

## Manager's Report

**For the Financial Period 1 January to 31 March 2016**

<b>Name of Fund</b>	: MyETF MSCI SEA Islamic Dividend (“MyETF-MSEAD” or “the Fund”)
<b>Type of Fund</b>	: Exchange Traded Fund
<b>Fund Category</b>	: Shariah-Compliant Equity
<b>Commencement Date</b>	: 29 April 2015
<b>Listing Date</b>	: 7 May 2015
<b>Benchmark Index</b>	: MSCI South East Asia IMI Islamic High Dividend Yield 10/40 Index (“MIISOD40 Index” or “Benchmark Index”)
<b>Manager</b>	: i-VCAP Management Sdn. Bhd. (“i-VCAP”)

### 1. Investment Objective

MyETF-MSEAD aims to provide investment results that closely correspond to the performance of the Benchmark Index regardless of its performance.

### 2. Benchmark Index

The Benchmark Index, namely the MSCI South East Asia IMI Islamic High Dividend Yield 10/40 Index is a free-float adjusted, market capitalisation weighted, price return index calculated, maintained and published by MSCI.

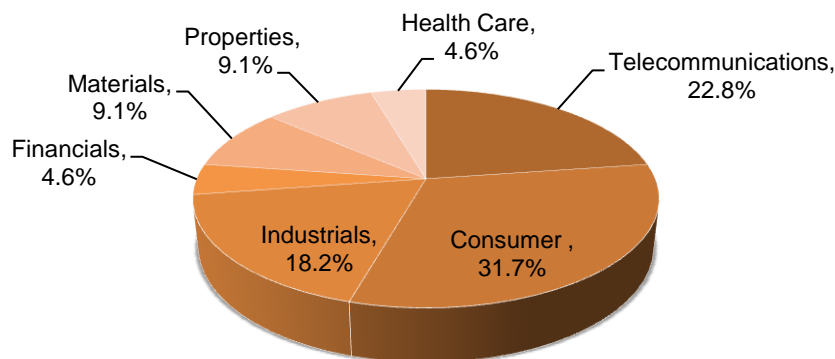
The Benchmark Index is designed as a performance benchmark for the high dividend-yielding segment of its Parent Index, the MSCI South East Asia IMI Islamic Index. The Parent Index is a free-float adjusted market capitalisation weighted index that is designed to measure the equity market performance of selected South East Asia countries.

The Benchmark Index shall comprise up to 30 Shariah-compliant companies listed on the stock exchanges in South East Asia countries with dividend yields that are at least 30% higher than the Parent Index yield that are deemed both sustainable and persistent by MSCI.

The weight of any single group entity in the Benchmark Index is capped at 10% of the Benchmark Index weight and the sum of the weights of all group entities representing more than 5% is capped at 40% of the Benchmark Index weight. The Benchmark Index is calculated and published in Ringgit Malaysia.

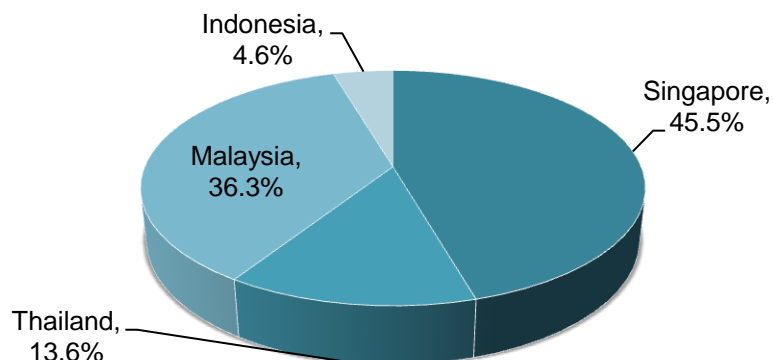
The Parent Index and Benchmark Index consist only of Shariah-compliant securities which are approved by the MSCI Shariah Supervisory Committee based on the MSCI Islamic Index Series Methodology. The MSCI Shariah Supervisory Committee will review and audit the Benchmark Index, the Parent Index as well as the MSCI Islamic Index Series Methodology on a regular basis to ensure compliance with Shariah. Based on the latest quarterly review (as at 29 February 2016), the sector allocation of MIISOD40 Index based on MSCI sector classifications are as follows:

