

## Manager's Report

### For the Financial Period 1 July to 30 September 2018

<b>Name of Fund</b>	: MyETF Dow Jones Islamic Market Malaysia Titans 25 ("MyETF-DJIM25" or "the Fund")
<b>Type of Fund</b>	: Exchange Traded Fund
<b>Fund Category</b>	: Shariah-Compliant Equity
<b>Commencement Date</b>	: 22 January 2008
<b>Benchmark Index</b>	: Dow Jones Islamic Market Malaysia Titans 25 Index ("DJIM25 Index")
<b>Manager</b>	: <i>i</i> -VCAP Management Sdn. Bhd. (" <i>i</i> -VCAP")

#### 1. Investment Objective

MyETF-DJIM25 is designed to provide investment results that closely correspond to the performance of the Benchmark Index. The Manager attempts to achieve an absolute value of tracking error of less than 3% between the Net Asset Value ("NAV") of the Fund and the Benchmark Index.

#### 2. Benchmark Index

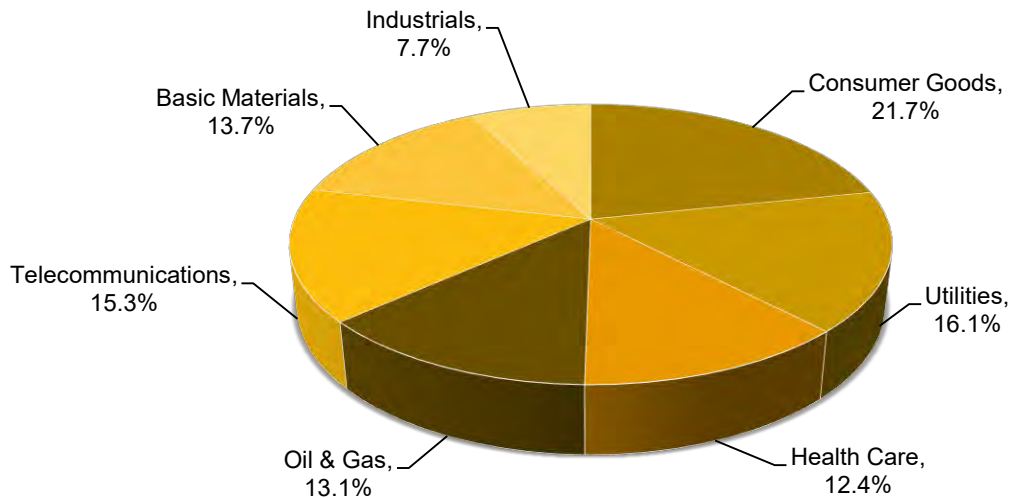
The Benchmark Index is a market capitalisation weighted and free-float adjusted index provided by S&P Dow Jones Indices ("S&P Dow Jones").

The Benchmark Index was created on 18 January 2008 and constructed based on a reference value of 1,000 as of 17 January 2008. The Benchmark Index consists of 25 Shariah-Compliant securities of companies listed on Bursa Malaysia Securities Berhad ("Bursa Securities").

The universe for selection of the DJIM25 Index components includes all equities in the Dow Jones Islamic Market Malaysia Index, an index comprised of Malaysia-based companies that conform to the methodology established by S&P Dow Jones to screen stocks for compliance with the Shariah.

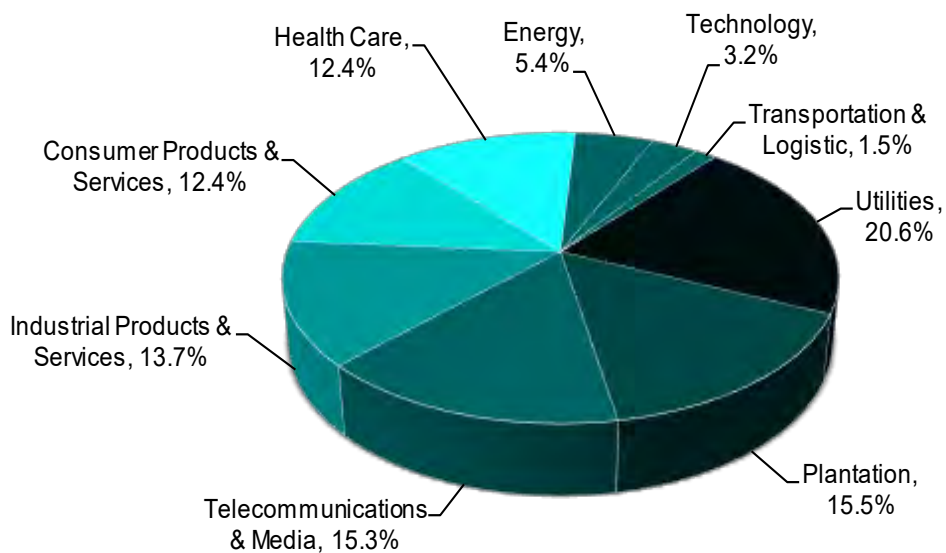
Based on the latest quarterly review (as at 21 September 2018), the sector allocation of DJIM25 Index based on S&P Dow Jones and Bursa Securities sector classifications are as follows:

**Chart 1(a): Sector Classification – S&P Dow Jones**



Source: S&P Dow Jones

**Chart 1(b): Sector Classification - Bursa Securities**



Sources: Bursa Malaysia, S&P Dow Jones

### 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 continued to achieve its investment objective which is to track closely the underlying Benchmark Index, i.e. DJIM25 Index. As at 30 September 2018, the 3-year rolling tracking errors<sup>1</sup> between the NAV per unit of the Fund and the Benchmark Index on Price Return and Total Return basis were 0.04% and 0.02% respectively, well within the 3% limit stipulated under the Fund's investment objective.

In terms of NAV movement, the Fund's NAV per unit increased by 6.23% to RM1.1830 from RM1.1136 at the end of the previous quarter while the Benchmark Index and Benchmark's Total Return Index (DJIM25T Index) increased by 5.55% and 6.37%, respectively for the quarter.

As at end of September, total units in circulation for the Fund remained at 275.9 million units. The Fund's total NAV increased to RM326.38 million from RM307.26 million as at end-June 2018, tracking the performance of the general domestic equity market. The key statistics and comparative performance of the Fund for the third quarter of 2018 and the previous quarter are summarized as follows:

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<sup>1</sup> Independently sourced from Novagni Analytics and Advisory Sdn. Bhd.

**Table 1: Key Statistics**

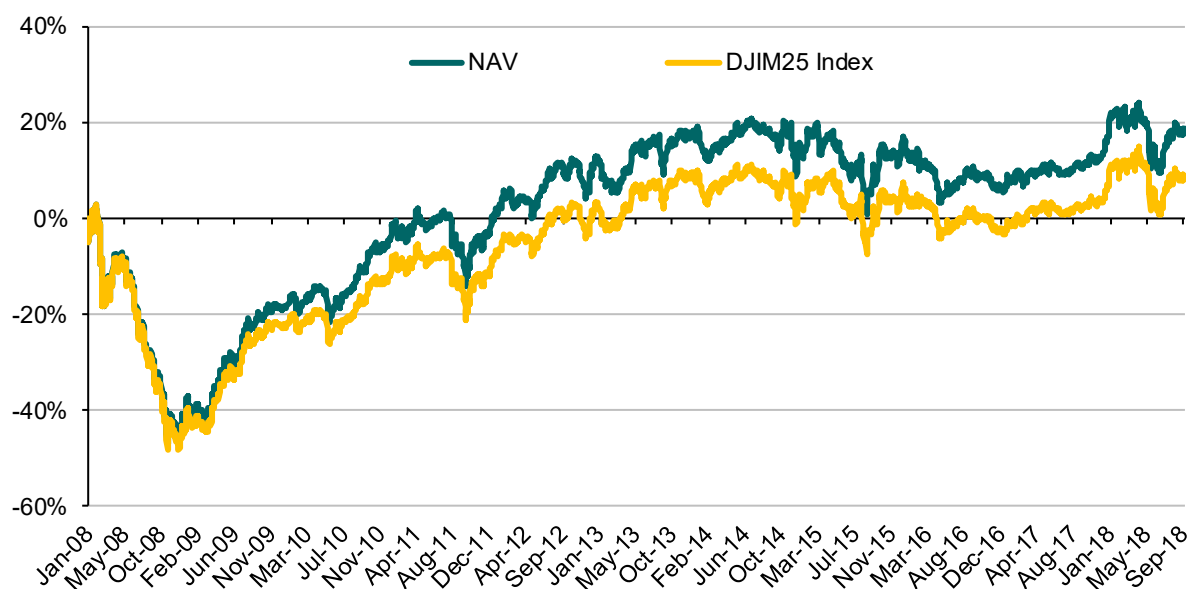
	As at 30-Sep-18	As at 30-Jun-18	QoQ Change
NAV per unit (RM)#	1.1830	1.1136	6.23%
- Highest	1.2004 (28 Aug)	1.2425 (19 Apr)	
- Lowest	1.0966 (9 Jul)	1.0949 (28 Jun)	
<i>(During the period)</i>			
Price per unit (RM)#	1.1850	1.1500	3.04%
- Highest	1.2000 (24 Sep)	1.2400 (17 Apr)	
- Lowest	1.1100 (24 Jul)	1.1500 (6 Jun)	
<i>(During the period)</i>			
Units in Circulation	275,900,000	275,900,000	0.00%
Total NAV (RM)	326,380,189	307,255,659	6.22%
Market Capitalisation (RM)	326,941,500	317,285,000	3.04%
DJIM25 Index	1,043.17	988.33	5.55%
DJIM25T Index	1,513.48	1,422.78	6.37%
Tracking Error vs. Price Return DJIM25 Index (%)*	0.04	0.05	
Tracking Error vs. Total Return DJIM25 Index (%)*	0.02	0.04	
Management Expense Ratio (%)	0.17	0.14	

