

## Manager's Report

For the Financial Period 1 July to 30 September 2018

<b>Name of Fund</b>	: MyETF Dow Jones U.S. Titans 50 (“MyETF-US50” or “the Fund”)
<b>Type of Fund</b>	: Exchange Traded Fund
<b>Fund Category</b>	: Shariah-Compliant Equity
<b>Commencement Date</b>	: 20 February 2018
<b>Listing Date</b>	: 28 February 2018
<b>Benchmark Index</b>	: Dow Jones Islamic Market U.S. Titans 50 Index (“DJUS50 Index”)
<b>Manager</b>	: <i>i</i> -VCAP Management Sdn. Bhd. (“ <i>i</i> -VCAP”)

### 1. Investment Objective

MyETF-US50 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 Dow Jones Islamic Market U.S. Titans 50 Index is a float-adjusted market capitalisation weighted, price return index calculated, maintained and published by S&P Dow Jones Indices.

The Benchmark Index was created with a base date of 29 December 1995 by S&P Dow Jones Indices and was constructed based on a reference value of 1000. The Benchmark Index is designed as a performance benchmark of blue-chip companies that are listed on primary stock exchanges in the U.S. The Benchmark Index consists of the 50 largest companies by float-adjusted market capitalisation listed on the Relevant Exchanges which have passed rules-based screens for Shariah compliance.

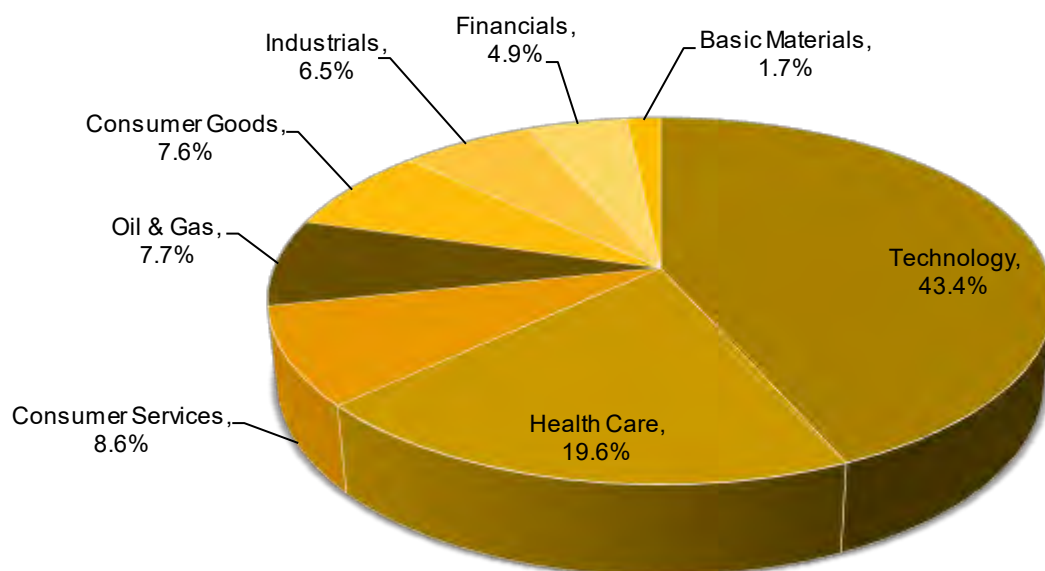
During the reporting period, the constituent securities of the Benchmark Index are listed on the New York Stock Exchange (“NYSE”) and National Association of Securities Dealers Automated Quotation System (“Nasdaq”).

The universe for selection of the constituents of the Benchmark Index is the constituents of the Parent Index. The Parent Index, namely the Dow Jones Islamic Market World Index, is a float-adjusted market capitalisation weighted index that is designed to measure performance of the global universe of investable equities that pass screens for Shariah compliance.

