

# MyETF MSCI MALAYSIA ISLAMIC DIVIDEND

## UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018

	<u>Note</u>	<u>30 September 2018</u> RM	<u>Audited</u> <u>31 December 2017</u> RM
<b>ASSETS</b>			
Financial assets at fair value through profit or loss	4	55,309,297	56,240,234
Dividends receivable	5	249,965	49,268
Cash and cash equivalents	6	366,481	318,191
<b>TOTAL ASSETS</b>		<u>55,925,743</u>	<u>56,607,693</u>
<b>LIABILITIES</b>			
Amount due to Manager		17,731	17,972
Amount due to Trustee		1,995	2,022
Auditors' remuneration		11,999	15,618
Tax agent's fee		8,323	4,105
Shariah adviser's fee		8,656	7,140
Payables	7	43,036	38,110
<b>TOTAL LIABILITIES</b>		<u>91,740</u>	<u>84,967</u>
<b>NET ASSET VALUE OF THE FUND</b>		<u>55,834,003</u>	<u>56,522,726</u>
<b>EQUITY</b>			
Unit holders' capital		44,698,400	47,567,320
Retained earnings		11,135,603	8,955,406
<b>NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS</b>	9	<u>55,834,003</u>	<u>56,522,726</u>
<b>NUMBER OF UNITS IN CIRCULATION</b>	9	<u>46,400,000</u>	<u>48,000,000</u>
<b>NET ASSET VALUE PER UNIT (RM)</b>		<u>1.2033</u>	<u>1.1776</u>

The accompanying notes to the financial statements form an integral part of these financial statements.

## MyETF MSCI MALAYSIA ISLAMIC DIVIDEND

### UNAUDITED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD FROM 1 JULY 2018 TO 30 SEPTEMBER 2018

		<u>01.07.2018</u> <u>to</u> <u>30.09.2018</u> RM	<u>01.07.2017</u> <u>to</u> <u>30.09.2017</u> RM
<b>INVESTMENT INCOME</b>			
Gross dividend income		597,970	430,093
Profit from short term Shariah-compliant deposits		4,838	2,464
Net (loss)/gain on financial assets at fair value through profit and loss	4	3,070,600	(240,522)
		<u>3,673,408</u>	<u>192,035</u>
<b>EXPENSES</b>			
Management fee	12	(55,974)	(55,671)
Trustee's fee	13	(6,297)	(6,263)
License fee	14	(8,396)	(8,351)
Transaction cost		(18,045)	(22,282)
Auditors' remuneration		(3,890)	(3,889)
Tax agent's fee		(1,150)	(2,359)
Shariah adviser's fee		(1,620)	(1,995)
Purification of non Shariah-compliant income		(3,032)	(3,513)
Other expenses	15	(5,908)	(15,785)
		<u>(104,312)</u>	<u>(120,108)</u>
<b>PROFIT BEFORE TAXATION</b>		3,569,096	71,927
Taxation	16	-	-
		<u>3,569,096</u>	<u>71,927</u>
<b>PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD</b>			
		<u><u>3,569,096</u></u>	<u><u>71,927</u></u>
Profit after taxation is made up as follows:			
Realised amount		1,681,022	427,396
Unrealised amount		1,888,074	(355,469)
		<u>3,569,096</u>	<u>71,927</u>

The accompanying notes to the financial statements form an integral part of these financial statements.

## MyETF MSCI MALAYSIA ISLAMIC DIVIDEND

### UNAUDITED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

	<u>Note</u>	<u>YTD</u> <u>30.09.2018</u> RM	<u>YTD</u> <u>30.09.2017</u> RM
<b>INVESTMENT INCOME</b>			
Gross dividend income		1,453,759	1,448,893
Profit from short term Shariah-compliant deposits		14,399	6,250
Net gain on financial assets at fair value through profit and loss	4	1,832,740	3,946,706
		<u>3,300,898</u>	<u>5,401,849</u>
<b>EXPENSES</b>			
Management fee	12	(145,167)	(163,937)
Trustee's fee	13	(16,331)	(18,443)
License fee	14	(21,775)	(24,890)
Transaction cost		(80,642)	(83,115)
Auditors' remuneration		(11,583)	(11,682)
Tax agent's fee		(3,425)	(8,809)
Shariah adviser's fee		(4,826)	(5,970)
Purification of non Shariah-compliant income		(8,082)	(12,375)
Other expenses	15	(19,590)	(42,610)
		<u>(311,421)</u>	<u>(371,831)</u>
<b>PROFIT BEFORE TAXATION</b>			
Taxation	16	-	-
<b>PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD</b>			
		<u>2,989,477</u>	<u>5,030,018</u>
Profit after taxation is made up as follows:			
Realised amount		5,275,746	1,838,693
Unrealised amount		(2,286,269)	3,191,325
		<u>2,989,477</u>	<u>5,030,018</u>