Sources: Bloomberg, i-VCAP

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

\* The 3-year rolling tracking error 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 2: 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): Annual Return**

	YTD 30-Sep-18 (%)	2017 (%)	2016 (%)	2015 (%)	2014 (%)
MyETF-DJIM25 - NAV Price Return <sup>(a)</sup>	1.02	9.64	(8.78)	1.78	(2.95)
DJIM25 - Price Return Index	1.30	9.35	(8.91)	2.79	(4.90)
MyETF-DJIM25 - NAV Total Return <sup>(a)</sup>	3.04	11.94	(6.82)	4.69	(1.52)
DJIM25 - Total Return Index	3.42	12.41	(6.30)	5.63	(1.62)

Sources: Bloomberg, i-VCAP

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

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

	Cumulative Returns <sup>(b)</sup>			
	1-Year (%)	3-Year (%)	5-Year (%)	Since Inception (%)
MyETF-DJIM25 - NAV Price Return <sup>(a)</sup>	6.97	8.68	2.84	18.30
DJIM25 - Price Return Index	6.14	8.28	1.39	8.18
MyETF-DJIM25 - NAV Total Return <sup>(a)</sup>	9.11	15.61	14.18	43.98
DJIM25 - Total Return Index	9.48	17.49	17.06	56.96

Sources: Bloomberg, i-VCAP

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

(b) Cumulative returns are up to 30 September 2018.

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

	Average Returns <sup>(b)</sup>			
	1-Year (%)	3-Year (%)	5-Year (%)	Since Inception (%)
MyETF-DJIM25 - NAV Price Return <sup>(a)</sup>	6.97	2.89	0.57	1.71
DJIM25 - Price Return Index	6.14	2.76	0.28	0.76
MyETF-DJIM25 - NAV Total Return <sup>(a)</sup>	9.11	5.20	2.83	4.10
DJIM25 - Total Return Index	9.48	5.82	3.41	5.31

Sources: Bloomberg, i-VCAP

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

(b) Average returns for both DJIM25 Price Return Index and DJIM25 Total Return Index are annualized figures computed based on the price and total returns for the respective period.

During the period under review, S&P Dow Jones performed its Third Quarter 2018 Review (quarterly review) and rebalanced the composition of the Benchmark Index in accordance with its index methodology. The quarterly review had resulted in changes to the weightings of the component stocks in the Fund. During the quarter, three stocks were removed, i.e. Unisem (M) Bhd, Cahya Mata Sarawak Bhd and Lafarge Malaysia Bhd while three stocks were included, i.e. Press Metal Aluminium Holdings Bhd, Digi.Com Bhd and QL Resources Bhd into the Fund at its quarterly reviews. The Manager had undertaken the rebalancing exercise during the quarter to ensure that the Fund's investment would be reflective of the changes in the Benchmark Index. In terms of sectoral weightings, quarter on quarter comparison is not available for the quarter under review due to Bursa Malaysia's recent market-wide sectors reclassification.

