

## Manager's Report

### For the Financial Period 1 January to 31 March 2018

<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 AC ASEAN 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 AC ASEAN IMI Islamic High Dividend Yield 10/40 Index<sup>1</sup> is a free-float adjusted, market capitalisation weighted, price return index calculated, maintained and published by MSCI.

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<sup>1</sup> Previously known as MSCI South East Asia IMI Islamic High Dividend Yield 10/40 Index. In December 2016, MSCI Inc. has informed on the rebranding exercise for all its South East Asia-related indices to include the ASEAN trademark in the indices' names.

Following this exercise, MyETF-MSEAD's Benchmark Index, i.e. MSCI South East Asia IMI High Dividend Yield 10/40 Index has assumed a new name of MSCI AC ASEAN IMI Islamic High Dividend Yield 10/40 Index which took effect from 12 January 2017. The change of name however does not involve any change in the Benchmark Index's methodology, computation as well as the geographical exposure; and shall continue to be maintained and computed by MSCI. In addition, there is no change to the Fund's name, stock number and stock code pursuant to the change of name of the Fund's Benchmark Index.

The Benchmark Index is designed as a performance benchmark for the high dividend-yielding segment of its Parent Index, the MSCI AC ASEAN IMI Islamic Index<sup>2</sup>. 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.

In November 2017, S&P Dow Jones Indices, a leading provider of financial market indices, and MSCI Inc., a leading provider of research-based indexes and analytics, have announced a result of their annual review of the Global Industry Classification Standard (GICS®) structure, the Telecommunication Services Sector is being broadened and renamed as Communication Services to include companies that facilitate communication and offer related content and information through various media. The renamed Sector will include the existing telecommunication companies, as well as companies selected from the Consumer Discretionary Sector currently classified under the Media Industry Group and the Internet & Direct Marketing Retail Sub-Industry, along with select companies currently classified in the Information Technology Sector.

Another important change being made to the GICS structure is the reclassification of online marketplaces for consumer products and services regardless of whether they hold inventory to the Internet & Direct Marketing Retail Sub-Industry under the Consumer Discretionary Sector. All of these e-commerce companies are dominant players in the Internet Retail Industry, targeting the

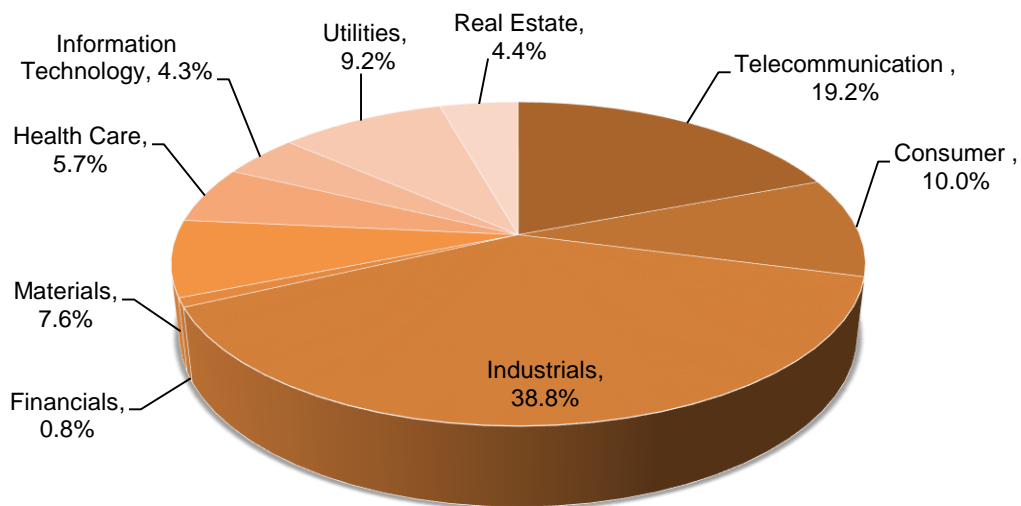
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<sup>2</sup> Previously known as MSCI South East Asia IMI Islamic Index. The name was changed due to the rebranding exercise for all MSCI's South East Asia-related indices to include the ASEAN trademark in the indices' names. The change took effect from 12 January 2017.

same consumers and competing with one another. The changes to the GICS structure will be implemented after the close of business (ET) on Friday, September 28, 2018.