**Chart 1: Sector Classification – MSCI**



Sources: MSCI, i-VCAP

**Chart 2: Country Exposure**



Sources: MSCI, i-VCAP

### 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's NAV has met its investment objective of closely correspond to the performance of the underlying benchmark, i.e. MIISOD40 Index. The tracking error of the Fund and the Benchmark Index on Price Return and Total Return basis were 2.85% and 2.69% respectively. In terms of NAV movement, the Fund's NAV moved in tandem with the weak ASEAN markets during the period under review. The Fund's NAV per unit hit a high of RM0.9241 on 6 January before ending the quarter at RM0.8764, a 6.58% decrease from RM0.9381 recorded in the previous quarter.

In line with the weak regional equity markets, MyETF-MSEAD's NAV and price per unit traded on Bursa Securities dropped sharply in January to reach its lowest level since inception of RM0.8539 and RM0.8500 respectively on 28 January. Meanwhile, the Fund's unit price traded on Bursa Securities closed at RM0.8800 at the end of March, representing a decrease of 5.68% for the quarter. The key statistics and comparative performance of the Fund for the first quarter of 2016 as compared to the previous quarter are summarized as follows:

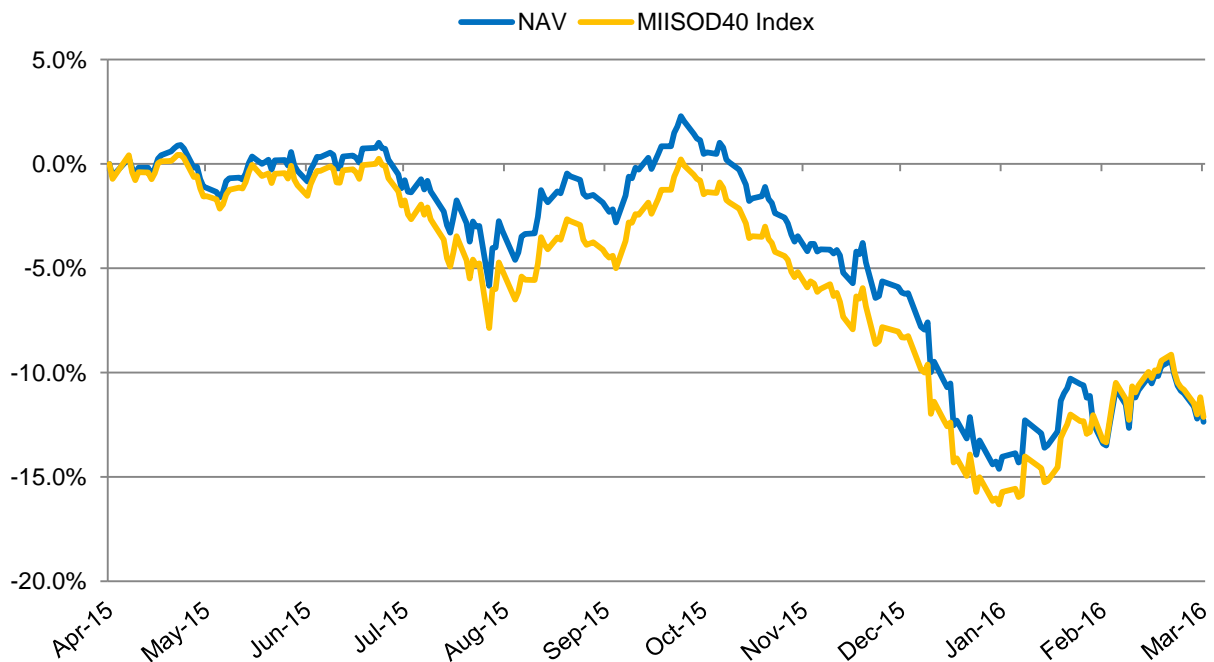
**Table 1: Key Statistics**

	As at 31-Mar-16	As at 31-Dec-15	Changes
NAV per unit (RM)	0.8764	0.9381	(6.58%)
- Highest	0.9241 (6 Jan)	1.0228 (22 Oct)	
- Lowest	0.8539 (28 Jan)	0.9357 (21 Dec)	
<i>(During the period)</i>			
Price per unit (RM)	0.8800	0.9330	(5.68%)
- Highest	0.9240 (6 Jan)	1.0150 (28 Oct)	
- Lowest	0.8500 (28 Jan)	0.9330 (31 Dec)	
<i>(During the period)</i>			
Units in Circulation	20,000,000	21,000,000	(4.76%)
Total NAV (RM)	17,527,716	19,699,942	(11.03%)
Market Capitalisation (RM)	17,600,000	19,593,000	(10.17%)
MIISOD40 Index	2,120.32	2,213.71	(4.22%)
MIISOD40 Total Return	3,374.80	3,506.08	(3.74%)
Tracking Error vs. MIISOD40 Price Return Index (%)*	2.85	1.35	
Tracking Error vs. MIISOD40 Total Return Index (%)*	2.69	0.93	
Management Expense Ratio (%)	0.27	0.66	

Sources: Bloomberg, i-VCAP

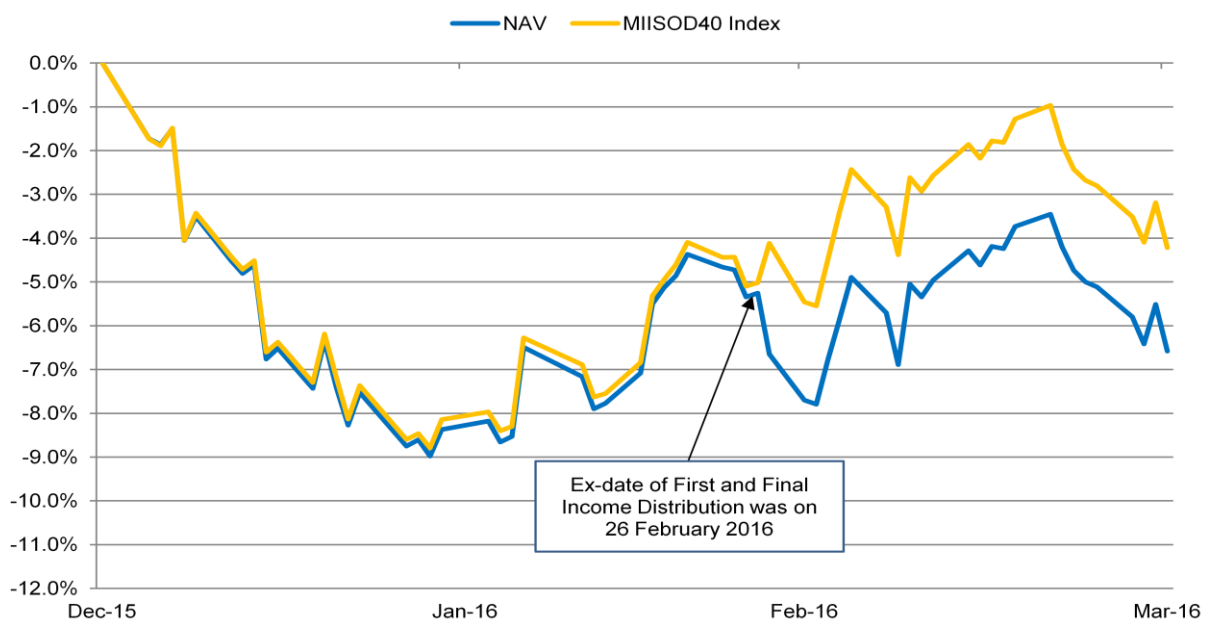
\* The tracking error (calculated since inception and on daily basis) between the NAV per unit of the Fund and the Price Return and Total Return Benchmark Index

