

## Manager's Report

### For the Financial Period 1 April to 30 June 2014

<b>Name of Fund</b>	: MyETF MSCI Malaysia Islamic Dividend  ("MyETF-MMID" or "the Fund")
<b>Type of Fund</b>	: Exchange Traded Fund
<b>Fund Category</b>	: Shariah-Compliant Equity
<b>Commencement Date</b>	: 17 March 2014
<b>Listing Date</b>	: 21 March 2014
<b>Benchmark Index</b>	: MSCI Malaysia IMI Islamic High Dividend Yield 10/40 Index  ("MIMYDY40 Index" or "Benchmark Index")
<b>Manager</b>	: i-VCAP Management Sdn. Bhd. ("i-VCAP")

#### 1. Investment Objective

MyETF-MMID 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

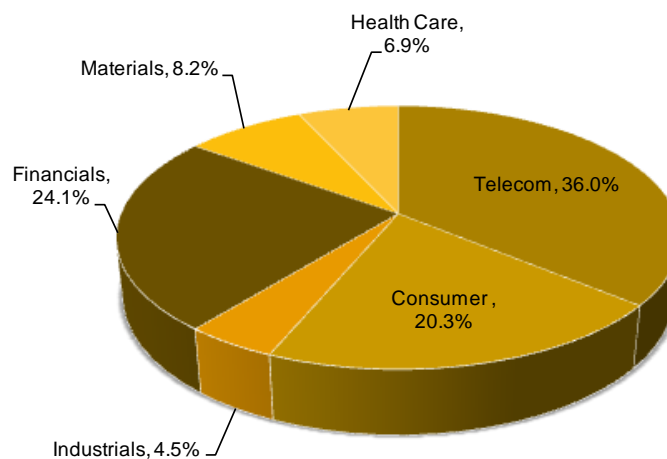
The Benchmark Index is a market capitalisation weighted and free-float adjusted index provided by MSCI Inc ("MSCI"). The Benchmark Index is designed as a performance benchmark for the high dividend-yielding companies of its Parent Index, i.e. the MSCI Malaysia IMI Islamic Index. The Benchmark Index shall consist between 16 to 30 Shariah-Compliant companies listed on Bursa Malaysia Securities Berhad ("Bursa Securities") with higher than the average dividend yield of the Parent Index and are deemed both sustainable and persistent by MSCI.

The weight of any single group or entity in the Benchmark Index is capped at 10% of the Index total assets and the sum of weights of all groups or entities representing more than 5% of the Index is capped at 40% of the Index weighting.

The Parent Index is a free-float adjusted market capitalisation weighted index that is designed to measure the equity market performance of Malaysia. The Parent Index and Benchmark Index consist only of Shariah-compliant securities which are approved by the MSCI Shariah Supervisory Committee (“MSSC”) based on the MSCI Islamic Index Series Methodology. The MSSC 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.

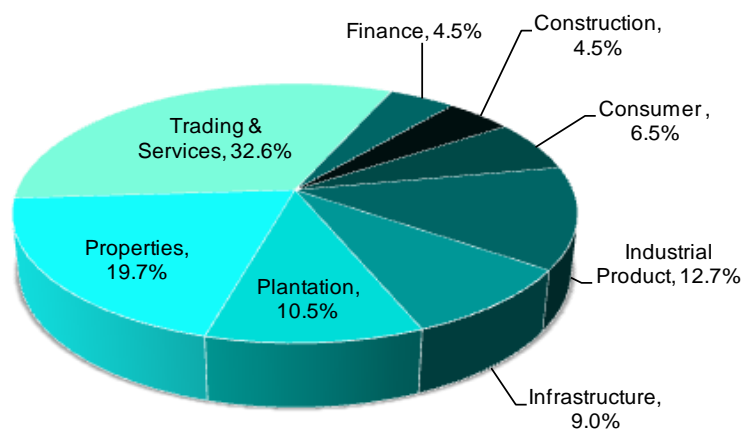
Based on the Fund’s quoted Investments as at 30 June 2014, the sector allocation of MIMYDY40 Index based on MSCI and Bursa Securities sector classifications are as follows:

**Chart 1(a): Sector Classification – MSCI**



Source: MSCI

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



Sources: Bursa Malaysia, MSCI

### **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 achieved its investment objective which is to track closely the underlying benchmark, i.e. MIMYDY40 Index. As at 30 June 2014, the tracking error (calculated since inception and on daily basis) between the NAV per unit of the Fund and the Benchmark Index on Price Return and Gross Return basis was 1.49% and 1.34% respectively, which were within the 3% limit stipulated under the Fund's investment objective.

