

## Manager's Report

### For the Financial Period 1 January to 31 March 2018

<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>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.

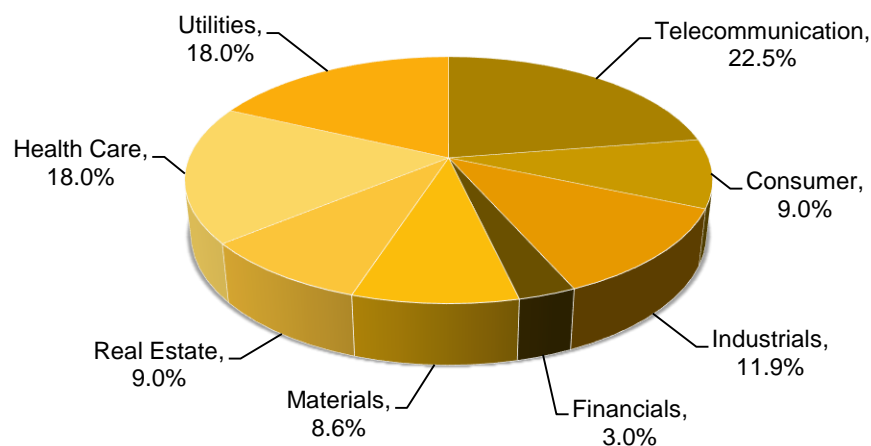
The Parent Index is a free-float adjusted market capitalisation weighted index that is designed to measure the equity market performance of Malaysia. The Parent Index and Benchmark Index consist only of Shariah-compliant securities which are approved by the MSCI Shariah Supervisory Committee (“MSSC”)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

In November 2017, S&P Dow Jones Indices, a leading provider of financial market indices, and MSCI Inc., a leading provider of research-based indexes and analytics, have announced a result of their annual review of the Global Industry Classification Standard (GICS®) structure, the Telecommunication Services Sector is being broadened and renamed as Communication Services to include companies that facilitate communication and offer related content and information through various media. The renamed Sector will include the existing telecommunication companies, as well as companies selected from the Consumer Discretionary Sector currently classified under the Media Industry Group and the Internet & Direct Marketing Retail Sub-Industry, along with select companies currently classified in the Information Technology Sector.

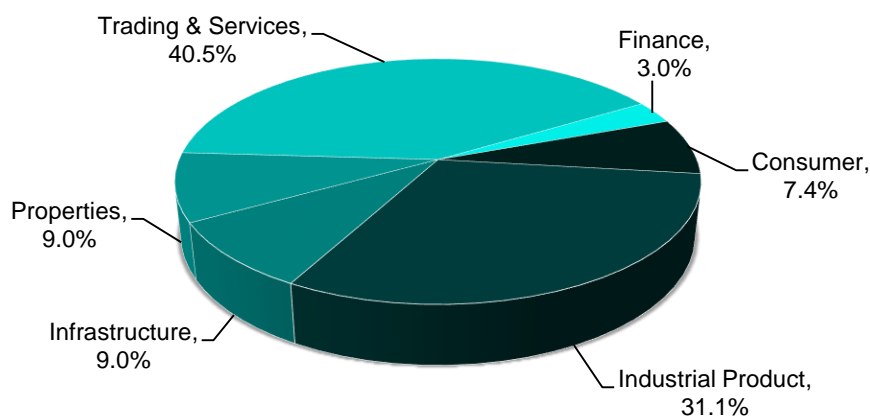
Another important change being made to the GICS structure is the reclassification of online marketplaces for consumer products and services regardless of whether they hold inventory to the Internet & Direct Marketing Retail Sub-Industry under the Consumer Discretionary Sector. All of these e-commerce companies are dominant players in the Internet Retail Industry, targeting the same consumers and competing with one another. The changes to the GICS structure will be implemented after the close of business (ET) on Friday, September 28, 2018.

Based on the latest semi-annual review (28 February 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 31 March 2018, the 3-year rolling tracking error<sup>1</sup> between the NAV per unit of the Fund and the Benchmark Index on Price Return and Total Return basis was 0.06% and 0.07% 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 decreased by 1.04% to RM1.1654 from RM1.1776 at the end of the previous quarter. Comparatively, the Benchmark Index and Benchmark's Total Return Index (MIMYDY40 Total Return Index) increased by 0.18% and 1.16% respectively for the quarter. The variance between the Benchmark Index and Fund's NAV was largely due to the adjustment to the Fund's NAV following the Fund's income distribution of 2.81 sen per unit for Financial Year ended 31 December 2017 which was declared and paid during the quarter.