**Chart 3(a): Fund NAV Per Unit vs. Benchmark Index – Performance Since Inception**



Sources: Bloomberg, i-VCAP

**Chart 3(b): Fund NAV Per Unit vs. Benchmark Index – Performance in 1Q2016**



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-16 (%)	2015 (%)
MyETF- MSEAD - NAV Price Return <sup>(a)</sup>	(6.58)	(6.19)
MIISOD40 - Price Return Index	(4.22)	(8.26)
MyETF- MSEAD - NAV Total Return <sup>(a)</sup>	(4.28)	(6.19)
MIISOD40 - Total Return Index	(3.74)	(4.81)

Sources: Bloomberg, i-VCAP

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

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

	Cumulative Returns <sup>(b)</sup>		
	3 Month (%)	6 Month (%)	Since Inception (%)
MyETF- MSEAD - NAV Price Return <sup>(a)</sup>	(6.58)	(10.30)	(12.36)
MIISOD40 - Price Return Index	(4.22)	(7.99)	(12.13)
MyETF- MSEAD - NAV Total Return <sup>(a)</sup>	(4.28)	(8.09)	(10.21)
MIISOD40 - Total Return Index	(3.74)	(6.74)	(8.38)

Sources: Bloomberg, i-VCAP

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

(b) Cumulative returns are up to 31 March 2016

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

	Average Returns <sup>(b)</sup>		
	3 Month (%)	6 Month (%)	Since Inception (%)
MyETF- MSEAD - NAV Price Return <sup>(a)</sup>	(23.82)	(19.53)	(13.32)
MIISOD40 - Price Return Index	(15.84)	(15.35)	(13.07)
MyETF- MSEAD - NAV Total Return <sup>(a)</sup>	(16.06)	(15.53)	(11.01)
MIISOD40 - Total Return Index	(14.16)	(13.02)	(9.04)

Sources: Bloomberg, i-VCAP

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

(b) Average returns for MIISOD40 Price Return Index and MIISOD40 Total Return Index are annualized figures computed based on the price and total returns for the respective period.

During the period under review, MSCI South East Asia IMI Islamic Index, which is the Parent Index of MIISOD40 Index performed its first quarter review for 2016 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 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 three stocks from the

MIISOD40 Index, i.e. Advanced Info Service PCL, Philippine Long Distance Telephone Company and Pharmaniaga Berhad. The changes took effect after the close of trading on 29 February 2016.

In terms of sectoral weightings, notable changes to the Fund's sector composition (MSCI) arising from the Parent Index's quarterly review were the increase in Consumer sector from 24.94% to 31.42% and Properties sector from 6.62% to 9.25%. On the other hand, the Telecommunications sector decreased from 30.14% to 22.31% at the end of the first quarter. The rebalancing exercise also saw some changes in the country exposure. The Fund currently has no exposure in Philippines following the deletion of Philippine Long Distance Telephone Company. Details of the key changes for the quarter are as follows:

**Table 3: Top Ten Holdings of the Fund as at 31 March 2016**

Stock	% of NAV
1. Keppel Corporation Limited	9.82
2. Singapore Press Holdings Limited	9.32
3. Singapore Telecommunications Limited	8.98
4. Digi.Com Berhad	8.90
5. Syarikat Takaful Malaysia Berhad	4.75
6. Matrix Concepts Berhad	4.70
7. Sembcorp Marine Limited	4.64
8. Ichitan Group PCL - NVDR	4.62
9. MC Group PCL - NVDR	4.59
10. UOA Development Berhad	4.55
<b>Total</b>	<b>64.87</b>

