

## Manager's Report

**For the Financial Period 1 January to 31 March 2015**

<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

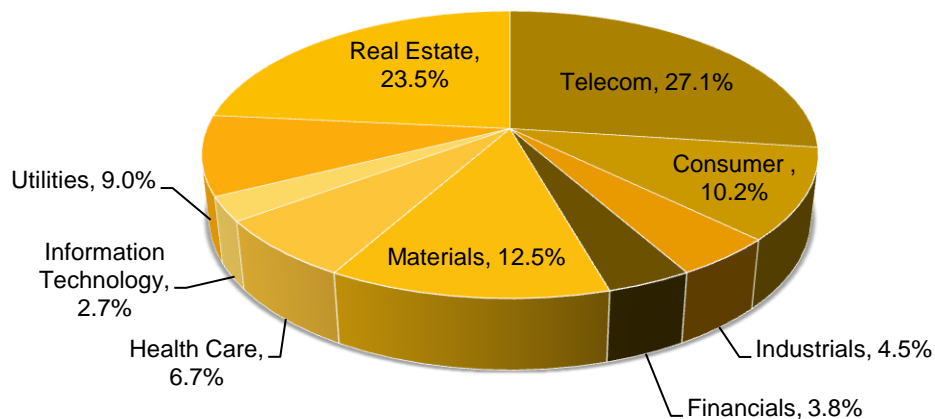
The Benchmark Index is a market capitalisation weighted and free-float adjusted index provided by MSCI Inc ("MSCI"). The Benchmark Index is designed as a performance benchmark for the high dividend-yielding companies of its Parent Index, i.e. the MSCI Malaysia IMI Islamic Index. The Benchmark Index shall 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 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.

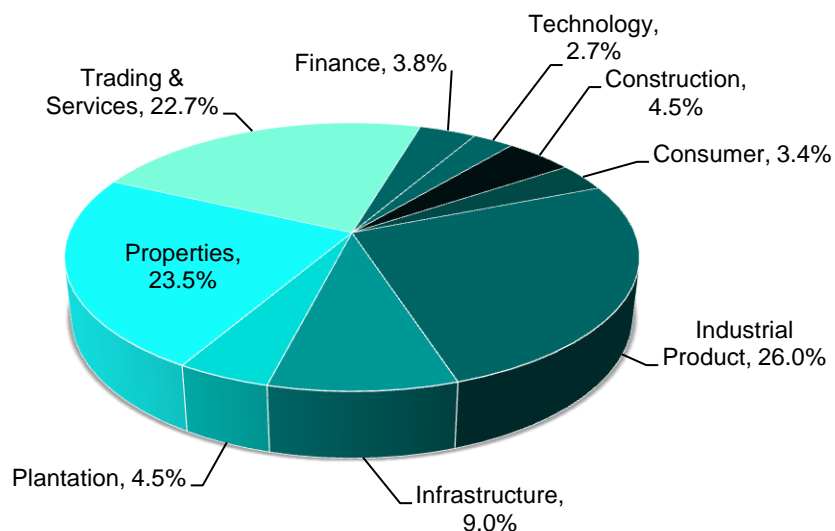
Based on the latest quarterly review (27 February 2015), the sector allocation of MIMYDY40 Index based on MSCI and Bursa Securities sector classifications are as follows:

**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 31 March 2015, 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 2.41% and 2.38% 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 3.13% to RM1.0244 from RM0.9933 at the end of the previous quarter, while the Benchmark Index and Benchmark's Gross Return Index (MIMYDY40 Gross Return Index) increased by 5.23% and 5.93% respectively for the quarter. The variant between the MIMYDY40 Price Return Index and Fund's NAV movement was largely due to the adjustment to the Fund's NAV following the Fund's income distribution of 2.25 sen per unit for Financial Year ended 31 December 2014) which was declared and paid during the quarter.