The accompanying notes to the financial statements form an integral part of these financial statements.

## MyETF MSCI MALAYSIA ISLAMIC DIVIDEND

### UNAUDITED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD FROM 1 JULY 2018 TO 30 SEPTEMBER 2018

	<b>Note</b>	<b>Unit holders' capital RM</b>	<b>Retained earnings RM</b>	<b>Total RM</b>
Balance as at 1 July 2018		47,554,320	7,566,507	55,120,827
Total comprehensive income for the financial period		-	3,569,096	3,569,096
Cancellation of units		(2,855,920)	-	(2,855,920)
Balance as at 30 September 2018		44,698,400	11,135,603	55,834,003

### FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

Balance as at 1 January 2018		47,567,320	8,955,406	56,522,726
Total comprehensive income for the financial period		-	2,989,477	2,989,477
Distribution for the financial year ended 31 December 2017	17	-	(809,280)	(809,280)
Creation of units		29,573,120		29,573,120
Cancellation of units		(32,442,040)	-	(32,442,040)
Balance as at 30 September 2018		44,698,400	11,135,603	55,834,003

The accompanying notes to the financial statements form an integral part of these financial statements.

MyETF MSCI MALAYSIA ISLAMIC DIVIDEND

UNAUDITED STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL PERIOD FROM 1 JULY 2018 TO 30 SEPTEMBER 2018

	<u>Note</u>	<u>01.07.2018</u> <u>to</u> <u>30.09.2018</u> RM	<u>01.07.2017</u> <u>to</u> <u>30.09.2017</u> RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash used in purchase of investments		(5,571,232)	(6,105,260)
Proceeds from sales of investments		4,903,525	5,763,713
Dividends received		542,083	479,439
Profit from short-term Shariah-compliant deposits		4,838	2,464
Management fee paid		(56,074)	(75,846)
Trustee fee paid		(6,308)	(8,532)
Payment for other fees and expenses		(23,797)	(48,209)
Net cash (used in)/generated from operating activities		<u>(206,965)</u>	<u>7,769</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payments for cancellation of units, representing net cash used in financing activities		<u>(23,236)</u>	<u>-</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		(230,201)	7,769
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD</b>		<u>596,682</u>	<u>268,769</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>	6	<u>366,481</u>	<u>276,538</u>

The accompanying notes to the financial statements form an integral part of these financial statements.

MyETF MSCI MALAYSIA ISLAMIC DIVIDEND

UNAUDITED STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

	<u>Note</u>	<u>YTD</u> <u>30.09.2018</u> RM	<u>YTD</u> <u>30.09.2017</u> RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash used in purchase of investments		(23,039,261)	(22,706,451)
Proceeds from sales of investments		21,990,285	22,513,820
Dividends received		1,253,062	1,416,938
Profit from short-term Shariah-compliant deposits		14,399	6,250
Management fee paid		(145,408)	(162,661)
Trustee fee paid		(16,358)	(18,299)
Payment for other fees and expenses		(142,882)	(159,304)
Net cash (used in)/generated from operating activities		<u>(86,163)</u>	<u>890,293</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from creation of units		1,022,201	-
Payments for cancellation of units		(78,468)	(1,604)
Payment for income distribution	17	(809,280)	(784,320)
Net cash generated from/(used in) financing activities		<u>134,453</u>	<u>(785,924)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
		48,290	104,369
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD</b>			
		<u>318,191</u>	<u>172,169</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>			
	6	<u><u>366,481</u></u>	<u><u>276,538</u></u>

The accompanying notes to the financial statements form an integral part of these financial statements.