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

	Stock Inclusions	Stock Exclusions
3Q18	Press Metal Aluminium Holdings Bhd	Unisem (M) Bhd
	Digi.Com Bhd	Cahya Mata Sarawak Bhd
	QL Resources Bhd	Lafarge Malaysia Bhd

Source: S&P Dow Jones

Details of the Fund's quoted Investments as at 30 September 2018 are as follows:

**Table 4: MyETF-DJIM25's Investment in Listed Equities**

	Quantity	Market Value	Market Value as a percentage of Net Asset Value
	(Units)	(RM)	(%)
<b><u>Utilities</u></b>			
1. Tenaga Nasional Bhd	3,342,300	51,671,958	15.83
2. Petronas Gas Bhd	768,000	14,515,200	4.45
		<b>66,187,158</b>	<b>20.28</b>
<b><u>Plantation</u></b>			
3. Sime Darby Plantation Bhd	3,447,800	18,273,340	5.60
4. IOI Corporation Bhd	3,220,100	14,619,254	4.48
5. Kuala Lumpur Kepong Bhd	562,100	14,030,016	4.30
6. Genting Plantations Bhd	356,000	3,378,440	1.04
		<b>50,301,050</b>	<b>15.42</b>
<b><u>Telecommunications &amp; Media</u></b>			
7. Axiata Group Bhd	4,062,600	18,525,456	5.68
8. Digi.Com Bhd	2,716,000	13,091,120	4.01
9. Maxis Bhd	1,824,200	10,653,328	3.26
10. Telekom Malaysia Bhd	2,165,000	6,971,300	2.14
		<b>49,241,204</b>	<b>15.09</b>
<b><u>Industrial Products &amp; Services</u></b>			
11. Petronas Chemicals Group Bhd	2,882,700	26,982,072	8.27
12. Press Metal Aluminium Holdings Bhd	2,731,600	13,275,576	4.07
13. Lotte Chemical Titan Holding Bhd	740,500	3,732,120	1.14
		<b>43,989,768</b>	<b>13.48</b>
<b><u>Consumer Products &amp; Services</u></b>			
14. Petronas Dagangan Bhd	385,000	10,110,100	3.10
15. Sime Darby Bhd	3,805,800	9,933,138	3.04
16. Nestle Malaysia Bhd	62,000	9,076,800	2.78
17. QL Resources Bhd	941,900	6,433,177	1.97
18. Fraser & Neave Holdings Bhd	139,800	5,273,256	1.62
		<b>40,826,471</b>	<b>12.51</b>
<b><u>Health Care</u></b>			
19. IHH Healthcare Bhd	3,354,300	17,475,903	5.35
20. Hartalega Holdings Bhd	1,917,000	12,690,540	3.89
21. Top Glove Corporation Bhd	953,900	10,168,574	3.12
		<b>40,335,017</b>	<b>12.36</b>
<b><u>Energy</u></b>			
22. Dialog Group Bhd	4,920,000	17,170,800	5.26
		<b>17,170,800</b>	<b>5.26</b>
<b><u>Technology</u></b>			
23. Inari Amertron Bhd	2,488,200	5,673,096	1.74
24. My E.G. Services Bhd	2,693,600	4,713,800	1.44
		<b>10,386,896</b>	<b>3.18</b>
<b><u>Transportation &amp; Logistic</u></b>			
25. Westports Holdings Bhd	1,252,200	4,758,360	1.45
		<b>4,758,360</b>	<b>1.45</b>
		<b>323,196,724</b>	<b>99.03</b>

Sources: Bursa Malaysia, i-VCAP

## 5. Distribution Policy

The Fund may distribute amongst the unitholders all, or substantially all of the dividend income that the Fund received from its stock investment, pro-rated based on the number of units held by each unitholder as at the entitlement date of the income distribution. The exact amount to be distributed will be at the absolute discretion of the Manager, subject to compliance with the Exchange-Traded Funds Guidelines issued by the Securities Commission Malaysia on 11 June 2009 which may be revised from time to time. During the quarter, there was no income distribution declared or 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

The global economy continued to expand in 2018, but a moderate pace in the third quarter of 2018. While the US and UK GDP accelerated, most emerging economies recorded more moderate growth. In the advanced economies, labour markets remained supportive of private consumption, as unemployment rates continued to decline amid a steady increase in wage growth. Investment activity, however, moderated in the euro area, while in the US, business spending was lifted by the 2017 tax reforms.