The Benchmark Index employs a modified market capitalization weighting scheme<sup>1</sup>. The weight of each individual constituent is capped at 10% of the Benchmark Index. The Parent Index and Benchmark Index consist only of companies that passed the Shariah Compliance Screens published under the Dow Jones Islamic Market Indices Methodology. The Shariah Compliance Screens has been approved by the Shariah Supervisory Board of S&P Dow Jones Indices which consists of experienced Shariah scholars from around the world. The Shariah Supervisory Board determines the Shariah compliance framework of the Benchmark Index and shall review, propose or advise S&P Dow Jones Indices on matters relating to the said Shariah compliance framework.

Based on the Fund's quoted Investments as at 30 September 2018, the sector allocation of DJUS50 Index based on S&P Dow Jones sector classifications are as follows:

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



Source: S&P Dow Jones

<sup>1</sup> Maximum weights on the effective rebalancing dates are equal to the lesser of the companies' float-adjusted market capitalization weight or 10% of the Benchmark Index.

### 3. Investment Strategy

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 Investment Guidelines.

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.

### 4. Fund Performance

For the quarter under review, the Fund's NAV has corresponded to the performance of the underlying benchmark, i.e. DJUS50 Index, in line with Fund's objective to correspond closely to the performance of the Benchmark Index. As at end-September, the tracking error of the Fund and the Benchmark Index on both Price Return and Total Return basis were both 0.10%.

In terms of NAV movement, the Fund's NAV per unit hit a high of USD1.1028 on 28 September 2018, closing the quarter on a strong footing after rebounding from its lowest point at USD1.0107 on 4 July 2018. The on-going US-China trade spats continued to inject volatility in the market. Despite the bouts of market turbulence, the Fund managed to close the quarter at USD1.1028, translating to an increase of 8.74% in 1QFY2019. The Fund's benchmark, the DJUS50 Index also posted a positive return of 8.66%, closing at 5,304.46 points. Consistent with the higher NAV per unit, the Fund's price per unit which are traded on Bursa Securities also closed 10.31% higher at USD1.0700 at end-September.

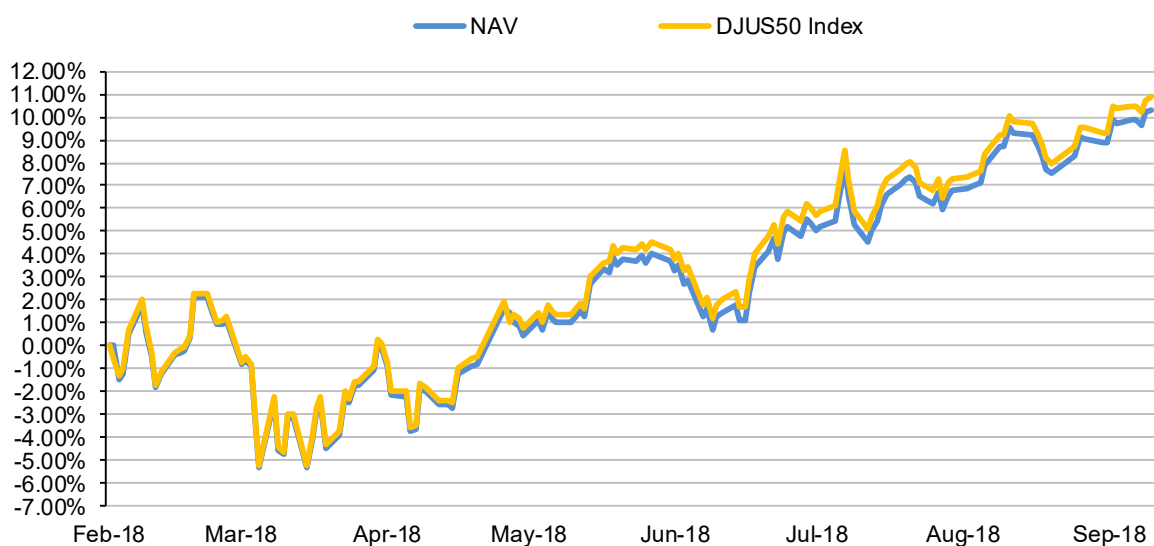
As at end of 1QFY2019, total NAV of the Fund increased to USD14.35 million or 16.81% quarter-on-quarter, on the back of additional unit creations during the quarter and the strong US equity market's performance. The key statistics and comparative performance of the Fund for the period under review are summarized as follows:

**Table 1: Key Statistics**

	As at 30-Sep-18	As at 30-Jun-18	Changes	As at 20-Feb-18
NAV per unit (USD)	1.1028	1.0142	8.74%	1.0000
- Highest	1.1028 (28 Sep)	1.0407 (14 Jun)		
- Lowest	1.0107 (4 Jul)	0.9465 (2 Apr)		
<i>(During the period)</i>				
Price per unit (USD)	1.0700	0.9700	10.31%	1.0000
- Highest	1.1000 (14 Sep)	1.0350 (7 Jun)		
- Lowest	0.9700 (2 Jul)	0.9500 (23 Mar)		
<i>(During the period)</i>				
Units in Circulation	13,012,300	12,112,300	7.43%	11,812,300
Total NAV (USD)	14,349,632	12,284,162	16.81%	11,812,300
Market Capitalisation (USD)	13,923,161	11,748,931	18.51%	11,812,300
DJUS50 Index	5,304.46	4,881.57	8.66%	4,785.16
DJUS50T Index	7,436.31	6,820.94	9.02%	6,655.86
Tracking Error vs. Price Return DJUS50 Index (%)*	0.10	0.13		
Tracking Error vs. Total Return DJUS50 Index (%)*	0.10	0.13		
Management Expense Ratio (%)	0.21	0.65		

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 Gross Return Benchmark Index

**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): Cumulative Returns**

	Cumulative Returns <sup>(b)</sup> Since Inception * (%)
MyETF-US50 - NAV Price Return <sup>(a)</sup>	10.28
DJUS50 - Price Return Index	10.85
MyETF-US50 - NAV Total Return <sup>(a)</sup>	10.28
DJUS50 - Total Return Index	11.73

Sources: Bloomberg, i-VCAP

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

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

\* The Fund commencement date on 20 February 2018

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

	Average Returns <sup>(b)</sup> Since Inception * (%)
MyETF-US50 - NAV Price Return <sup>(a)</sup>	16.83
DJUS50 - Price Return Index	17.77
MyETF-US50 - NAV Total Return <sup>(a)</sup>	16.83
DJUS50 - Total Return Index	19.20

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.

\* The Fund commencement date on 20 February 2018

S&P Dow Jones performed four quarterly reviews in a year (in March, June, September and December) and rebalanced the composition of the Benchmark Index in accordance with its index methodology. The quarterly reviews had resulted in changes to the weightings of the component stocks and stock constituents in the Benchmark Index. During the year and pursuant to the listing of MyETF-US50, the Benchmark Index has undergone three reviews in March, June and September. The latest review in September saw the removal of Applied Materials Inc., Colgate-Palmolive Co., Occidental Petroleum and The Kraft Heinz Company. On the other hand, Abbot Laboratories, Amgen Inc., Cisco Systems Inc., DowDuPont Inc. and Thermo Fisher Scientific were included in the Fund. The Manager had undertaken the rebalancing exercise to ensure that the Fund's investment would be reflective of the changes in the Benchmark Index. The summary of the changes are as follows:

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

	Stock Inclusions	Stock Exclusions
<b>1Q19</b>	Cisco Systems Inc	Occidental Petroleum
	DowDuPont Inc.	Colgate-Palmolive Co
	Amgen Inc	Applied Materials Inc
	Abbott Laboratories	The Kraft Heinz Company
	Thermo Fisher Scientific	-

Source: S&P Dow Jones

In terms of sectoral weightings, there were no major changes after the rebalancing. Technology remained the top sector exposure with 43.59% followed by Health Care sector at 19.53%. Details of Fund's sectoral exposure as at end-September and its positions are as follows:

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

	As at 30-Sep-18	As at 30-Jun-18	Change (%)
Technology	43.59%	43.36%	0.23%
Health Care	19.53%	16.07%	3.46%
Consumer Services	8.50%	9.14%	-0.64%
Oil & Gas	7.69%	10.05%	-2.36%
Consumer Goods	7.34%	9.17%	-1.83%
Industrials	6.32%	6.79%	-0.47%
Financials	4.83%	5.00%	-0.17%
Basic Materials	1.51%	0.00%	1.51%
Cash & Others	0.69%	0.42%	0.27%

Sources: S&P Dow Jones, i-VCAP

\* Based on S&P Dow Jones classification

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

**Table 5: MyETF-US50's Investment in Listed Equities**

	Quantity (Units)	Market Value (RM)	Market Value as a percentage of Net Asset Value (%)
<b>Technology</b>			
1. Apple Inc.	6,589	1,487,401	10.37
2. Microsoft Corp	11,439	1,308,278	9.12
3. Facebook Inc A	3,614	594,358	4.14
4. Alphabet Inc C	455	543,029	3.78
5. Alphabet Inc A	442	533,529	3.72
6. Cisco Systems Inc	6,500	316,225	2.20
7. Intel Corp	6,648	314,384	2.19
8. Nvidia Corp	944	265,283	1.85
9. Adobe Systems Inc	755	203,812	1.42
10. Intl Business Machines Corp	1,339	202,470	1.41
11. Salesforce.com	1,146	182,248	1.27
12. Broadcom Inc	623	153,713	1.07
13. Texas Instruments Inc	1,411	151,386	1.05
		<b>6,256,118</b>	<b>43.59</b>
<b>Health Care</b>			
14. Johnson & Johnson	3,939	544,252	3.79
15. Pfizer Inc	8,602	379,090	2.64
16. Merck & Co Inc	3,930	278,794	1.94
17. AbbVie Inc.	2,337	221,033	1.54
18. Medtronic plc	2,009	197,625	1.38
19. Amgen Inc	946	196,096	1.37
20. Abbott Laboratories	2,608	191,323	1.33
21. Lilly Eli & Co	1,425	152,917	1.07
22. Bristol-Myers Squibb	2,397	148,806	1.04
23. Gilead Sciences Inc	1,900	146,699	1.02
24. Thermo Fisher Scientific	601	146,692	1.02
25. Biogen Inc	299	105,640	0.74
26. Celgene Corp	1,038	92,891	0.65
		<b>2,801,858</b>	<b>19.53</b>
<b>Consumer Services</b>			
27. Home Depot Inc	1,694	350,912	2.45
28. Walmart Inc.	2,119	198,995	1.39
29. McDonald's Corp	1,160	194,056	1.35
30. Booking Holdings Inc	70	138,880	0.97
31. Lowe's Cos Inc	1,183	135,832	0.95
32. Starbucks Corp	1,956	111,179	0.77
33. Walgreens Boots Alliance Inc	1,216	88,646	0.62
		<b>1,218,501</b>	<b>8.50</b>
<b>Oil &amp; Gas</b>			
34. Exxon Mobil Corp	6,185	525,849	3.66
35. Chevron Corp	2,815	344,218	2.40
36. Schlumberger Ltd	2,057	125,312	0.87
37. EOG Resources	856	109,200	0.76
		<b>1,104,579</b>	<b>7.69</b>
<b>Consumer Goods</b>			
38. Procter & Gamble	3,644	303,290	2.11
39. Coca-Cola Co	5,640	260,512	1.82
40. PepsiCo Inc	2,102	235,004	1.64
41. NIKE Inc B	1,872	158,596	1.11
42. Mondelez International Inc	2,188	93,996	0.66
		<b>1,051,398</b>	<b>7.34</b>
<b>Industrials</b>			
43. Honeywell Intl Inc	1,101	183,206	1.28
44. 3M Co	847	178,471	1.24
45. Union Pacific Corp	1,061	172,763	1.20
46. Accenture plc A	944	160,669	1.12
47. United Parcel Service Inc B	1,048	122,354	0.85
48. FedEx Corp	377	90,778	0.63
		<b>908,241</b>	<b>6.32</b>
<b>Financials</b>			
49. Visa Inc A	2,630	394,737	2.75
50. Mastercard Inc A	1,343	298,965	2.08
		<b>693,702</b>	<b>4.83</b>
<b>Basic Materials</b>			
51. DowDuPont Inc.	3,377	217,175	1.51
		<b>217,175</b>	<b>1.51</b>
		<b>14,251,571</b>	<b>99.31</b>

