

Manager's Report

For the Financial Period 1 July to 30 September 2018

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

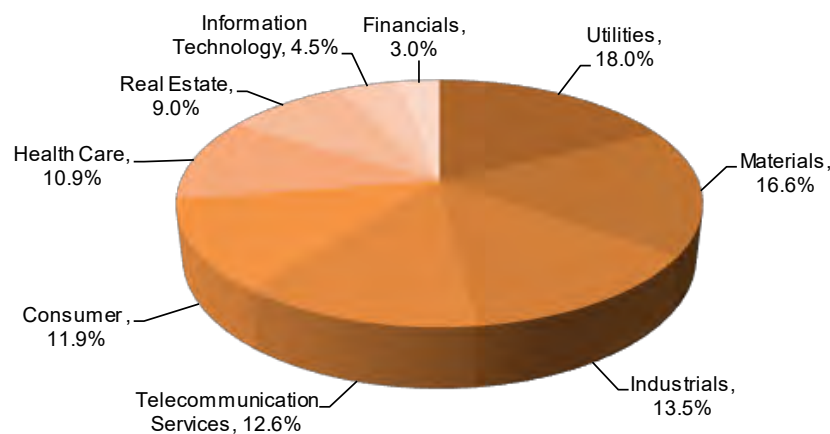
The Benchmark Index is a market capitalisation weighted and free-float adjusted index provided by MSCI Inc (“MSCI”). The Benchmark Index is designed as a performance benchmark for the high dividend-yielding companies of its Parent Index, i.e. the MSCI Malaysia IMI Islamic Index. The Benchmark Index shall 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 market capitalisation and the sum of weights of all groups or entities representing more than 5% of the Index is capped at 40% of the Index total market capitalisation.

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.

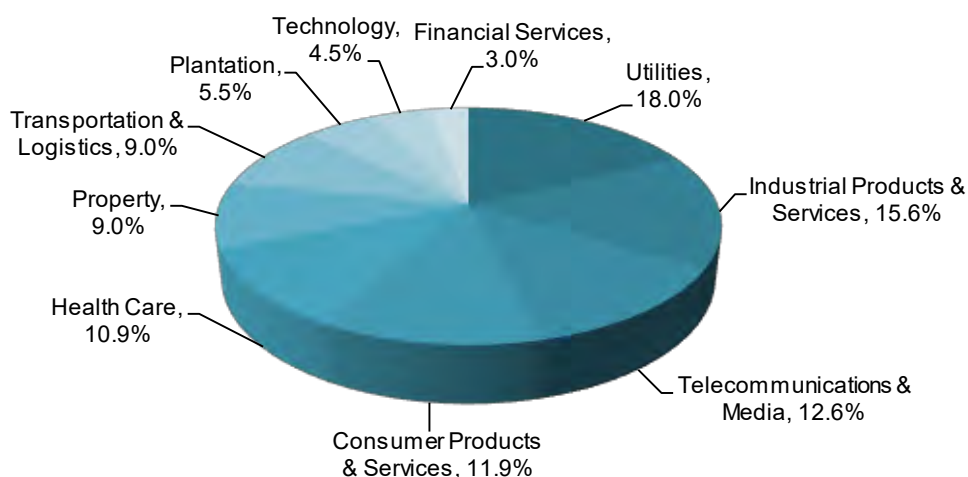
Based on the latest quarterly review (30 August 2018), the sector allocation of MIMYDY40 Index based on MSCI and Bursa Securities sector classifications are as follows:

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 to track closely the underlying benchmark, i.e. MIMYDY40 Index. As at 30 September 2018, the 3-year rolling tracking errors¹ between the NAV per unit of the Fund and the Benchmark Index on Price Return and Total Return basis were 0.05% and 0.06% 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 6.53% to RM1.2033 from RM1.1295 at the end of the previous quarter. Comparatively, the Benchmark Index and Benchmark's Total Return Index (MIMYDY40 Total Return Index) increased by 5.84% and 6.98% respectively for the quarter.

During the 3Q2018, the Fund's unit price traded on Bursa Securities moved in tandem but largely at a slight discount to its NAV before closing the quarter at RM1.1600, an increase of 2.20%. Meanwhile, the units in circulation marginally fell to 46.4 million units on unit redemptions in the quarter. The key statistics and comparative performance of the Fund for the third quarter 2018 against the prior quarter are summarized as follows:

¹ Independently sourced from Novagni Analytics and Advisory Sdn. Bhd.