<sup>1</sup> Independently sourced from Novagni Analytics and Advisory Sdn. Bhd.  
MyETF-MMID Manager's Report 1Q2018

During the 1Q2018, 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 RM1.1600, representing an increase of 1.75%. Meanwhile, the units in circulation reduced to 28.8 million units. The key statistics and comparative performance of the Fund for the first quarter 2018 against the fourth quarter of 2017 are summarized as follows:

**Table 1: Key Statistics**

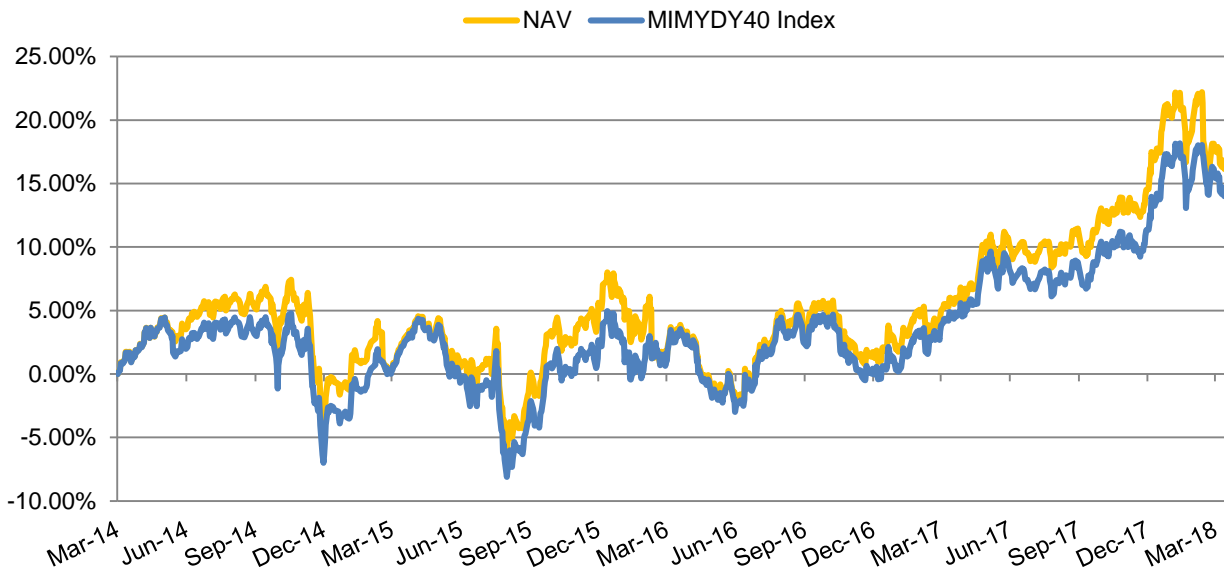
	As at 31-Mar-18	As at 31-Dec-17	QoQ Change
NAV per unit (RM)#	1.1654	1.1776	(1.04%)
- Highest	1.2221 (27 Feb)	1.1776 (29 Dec)	
- Lowest	1.1561 (8 Mar)	1.1000 (2 Oct)	
<i>(During the period)</i>			
Price per unit (RM)#	1.1600	1.1400	1.75%
- Highest	1.1750 (4 Jan)	1.1400 (29 Dec)	
- Lowest	1.1300 (28 Mar)	1.0650 (6 Oct)	
<i>(During the period)</i>			
Units in Circulation	28,800,000	48,000,000	(40.00%)
Total NAV (RM)	33,563,271	56,522,719	(40.62%)
Market Capitalisation (RM)	33,408,000	54,720,000	(38.95%)
MIMYDY40 Index	2,671.75	2,666.89	0.18%
MIMYDY40 Total Return Index	4,352.14	4,302.13	1.16%
Tracking Error vs. MIMYDY40 Price Return Index (%)*	0.06	0.06	
Tracking Error vs. MIMYDY40 Total Return Index (%)*	0.07	0.05	
Management Expense Ratio (%)	0.16	0.14	