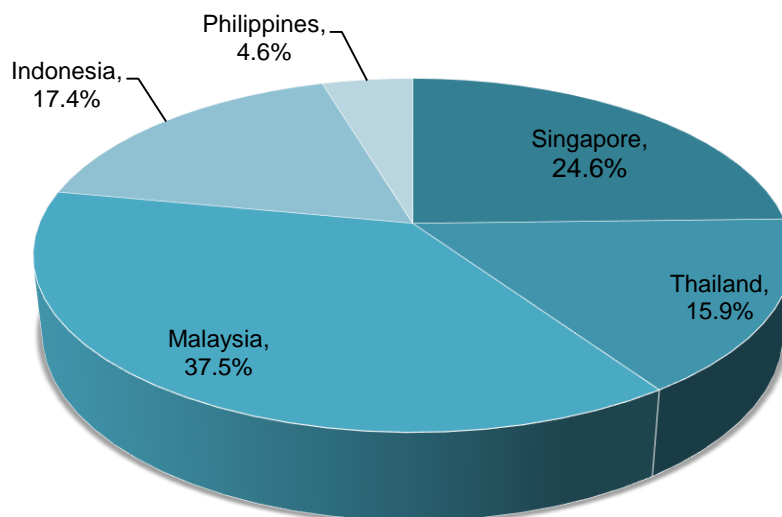
Based on the latest quarterly review (as at 28 February 2018), the sector allocation of MIISOD40 Index based on MSCI sector classifications are as follows:

**Chart 1: Sector Classification – MSCI**



Sources: MSCI, iVCAP

**Chart 2: Country Exposure**



Sources: MSCI, iVCAP

### 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 met its investment objective of closely correspond to 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 0.08% and 0.07% respectively. In terms of NAV movement, the Fund's NAV per unit decreased by 9.58% to RM0.8219 from RM0.9090 at the end of the previous year while the Benchmark Index and Benchmark's Total Return Index decreased by 8.46% and 7.60% respectively for the quarter.

The Fund started the year positively, hitting a high of RM0.9269 on 8 January but the NAV per unit gradually descended throughout the end of quarter. The Fund hit the quarter's low of RM0.8201 on 28 March before rebounding and closed the quarter at RM0.8219. Similarly, the Fund's unit price traded on the Bursa Securities moved in tandem with the NAV and closed the quarter at RM0.8310, translating to a decrease of 7.67%. During the quarter, the Fund also declared an income distribution of 1.51 sen per unit, translating to the total return of the Fund of -7.99%.

As at end of March, total NAV of the Fund stood at RM43.56 million with 53 million units in circulation. The key statistics and comparative performance of the Fund for the first quarter of 2018 and the last financial year ended 31 December 2017 are summarized as follows:

**Table 1: Key Statistics**

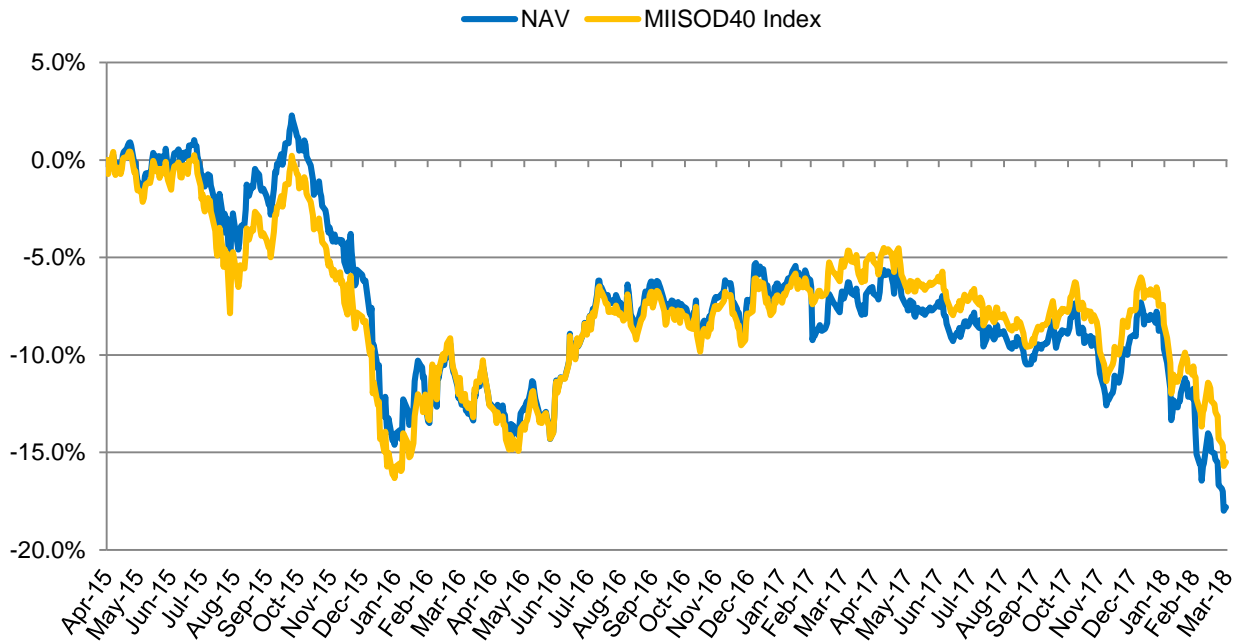
	As at 31-Mar-18	As at 31-Dec-17	QoQ Change
NAV per unit (RM) #	0.8219	0.9090	-9.58%
- Highest	0.9269 (8 Jan)	0.9265 (6 Nov)	
- Lowest	0.8201 (28 Mar)	0.8741 (6 Dec)	
<i>(During the quarter)</i>			
Price per unit (RM) #	0.8310	0.9000	-7.67%
- Highest	0.9220 (10 Jan)	0.9130 (31 Oct)	
- Lowest	0.8310 (30 Mar)	0.8860 (18 Dec)	
<i>(During the quarter)</i>			
Units in Circulation	53,000,000	53,000,000	0.00%
Total NAV (RM)	43,561,329	48,177,498	-9.58%
Market Capitalisation (RM)	44,043,000	47,700,000	92.33%
MIISOD40 Index	2,038.90	2,227.35	-8.46%
MIISOD40 Total Return	3,500.93	3,788.95	-7.60%
Tracking Error vs. Price Return MIISOD40 Index (%)*	0.08	0.08	
Tracking Error vs. Total Return MIISOD40 Index (%)*	0.07	0.07	
Management Expense Ratio (%)	0.14	0.25	

