

Manager's Report

For the Financial Period 1 July to 30 September 2016

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

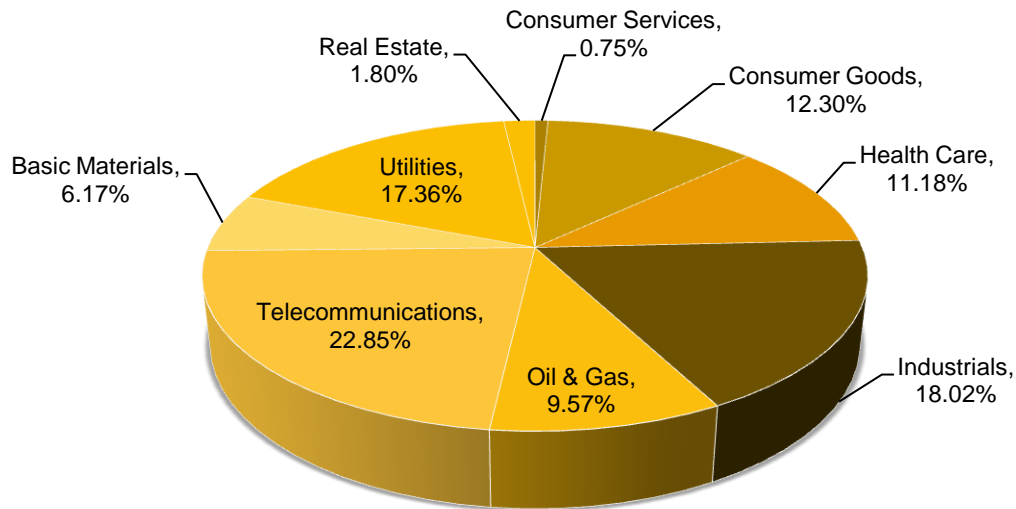
The Benchmark Index is a market capitalisation weighted and free-float adjusted index provided by S&P Dow Jones Indices (“S&P Dow Jones”).

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.

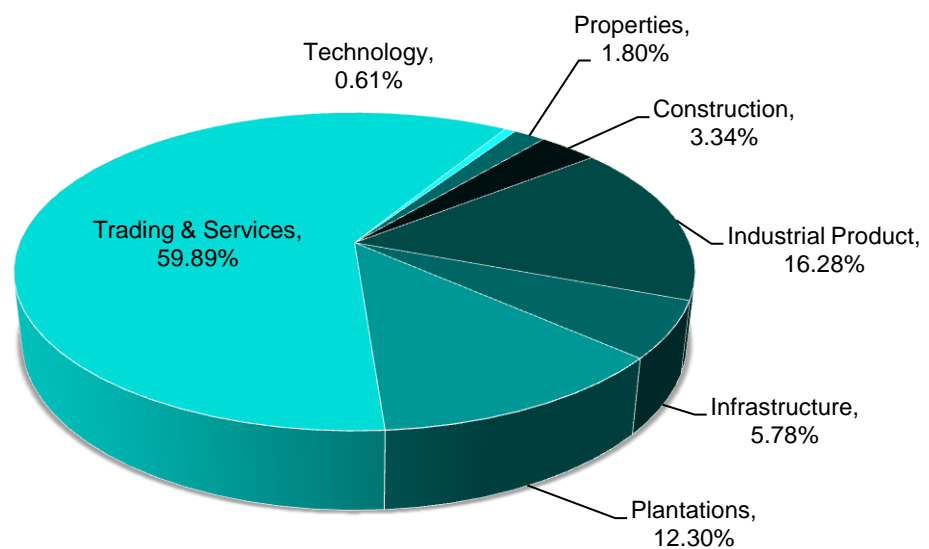
Based on the latest quarterly review (as at 9 September 2016), the sector allocation of DJIM25 Index based on S&P Dow Jones and Bursa Securities sector classifications are as follows:

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 2016, the 3-year rolling tracking error¹ (calculated on daily basis) between the NAV per unit of the Fund and the Benchmark Index on Price Return and Total Return basis was 0.69% and 0.35% 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 during the quarter by 0.88% to RM1.0808 from RM1.0714 at the end of the previous quarter while the Benchmark Index and Benchmark's Total Return Index (DJIM25T Index) increased by 0.44% and 1.12% respectively for the same period. The Fund had a positive momentum at the start of 3Q2016 with its price per unit and NAV gained gradually and reached its highest level for the quarter of RM1.1053 and RM1.1100 on 2 September and 6 September respectively. The Fund however, retraced in mid-September before closing the quarter at RM1.0808 per unit. For the period, 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 RM1.0900.

In line with the performance of the Benchmark Index, total NAV of the Fund increased to RM301.65 million as at end of September from RM299.03 million recorded at the end of June. The key statistics and comparative performance of the Fund for the third quarter of 2015 as compared to the previous quarter are summarized as follows:

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

Table 1: Key Statistics

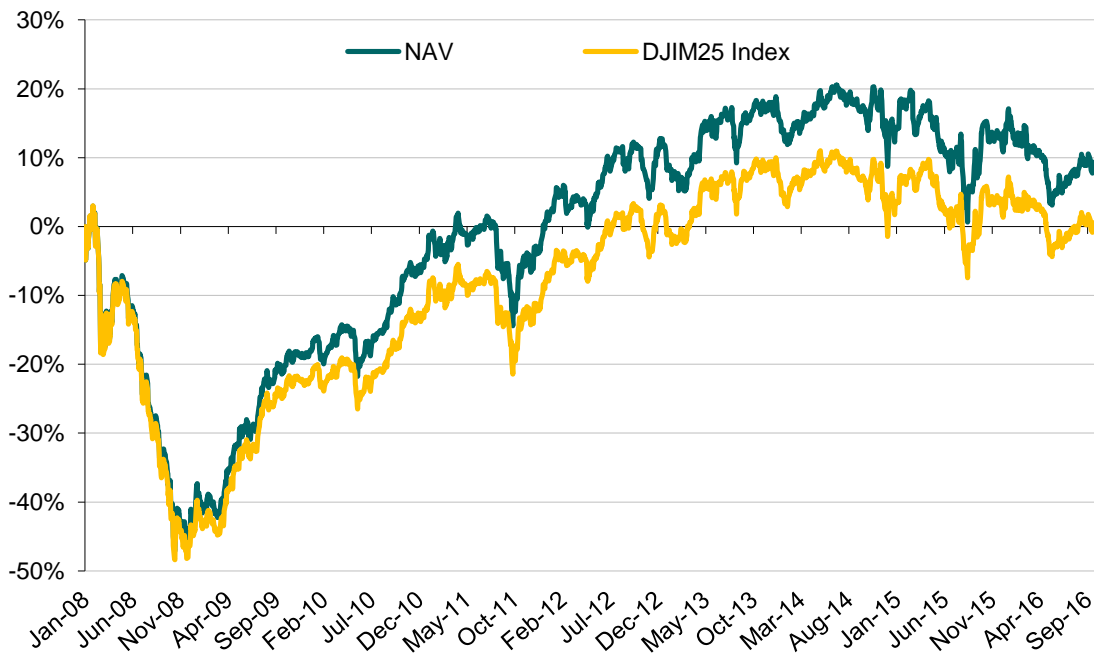
	As at 30-Sep-16	As at 30-Jun-16	QoQ Change
NAV per unit (RM) [#]	1.0808	1.0714	0.88%
- Highest	1.1053 (6 Sep)	1.1104 (4 Apr)	
- Lowest	1.0629 (8 Jul)	1.0309 (16 May)	
<i>(During the period)</i>			
Price per unit (RM) [#]	1.0900	1.0550	3.32%
- Highest	1.1100 (2 Sep)	1.1100 (1 Apr)	
- Lowest	1.0550 (1 Jul)	1.0350 (13 May)	
<i>(During the period)</i>			
Units in Circulation	279,100,000	279,100,000	0.00%
Total NAV (RM)	301,651,161	299,030,005	0.88%
Market Capitalisation (RM)	304,219,000	294,450,500	3.32%
DJIM25 Index	958.76	954.55	0.44%
DJIM25T Index	1,314.95	1,300.37	1.12%
Tracking Error: Fund vs. Price Return DJIM25 Index (%) [*]	0.69	0.84	
Tracking Error: Fund vs. Total Return DJIM25 Index (%) [*]	0.35	0.59	
Management Expense Ratio (%)	0.14	0.15	