Table 1: Key Statistics

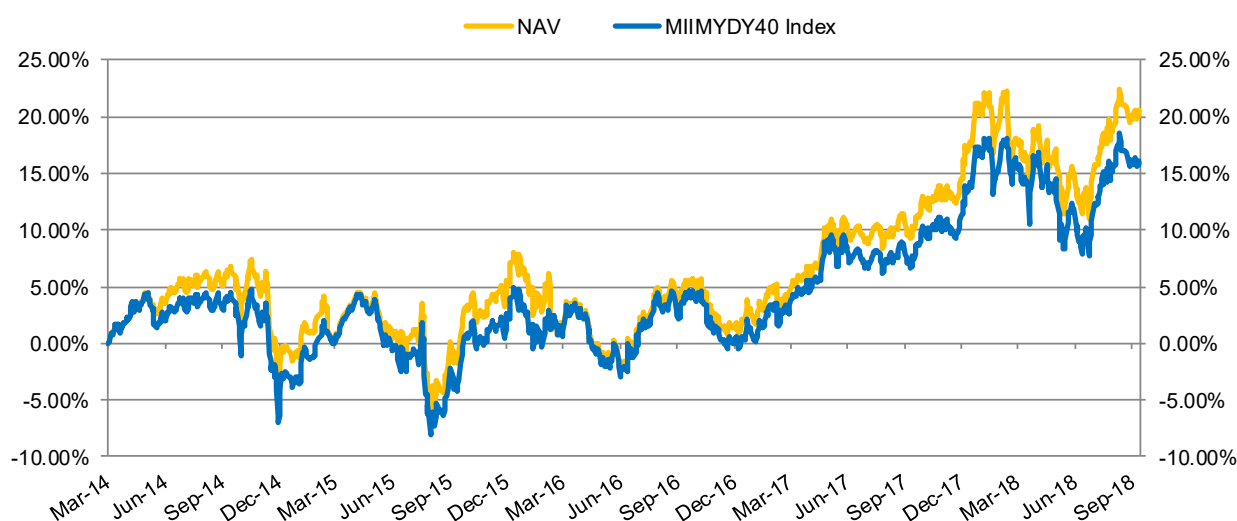
	As at 30-Sep-18	As at 30-Jun-18	QoQ Change
NAV per unit (RM) [#]	1.2033	1.1295	6.53%
- Highest	1.2239 (28 Aug)	1.1916 (19 Apr)	
- Lowest (During the period)	1.1102 (9 Jul)	1.1145 (31 May)	
Price per unit (RM) [#]	1.1600	1.1350	2.20%
- Highest	1.2100 (2 Aug)	1.1900 (19 Apr)	
- Lowest (During the period)	1.0000 (16 Jul)	1.0900 (24 May)	
Units in Circulation	46,400,000	48,800,000	(4.92%)
Total NAV (RM)	55,834,003	55,120,827	1.29%
Market Capitalisation (RM)	53,824,000	55,388,000	(2.82%)
MIMYDY40 Index	2,704.48	2,555.20	5.84%
MIMYDY40 Total Return Index	4,494.07	4,200.94	6.98%
Tracking Error vs. MIMYDY40 Price Return Index (%) [*]	0.05	0.06	
Tracking Error vs. MIMYDY40 Total Return Index (%) [*]	0.06	0.07	
Management Expense Ratio (%)	0.19	0.16	

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 (%)
MyETF-MMID - NAV Price Return ^(a)	2.18	15.34	(5.31)	8.55
MIMYDY40 - Price Return Index	1.41	13.49	(3.96)	7.91
MyETF-MMID - NAV Total Return ^(a)	4.61	17.04	(2.36)	10.96
MIMYDY40 - Total Return Index	4.46	17.35	(0.84)	11.76

Sources: Bloomberg, i-VCAP

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

Table 2(b): Cumulative Returns

	Cumulative Returns (b)		
	1-Year (%)	3-Year (%)	Since Inception (%)
MyETF- MMID - NAV Price Return ^(a)	9.06	21.89	20.33
MIMYDY40 - Price Return Index	7.48	20.32	15.81
MyETF- MMID - NAV Total Return ^(a)	11.65	30.56	31.76
MIMYDY40 - Total Return Index	11.48	33.15	36.08

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 (b)		
	1-Year (%)	3-Year (%)	Since Inception (%)
MyETF- MMID - NAV Price Return ^(a)	9.06	7.28	4.47
MIMYDY40 - Price Return Index	7.48	6.76	3.48
MyETF- MMID - NAV Total Return ^(a)	11.65	10.17	6.98
MIMYDY40 - Total Return Index	11.48	11.03	7.93

Sources: Bloomberg, i-VCAP

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

(b) Average returns for MIMYDY40 Price Return Index and MIMYDY40 Total Return Index are annualized figures computed based on the price and total returns for the respective period.