Sources: Bloomberg, i-VCAP

# Unit price and net asset value per unit are shown as ex-income distribution.

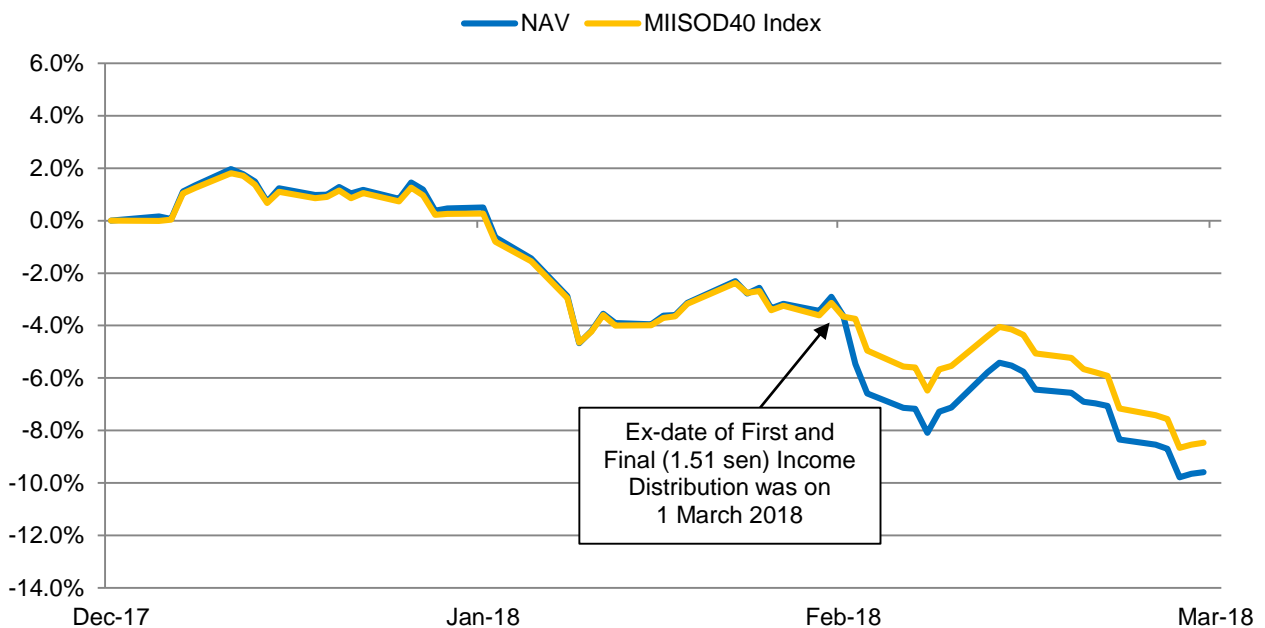
\* The tracking error (calculated since inception and on daily basis) between the NAV per unit of the Fund and the Price Return and Total Return Benchmark Index. The calculation was independently sourced from Novagni Analytics and Advisory Sdn. Bhd.

**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 1Q2018**



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 31-Mar-18 (%)	2017 (%)	2016 (%)	2015 (%)
MyETF- MSEAD - NAV Price Return <sup>(a)</sup>	(9.58)	(2.02)	(1.11)	(6.19)
MIISOD40 - Price Return Index	(8.46)	0.24	0.38	(8.26)
MyETF- MSEAD - NAV Total Return <sup>(a)</sup>	(7.99)	0.51	1.32	(6.19)
MIISOD40 - Total Return Index	(7.60)	3.47	4.44	(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 Months (%)	6 Months (%)	1 Year (%)	Since Inception (%)
MyETF- MSEAD - NAV Price Return <sup>(a)</sup>	(9.58)	(8.80)	(11.53)	(17.81)
MIISOD40 - Price Return Index	(8.46)	(7.15)	(10.60)	(15.50)
MyETF- MSEAD - NAV Total Return <sup>(a)</sup>	(7.99)	(7.20)	(9.97)	(12.10)
MIISOD40 - Total Return Index	(7.60)	(5.97)	(7.49)	(4.95)

Sources: Bloomberg, i-VCAP

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

(b) Cumulative returns are up to 31 March 2018.