Sources: Bloomberg, i-VCAP

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

	As at 31-Mar-16	As at 31-Dec-15	Change (%)
Consumer	31.42%	24.94%	6.48
Telecommunications	22.31%	30.14%	(7.83)
Industrials	18.99%	17.53%	1.46
Properties	9.25%	6.62%	2.63
Materials	8.75%	8.42%	0.33
Financial	4.75%	3.99%	0.76
Health Care	4.45%	7.28%	(2.83)
Cash & Others	0.08%	1.08%	(1.00)

Sources: MSCI, i-VCAP

\* Based on MSCI classification

**Table 5: Country Exposure**

	As at 31-Mar-16	As at 31-Dec-15	Change (%)
Singapore	46.21%	45.44%	0.77
Malaysia	36.17%	29.21%	6.96
Thailand	13.41%	15.65%	(2.24)
Philippines	-	4.89%	(4.89)
Indonesia	4.21%	4.81%	(0.60)

Sources: MSCI, i-VCAP

Details of the Fund's quoted Investments as at 31 March 2016 are as follows:

**Table 6: MyETF-MSEAD's Investment in Listed Equities**

	Country	Quantity (Units)	Market Value (RM)	Market Value as a percentage of Net Asset Value (%)
<b><u>Consumer</u></b>				
1. Singapore Press Holdings Limited	Singapore	141,120	1,634,000	9.32
2. Ichitan Group PCL-NVDR	Thailand	561,890	809,544	4.62
3. MC Group PCL-NVDR	Thailand	558,830	805,135	4.59
4. UMW Holdings Berhad	Malaysia	113,100	776,997	4.43
5. Padini Holdings Berhad	Malaysia	361,680	748,678	4.27
6. Thai Vegetable Oil PCL-NVDR	Thailand	283,350	734,826	4.19
			<b>5,509,180</b>	<b>31.42</b>
<b><u>Telecommunications</u></b>				
7. Singapore Telecommunications Limited	Singapore	142,282	1,573,319	8.98
8. Digi.Com Berhad	Malaysia	315,680	1,559,459	8.90
9. M1 Limited	Singapore	103,060	775,652	4.43
			<b>3,908,430</b>	<b>22.31</b>
<b><u>Industrials</u></b>				
10. Keppel Corporation Limited	Singapore	101,960	1,720,687	9.82
11. Sembcorp Marine Limited	Singapore	170,200	812,919	4.64
12. Yangzijiang Shipbuilding Limited	Singapore	279,990	794,277	4.53
			<b>3,327,883</b>	<b>18.99</b>
<b><u>Properties</u></b>				
13. Matrix Concepts Holdings Berhad	Malaysia	332,243	823,963	4.70
14. UOA Development Berhad	Malaysia	375,940	796,993	4.55
			<b>1,620,956</b>	<b>9.25</b>
<b><u>Materials</u></b>				
15. Ta Ann Holdings Berhad	Malaysia	157,420	794,971	4.54
16. PT Indocement Tunggal Prakarsa TBK	Indonesia	127,350	738,522	4.21
			<b>1,533,493</b>	<b>8.75</b>
<b><u>Financial</u></b>				
17. Syarikat Takaful Malaysia Berhad	Malaysia	205,040	832,462	4.75
			<b>832,462</b>	<b>4.75</b>
<b><u>Health Care</u></b>				
18. Religare Health Trust	Singapore	275,580	781,767	4.45
			<b>781,767</b>	<b>4.45</b>
			<b>17,514,171</b>	<b>99.92</b>

Sources: MSCI, i-VCAP



## 5. Distribution Policy

The Fund may distribute to the Unit Holders all or a substantial portion of the Fund's Distributable Income, pro-rated based on the number of Units held by each Unit Holder as at the entitlement date of the income distribution.