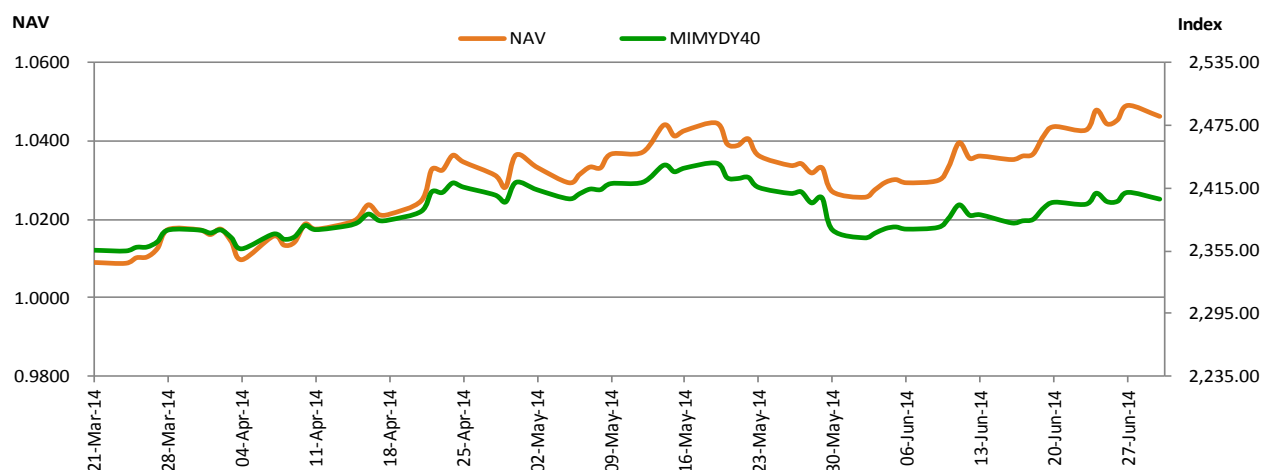
In terms of NAV movement, the Fund's NAV per unit increased by 2.84% to RM1.0463 from RM1.0174 at the end of the previous quarter, in line with its underlying benchmark, the MIMYDY40 Index which increased by 1.25% for the same period. The variance was largely due to the dividends that the Fund received during the quarter. Meanwhile, the Fund's unit price traded on Bursa Securities moved in tandem but largely at a discount to its NAV before closing the quarter at RM1.04. As at end of June, total NAV of the Fund increased to RM22.6 million from RM22.0 million as at end of March with the Fund's units in circulation stood at 21.6 million. The key statistics and comparative performance of the Fund for the second quarter against the first quarter of 2014 are summarized as follows:

**Table 1: Key Statistics**

	As at 30-Jun-14	As at 31-Mar-14	Changes
NAV per unit (RM) <sup>#</sup>	1.0463	1.0174	2.84%
- Highest	1.0491 (27 Jun)	1.0175 (28 Mar)	
- Lowest (During the period)	1.0098 (4 Apr)	1.0089 (24 Mar)	
Price per unit (RM) <sup>#</sup>	1.0400	1.0100	2.97%
- Highest	1.0400 (16 May)	1.0200 (25 Mar)	
- Lowest (During the period)	1.0100 (4 Apr)	1.0000 (21 Mar)	
Units in Circulation	21,600,000	21,600,000	0.00%
Total NAV (RM)	22,599,190	21,975,760	2.84%
Market Capitalisation (RM)	22,464,000	21,816,000	2.97%
MIIMYD4P Index	2,404.45	2,374.65	1.25%
Tracking Error vs. Price Return MIIMYD4P Index (%)*	1.49	0.35	
Tracking Error vs. Gross Return MIIMYD4G Index (%)*	1.34	0.12	
Management Expense Ratio (%)	0.24	0.03	

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>		
	1-Month (%)	3-Month (%)	Since Inception (%)
MyETF- MMID - NAV Price Return <sup>(a)</sup>	1.87	2.84	4.63
MIMYDY40P - Price Return Index	1.26	1.25	2.96
MyETF- MMID - NAV Total Return <sup>(a)</sup>	1.87	2.84	4.63
MIMYDY40G - Gross Return Index	1.99	2.62	4.42

Sources: Bloomberg, i-VCAP

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

(b) Cumulative returns are up to 30 June 2014

\*Listing date was on 21 March 2014

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

	Average Returns <sup>(b)</sup>		
	1-Month (%)	3-Month (%)	Since Inception (%)
MyETF- MMID - NAV Price Return <sup>(a)</sup>	24.89	11.86	17.04
MIMYDY40P - Price Return Index	16.17	5.11	10.67
MyETF- MMID - NAV Total Return <sup>(a)</sup>	24.89	11.86	17.04
MIMYDY40G - Gross Return Index	26.65	10.90	16.23

Sources: Bloomberg, i-VCAP

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

(b) Average returns for MIMYDY40P Index and MIMYDY40G Index are annualized figures computed based on the price and total returns for the respective period.