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

	Average Returns <sup>(b)</sup>			
	3 Months (%)	6 Months (%)	1 Year (%)	Since Inception (%)
MyETF- MSEAD - NAV Price Return <sup>(a)</sup>	(38.80)	(17.64)	(11.53)	(6.10)
MIISOD40 - Price Return Index	(34.27)	(14.34)	(10.60)	(5.31)
MyETF- MSEAD - NAV Total Return <sup>(a)</sup>	(32.38)	(14.43)	(9.97)	(4.14)
MIISOD40 - Total Return Index	(30.79)	(11.97)	(7.49)	(1.69)

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 AC ASEAN IMI Islamic Index, which is the Parent Index of MIISOD40 Index performed its first quarter review for 2018 and rebalanced the composition of the Benchmark Index in accordance with its index methodology. The review in February resulted in changes to the weightings of the component stocks and stock constituents in the Fund. The Manager had undertaken the rebalancing exercise to align the Fund with the changes in the Benchmark Index. During the quarter, two stocks were included while two stocks were removed from the Fund. The summary of the changes are as follows:

**Table 3: List of Stock Inclusion and Exclusion**

	Stock Inclusions	Country	Stock Exclusions	Country
1Q18	Matrix Concepts Holdings Bhd	Malaysia	V.S. Industry Bhd	Malaysia
	Hong Leong Industries Bhd	Malaysia	Malaysian Pacific Industries Bhd	Malaysia

Sources: MSCI, i-VCAP

In terms of sectoral weightings, notable changes to the Fund's sector composition (MSCI) arising from the Parent Index's quarterly review were the increase in Utilities and Industrials sectors to 9.80% and 39.35% respectively. Meanwhile, Information Technology and Telecommunications sectors decreased to 4.19% and 18.14% respectively at the end of the first quarter. Details of the Fund's key holdings, sector allocation as well as country exposure as at the end of 1Q2018 are as follows:

**Table 4: Top Ten Holdings of the Fund as at 31 March 2018**

Stock	Country	% of NAV
1. Petronas Gas Berhad	Malaysia	9.80
2. Comfortdelgro Corporation Limited	Singapore	9.64
3. Singapore Airlines Limited	Singapore	9.29
4. PT Telekomunikasi Indonesia Persero TBK	Indonesia	8.25
5. Top Glove Corporation Berhad	Malaysia	4.75
6. SATS Limited	Singapore	4.71
7. Maxis Berhad	Malaysia	4.60
8. Westports Holdings Berhad	Malaysia	4.42
9. Robinson PCL-NVDR	Thailand	4.29
10. DMCI Holdings Inc	Philippines	4.25
<b>Total</b>		<b>64.00</b>

Sources: Bloomberg, i-VCAP



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

Sector	As at 31-Mar-18	As at 31-Dec-17	Change (%)
Industrials	39.35%	36.70%	2.65%
Telecommunications	18.14%	20.88%	(2.74%)
Consumer	10.86%	9.46%	1.40%
Utilities	9.80%	6.38%	3.42%
Health Care	5.96%	5.95%	0.01%
Materials	5.52%	7.09%	(1.57%)
Properties	4.35%	3.42%	0.93%
Information Technology	4.19%	8.64%	(4.45%)
Financial	0.96%	1.07%	(0.11%)
Cash	0.87%	0.41%	0.46%

Sources: MSCI, i-VCAP

\* Based on MSCI classification

**Table 6: Country Exposure**

Country	As at 31-Mar-18	As at 31-Dec-17	Change (%)
Malaysia	37.52%	38.86%	(1.34%)
Singapore	24.60%	21.83%	2.77%
Indonesia	17.38%	18.72%	(1.34%)
Thailand	15.92%	16.11%	(0.19%)
Philippines	4.59%	0.00%	4.59%