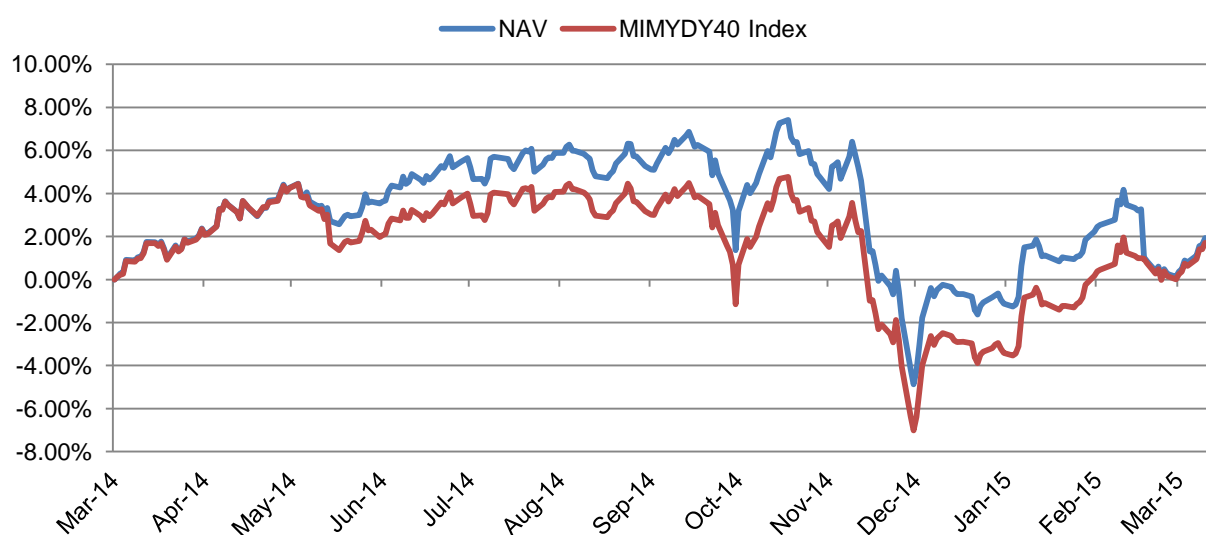
During the 1Q2015, MyETF-MMID's NAV and price per unit traded on Bursa Securities gained gradually and reached its quarter high of RM1.0347 and RM1.0400 on 27 February. The key statistics and comparative performance of the Fund for the first quarter 2015 against the fourth quarter of 2014 are summarized as follows:

**Table 1: Key Statistics**

	As at 31-Mar-15	As at 31-Dec-14	QoQ Change
NAV per unit (RM) <sup>#</sup>	1.0244	0.9933	3.13%
- Highest	1.0347 (27 Feb)	1.0742 (3 Nov)	
- Lowest	0.9887 (16 Jan)	0.9513 (16 Dec)	
<i>(During the period)</i>			
Price per unit (RM) <sup>#</sup>	1.0250	0.9900	3.54%
- Highest	1.0400 (27 Feb)	1.0650 (3 Nov)	
- Lowest	0.9850 (7 Jan)	0.9550 (17 Dec)	
<i>(During the period)</i>			
Units in Circulation	21,600,000	21,600,000	0.00%
Total NAV (RM)	22,128,041	21,454,482	3.13%
Market Capitalisation (RM)	22,140,000	21,384,000	3.54%
MIMYDY40 Index	2,386.23	2,267.53	5.23%
MIMYDY40 Gross Return Index	3,503.91	3,307.79	5.93%
Tracking Error vs. Price Return MIIMYD4P Index (%) <sup>*</sup>	2.41	1.30	
Tracking Error vs. Total Return MIIMYD4G Index (%) <sup>*</sup>	2.38	1.15	
Management Expense Ratio (%)	0.19	0.68	

Sources: Bloomberg, i-VCAP

<sup>\*</sup> 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): Annual Return**

	YTD 31 Mar 15 (%)	2014* (%)
MyETF-MMID - NAV Price Return <sup>(a)</sup>	3.13	(0.67)
MIMYDY40P - Price Return Index	5.23	0.16
MyETF-MMID - NAV Total Return <sup>(a)</sup>	5.43	(0.67)
MIMYDY40G - Gross Return Index	5.93	0.16

Sources: Bloomberg, i-VCAP

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

\*Listing date was on 21 March 2014

**Table 2(b): Cumulative Returns\***

	Cumulative Returns <sup>(b)</sup>			
	3-Month (%)	6-Month (%)	1-Year (%)	Since Inception (%)
MyETF- MMID - NAV Price Return <sup>(a)</sup>	3.13	(4.14)	0.69	2.44
MIMYDY40P - Price Return Index	5.23	(2.21)	0.49	2.18
MyETF- MMID - NAV Total Return <sup>(a)</sup>	5.43	(2.00)	2.93	4.72
MIMYDY40G - Gross Return Index	5.93	(0.89)	4.27	6.10

Sources: Bloomberg, i-VCAP

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

(b) Cumulative returns are up to 31 March 2015

\*Listing date was on 21 March 2014

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

	Average Returns <sup>(b)</sup>			
	3-Month (%)	6-Month (%)	1-Year (%)	Since Inception (%)
MyETF- MMID - NAV Price Return <sup>(a)</sup>	13.12	(8.10)	0.69	2.35
MIMYDY40P - Price Return Index	22.64	(4.37)	0.49	2.10
MyETF- MMID - NAV Total Return <sup>(a)</sup>	23.54	(3.96)	2.93	4.54
MIMYDY40G - Gross Return Index	25.91	(1.77)	4.27	5.86

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, MSCI Malaysia IMI Islamic Index, which is the Parent Index of MIMYDY40 Index performed its First Quarter 2015 Review (quarterly review) 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 stocks constituents in the Benchmark Index.