Sources: Bloomberg, i-VCAP

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

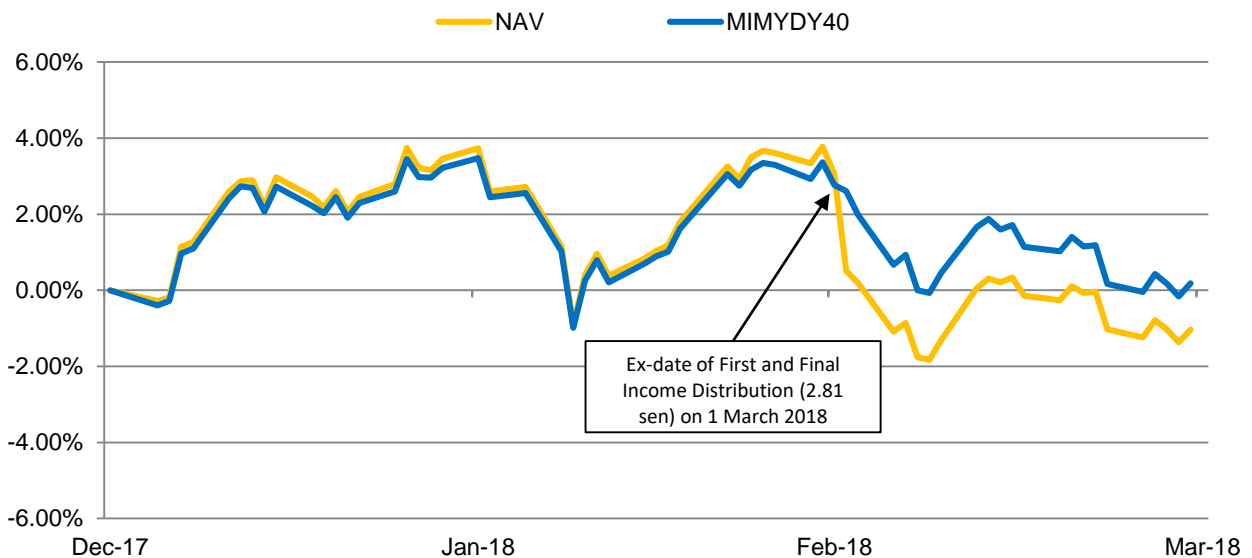
\* The 3-year rolling tracking error between the NAV per unit of the Fund and the Price Return and Total Return Benchmark Index. The calculation was independently sourced from Novagni Analytics and Advisory Sdn. Bhd.

**Chart 2 (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 1Q2018**



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 31 Mar 18 (%)	2017 (%)	2016 (%)	2015 (%)
MyETF-MMID - NAV Price Return <sup>(a)</sup>	(1.04)	15.34	(5.31)	8.55
MIMYDY40 - Price Return Index	0.18	13.49	(3.96)	7.91
MyETF-MMID - NAV Total Return <sup>(a)</sup>	1.31	17.04	(2.36)	10.96
MIMYDY40 - Total Return Index	1.16	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 <sup>(b)</sup>				
	3-Month (%)	6-Month (%)	1-Year (%)	3-Year (%)	Since Inception (%)
MyETF- MMID - NAV Price Return <sup>(a)</sup>	(1.04)	5.63	10.16	13.76	16.54
MIMYDY40 - Price Return Index	0.18	6.18	9.33	11.97	14.41
MyETF- MMID - NAV Total Return <sup>(a)</sup>	1.31	8.14	12.78	21.86	27.61
MIMYDY40 - Total Return Index	1.16	7.96	12.92	24.21	31.78

Sources: Bloomberg, i-VCAP

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

(b) Cumulative returns are up to 31 March 2018.

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

	Average Returns <sup>(b)</sup>				
	3-Month (%)	6-Month (%)	1-Year (%)	3-Year (%)	Since Inception (%)
MyETF- MMID - NAV Price Return <sup>(a)</sup>	(4.20)	11.29	10.16	4.58	4.09
MIMYDY40 - Price Return Index	0.74	12.39	9.33	3.98	3.56
MyETF- MMID - NAV Total Return <sup>(a)</sup>	5.33	16.32	12.78	7.27	6.83
MIMYDY40 - Total Return Index	4.72	15.96	12.92	8.06	7.85

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 first quarter review for 2018 and rebalanced the composition of the Benchmark Index in accordance with its index methodology. The review in February 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. V.S Industry Berhad and Malaysian Pacific Industries Berhad.