## MyETF MSCI MALAYSIA ISLAMIC DIVIDEND

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

Unless otherwise stated, the following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements.

#### A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Exchange Traded Fund ("the Fund") have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").

The financial statements have been prepared under the historical cost convention, as modified by the financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with MFRS and IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial period. It also requires the Manager to exercise their judgement in the process of applying the Fund's accounting policies. Although these estimates and judgement are based on the Managers' best knowledge of current events and actions, actual results may differ.

Estimates and judgements are continually evaluated by the Manager and the Trustee and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Fund makes estimates and assumption concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Fund's results and financial position are tested for sensitivity to changes in the underlying parameters.

#### (a) The new amendments to published standards that are effective:

The Fund has applied the following standard for the first time for the financial year beginning on 1 January 2018:

- Amendments to MFRS 107 "Statement of Cash Flows - Disclosure Initiative" introduce an additional disclosure on changes in liabilities arising from financing activities.
- MFRS 9 "Financial Instruments" has replaced MFRS 139 "Financial Instruments: Recognition and Measurement".

The adoption of these amendments did not have any impact on the current financial period and is not likely to affect future years.

## MyETF MSCI MALAYSIA ISLAMIC DIVIDEND

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018 (CONTINUED)

#### A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

(b) The new standards and amendments to published standards that are applicable to the Fund but not yet effective and have not been early adopted are as follows:

(i) Financial year beginning on/after 1 January 2019

- Amendments to MFRS 9 'Prepayment features with negative compensation' (effective 1 January 2019) allow companies to measure some prepayable financial assets with negative compensation at amortised cost.

Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than the unpaid amounts of principal and interest.

To qualify for amortised cost measurement, the negative compensation must be reasonable compensation for early termination of the contract, and the asset must be held within a 'held to collect' business model.

- Amendments to MFRS 112 'Income Taxes' (effective from 1 January 2019) clarify that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in profit or loss, other comprehensive income or equity) depends on where the past transactions that generated distributable profits were recognised.

Accordingly, the tax consequences are recognised in profit or loss when an entity determines payments on such instruments are distribution of profits (that is, dividends). Tax on dividend should not be recognised in equity merely on the basis that it is related to a distribution to owners.

#### B INCOME FROM SHARIAH-COMPLIANT FINANCIAL INSTRUMENTS

Revenue arising from assets yielding profit is recognised on a time proportionate basis using the effective profit method on an accruals basis.

Dividend income is recognised when the right to receive payment is established.

#### C NON SHARIAH-COMPLIANT INCOME

Any income or distribution received by the Fund from its investment portfolio which relates to profit income or dividend income from fortuitous activities (does not comply with the Shariah principles) of the underlying companies is considered Non Shariah-compliant Income.

This non Shariah-compliant Income is subject to an income purification process as determined by the Index Provider from time to time and without limitation based on the impure ratio for each component stock as determined by MSCI Inc. The non Shariah-compliant income may be distributed to organisations considered beneficial to the public at large which are endorsed by the Shariah Adviser and approved by the Trustee. The amount is recognised as an expense in profit or loss.



## MyETF MSCI MALAYSIA ISLAMIC DIVIDEND

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018 (CONTINUED)

#### D TAXATION

Current tax expense is determined according to the Malaysian tax laws and includes all taxes based upon the taxable profits.

#### E CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statement, cash and cash equivalents comprise cash and bank balances and deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### F FINANCIAL ASSETS

##### (i) Classification

The Fund designates its investment in equity securities as financial assets at fair value through profit or loss at inception.

Financial assets are designated at fair value through profit or loss when they are managed and their performance evaluated on a fair value basis.

Financing and receivables are non-derivative financial assets with fixed or determinable payment that are not quoted in an active market and have been included in current assets. The Fund's financing and receivables comprise cash and cash equivalent and dividend receivable which are all due within 12 months.

##### (ii) Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Fund commits to purchase or sell the asset. Investments are initially recognised at fair value. Transaction costs are expensed in profit or loss.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

Unrealised gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss are presented in the statement of comprehensive income within 'net gain/(loss) on financial assets at fair value through profit and loss' in the period in which they arise.

Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of gross dividend income when the Fund's right to receive payments is established.

Investments principally consist of quoted investments are initially recognised at fair value and subsequently re-measured at fair value based on the market price quoted on the relevant stock exchanges at the close of the business on the valuation day, where the close price falls within the bid-ask spread. In circumstances where the close price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is most representative of the fair value. Purchases and sales of investments are accounted for on the trade date.

If a valuation based on the market price does not represent the fair value of the securities, for example during the abnormal market conditions or no market price is available, including in the event of a suspension in the quotation of the securities for a period exceeding 14 days, or such shorter period as agreed by Trustee, the securities are valued as determined in good faith by the Manager, based on the methods and bases approved by the Trustee after appropriate technical consultation.

## MyETF MSCI MALAYSIA ISLAMIC DIVIDEND

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018 (CONTINUED)

#### F FINANCIAL ASSETS (CONTINUED)

##### (ii) Recognition and measurement (continued)

Islamic deposits with licensed financial institutions are stated at cost plus accrued profit calculated in the effective profit method over the period from the date of placement to the date of maturity of the respective deposits, which is reasonable estimate of fair value due to the short-term nature of the deposits. Financing and receivables are subsequently carried at amortised cost using the effective profit rate method.

##### (iii) Impairment of financial assets

For assets carried at amortised cost, the Fund assesses at the end of the reporting year whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective profit rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If 'financing and receivables' has a variable profit rate, the discount rate for measuring any impairment loss is the current effective profit rate determined under the contract. As a practical expedient, the Fund may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss. When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

#### G FINANCIAL LIABILITIES

##### (i) Classification

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

The Fund's financial liabilities include amount due to Manager, accrued management fee, amount due to stockbrokers, amount due to Trustee, audit and tax agent's fee and Shariah adviser's fee.

The Fund classifies amount due to index licensor, amount due to beneficial organisations, printing costs and other payables and accruals as other financial liabilities.

##### (ii) Recognition and measurement

Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument.

A financial liability is de-recognised when the obligation under the liability is extinguished. Gains and losses are recognised as profit or loss when the liabilities are de-recognised, and through the amortisation process.

# MyETF MSCI MALAYSIA ISLAMIC DIVIDEND

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018 (CONTINUED)

### H UNIT HOLDERS' CAPITAL

The unit holders' contributions to the Fund meet the criteria to be classified as equity instruments under MFRS 132 "Financial Instruments: Presentation". Those criteria include:

- the units entitle the holder to a proportionate share of the Fund's net assets value;
- the units are the most subordinated class and class features are identical;
- there is no contractual obligations to deliver cash or another financial asset other than the obligation on the redemption of units; and
- the total expected cash flows from the units over its life are based substantially on the profit or loss of the Fund.

The outstanding units are carried at the redemption amount that is payable at each financial year if unit holder exercises the right to put the unit back to the Fund.

Units are created and cancelled at prices based on the Fund's net asset value per unit at the time of creation or cancellation. The Fund's net asset value per unit is calculated by dividing the net assets attributable to unit holders with the total number of outstanding units. In accordance with the Securities Commission ("SC") Guidelines on Exchange-Traded Funds, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for creations and cancellations.

### I PRESENTATION AND FUNCTIONAL CURRENCY

The financial statements are presented in Ringgit Malaysia, which is the Fund's presentation and functional currency.

### J SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer ("CEO") of the Fund's manager that undertakes strategic decisions for the Fund.

### K NET GAINS/(LOSSES)

The analysis of realised and unrealised net income after tax as disclosed in the statement of comprehensive income is prepared in accordance with the SC Guidelines on Exchange Traded Funds.

### L DISTRIBUTION

Distributions are at the discretion of the Fund. A distribution to the Fund's unit holders is accounted for as a deduction from realised reserves. A proposed distribution is recognised as a liability in the year in which it is approved by the Board of Directors of the Manager.