Sources: S&P Dow Jones, 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 declared.

## 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.

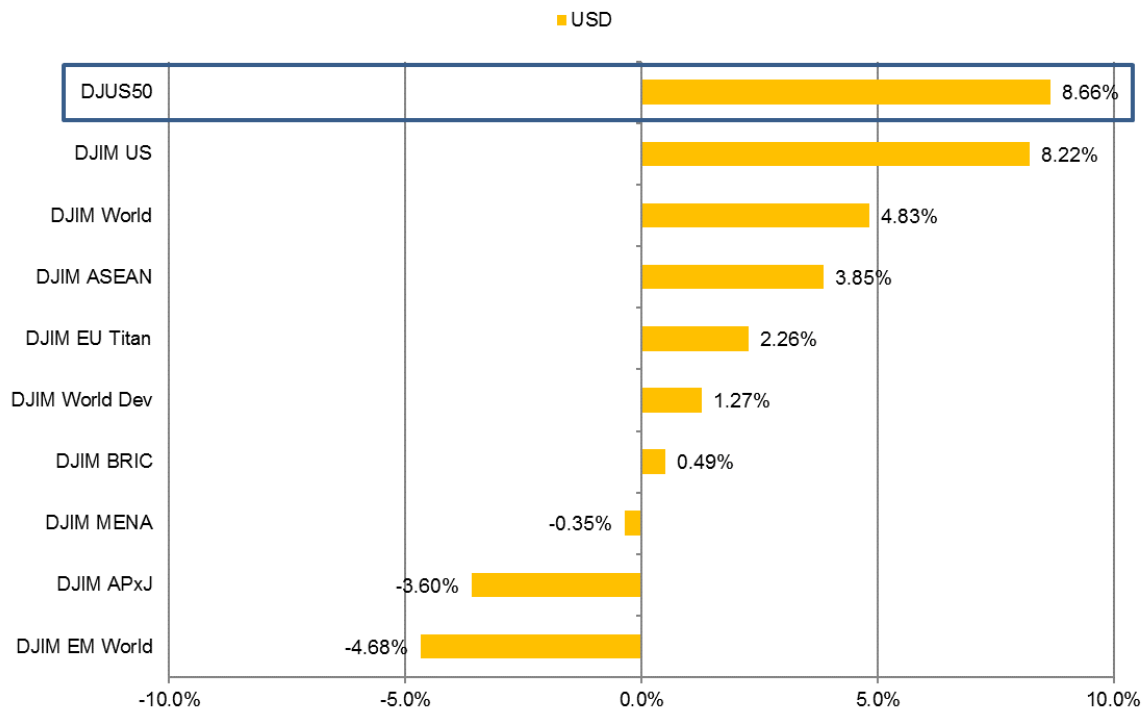
## 8. Market Review and Outlook

The global economy continued to expand in 2018, but at 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.

In the US, the GDP increased by 3.5% in the third quarter of 2018. The increase reflected increases in consumer spending, exports, business investment and government spending. Consumer spending was strong in both services and goods, underpinned by the increase in real disposable personal income. The increase in government spending reflected increases in federal national defense, and state and local government spending. Accordingly, US market performance in the third quarter reflected these strong economic fundamentals. US equity markets outperformed other regions, bringing S&P 500 Index year-to-date returns to 10.6%.