Sources: MSCI, i-VCAP

Details of the Fund's quoted Investments as at 31 March 2018 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>Industrials</b>					
1.	Comfortdelgro Corporation Limited	Singapore	695,000	4,199,593	9.64
2.	Singapore Airlines Limited	Singapore	126,600	4,045,121	9.29
3.	SATS Limited	Singapore	135,700	2,051,945	4.71
4.	Westports Holdings Berhad	Malaysia	535,700	1,923,163	4.42
5.	DMCI Holdings Inc	Philippines	2,056,000	1,849,371	4.25
6.	PT AKR Corporindo TBK	Indonesia	963,100	1,533,099	3.52
7.	Lingkaran Trans Kota Holdings Berhad	Malaysia	114,200	649,798	1.49
8.	Bangkok Aviation Fuel Services PCL-NVDR	Thailand	100,000	445,615	1.02
9.	Eastern Polymer Group PCL-NVDR	Thailand	522,200	439,545	1.01
			<b>17,137,250</b>	<b>39.35</b>	
<b>Telecommunications</b>					
10.	PT Telekomunikasi Indonesia Persero TBK	Indonesia	3,556,600	3,591,455	8.25
11.	Maxis Berhad	Malaysia	349,300	2,004,982	4.60
12.	Time Dotcom Berhad	Malaysia	165,300	1,381,908	3.17
13.	Jasmine International PCL-NVDR	Thailand	1,211,100	921,961	2.12
			<b>7,900,306</b>	<b>18.14</b>	
<b>Consumer</b>					
14.	Robinson PCL-NVDR	Thailand	238,700	1,868,833	4.29
15.	Bermaz Auto Berhad	Malaysia	407,600	880,416	2.02
16.	Thai Vegetable Oil PCL-NVDR	Thailand	200,450	849,814	1.95
17.	Sheng Siong Group Limited	Singapore	277,000	759,331	1.74
18.	Hong Leong Industries Bhd	Malaysia	34,600	376,448	0.86
			<b>4,734,843</b>	<b>10.86</b>	
<b>Utilities</b>					
19.	Petronas Gas Berhad	Malaysia	239,300	4,269,112	9.80
			<b>4,269,112</b>	<b>9.80</b>	
<b>Health Care</b>					
20.	Top Glove Corporation Berhad	Malaysia	214,800	2,070,672	4.75
21.	Supermax Corporation Berhad	Malaysia	209,100	529,023	1.21
			<b>2,599,695</b>	<b>5.96</b>	
<b>Materials</b>					
22.	PT Indocement Tungal Prakarsa TBK	Indonesia	344,250	1,544,994	3.55
23.	Scientex Berhad	Malaysia	101,600	858,520	1.97
			<b>2,403,514</b>	<b>5.52</b>	
<b>Properties</b>					
24.	UOA Development Berhad	Malaysia	273,140	660,999	1.52
25.	Siam Future Development PCL-NVDR	Thailand	457,800	504,340	1.16
26.	LPN Development PCL-NVDR	Thailand	302,700	389,676	0.90
27.	Matrix Concepts Holdings Bhd	Malaysia	169,500	337,305	0.77
			<b>1,892,319</b>	<b>4.35</b>	
<b>Information Technology</b>					
28.	KCE Electronics PCL-NVDR	Thailand	139,300	1,159,580	2.66
29.	Unisem Berhad	Malaysia	272,800	665,632	1.53
			<b>1,825,212</b>	<b>4.19</b>	
<b>Financial</b>					
30.	Syarikat Takaful Malaysia Berhad	Malaysia	126,040	418,453	0.96
			<b>418,453</b>	<b>0.96</b>	
			<b>43,180,704</b>	<b>99.13</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, the first and final income distribution for the Financial Year Ended 31 December 2017 of 1.51 sen per unit was declared on 12 February 2018 with the ex-date on 1 March 2018 and entitlement date on 5 March 2018. Based on the number of entitled unit holders, the Fund distributed a total amount of RM800,300.

## 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 quarter 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 not to receive any goods or services by way of soft commission.