During the period under review, MSCI Malaysia IMI Islamic Index, which is the Parent Index of MIMYDY40 Index performed its third quarter review for 2018 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 and stock constituents in the Fund. The Manager had undertaken the rebalancing exercise to ensure that the Fund's investment would be in line with the changes in the Benchmark Index. The rebalancing exercise saw the removal of two stocks from the Fund, i.e. Top Glove Corporation Bhd and MISC Bhd. 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 Exclusion

	Stock Exclusions
3Q18	Top Glove Corporation Bhd
	MISC Bhd

Source: MSCI

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

Table 4: MyETF-MMID's Investment in Listed Equities

	Quantity (Units)	Market Value (RM)	Market Value as a percentage of Net Asset Value (%)
<u>Utilities</u>			
1. Petronas Gas Bhd	269,200	5,087,880	9.11
2. Tenaga Nasional Bhd	322,300	4,982,758	8.92
		10,070,638	18.03
<u>Industrial Products & Services</u>			
3. Petronas Chemicals Group Bhd	528,700	4,948,632	8.86
4. Cahya Mata Sarawak Bhd	706,100	2,061,812	3.69
5. Scientex Bhd	156,300	1,387,944	2.49
		8,398,388	15.04
<u>Telecommunications & Media</u>			
6. Maxis Bhd	870,800	5,085,472	9.11
7. TIME dotCom Bhd	243,400	2,017,786	3.61
		7,103,258	12.72
<u>Consumer Products & Services</u>			
8. Sime Darby Bhd	988,200	2,579,202	4.62
9. Bermaz Auto Bhd	1,061,800	2,240,398	4.01
10. QL Resources Bhd	316,000	2,158,280	3.87
		6,977,880	12.50
<u>Health Care</u>			
11. Hartalega Holdings Bhd	361,400	2,392,468	4.29
12. IHH Healthcare Bhd	455,800	2,374,718	4.25
13. Supermax Corporation Bhd	279,300	904,932	1.62
		5,672,118	10.16
<u>Property</u>			
14. Matrix Concepts Holdings Bhd	1,216,200	2,541,858	4.55
15. UOA Development Bhd	1,062,900	2,444,670	4.38
		4,986,528	8.93
<u>Transportation & Logistic</u>			
16. Westports Holdings Bhd	669,300	2,543,340	4.56
17. Lingkar Trans Kota Holdings Bhd	491,200	2,239,872	4.01
		4,783,212	8.57
<u>Plantation</u>			
18. Sime Darby Plantation Bhd	473,800	2,511,140	4.50
19. Ta Ann Holdings Bhd	215,500	575,385	1.03
		3,086,525	5.53
<u>Technology</u>			
20. Unisem (M) Bhd	843,300	2,614,230	4.68
		2,614,230	4.68
<u>Financial Services</u>			
21. Syarikat Takaful Malaysia Keluarga Bhd	425,400	1,616,520	2.90
		1,616,520	2.90
		55,309,297	99.06

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. No income distribution was declared or paid during the quarter.

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.

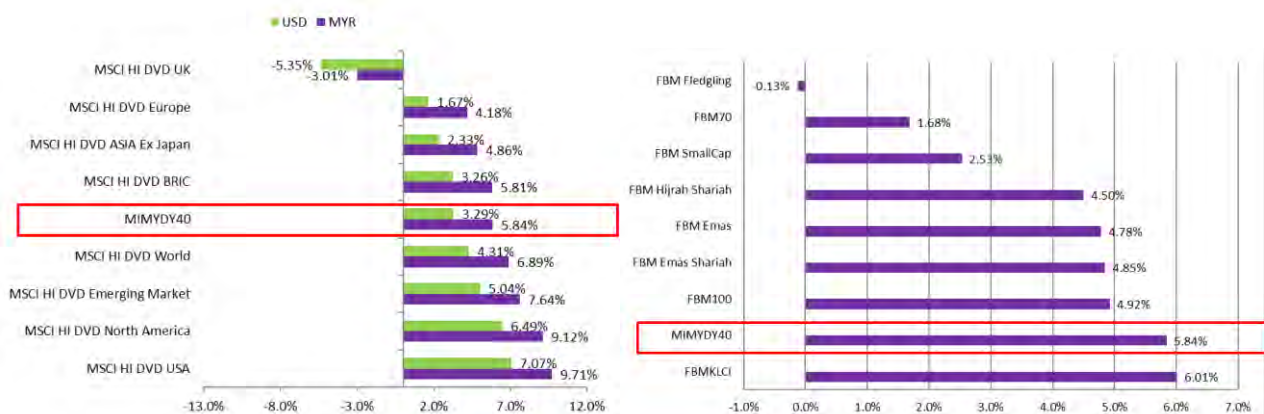
Growth in Asian region was trended lower. During the quarter, high frequency indicators such as the Purchasing Managers Index (PMI) for the manufacturing sector registered declines for the first time since 2015. China recorded slower growth as the effect of credit tightening policies weighed on domestic 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: MIMYDY40 Index 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-MMID is designed to correspond to the performance of the Benchmark Index by investing in selected high dividend-yielding 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. In addition, investors will also benefit from the potential distributions from dividend income received from its stock investment.