The basis for ascertaining income available for distribution by the Fund to its unit holders, which subject to conditions imposed by the SC, are as follows;

- (i) The distributable income is the net realized income from profit, dividend and other distributions, after deducting the costs/expenses as allowed by the Deed;
- (ii) No adjustment will be made from any realized capital gains or losses as a result of price appreciation or depreciation of the underlying securities;
- (iii) Unrealised income or gains of the Fund will not be distributed to Unit holders and unrealized losses (including capital losses) will not be deducted.

# MyETF MSCI MALAYSIA ISLAMIC DIVIDEND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

### 1 INFORMATION ON THE FUND

The Exchange-Traded Fund (the "Fund") was constituted under the name MyETF MSCI Malaysia Islamic Dividend pursuant to the execution of a trust deed dated 23 December 2013 and a supplemental deed dated 9 December 2016, 19 June 2017 and 16 August 2018 (the "Deed") entered into between i-VCAP Management Sdn. Bhd. (the "Manager") and Deutsche Trustees Malaysia Berhad (the "Trustee").

The Fund was launched on 27 February 2014 and will continue its operations until terminated in accordance with Part 26 of the Deed.

The Fund is an Exchange-Traded Fund that is designed to provide investment results that closely correspond to the performance of the MSCI Malaysia IMI Islamic High Dividend Yield 10/40 Index ("Benchmark Index") regardless of its performance. The Benchmark Index is a free-float adjusted, market capitalisation weighted, price return index representing securities of 16 to 30 leading Shariah-compliant Malaysian companies listed on Bursa Malaysia Securities Berhad as determined by MSCI Inc. All investments will be subjected to the SC Guidelines on Exchange-Traded Funds, the Deed and the objective of the Fund.

As provided in the Deed, the financial year shall end on 31 December.

The Manager is a company incorporated in Malaysia. The principal activity of the Manager is the provision of Shariah investment management services.

### 2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund is exposed to a variety of risks which include market risk, profit rate risk and credit/default risk from the following financial instruments:

	Note	Financing and receivables RM	Financial assets at fair value through profit or loss RM	Total RM
<b><u>30 September 2018</u></b>				
Financial assets at fair value				
through profit or loss	4	-	55,309,297	55,309,297
Dividends receivable		249,965	-	249,965
Cash and cash equivalents	6	366,481	-	366,481
<b>Total</b>		<b>616,446</b>	<b>55,309,297</b>	<b>55,925,743</b>
<b><u>31 December 2017</u></b>				
Financial assets at fair value				
through profit or loss	4	-	56,240,234	56,240,234
Dividends receivable		49,268	-	49,268
Cash and cash equivalents	6	318,191	-	318,191
<b>Total</b>		<b>367,459</b>	<b>56,240,234</b>	<b>56,607,693</b>

All current liabilities are financial liabilities which are carried at amortised cost.

Financial risk management is carried out through internal control processes adopted by the Manager and adherence to the investment restrictions as stipulated in the SC Guidelines on Exchange Traded Funds.

# MyETF MSCI MALAYSIA ISLAMIC DIVIDEND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018 (CONTINUED)

### 2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Market risk

##### Price Risk

The Fund is exposed to equity securities price risk arising from investments held by the Fund for which prices in the future are uncertain. The very nature of an Exchange-Traded Fund, however, helps mitigate this risk because a fund would generally hold a well-diversified portfolio of securities from different market sectors so that the collapse of any one security or any one market sector would not impact too greatly on the value of the fund.

At 30 September 2018, the fair value of equities exposed to price risk was as follows:

	<u>30 September 2018</u> RM	<u>31 December 2017</u> RM
Financial assets at fair value through profit or loss	<u>55,309,297</u>	<u>56,240,234</u>

The table below summarises the sensitivity of the Fund's unrealized income or loss to equity price movements as at 30 September 2018. The analysis is based on the assumptions that the MSCI Malaysia IMI Islamic High Dividend Yield 10/40 Index ("the Index") increased by 10% and decreased by 10%, with all other variables held constant, and that the fair value of the Fund's portfolio of equity securities moved according to their historical correlation with the Index.