The Manager had undertaken the rebalancing exercise during the quarterly reviews 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 one stock from the Index, i.e. Kim Loong Resources Berhad. In terms of sectoral weightings, notable changes to the Fund's sector composition arising from the quarterly review were the increase in Technology sector from 2.09% to 3.06% and Trading and Services sector from 22.62% to 23.41%. On the other hand, the Plantation sector decreased from 4.66% to 3.45% and Infrastructure sector from 9.70% to 8.89% at the end of the first quarter. Details of the key changes for the quarter are as follows:

**Table 3: Top Ten Holdings of the Fund as at 31 March 2015**

Stock	% of NAV
1. Telekom Malaysia Berhad	9.50
2. Petronas Gas Berhad	9.47
3. Axiata Group Berhad	9.08
4. DiGi.Com Berhad	8.89
5. Sunway Berhad	4.90
6. Top Glove Corporation Berhad	4.84
7. Kian Joo Can Factory Berhad	4.67
8. UOA Development Berhad	4.65
9. Lafarge Malaysia Berhad	4.40
10. IOI Properties Group Berhad	4.29
<b>Total</b>	<b>64.69</b>

Sources: Bloomberg, i-VCAP

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

	As at 31-Mar-15	As at 31-Dec-14	Change (%)
Industrial Products	26.70%	26.27%	0.42
Trading/Services	23.41%	22.62%	0.78
Properties	22.99%	23.72%	(0.73)
Infrastructure	8.89%	9.70%	(0.81)
Finance	4.12%	3.55%	0.57
Construction	3.99%	3.64%	0.35
Plantation	3.45%	4.66%	(1.21)
Consumer Products	3.35%	3.46%	(0.11)
Technology	3.06%	2.09%	0.97
Cash & Others	0.04%	0.29%	(0.25)

Sources: Bursa Malaysia, i-VCAP

\* Based on Bursa Securities classification

Details of the Fund's quoted Investments as at 31 March 2015 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	289,100	2,101,757	9.50
2. Axiata Group Berhad	283,700	2,008,596	9.08
3. Pharmaniaga Berhad	94,600	567,600	2.57
4. Oldtown Berhad	290,800	500,176	2.26
		<b>5,178,129</b>	<b>23.40</b>
<b><u>Properties</u></b>			
5. Sunway Berhad	297,000	1,084,050	4.90
6. UOA Development Bhd	466,000	1,029,860	4.65
7. IOI Properties Group Berhad	435,400	949,172	4.29
8. Mah Sing Group Berhad	456,300	939,978	4.25
9. Matrix Concepts Holdings Berhad	248,750	696,500	3.15
10. Glomac Berhad	392,000	388,080	1.75
		<b>5,087,640</b>	<b>22.99</b>
<b><u>Industrial Products</u></b>			
11. Petronas Gas Berhad	91,000	2,094,820	9.47
12. Top Glove Corporation Berhad	195,600	1,069,932	4.84
13. Kian Joo Can Factory Berhad	335,400	1,033,032	4.67
14. Lafarge Malaysia Berhad	98,800	973,180	4.40
15. Scientex Berhad	108,600	735,222	3.32
		<b>5,906,186</b>	<b>26.69</b>
<b><u>Plantation</u></b>			
16. Felda Global Ventures Holdings Berhad	351,800	763,406	3.45
		<b>763,406</b>	<b>3.45</b>
<b><u>Infrastructure</u></b>			
17. DiGi.Com Berhad	312,200	1,966,860	8.89
		<b>1,966,860</b>	<b>8.89</b>
<b><u>Consumer Products</u></b>			
18. Padini Holdings Berhad	508,400	742,264	3.35
		<b>742,264</b>	<b>3.35</b>
<b><u>Construction</u></b>			
19. WCT Holdings Berhad	573,404	883,042	3.99
		<b>883,042</b>	<b>3.99</b>
<b><u>Finance</u></b>			
20. Syarikat Takaful Malaysia Berhad	70,400	912,384	4.12
		<b>912,384</b>	<b>4.12</b>
<b><u>Technology</u></b>			
21. Malaysian Pacific Industries Berhad	96,700	676,900	3.06
		<b>676,900</b>	<b>3.06</b>
		<b>22,116,811</b>	<b>99.95</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.