Income distributions (if any) are expected to be made annually. The amount to be distributed will be at the discretion of the Manager. However, if the distribution available is too small or insignificant, any distribution may not be of benefit to the Unit Holders as the total cost to be incurred in any such distribution may be higher than the amount for distribution.

During the quarter, the first and final income distribution for the Financial Year Ended 31 December 2015 of 2.15 sen per unit was declared on 10 February with the ex-date on 26 February and entitlement date on 1 March 2016. The first and final income distribution was paid on 29 March 2016. Based on the number of entitled unit holders, the Fund distributed a total amount of RM430,000.

## 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

Last year's volatile market continued into the first quarter of 2016, against a backdrop of tepid global growth outlook, concern on China's slowdown and the fall in oil prices in January and February. These concerns started to ebb in the later part of the quarter as more stimulus measures were announced by the European Central Bank (ECB) and a more dovish tone from the Federal Reserve may mean a less tightening policy. Correspondingly, the USD weakened against regional currencies whilst commodity prices began to stabilize. This then led to higher risk appetite for investors, fueling a short-lived rebound in the equity markets at the later part of the quarter.

On the economic front, the US economy expanded at a slower pace of 0.7% in 4Q2015 compared to 2.0% in the 3Q2015 as growth was dragged down by the decline in household spending and cut back on capital investments by businesses. This translates into a full year GDP of 1.8% in 2015, lower than +2.4% in 2014. Elsewhere, the Eurozone economy sustained a positive annualized rate of growth albeit at a slower rate of 0.3% in 4Q2015. Nonetheless, the risk of deflation remained a concern as headline inflation fell into negative territory in February 2016, prompting the ECB to deliver more aggressive monetary policy easing measures which include cutting the deposit and refinancing rate to 0% level and raising the monthly amount of bonds buying. As for China, its economy grew at 6.9% in 2015, in line with the government's target of around 7.0% despite earlier concern. In its efforts to propel growth, the government announced higher fiscal spending alongside a large budget deficit of 3.0% of GDP for 2016 (-2.3% in 2015).

Nonetheless, most ASEAN economies continued to show resilience in growth amid the challenging external environment in 2015. Philippines registered the fastest growth in the region, expanding 5.8% in 2015 compared to 6.1% in 2014, driven by robust domestic demand. Meanwhile, Malaysia's GDP growth moderated to 5.0% in 2015, compared to 6.0% in 2014, weighed down by slower public spending due to the government's tighter budget. Elsewhere, Indonesia's GDP growth slowed to 4.8% in 2015 from 5.0% in 2014, stemming from the weaker household spending as well as the subdued external trade performance. Over in Thailand, GDP growth expanded at 2.8% in 2015 from a tepid 0.8% growth in 2014. The rising growth was underpinned by the sizeable public infrastructure and government spending, which helped offset the slump in exports performance during the year. Separately, Singapore's GDP growth slowed to 2.0% in 2015, from 3.3% in 2014, underscored by the sluggish net exports performance, which was affected by the challenging global environment.

**Table 7: Performance of Ringgit against Regional Currencies in 1Q2016**

Currency	Performance QoQ*
Philippines Peso	+7.32%
Thailand Baht	+6.80%
Indonesian Rupiah	+5.46%
Singapore Dollar	+4.77%