Sources: Bloomberg, i-VCAP

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

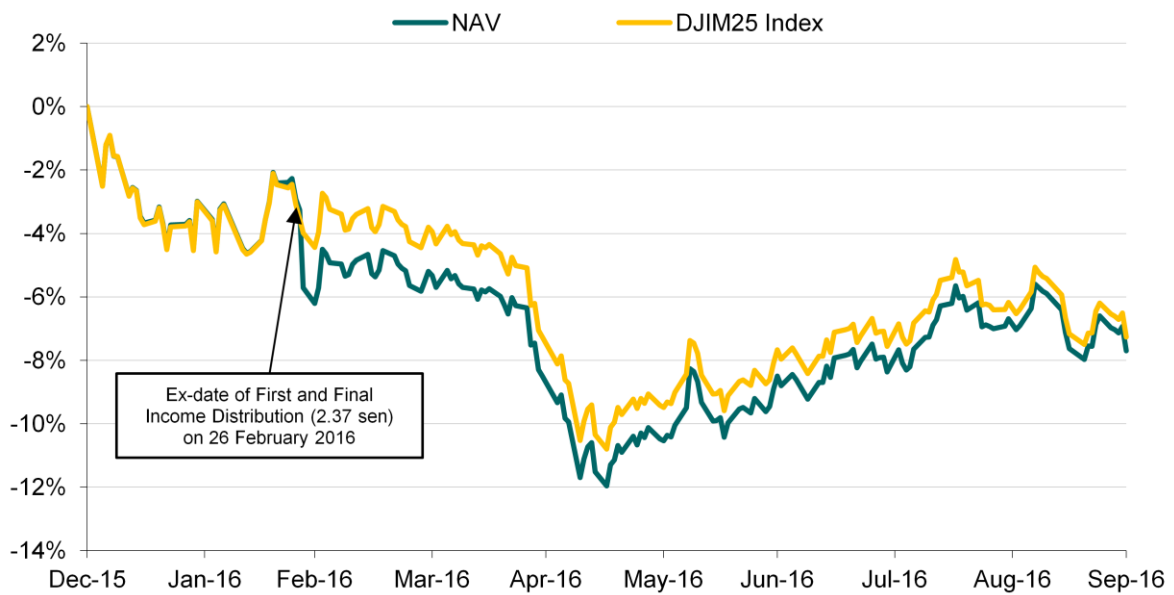
^{*} The 3-year rolling tracking error (calculated on daily basis) between the NAV per unit of the Fund and the Price Return and Total Return Benchmark Index. The calculation was independently sourced from Novagni Analytics and Advisory Sdn. Bhd.

Chart 2 (a): Fund NAV Per Unit vs. Benchmark Index – Performance Since Inception



Sources: Bloomberg, i-VCAP

Chart 2(b): Fund NAV Per Unit vs. Benchmark Index – Performance in 2016



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 30-Sep-16 (%)	2015 (%)	2014 (%)	2013 (%)	2012 (%)
MyETF-DJIM25 - NAV Price Return ^(a)	(7.69)	1.78	(2.95)	5.13	12.49
DJIM25 - Price Return Index	(7.26)	2.79	(4.90)	6.39	12.56
MyETF-DJIM25 - NAV Total Return ^(a)	(5.71)	4.69	(1.52)	8.82	15.78
DJIM25 - Total Return Index	(5.36)	5.63	(1.62)	9.82	16.70