\* Listing date was on 21 March 2014

During the period under review, the Benchmark Index performed its semi-annual review for 2014 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. The latest rebalancing exercise saw the removal of six stocks from the MIMYDY40 Index, namely Kuala Lumpur Kepong, Ta Ann Holdings, Gas Malaysia, Paramount Corporation, SEG International and CSC Steel Holdings. Subsequently, MSCI has included eight new stocks into the Benchmark Index, namely Sunway, Top Glove Corporation, Syarikat Takaful Malaysia, Felda Global Ventures Holdings, Matrix Concepts Holdings, Scientex, Kim Loong Resources and Zhulian Corporation. Following the review, the constituents for the Benchmark Index has increased from 19 to 21 stocks.

In terms of sectoral weightings, notable changes to the Fund's sector composition arising from the semi-annual review were the increase of Consumer Products from 17.69% to 19.18% and Property from 4.24% to 6.12%. On the other hand, the weighting of Trading/Services decreased from 38.47% to 32.25% and Plantation from 13.44% to 10.41%. Details of the key changes for the quarter are as follows:

**Table 3: Top Ten Holdings of the Fund as at 30 June 2014**

Stock	% of NAV	Q-o-Q $\Delta$ (% holdings)
1. DiGi.Com Berhad	9.20	(0.07)
2. Telekom Malaysia Berhad	8.95	4.59
3. Maxis Berhad	8.87	0.04
4. Axiata Group Berhad	8.85	(0.10)
5. Lafarge Malaysia Berhad	4.62	0.37
6. WCT Holdings Berhad	4.47	(0.05)
7. Mah Sing Group Berhad	4.47	0.02
8. Syarikat Takaful Malaysia Berhad	4.46	4.46
9. Sunway Berhad	4.42	4.42
10. Top Glove Corporation Berhad	4.23	4.23
<b>Total</b>	<b>62.54</b>	<b>17.93</b>

Sources: Bloomberg, i-VCAP

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

	As at 30-Jun-14	As at 31-Mar-14	Change (%)
Trading/Services	32.25%	38.47%	(6.22)
Plantation	10.41%	13.44%	(3.03)
Industrial Products	12.51%	11.75%	0.76
Infrastructure	9.20%	9.27%	(0.07)
Construction	4.47%	4.52%	(0.05)
Consumer Products	19.18%	17.69%	1.49
Property	6.12%	4.24%	1.88
Cash & Others	1.40%	0.62%	0.78

Sources: Bursa Malaysia, i-VCAP

\* Based on Bursa Securities classification

Details of the Fund's quoted Investments as at 30 June 2014 are as follows:

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

	Quantity (Units)	Market Value (RM)	Market Value as a percentage of Net Asset Value (%)
<b><u>Trading/Services</u></b>			
1. Telekom Malaysia Berhad	318,700	2,023,745	8.95
2. Maxis Berhad	296,900	2,004,075	8.87
3. Axiata Group Berhad	287,000	2,000,390	8.85
4. Oldtown Berhad	338,700	745,140	3.30
5. Pharmaniaga Berhad	111,700	514,937	2.28
		<b>7,288,287</b>	<b>32.25</b>
<b><u>Property</u></b>			
6. Mah Sing Group Berhad	442,600	1,009,128	4.47
7. Sunway Berhad	328,700	999,248	4.42
8. UOA Development Bhd	457,200	946,404	4.19
9. Matrix Concepts Holdings Berhad	205,300	862,260	3.82
10. Glomac Berhad	494,500	514,280	2.28
		<b>4,331,320</b>	<b>19.18</b>
<b><u>Industrial Products</u></b>			
11. Lafarge Malaysia Berhad	106,100	1,045,085	4.62
12. Top Glove Corporation Berhad	209,300	956,501	4.23
13. Scientex Berhad	140,500	827,545	3.66
		<b>2,829,131</b>	<b>12.51</b>
<b><u>Plantation</u></b>			
14. TDM Berhad	907,500	943,800	4.18
15. Felda Global Ventures Holdings Berhad	225,400	937,664	4.15
16. Kim Loong Resources Berhad	157,400	469,052	2.08
		<b>2,350,516</b>	<b>10.41</b>
<b><u>Infrastructure</u></b>			
17. DiGi.Com Berhad	362,900	2,079,417	9.20
		<b>2,079,417</b>	<b>9.20</b>
<b><u>Consumer Products</u></b>			
18. UMW Holdings Berhad	84,900	927,108	4.10
19. Zhulian Corporation Berhad	156,100	457,373	2.02
		<b>1,384,481</b>	<b>6.12</b>
<b><u>Construction</u></b>			
20. WCT Holdings Berhad	463,200	1,009,776	4.47
		<b>1,009,776</b>	<b>4.47</b>
<b><u>Finance</u></b>			
21. Syarikat Takaful Malaysia Berhad	77,200	1,008,232	4.46
		<b>1,008,232</b>	<b>4.46</b>
		<b>22,281,160</b>	<b>98.60</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. Distributions (if any) are expected to be made annually. 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**