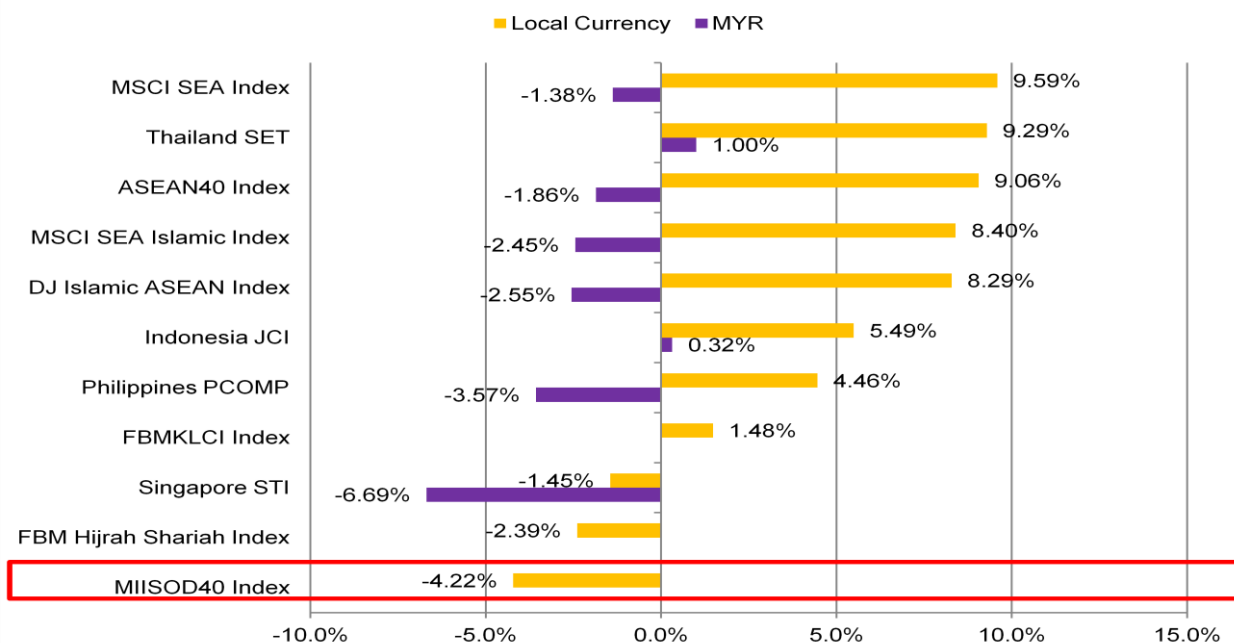
\*Note: + indicates strengthening of Ringgit

Sources: Bloomberg, i-VCAP

The MIISOD40 Index trended downwards at the start of the year to touch its year low of 2,002.96 points on 29 January before recovering to 2,200 points in mid-March. It however suffered a pullback by end of 1Q2016, to close the quarter at 2,120.32 points. This translated to a decline of 4.22% quarter-on-quarter. On regional comparison, MIISOD40 Index which is priced in Ringgit

lagged most of other major ASEAN big-cap indices. This was largely attributed to the weak performance of its Singapore heavyweight stocks as well as the strengthening Ringgit that worked against MIISOD40 Index.

**Chart 4: Comparative Performance of MIISOD40 Index vs Regional Indices in 1Q2016**



Sources: Bloomberg, i-VCAP

Moving forward, global growth is still expected to remain slow and uneven for the rest of 2016 with the two biggest economies, i.e U.S and China, projected to grow at 2.6% and around 7.0% respectively. The silver lining for the equity market is that the Federal Reserve may not be aggressive in its interest rate hike this year which may bode well for equities.

ASEAN countries are still expected to rely on domestic demand to spur economic activities in the medium term as the external growth environment remains challenging. Meanwhile, ASEAN inflation is expected to remain manageable albeit trending slightly higher, balancing between the continued low energy and commodity prices and the gradual pick-up in economic activities. As a result, most countries in the region are expected to keep monetary policy rates relatively stable.

The medium to long-term growth prospects still remain in favour of Emerging markets as the growth rates are expected to outpace the more developed markets. The growth resilience in the ASEAN region is supported by favourable demographics and expanding trade linkages. Besides being fundamentally stable, the dividend yielding feature of the stocks may generate interest and provide downside support for MyETF-MSEAD during uncertain market environment.