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 (%)	5-Year (%)	Since Inception (%)
MyETF-DJIM25 - NAV Price Return ^(a)	(0.71)	(6.04)	21.02	8.08
DJIM25 - Price Return Index	(0.48)	(6.82)	21.22	(0.57)
MyETF-DJIM25 - NAV Total Return ^(a)	1.42	0.17	37.45	26.31
DJIM25 - Total Return Index	2.08	1.71	41.92	36.37

Sources: Bloomberg, i-VCAP

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

(b) Cumulative returns are up to 30 September 2016.

Table 2(c): Average Returns (Annualised)

	Average Returns ^(b)			
	1-Year (%)	3-Year (%)	5-Year (%)	Since Inception (%)
MyETF-DJIM25 - NAV Price Return ^(a)	(0.71)	(2.01)	4.20	0.93
DJIM25 - Price Return Index	(0.48)	(2.27)	4.24	(0.07)
MyETF-DJIM25 - NAV Total Return ^(a)	1.42	0.06	7.47	3.02
DJIM25 - Total Return Index	2.08	0.57	8.36	4.17

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 2016 Review (quarterly review) in September 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 and stock constituents in the Benchmark Index. The Manager had undertaken the rebalancing exercise during the quarterly review to ensure that the Fund's investment would be in line with the changes in the Benchmark Index. The latest rebalancing exercise saw the removal of three stocks from the DJIM25 Index, i.e. MISC Berhad, QL Resources Berhad and KPJ Healthcare Berhad which were subsequently replaced by Tenaga Nasional Berhad, Gamuda Berhad and IOI Properties Group Berhad. The changes took effect after the close of trading on 15 September 2016.

In terms of sectoral weightings, Trading/Services maintained the top sector exposure with 59.47% from 57.12% previously, followed by Industrial Products that saw a decrease of 2.79% q-o-q to 16.52%. Pursuant to the inclusion of Gamuda Berhad and IOI Properties Group Berhad as index constituents, the Fund currently has exposure in Construction and Properties sector while the exclusion of QL Resources Berhad resulted in the Fund having no exposure in the Consumer Products sector. Details of the key changes for the quarter are as follows:

Table 3: Top Ten Holdings of the Fund as at 30 September 2016

Stock	% of NAV
1. Tenaga Nasional Berhad	17.34
2. Sime Darby Berhad	8.65
3. Axiata Group Berhad	7.97
4. IHH Healthcare Berhad	7.23
5. Petronas Chemicals Group Berhad	6.23
6. IOI Corporation Berhad	6.19
7. DiGi. Com Berhad	5.75
8. Telekom Malaysia Berhad	5.01
9. Kuala Lumpur Kepong Berhad	4.79
10. Petronas Gas Berhad	4.41
Total	73.57

Sources: Bloomberg, i-VCAP

Table 4: Change in Fund's Sector Allocation*

	As at 30-Sep-16	As at 30-Jun-16	Change (%)
Trading/Services	59.47%	57.12%	2.35
Industrial Products	16.52%	19.31%	(2.79)
Plantation	12.38%	13.50%	(1.12)
Infrastructure	5.75%	7.66%	(1.91)
Construction	3.37%	-	3.37
Properties	1.65%	-	1.65
Technology	0.61%	0.64%	(0.03)
Consumer Products	-	1.39%	(1.39)
Cash & Others	0.25%	0.38%	(0.13)

Sources: Bursa Malaysia, i-VCAP

* Based on Bursa Securities classification

Details of the Fund's quoted Investments as at 30 September 2016 are as follows:

Table 5: MyETF-DJIM25's Investment in Listed Equities

	Quantity (Units)	Market Value (RM)	Market Value as a percentage of Net Asset Value (%)
<u>Trading/Services</u>			
1. Tenaga Nasional Berhad	3,658,000	52,309,400	17.34
2. Sime Darby Berhad	3,410,700	26,091,855	8.65
3. Axiata Group Berhad	4,605,800	24,042,276	7.97
4. IHH Healthcare Berhad	3,447,500	21,822,675	7.23
5. Telekom Malaysia Berhad	2,227,200	15,100,416	5.01
6. Maxis Berhad	1,953,800	12,035,408	3.99
7. Petronas Dagangan Berhad	333,800	7,844,300	2.60
8. Dialog Group Berhad	5,011,540	7,316,848	2.43
9. Westports Holdings Berhad	1,555,000	6,826,450	2.26
10. My E.G Services Berhad	1,633,600	3,724,608	1.24
11. Berjaya Auto Berhad	1,011,450	2,306,106	0.75
		179,420,342	59.47
<u>Industrial Products</u>			
12. Petronas Chemicals Group Berhad	2,823,800	18,778,270	6.23
13. Petronas Gas Berhad	609,100	13,302,744	4.41
14. Top Glove Corporation Berhad	931,500	4,750,650	1.58
15. Hartalega Holdings Berhad	979,500	4,544,880	1.51
16. Lafarge Malaysia Berhad	452,300	3,582,216	1.19
17. Cahya Mata Sarawak Berhad	646,300	2,455,940	0.81
18. Kossan Rubber Industries Berhad	351,200	2,416,256	0.79
		49,830,956	16.52
<u>Plantation</u>			
19. IOI Corporation Berhad	4,192,500	18,656,625	6.19
20. Kuala Lumpur Kepong Berhad	602,500	14,447,950	4.79
21. Genting Plantations Berhad	384,200	4,226,200	1.40
		37,330,775	12.38
<u>Infrastructure</u>			
22. DiGi.Com Berhad	3,479,900	17,329,902	5.75
		17,329,902	5.75
<u>Construction</u>			
23. Gamuda Berhad	2,076,800	10,176,320	3.37
		10,176,320	3.37
<u>Properties</u>			
24. IOI Properties Group Berhad	2,000,000	4,980,000	1.65
		4,980,000	1.65
<u>Technology</u>			
25. Inari Amertron Berhad	552,075	1,832,889	0.61
		1,832,889	0.61
		300,901,184	99.75

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 semi-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 growth remained subdued up to 3Q2016, given the mixed economic activities in the first half of the year, particularly in the advanced economies. On this basis, the International Monetary Fund (IMF) has revised global growth by 0.1% lower to 3.1% in 2016 and 3.4% in 2017 respectively. Nonetheless, negative sentiment towards emerging market economies has subsided given the stabilised commodity prices and reduced concern over China's near-term prospects following its policy support to growth.

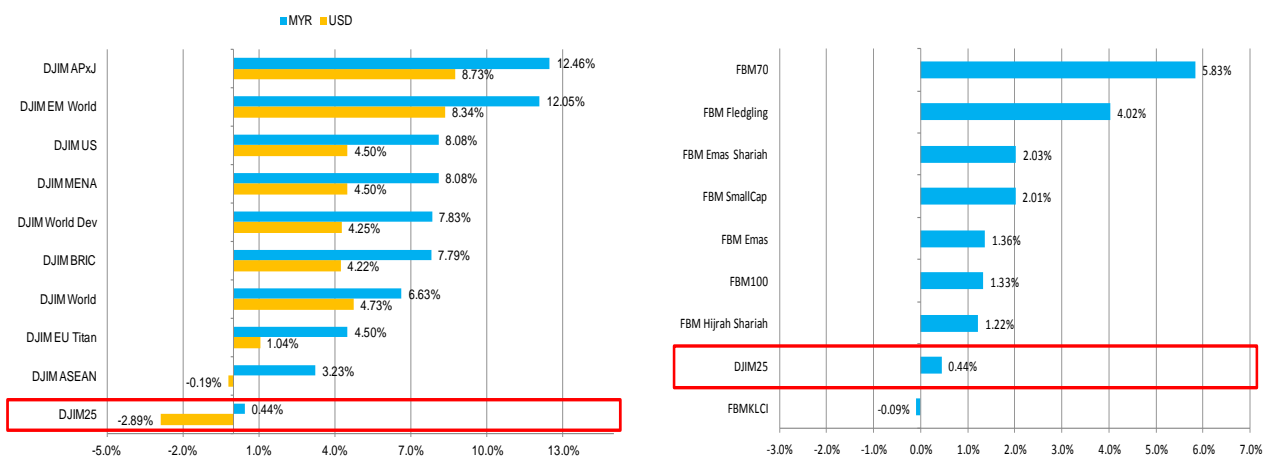
The US economy grew at an annualised rate of 2.9% in 3Q2016, an improvement from 1.4% recorded in 2Q2016. In the Eurozone, GDP growth came in at an annualised rate of 0.5% in 3Q2016, still fragile though better when compared to 0.3% in 2Q2016. As for China, its economic growth expanded at an annual rate of 6.7% in the third quarter, in line with the government's full-year target. The mixed growth trajectory across the region has prompted central banks globally to keep the accommodative monetary stance through the Federal Reserve in the U.S is expected to tighten momentarily in December in order to keep in its inflationary rate.