Growth in Asian region was trended lower. During the quarter, high frequency indicators such as the Purchasing Managers Index (PMI) for the manufacturing sector registered declines for the first time since 2015. China recorded slower growth as the effect of credit tightening policies weighed on domestic investment, particularly from local government spending on infrastructure. Domestic demand in the rest of the Asian region remained resilient, due to policy support and higher infrastructure spending.

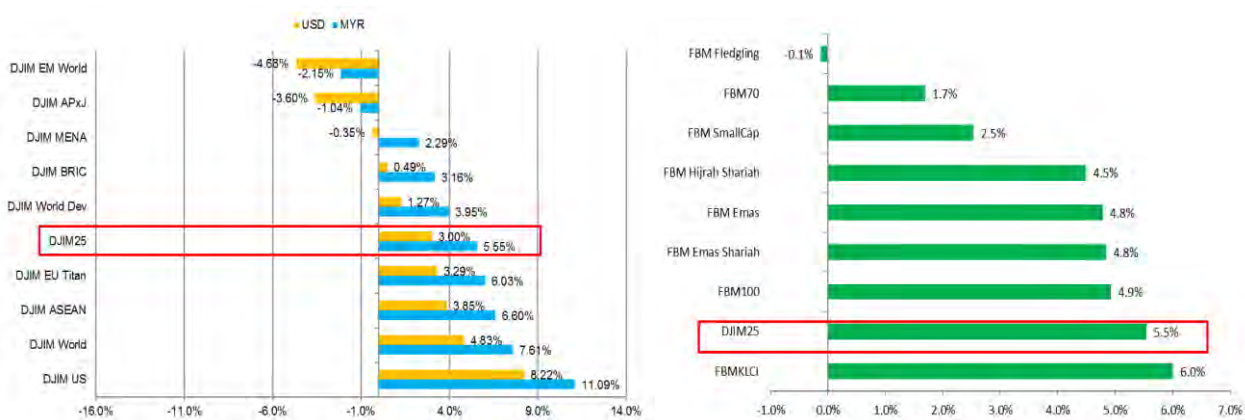


The Malaysian economic growth recorded a sustained growth of 4.4% in the third quarter of 2018, from 4.5% in the second quarter. The growth was supported by expansion in domestic demand amid a decline in net exports growth. Private sector expenditure remained the key driver of growth, expanding at a faster pace of 8.5% from 7.5% in the second quarter, while public sector expenditure turned around to register a positive growth of 1.1% from a negative growth of 1.4% in the second quarter.

The ringgit depreciation against the dollar in the third quarter was in line with regional currencies, as external uncertainties continue to drive foreign portfolio outflows amid a strengthening US dollar. The continued strength in the US dollar was supported by positive US economic data and outlook. Investors sentiments were also negatively affected by rising trade tensions and concerns over contagion risk from vulnerable emerging market economies. Going forward, the ringgit will continue to be influenced by external uncertainties as well as the trajectory of the US dollar.

Local equity market recovered strongly in the third quarter due to active buying from domestic institutional investors, driven by improved clarity on the status of major infrastructure projects, higher crude oil prices and positive earnings results in selected large-cap companies. Externally, however, investor sentiments continued to be affected by lingering downside risks, resulting in foreign outflows of RM1.7 billion during the quarter.

**Chart 3: DJIM25 Index and Comparable Performances in 3Q2018**



Sources: Bloomberg, i-VCAP

For the remainder of the year, growth is expected to improve and benefit from the gradual recovery in commodity production. On the external front, higher commodity production would provide support to improvements in commodity exports. However, domestic demand is projected to expand at a more moderate pace, attributed to slower private sector spending. Going into 2019, growth prospects for the Malaysian economy are expected to remain driven by private sector activity amid the continued rationalisation of public sector expenditure, particularly public investment by public corporations. Exports are likely to moderate but would be supported by demand from major trade partners and the gradual recovery in commodities exports.

As MyETF-DJIM25 is designed to correspond to the performance of the Benchmark Index by investing in selected 25 Shariah-Compliant securities of companies listed on Bursa Malaysia, it provides an avenue for investors to have broad exposure in local market that conforms to the Shariah principles and practices.