In terms of sectoral weightings, notable changes to the Fund's sector composition arising from the quarterly review were the decrease in Industrial Products sector from 32.52% to 31.16% while the Consumer Products sector increased from 5.45% to 7.89%. With the deletion of V.S Industry Bhd, the Fund currently does not have any exposure in Technology sector. Details of the key changes for the quarter are as follows:

**Table 3: Top Ten Holdings of the Fund as at 31 March 2018**

Stock	% of NAV
1. Tenaga Nasional Bhd	9.44
2. Petronas Gas Bhd	9.37
3. Maxis Bhd	8.71
4. Telekom Malaysia Bhd	7.92
5. QL Resouces Bhd	4.72
6. IHH Healthcare Bhd	4.63
7. Hartalega Holdings Bhd	4.60
8. Bermaz Auto Bhd Westports Holdings Bhd	4.55
9. Top Glove Corporation Bhd	4.49
10. Time DotCom Bhd	4.47
<b>Total</b>	<b>62.90</b>

Sources: Bloomberg, i-VCAP

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

	As at 31 Mar 2018	As at 31 Dec 2017	Change (%)
Trading/Services	39.64%	39.89%	(0.25)
Industrial Products	31.16%	32.52%	(1.36)
Infrastructure	8.92%	8.53%	0.39
Properties	8.27%	8.53%	(0.26)
Consumer Products	7.89%	5.45%	2.44
Finance	3.06%	2.85%	0.21
Technology	-	1.73%	(1.73)
Cash & Others	1.06%	0.50%	0.56

Sources: Bursa Malaysia, i-VCAP

\* Based on Bursa Securities classification

Details of the Fund's quoted Investments as at 31 March 2018 are as follows:

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

	Quantity	Market Value	Market Value as a percentage of Net Asset Value (%)
	(Units)	(RM)	
<b><u>Trading/Services</u></b>			
1. Tenaga Nasional Berhad	195,100	3,168,424	9.44
2. Maxis Berhad	509,100	2,922,234	8.71
3. Telekom Malaysia Berhad	509,100	2,657,502	7.92
4. IHH Healthcare Berhad	256,900	1,554,245	4.63
5. Bermaz Auto Berhad	706,800	1,526,688	4.55
6. Westports Holdings Berhad	410,800	1,474,772	4.39
		<b>13,303,865</b>	<b>39.64</b>
<b><u>Industrial Products</u></b>			
7. Petronas Gas Berhad	176,300	3,145,192	9.37
8. Hartalega Holdings Berhad	255,000	1,542,750	4.60
9. Top Glove Corporation Berhad	156,300	1,506,732	4.49
10. Supermax Corporation Berhad	564,500	1,428,185	4.26
11. Cahya Mata Sarawak Berhad	310,300	1,225,685	3.65
12. Scientex Berhad	125,600	1,061,320	3.16
13. Ta Ann Holdings Berhad	176,600	549,226	1.63
		<b>10,459,090</b>	<b>31.16</b>
<b><u>Infrastructure</u></b>			
14. Time DotCom Berhad	179,300	1,498,948	4.47
15. Lingkaran Trans Kota Berhad	262,700	1,494,763	4.45
		<b>2,993,711</b>	<b>8.92</b>
<b><u>Properties</u></b>			
18. UOA Development Berhad	586,300	1,418,846	4.23
17. Matrix Concepts Holdings Berhad	681,700	1,356,583	4.04
		<b>2,775,429</b>	<b>8.27</b>
<b><u>Consumer Products</u></b>			
19. QL Resources Berhad	311,000	1,582,990	4.72
20. Hong Leong Industries Berhad	97,900	1,065,152	3.17
		<b>2,648,142</b>	<b>7.89</b>
<b><u>Finance</u></b>			
21. Syarikat Takaful Malaysia Berhad	309,100	1,026,212	3.06
		<b>1,026,212</b>	<b>3.06</b>
		<b>33,206,449</b>	<b>98.94</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, the first and final income distribution for the Financial Year Ended 31 December 2017 of 2.81 sen per unit was declared on 12 February 2018 with the ex-date on 1 March 2018 and entitlement date on 5 March 2018. The first and final income distribution was paid on 29 March 2018. Based on the number of entitled unit holders, the Fund distributed a total amount of RM809,280.