During the quarter, a final income distribution for the Financial Year Ended 31 December 2014 of 2.25 sen per unit was declared on 16 February with the ex-date on 5 March and entitlement date on 9 March 2015. The final income distribution was paid on 31 March 2015. Based on the number of entitled unit holders, the Fund distributed a total amount of RM486,000.

## **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.

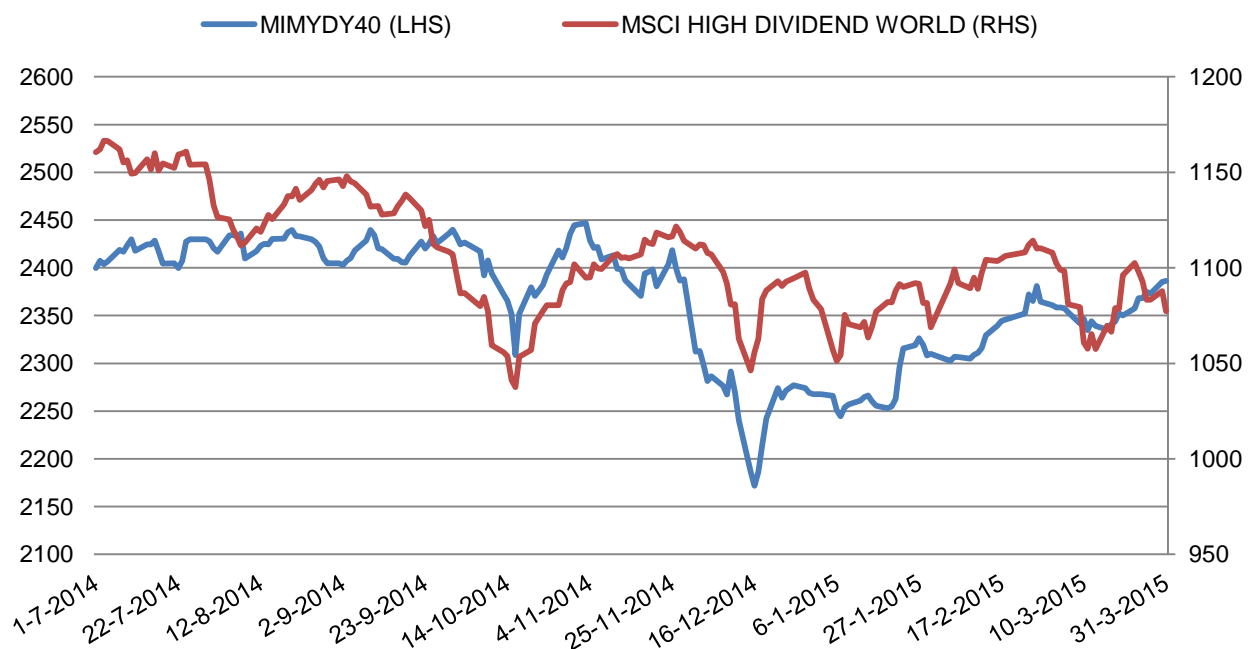
## **8. Market Review and Outlook**

Up to the first quarter of 2015, the "big picture" issues in global markets still remain a carry through of key events that shaped the markets from last year. These include the collapse of oil prices from the range of USD100-120 per barrel to below USD50 per barrel, the shifting expectations of the Fed Reserve policy trajectory and diverging monetary policies of advanced economies, key political risks as well as subdued global growth and deflationary fears in most advanced economies. In the early part of the year, the surprise move by the Swiss National Bank to remove the Franc's peg to the Euro along with the renewed fears of a possible Greece exit from the Eurozone led to sharp market movements. However, as the period progressed, volatility subsided leading to less risk-aversion



Against this backdrop, global equities generated positive returns with the European stocks powering ahead of other markets, supported by the aggressive stimulus program launched by the ECB. The US S&P 500, on the other hand, delivered a modest 0.4% increase due to profit-taking activities pre-FOMC meeting as well as concerns over the impact of the stronger USD on the corporate earnings. Relatively, MSCI Emerging markets slightly outperformed MSCI World in the first quarter on the back of the strong performance of China's equity market.