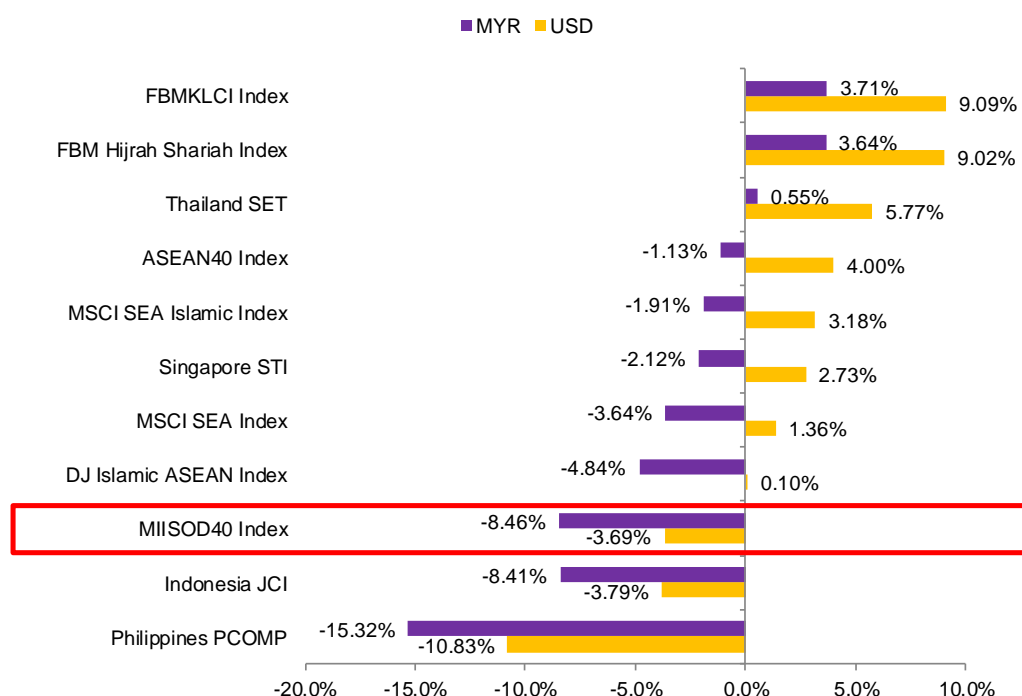
## 8. Market Review and Outlook

Global markets corrected in 1Q2018, on the back of the increasing fears of a trade war between the US and China. Donald Trump has decided to impose tariffs and quotas on imports of solar panels, washing machines, steel, aluminium, and USD50bn of Chinese exports, as part of his protectionist agenda. As investors feared a trade war, the S&P 500 and Dow Jones index ended the quarter at 2,640.9 (-1.22%) and 24,103.1 (-2.49%), respectively. Similarly, in Europe and Asia, markets also declined with the UK FTSE, Germany Dax, Nikkei and Shanghai dropping quarter-on-quarter by -8.21%, -7.63%, -25.76% and -24.18%, respectively.

On the economic front, the global economy grew at 3.8% in 2017 (2016: 3.2%), the fastest since 2011, supported by a recovery in global trade. The US economy grew faster at a revised annualised rate of 2.9% attributed to consumer spending which grew by 4.0%. Meanwhile, Fed officials raised their 2018 GDP growth forecast from 2.5% estimated in December 2017 to 2.7% (2017: 2.3%), indicating that growth momentum in the quarters ahead to improve as the fiscal stimulus kicks in. Meanwhile, Eurozone economy continues to perform strongly on the back of trade war concerns escalating which may cloud the positive economic sentiment.

In Asia, China’s successor of Governor, Mr. Yi Gang, is maintaining the central bank’s neutral monetary policy and continuing to stabilise liquidity conditions. Hence, suggesting the financial deleveraging will be ongoing moving forward. Across ASEAN, Singapore’s economy expanded 4.4% in 1Q2018 largely due to strong growth in the manufacturing sector. The economy of Thailand grew by 4.8% in 1Q2018 driven by domestic demand and exports. Malaysian economy recorded a robust growth of 5.4% in 1Q2018, driven by private sector activity and strong support from net exports. The Philippines growth remained strong with 1Q2018 GDP growing by 6.8% on the back of strong government and household consumption.

