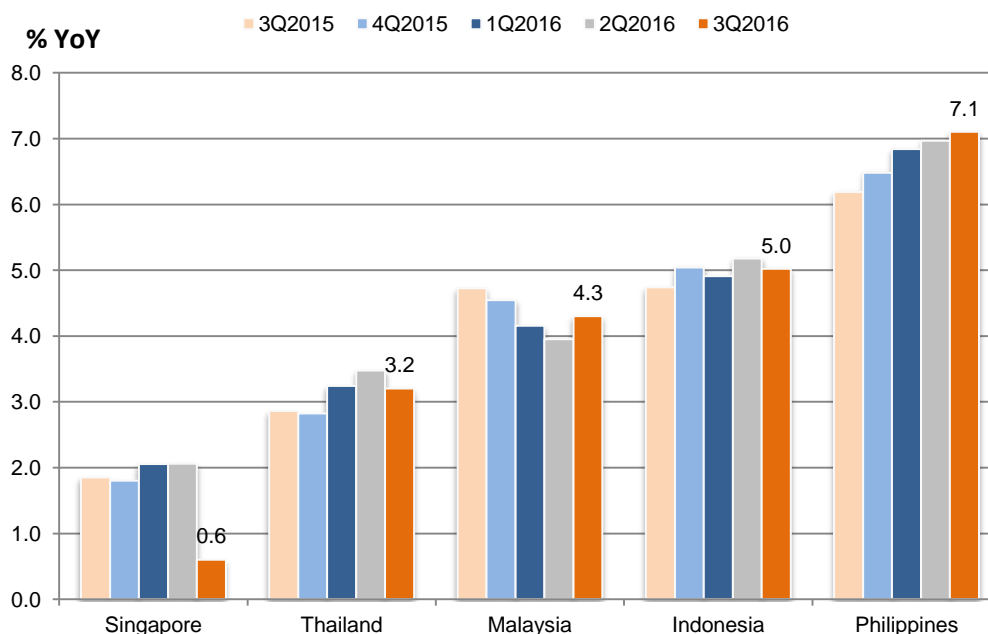
## 8. Market Review and Outlook

Global growth remained subdued up to 3Q2016, given the mixed economic activities in the first half of the year, particularly in the advanced economies. On this basis, the International Monetary Fund (IMF) has revised global growth by 0.1% lower to 3.1% in 2016 and 3.4% in 2017 respectively. Nonetheless, negative sentiment towards emerging market economies has subsided given the stabilised commodity prices and reduced concern over China's near-term prospects following its policy support to growth.

The US economy grew at an annualised rate of 2.9% in 3Q2016, an improvement from 1.4% recorded in 2Q2016. In the Eurozone, GDP growth came in at an annualised rate of 0.5% in 3Q2016, still fragile though better when compared to 0.3% in 2Q2016. As for China, its economic growth expended at an annual rate of 6.7% in the third quarter, in line with the government's full-year target. The mixed growth trajectory across the region has prompted central banks globally to keep the accommodative monetary stance through the Federal Reserve in the U.S is expected to tighten momentarily in December in order to keep in its inflationary rate.

Global growth nonetheless is still being driven primarily by emerging Asia, that includes China and India. The ASEAN region points to resilient growth in the medium-term, given the favourable demographics, higher investment-to-GDP ratio compared to advanced economies, higher savings rate as well as stronger reserves position. These robust fundamentals should potentially insulate the ASEAN region against slower external demand.

**Chart 4: Real GDP Growth for ASEAN-5 Countries**



Sources: Bloomberg, i-VCAP

In the financial markets, ASEAN equities showed resilience during the 3Q2016. Within ASEAN, Indonesia topped regional performance, with its main benchmark index rallying 6.9% q-o-q as market reacted positively to the government's cabinet reshuffle. Separately, Thailand's main equity index rose 2.6% q-o-q on the backdrop of the country's better growth prospects. On the local front, the main barometer KLCI held stable q-o-q, as market remained calm from the BNM's interest rate cut in a bid to spur domestic growth. However, Philippines' main index, fell 2.1% q-o-q as markets turned increasingly cautious over the drastic actions by the new president, Rodrigo Duterte. Singapore equity market however, moved sideways during the quarter as investors remained cautious given its export oriented economy.