## 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 markets corrected in 1Q2018, on the back of the increasing fears of a trade war between the US and China. Donald Trump has decided to impose tariffs and quotas on imports of solar panels, washing machines, steel, aluminium, and USD50bn of Chinese exports, as part of his protectionist agenda. As investors feared a trade war, the S&P 500 and Dow Jones index ended the quarter at 2,640.9 (-1.22%) and 24,103.1 (-2.49%), respectively. Similarly, in Europe and Asia, markets also declined with the UK FTSE, Germany Dax, Nikkei and Shanghai dropping quarter-on-quarter by -8.21%, -7.63%, -25.76% and -24.18%, respectively.

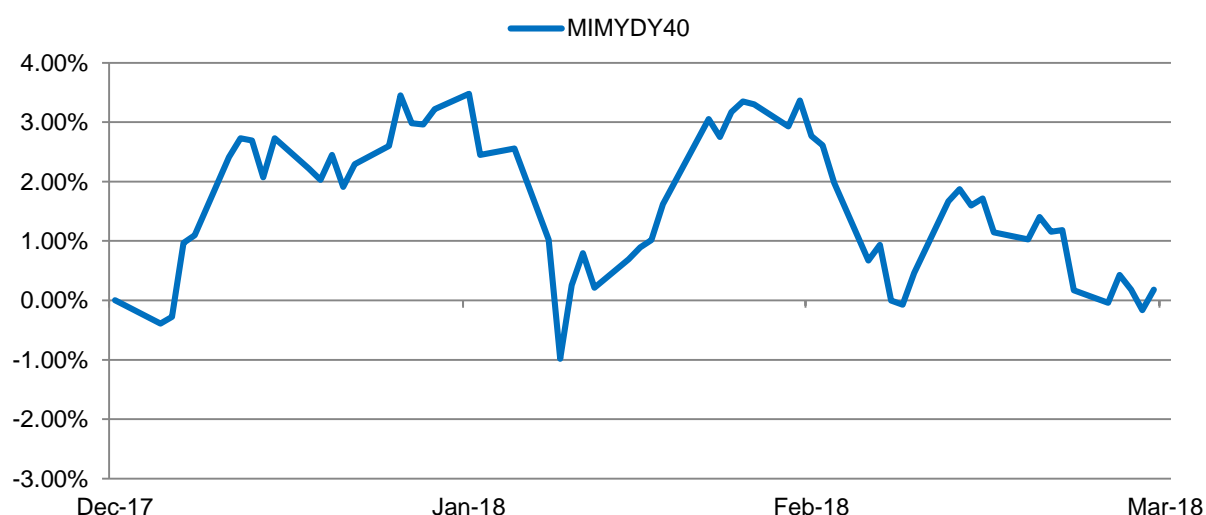
On the economic front, the global economy grew at 3.8% in 2017 (2016: 3.2%), the fastest since 2011, supported by a recovery in global trade. The US economy grew faster at a revised annualised rate of 2.9% attributed to consumer spending which grew by 4.0%. Meanwhile, Fed officials raised their 2018 GDP growth forecast from 2.5% estimated in December 2017 to 2.7% (2017: 2.3%),

indicating that growth momentum in the quarters ahead to improve as the fiscal stimulus kicks in. Meanwhile, Eurozone economy continues to perform strongly on the back of trade war concerns escalating which may cloud the positive economic sentiment. In Asia, China's successor of Governor, Mr. Yi Gang, is maintaining the central bank's neutral monetary policy and continuing to stabilise liquidity conditions. Hence, suggesting the financial deleveraging will be ongoing moving forward. Across ASEAN, Central Banks left their policy rates unchanged, with Bank Indonesia's (BI) steady at 4.25%, Bangko Sentral Ng Pilipinas (BSP) at 3.0%, Bank of Thailand (BoT) at 1.5% and Monetary Authority of Singapore also at 1.5%. However, central banks remained wary of external risks including rising uncertainty in global financial markets as well as risk of retaliation from trade protectionism measures that could be detrimental to trade volumes and global growth.