**Chart 3: MIMYDY40 Index Performance against MSCI World High Dividend Index in 1Q15**

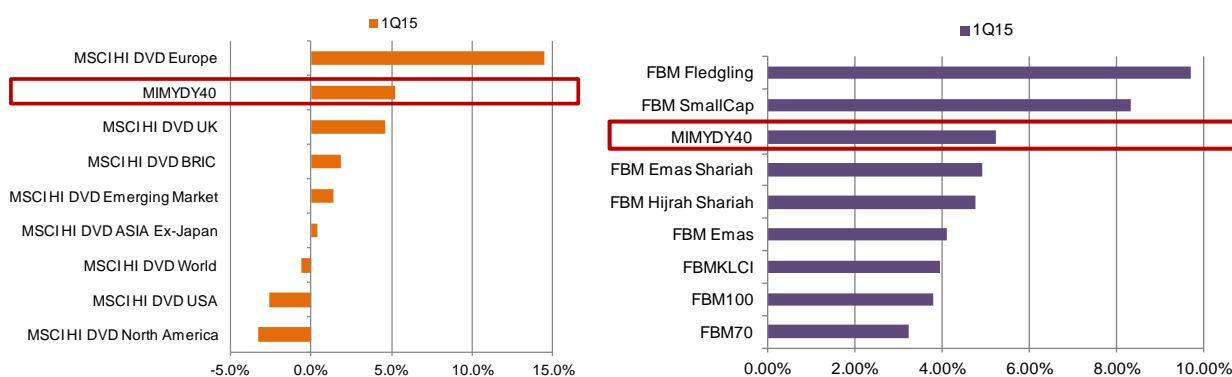


Sources: Bloomberg, i-VCAP

Despite a challenging start to the year from equity markets, MIMYDY40 Index was resilient and performed relatively better in the first quarter. The better performance of MIMYDY40 Index was largely driven by investor's preference for dividend yielding stocks as well as selective mid-cap stocks which also helped the index to weather through the volatility during the period. The MIMYDY40 Index closed the quarter at 2,386.23 points, an increase of 5.23% quarter-on-quarter and was among the domestic index outperformers during the quarter.

On comparative performance within MSCI High Dividend Yield index series, the MIMYDY40 Index was the second best index performer amongst the major global equity benchmark indices during the period under review. On the domestic front, the MIMYDY40 Index outperformed most big to mid-cap indices but trailed the smallcap and fledgling indices.

**Chart 4: Comparative Performance of MSCI High Dividend Yield Indices and Domestic Indices (1Q 2015)**



Sources: Bloomberg, i-VCAP

2015 is likely to remain a challenging year for the global economy as the low growth environment is expected to persist longer. The year is expected to be characterized by diverging growth prospects and monetary policies, a slowdown in the commodity cycle and weaker Emerging market currencies due to the stronger USD. While this could lead to exports from Emerging economies becoming more competitive, demand may remain muted while imports of commodities will see constrained growth. Meanwhile, developing economies may continue to face the risk of further capital outflows, emanating from the expectations of a US policy rate hike. As the exact period of the policy rate tightening is still uncertain given the fluidity of several factors, risk tolerance and risk taking may be compromised. In addition, growing concern on deflationary threat particularly in Eurozone, may pose a risk to the global economic stability. Nonetheless, despite the challenging environment in 2015, there are silver linings which include:

- (i) The role of Emerging Markets in the world economy is becoming increasingly important, especially as China plays a bigger role.
- (ii) Cheaper oil, while negative for commodity-exporting nations, should be positive for consumers and global growth.
- (iii) The quantitative easing by ECB and Bank of Japan is expected to somewhat offset the absence of liquidity from the Fed which should bode well for risk assets and investor sentiment.

In addition, while there is much negative market sentiment surrounding disappointing emerging markets export growth, investors should not lose sight of the significant underlying domestic demand-led growth and the structural reforms in the Emerging economies.



On this front, the Malaysian Government is forecasting the nation's GDP to register a growth of 4.5% to 5.5% in 2015 (2014: 6.0%) with domestic demand as the main driver of growth. The pressure on the Ringgit however, is expected to persist in the short-term due to volatility in commodity prices as well as capital flows. Nevertheless, Bank Negara's monetary policy remains accommodative and is viewed to be appropriate given the development in the global economic and financial conditions. In addition, the structural reforms with the implementation of the Economic Transformation Programme, subsidy rationalisation and Goods and Services Tax (GST) should improve Malaysia's economic resilience in the medium-term. The factors above combined with ample domestic liquidity and corporate earnings resilient could provide an upside bias for the domestic equity market.

Going forward, the Fund is expected to perform positively, on the back of economic resilience for Malaysia. The Fund's ability to distribute competitive dividend may also generate interest among investors who look for stable dividend income with defensive investment characteristic.