In Malaysia, the economy registered a stronger growth of 4.3% in 3Q2016, compared to 4.0% in the previous quarter mainly due to rebound in net exports, offsetting the softer growth traction in domestic demand following slower public spending and investment. Meanwhile, inflation rate moderated to 1.4% y-o-y in October due to the high base effects from fuel price adjustments in 2015.

On monetary policy, BNM cut the Overnight Policy Rate (OPR) by 25bps to 3.0% at its July MPC meeting and kept it unchanged for the rest of the year in a bid to spur growth. Concurrently, BNM maintained its Statutory Reserve Requirement ratio (SRR) and revised down its 2016 inflation forecast to 2.0-3.0% from 2.5-3.5%. Meanwhile, foreign participation remained positive in July and August as net inflows into domestic equities rose to RM1.7 billion. Nonetheless, uncertainties surrounding the US interest rate hike dampened risk appetite as September saw net outflows of MYR0.3 billion by foreign investors, resulted in the domestic equity market failing to hold gains towards the end of the quarter.

The DJIM25 Index had a good start to the third quarter, reaching a high of 984.02 points on 16 August. The Benchmark Index however, retraced thereafter before reclaiming some lost ground to close the quarter at 958.76 points. This translated to an increase of 0.44% q-o-q. The positive performance of DJIM25 Index during the quarter was largely attributed to the positive performance of the Benchmark Index's heavily weighted utilities, telecommunication and rubber gloves stocks. On comparative performance within Dow Jones Islamic Market ("DJIM") index series (based in MYR), the DJIM25 Index lagged most of the major global Islamic equity benchmark indices. Domestically, DJIM25 lagged other local benchmark indices except for FBMKLCI Index.

Chart 3: DJIM25 Index Performance in 3Q2016



Sources: Bloomberg, Dow Jones, i-VCAP

Going forward, domestic demand is expected to continue to be the main growth driver, albeit at a moderate pace. GDP growth is expected to stay between 4.0-5.0% in 2017, similar to 2016. The growth projection takes into account weaknesses in the global commodity sector, growth moderation in China, the narrowing domestic current account as well as the government's budget constraints. However, on the demand side, private consumption is expected to remain a key contributor to economic growth given the government's announced initiatives on the voluntary reduction in EPF employee contribution from 11.0% to 8.0% and special income tax relief for middle income class that are expected to increase household's income. Meanwhile, the inflation rate projection for this year is expected to be manageable at 2.0-3.0%.

Given the moderate domestic macroeconomic outlook as well as the prevailing external uncertainties, it is important to focus on companies that demonstrate clear growth strategy with resilient earnings and strong financial position. MyETF-DJIM25's constituents of big-cap stocks therefore can be considered on any market pullbacks as the stable domestic economic growth provides downside support.