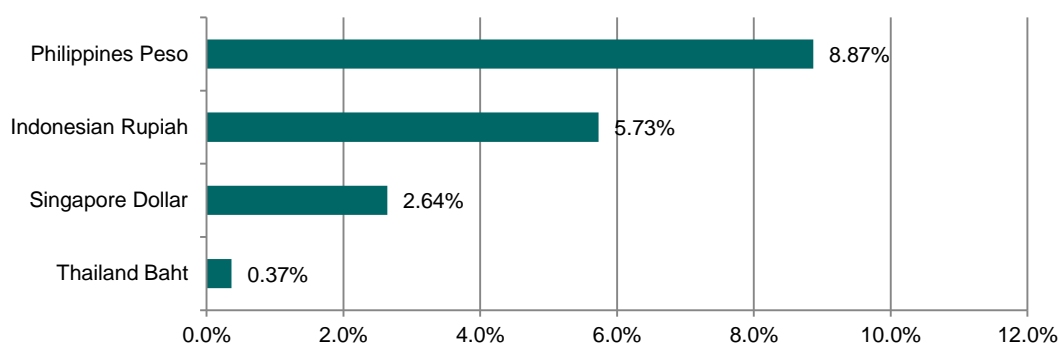
**Chart 5: ASEAN Equity Market Performance in 1Q2018**



Sources: i-VCAP, Bloomberg

The MIISOD40 Index had a good start to the year to reach its highest level of 2,267.69 points on 8 January. The benchmark index however, retraced and reached its lowest level for the quarter of 2,034.35 points on 28 March before recovering and closed the quarter at 2,038.90 points, representing a decrease of 8.46% qoq. On regional comparison, MIISOD40 Index which has priced in Ringgit lagged most of other big-cap ASEAN indices. The weaker performance was attributed to the continued strengthening of Ringgit against regional currencies.

**Chart 7: Performance of Ringgit against ASEAN-5 Currencies in 1Q2018**



Sources: Bloomberg, i-VCAP

The unpredictability of how the trade relationship between the US and China unfolds ahead is now a key risk to equity markets. The potential risks will weigh on technology stocks, and escalation fears are likely to be a drag on the market. Investors remain complacent on inflation and a gradual path of U.S. policy normalization will help to ensure U.S. economic growth, while limiting undesirable spillovers abroad. As global interest rates and bond yields rise, investors should remain vigilant. The investment climate is expected to stay cautious, as investors adapt to challenges in positioning their books.

Looking ahead, the global economic recovery is expected to continue into 2018, with increasing growth driven by continuing recovery in the advanced economies and sustained growth in the developing economies. Based on International Monetary Fund (IMF)'s forecast, global growth is projected to rise to 3.9% in 2018 from the 3.8% in 2017. The growth outlook for regional economies also remains promising, with strong growth driven by robust private sector expenditure and increased external demand. China's economic growth is projected to moderate to 6.4% in 2018 from 6.8% growth in 2017 as the economy is rebalancing towards domestic consumption and away from investment and external demand.

The ASEAN-5 is expected to see sustained momentum in 2018. Malaysia, Singapore and Thailand would be the main beneficiaries due to relatively open economies. Indonesia's GDP growth could hover between 5.0-5.5% supported by private consumption, stronger investment flows and

improvement in government spending. In Thailand, BOT sees higher growth of 3.8% in 2018, outlining a potential sustained momentum on the external front. Philippines infrastructure spending could see further uptick with ongoing Investment Priority Plan (IPP). Given the encouraging economic numbers, investors who have ASEAN region in their investment radar may consider MyETF-MSEAD in their portfolio, backed by the dividend yielding feature of its stock constituents that can provide downside support during any uncertain market environment.