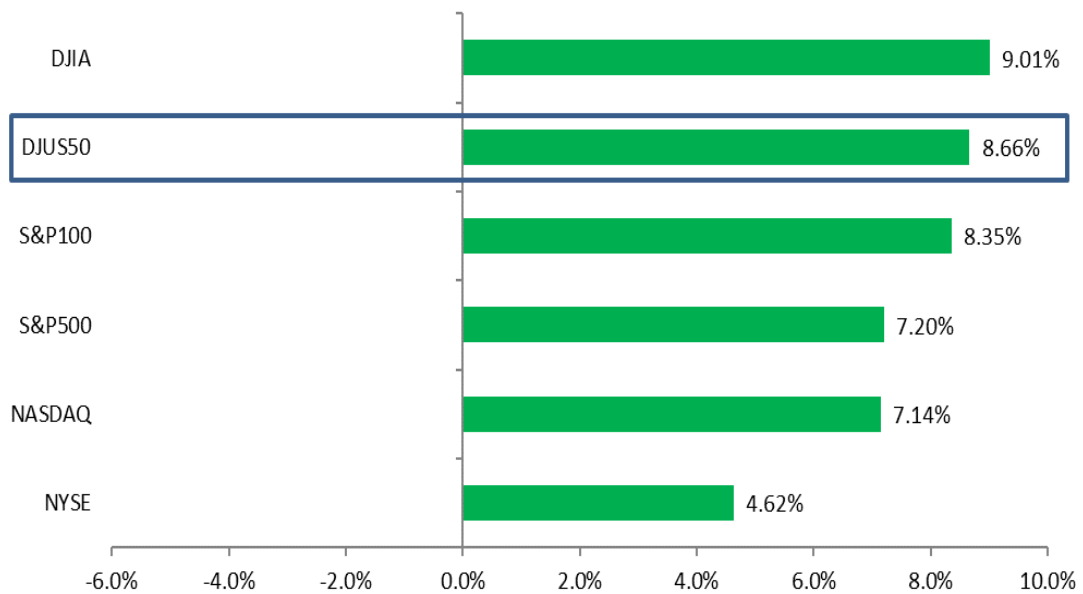


**Chart 3: DJUS50 Index Performance against Other Shariah Indices in 1QFY2019**



Sources: Bloomberg, i-VCAP

**Chart 4: DJUS50 Index Performance against Local Indices in 1QFY2019**



Sources: Bloomberg, i-VCAP

In the immediate term, the US economy will continue to be supported by consumption spending, which accounts for about 68% of the US GDP. According to the Federal Reserve's latest Financial Accounts, the net worth of American households and non-profit organisations climbed to a record US\$106.9 trillion in the second quarter of 2018, buoyed by the stock market and a higher value of real estate.

A solid labour market is also boosting optimism. The US is creating jobs at the fastest pace since 2015 according to the establishment survey which showed non-farm payrolls rising by 1.6 million in the first eight months of the year. The current tight labour market is also pushing up wages. The private sector's average hourly earnings rose 2.9% on a year-on-year basis in August, the highest since 2009, with most of the major industries seeing stronger wage growth than last year. Rising labour costs do not seem to be hurting business confidence as evidenced by the Small Business Optimism Index which hit record high in August. Resilient profits, courtesy of a strong economy and tax cuts, are likely contributing to the buoyant mood.

However, political and policy risks have grown considerably. In particular, there is a concern that the Federal Open Market Committee (FOMC) may hike interest rates higher than it should. Another issue that warrants caution is trade policy. The White House's September decision to ramp up protectionist measures means that roughly half of the US imports from China i.e. USD250 billion will be subject to a 25% tariff next year. The trade war escalation has potential to worsen an already precarious situation in emerging markets, something that would not leave the US unaffected.

Investment in MyETF-US50 allows investors to benefit from the potential good performance in the US stock markets on the back of steady growth in the US economy. MyETF-US50 closely correspond to the performance of the Benchmark Index that is highly correlated with US broader market performance. The Benchmark Index comprises the 50 Shariah-compliant largest companies listed on the relevant exchanges in the US.