<u>% Change in benchmark index</u>	<u>Benchmark index</u>	<u>Market value</u> RM	<u>Impact to profit after tax/NAV</u> RM
<b><u>30 September 2018</u></b>			
-10%	2,434.03	50,004,455	(5,304,842)
0%	2,704.48	55,309,297	-
10%	2,974.93	60,614,139	5,304,842
<b><u>31 December 2017</u></b>			
-10%	2,400.20	52,841,469	(3,398,765)
0%	2,666.89	56,240,234	-
10%	2,933.58	59,638,999	3,398,765

The Index is used as a benchmark as the Fund is designed to provide investment results that closely correspond to the performance of the Index.

#### Profit rate risk

Cash flow profit rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market profit rates.

The fund's exposure to interest rate risk is mainly confined to Shariah-compliant deposits with licensed banks. The Manager overcomes this by way of maintaining deposits on a short term basis.

The fund's exposure to profit rate risk associated with Shariah-compliant deposits with licensed banks is not material as the deposit is held on a short-term basis.

## MyETF MSCI MALAYSIA ISLAMIC DIVIDEND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018 (CONTINUED)

#### 2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

##### Credit/Default risk

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The credit risk arising from placements of deposits in licensed financial institutions is managed by ensuring that the Fund will only place deposits in reputable licensed financial institutions. The settlement terms of the proceeds from the creation of units receivable from the Manager are governed by the SC's Guidelines on Exchange Traded Funds.

The credit/default risk is minimal as all transactions in quoted investments are settled/ paid upon delivery using approved brokers.

The maximum exposure to credit risk before any credit enhancements at 30 September 2018 is the carrying amount of the financial assets as set out below.

	<u>Cash and cash equivalents</u> RM	<u>Dividends receivable</u> RM	<u>Total</u> RM
<b><u>30 September 2018</u></b>			
Financial institutions			
– AAA	366,481	-	366,481
Others	-	249,965	249,965
	<u>366,481</u>	<u>249,965</u>	<u>616,446</u>
<b><u>31 December 2017</u></b>			
Financial institutions			
– AAA	318,191	-	318,191
Others	-	49,268	49,268
	<u>318,191</u>	<u>49,268</u>	<u>367,459</u>

#### 3 CAPITAL AND LIQUIDITY RISK MANAGEMENT

The capital of the Fund is represented by the net assets attributable unit holders as shown in the Statement of Financial Position. The amount of net asset attributable to unit holders can change significantly on a daily basis as the Fund is subject to daily creations and cancellations of units at the discretion of unit holders. The Manager will provide perfect basket which comprises a portfolio of the Benchmark Index shares in substantially the same composition and weighting as the Benchmark Index and cash component to be delivered by the investors in the case of creations and to be transferred to the unit holders in the case of cancellations. The Fund maintains sufficient quantity of shares and cash in proportion to the perfect basket.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts in the table below are the contractual undiscounted cash flows.

# MyETF MSCI MALAYSIA ISLAMIC DIVIDEND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018 (CONTINUED)

### 3 CAPITAL AND LIQUIDITY RISK MANAGEMENT (CONTINUED)

<b><u>30 September 2018</u></b>	<b><u>Within one month RM</u></b>	<b><u>One month to one year RM</u></b>	<b><u>Total RM</u></b>
Amount due to Manager	17,731	-	17,731
Amount due to Trustee	1,995	-	1,995
Auditors' remuneration	-	11,999	11,999
Tax agent's fee	-	8,323	8,323
Shariah adviser's fee	-	8,656	8,656
Payables	-	43,036	43,036
	<u>19,726</u>	<u>72,014</u>	<u>91,740</u>
<b><u>31 December 2017</u></b>			
Amount due to Manager	17,972	-	17,972
Amount due to Trustee	2,022	-	2,022
Auditors' remuneration	-	15,618	15,618
Tax agent's fee	-	4,105	4,105
Shariah adviser's fee	-	7,140	7,140
Payables	1,200	36,910	38,110
	<u>21,194</u>	<u>63,773</u>	<u>84,967</u>