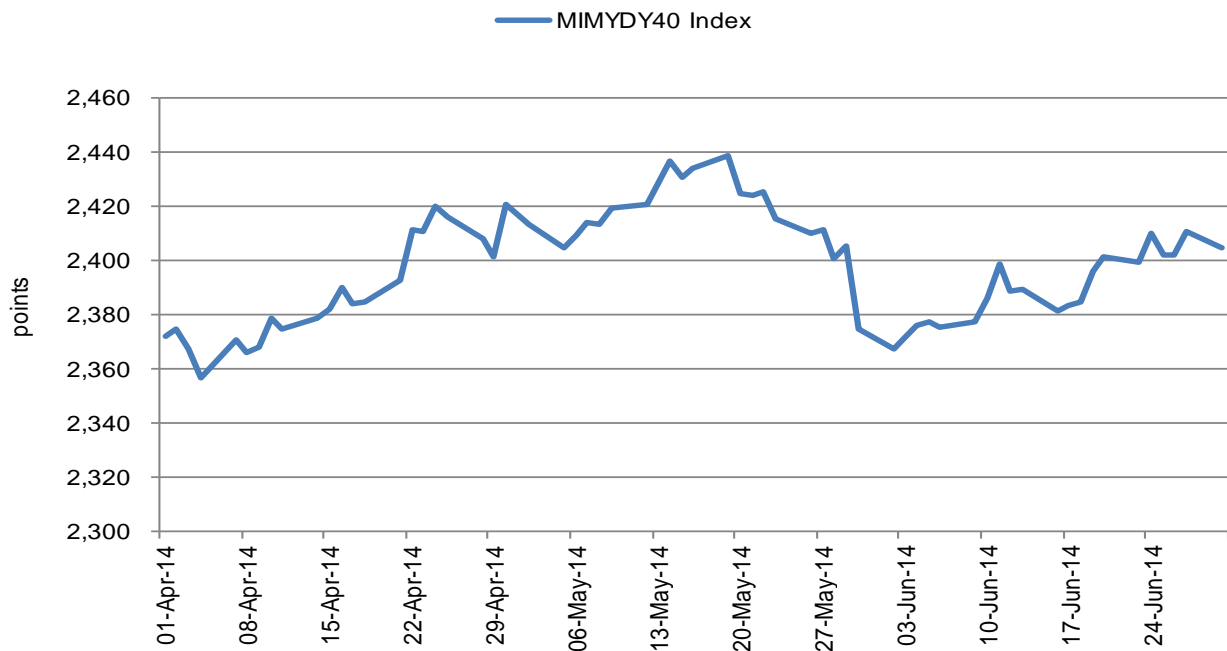
It is the Manager's policy to not receive any goods or services by way of soft commission.

## **8. Market Review and Outlook**

Global equity markets continued their upward trend in second quarter 2014 as economic data largely met or exceeded expectations. The assertion of an accommodative monetary policy in the near future also contributed to the positive performance for equities. Emerging markets particularly in Asia also performed better than the previous quarter with most markets registering positive movements quarter-on-quarter as signs of stability in China's economic growth emerged.