The MIISOD40 Index had a good start to the quarter and reached its quarter high of 2,256.84 points on 10 August. The Benchmark Index however, retraced thereafter to reach 2,191.46 points on 14 September before recovering and closed the third quarter at 2,230.45 points. This represents an increase of 4.31% q-o-q. The positive performance of MIISOD40 Index was largely attributed to the favourable performance of Indonesian and Malaysian stocks. The weakening

Ringgit during the quarter also worked in favour of the MIISOD40 Index. On regional comparison, MIISOD40 Index which is priced in Ringgit lagged Indonesia and Thailand while outperforming most other big-cap ASEAN indices.

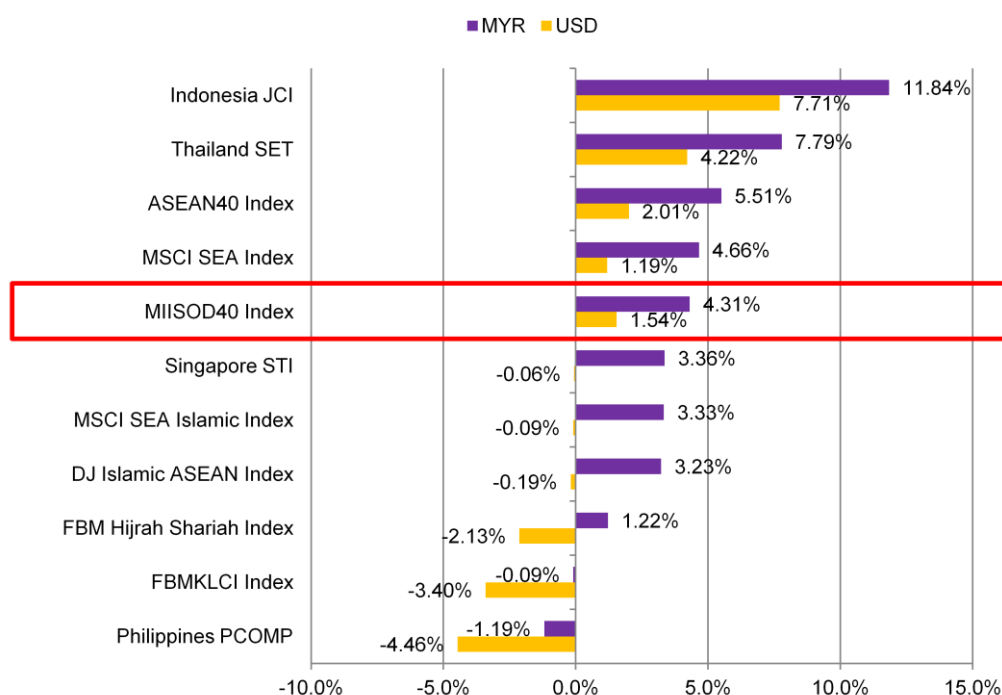
**Table 7: Performance of Ringgit against Regional Currencies in 3Q2016**

Currency	Performance QoQ*
Philippines Peso	0.00%
Singapore Dollar	-1.49%
Indonesian Rupiah	-4.00%
Thailand Baht	-4.25%

\*Note: - indicates weakening of Ringgit

Sources: Bloomberg, i-VCAP

**Chart 5: Comparative Performance of MIISOD40 Index vs Regional Indices (3Q2016)**



Sources: Bloomberg, i-VCAP

Moving forward, global growth is projected to face further downside risks as major economies, with the exception of the US, are expected to keep the accommodative monetary policies. The projection is based on sluggish growth in the advanced economies, low commodity prices, weak global trade, and diminishing capital flows. Encouragingly, emerging markets continue to grow its importance within the global economy. The decline in commodity prices has helped the countries to control inflation and improved their current account and fiscal deficits as two-third of the emerging markets are commodity importers. Against this backdrop, most countries are expected to keep interest rates stable, or embark on further easing should growth deteriorate.

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