The Malaysian economy recorded a robust growth of 5.4% in 1Q2018, anchored by continued expansion in private sector activity and strong support from net export. A key highlight for the year was the rebound in gross exports growth as global demand strengthened. In the financial market, despite the increasing fears of a trade war between the US and China, the KLCI ended March at 1,863 points, translating to a 3.7% gain in 1Q2018. The KLCI also outperformed the MSCI Asia Pacific ex-Japan index (MXASJ) by 0.3% and was among the top performing equity market in 1Q2018.

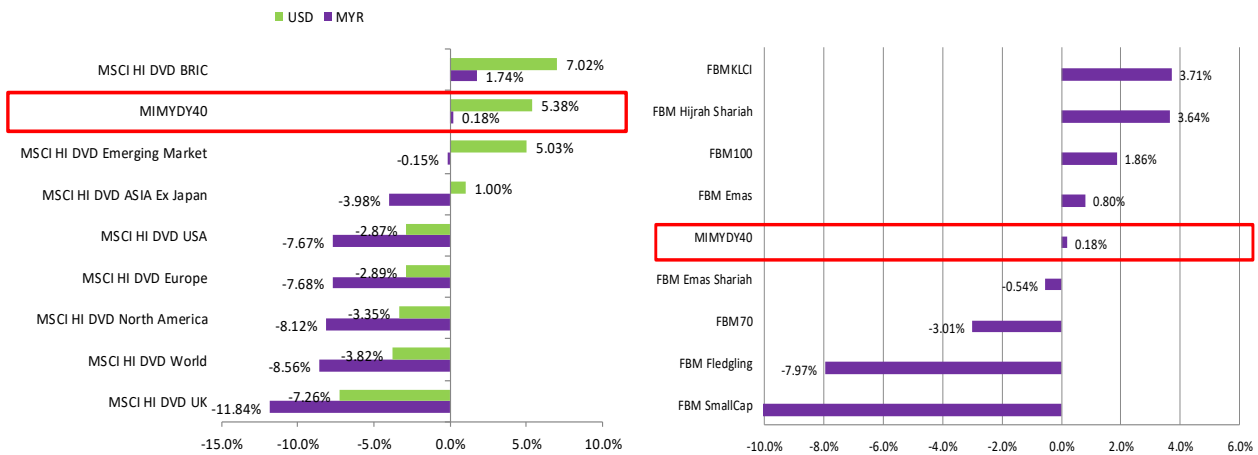
Despite a volatile start to the year, MIMYDY40 Index posted a minimal increase of 0.18% to close the quarter at 2,671.73 points and lagged main domestic indices. On comparative performance within MSCI High Dividend Yield index series, the MIMYDY40 Index was among MSCI High Dividend Yield index series outperformers. The MIMYDY40 Index outperformed advanced markets and only trailed MSCI High Dividend Yield BRIC index during the quarter.

**Chart 3: MIMYDY40 Index Performance in 1Q2018**



Sources: Bloomberg, i-VCAP

**Chart 3: MIMYDY40 Index Performance in 1Q2018**



Sources: Bloomberg, i-VCAP

The unpredictability of how the trade relationship between the US and China unfolds ahead is now a key risk to equity markets. The potential risks will weigh on technology stocks, and escalation fears are likely to be a drag on the market. Investors remain complacent on inflation and a gradual path of U.S. policy normalization will help to ensure U.S. economic growth, while limiting undesirable spillovers abroad. As global interest rates and bond yields rise, investors should remain vigilant. The investment climate is expected to stay cautious, as investors adapt to challenges in positioning their books.

Notwithstanding, equity market valuations will be closely monitored in order to determine the risk-reward attractiveness. With the local equity market’s fundamental still intact, higher market volatility presents trading opportunities. Malaysian economy is expected to remain on a steady growth path due to the expected economic impact of Pakatan Harapan Government implementing its election manifesto i.e. stimulating consumer spending amid reviews in mega projects and Government spending.

Given the cautious positive outlook for domestic equity market, MyETF-MMID could ride on any uptrend in the medium term. Investors’ preference for dividend yielding stocks may provide resiliency for MyETF-MMID during market volatilities.