The domestic equity market recovered in the second quarter on the back of an improved real gross domestic product (GDP) that grew by 6.2% year-on-year in 1Q14 (+4.2% in 1Q13 and +5.1% in 4Q13), anchored by domestic demand and turnaround in net exports. In addition, improved corporate earnings announced as well as foreign investors turning net buyers helped the local market to reach a new record high. However, bouts of profit taking activities pulled the equity market lower before it recovered towards the end of the quarter. The Ringgit meanwhile continued to strengthen against the US Dollar from the previous quarter of RM3.26 to close at RM3.21 in June, representing an increase of 1.67% quarter-on-quarter.



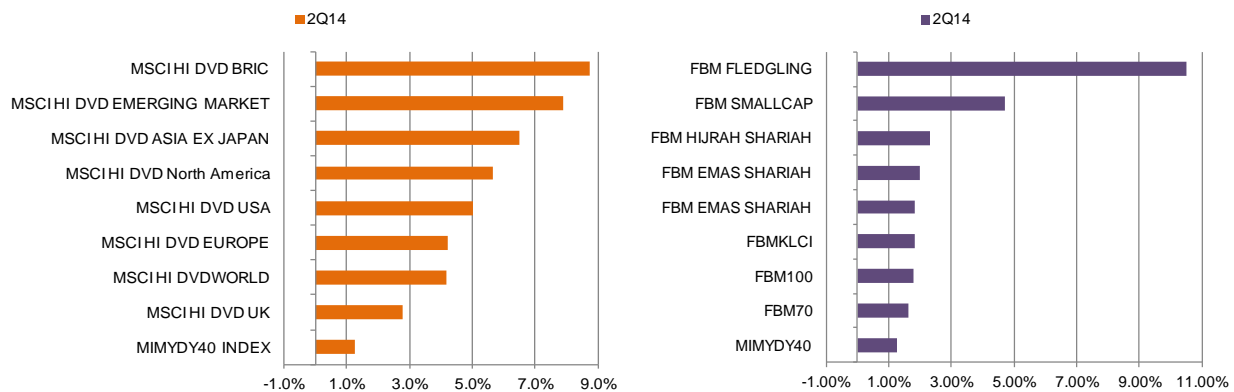
**Chart 3: MIMYDY40 Index Performance in 2Q14**


Sources: Bloomberg, i-VCAP

The MIMYDY40 Index started the second quarter 2014 on a positive momentum and reached its new year high of 2,439.04 on 19 May as investors reacted positively to the announcement of Malaysia's GDP growth for 1Q2014. Nevertheless, the Benchmark Index had a pullback thereafter due to profit taking activities and lack of fresh leads. The Benchmark Index recovered marginally in June before ending the quarter at 2,404.45 points, translating to an increase of 1.25% quarter-on-quarter. The recovery was also helped by the improved sentiment in the developed markets following the Federal Reserve's Chairman statement at the Federal Open Market Committee meeting in June that interest rates could remain low up to 2016. In addition, the Benchmark Index also benefited from the announcement of interim dividend by its key component stocks, i.e. Maxis (8 sen), Telekom Malaysia (16.3 sen), Axiata (14 sen) and Syarikat Takaful Malaysia (40 sen) towards the end of the quarter.

On comparative performance within MSCI High Dividend Yield index series, the MIMYDY40 Index trailed MSCI's High Dividend Yield Index series globally. During the period under review, the MIMYDY40 Index performance was also in tandem with the big to mid-cap local indices but trailed the small-cap indices.

**Chart 4: Comparative Performance of MSCI High Dividend Yield Indices and Domestic Indices (2Q 2014)**



Sources: Bloomberg, i-VCAP

Moving forward, the outlook for the global economy suggested a cautiously positive undertone for 2H2014. Global economic condition is expected to improve following positive signs of a stable economic growth in the U.S, the return to positive growth for Eurozone economy and signs of stability in China’s moderating growth.

On the local front, Malaysian equity market is expected to fair better relative to regional and emerging markets amidst external volatilities in 2014 anchored by healthy domestic demand and continued strength in exports data. Private sector consumption is expected to remain supportive of economic activities on the back of stable income growth and favourable labour market conditions which should support the GDP growth forecast of between 5.0% to 5.5% in 2014. Meanwhile, even though BNM had increased the Overnight Policy Rate (OPR) by 25 basis points to 3.25% at the Monetary Policy Committee (MPC) meeting in July, it is not expected to negatively impact the growth in the short term as the hike was to mitigate the risk of broader economic and financial imbalances in the Malaysian economy. It is expected investors’ interest for dividend yielding stocks to remain intact due to investors’ preference for defensiveness and income features.