### 4 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b><u>30 September 2018 RM</u></b>	<b><u>31 December 2017 RM</u></b>
Designated at fair value through profit or loss at inception		
- Shares quoted in Malaysia	<u>55,309,297</u>	<u>56,240,234</u>
	<b><u>Quarter ended 30 September 2018 RM</u></b>	<b><u>Quarter ended 30 September 2017 RM</u></b>
Net gain/(loss) on financial assets at fair value through profit or loss		
- Realised gain	1,182,526	114,947
- Unrealised (loss)/gain	1,888,074	(355,469)
	<u>3,070,600</u>	<u>(240,522)</u>
	<b><u>Year to Date 30 September 2018 RM</u></b>	<b><u>Year to Date 30 September 2017 RM</u></b>
Net gain on financial assets at fair value through profit or loss		
- Realised gain	4,119,009	755,381
- Unrealised (loss)/gain	(2,286,269)	3,191,325
	<u>1,832,740</u>	<u>3,946,706</u>

## MyETF MSCI MALAYSIA ISLAMIC DIVIDEND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018 (CONTINUED)

#### 5 DIVIDENDS RECEIVABLE

Dividends receivable represents dividends declared on the Fund's component stocks at the ex-date and not yet received at the end of the financial period.

Dividends declared are recognized on the ex-date and are reversed out from the receivables upon receipt by the Fund.

#### 6 CASH AND CASH EQUIVALENTS

	<b><u>30 September 2018</u></b> RM	<b><u>31 December 2017</u></b> RM
Shariah-compliant deposits with a licensed bank	307,727	124,988
Cash at bank – From Shariah-compliant income	57,225	192,983
Cash at bank – From non Shariah-compliant income	1,529	220
	<u>366,481</u>	<u>318,191</u>

The effective average profit rate of short term deposits per annum as at the date of the statement of financial position is as follows:

	<b><u>30 September 2018</u></b> %pa	<b><u>31 December 2017</u></b> %pa
Shariah-compliant deposits with a licensed bank	<u>3.15</u>	<u>3.05</u>

As at the end of the financial period ended 30 September 2018, the Shariah-compliant deposit with a licensed bank of the Fund have a weighted average maturity period of 1 day (31 December 2017: 3 days) and are denominated in Ringgit Malaysia.

#### 7 PAYABLES

	<b><u>30 September 2018</u></b> RM	<b><u>31 December 2017</u></b> RM
Amount due to index licensor	23,810	16,147
Amount due to beneficial organisations (Note 8)	1,529	220
Printing cost	3,000	3,500
Other payables	14,697	18,243
	<u>43,036</u>	<u>38,110</u>

#### 8 AMOUNT DUE TO BENEFICIAL ORGANISATIONS

Amount due to beneficial organisations is the Non Shariah-compliant income portion of dividends received and receivable as at 30 September 2018. It comprises the following amounts:

	<b><u>30 September 2018</u></b> RM	<b><u>31 December 2017</u></b> RM
Cash at bank – non Shariah-compliant income	<u>1,529</u>	<u>220</u>

Cash at bank – non Shariah-compliant income represents the portion of dividends already received during the financial period which relates to income that does not comply with Shariah principles.



# MyETF MSCI MALAYSIA ISLAMIC DIVIDEND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018 (CONTINUED)

### 9 NUMBER OF UNITS IN CIRCULATION AND NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS

Net Asset Value (NAV) attributable to unit holders is represented by:

	Note	30 September 2018 RM	31 December 2017 RM
Unit holders' contribution	(a)	44,698,400	47,567,320
Retained earnings		11,135,603	8,955,406
		<u>55,834,003</u>	<u>56,522,726</u>

#### (a) UNIT HOLDERS' CONTRIBUTION/UNITS IN CIRCULATION

	30 September 2018		31 December 2017	
	No. of Units	RM	No. of Units	RM
At beginning of the period/year	48,000,000	47,567,320	51,600,000	51,646,000
Creation during the period/year	25,600,000	29,573,120	-	-
Cancellation during the period/year	(27,200,000)	(32,442,040)	(3,600,000)	(4,078,680)
At the end of the period/year	<u>46,400,000</u>	<u>44,698,400</u>	<u>48,000,000</u>	<u>47,567,320</u>
Approved size of Fund	<u>500,000,000</u>		<u>500,000,000</u>	

### 10 TRANSACTIONS WITH BROKERS

Details of transactions with the brokers for the period ended 30 September 2018 are as follows:

<u>Name of brokers</u>	<u>Value of trade</u> RM	<u>Percentage of total trades</u> %	<u>Brokerage fees</u> RM	<u>Percentage of total brokerage</u> %
Maybank Investment Bank Bhd	39,538,157	87.80	47,446	87.74
BIMB Securities Sdn Bhd.	3,935,613	8.74	4,764	8.81
CIMB Investment Bank Bhd.	1,555,775	3.46	1,867	3.45
	<u>45,029,545</u>	<u>100.00</u>	<u>54,077</u>	<u>100.00</u>

### 11 UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER

The related parties of and their relationship with the Fund are as follows:

<u>Related parties</u>	<u>Relationship</u>
<i>i</i> -VCAP Management Sdn. Bhd.	The Manager
Valuecap Sdn Bhd ("Valuecap")	Holding company of the Manager
Shareholders of Valuecap with significant influence on Valuecap	Shareholders of Valuecap

## MyETF MSCI MALAYSIA ISLAMIC DIVIDEND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018 (CONTINUED)

#### 11 UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER (CONTINUED)

(a) Units held by the Manager and parties related to the Manager

	30 September 2018		31 December 2017	
	No. of Units	RM	No. of Units	RM
The Manager	112,500	135,371	487,800	574,433
Valuecap	27,518,100	33,112,530	24,502,200	28,853,791
Shareholders of Valuecap	7,951,667	9,568,241	16,102,500	18,962,304
	<u>35,582,267</u>	<u>42,816,142</u>	<u>41,092,500</u>	<u>48,390,528</u>

The units are held legally by the Manager for booking purposes. The units are held beneficially by Valuecap and shareholders of Valuecap.

#### 12 MANAGEMENT FEE

The Manager is entitled to a management fee at a rate not exceeding 3.0% per annum on the Net Asset Value ("NAV") of the Fund calculated on a daily basis, as provided under Clause 15.1(b) of the Deed.

For the financial period ended 30 September 2018, the management fee was recognised at a rate of 0.4% (2017: 0.4%) per annum on the NAV of the Fund, calculated on daily basis.

There will be no further liability to the Manager in respect of management fee other than the amounts recognised above.

#### 13 TRUSTEE'S FEE

The Trustee is entitled to an annual fee at a rate not exceeding 0.2% per annum on the Net Asset Value ("NAV") of the Fund, subject to a minimum of RM12,000 per annum, as provided under Clause 15.2(b) of the Deed.

For the financial period ended 30 September 2018, the Trustee's fee was recognised at a rate of 0.045% (2017: 0.045%) per annum on the NAV of the Fund, subject to a minimum of RM12,000 per annum, inclusive of local custodian fee, calculated on a daily basis.

There will be no further liability to the Trustee in respect of trustee fee other than the amounts recognised above.

#### 14 LICENSE FEE

License fee is payable to MSCI Inc, the Benchmark Index provider.

For the financial period ended The Manager, the License Fee was recognised at a rate of 0.06% (2017: 0.06%) per annum of the Net Asset Value ("NAV") of the Fund, calculated on daily basis.

## MyETF MSCI MALAYSIA ISLAMIC DIVIDEND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018 (CONTINUED)

#### 15 OTHER EXPENSES

	<b>01.07.2018 to 30.09.2018 RM</b>	<b>01.07.2017 to 30.09.2017 RM</b>
GST expense	-	5,395
Other expenses	5,908	10,390
	<u>5,908</u>	<u>15,785</u>

#### 16 TAXATION

	<b>01.07.2018 to 30.09.2018 RM</b>	<b>01.07.2017 to 30.09.2017 RM</b>
Tax charged for the financial period:		
- Current taxation	<u>-</u>	<u>-</u>

The explanation of the relationship between taxation and profit/(loss) before taxation of the Fund is as follows:

	<b>01.07.2018 to 30.09.2018 RM</b>	<b>01.07.2017 to 30.09.2017 RM</b>
Profit before taxation	<u>3,569,096</u>	<u>71,927</u>
Tax at Malaysian statutory rate of 24%	856,583	17,262
Tax effect of:		
Investment income not subject to tax	(881,617)	(46,089)
Restriction on tax deductible expenses for exchange-traded funds	13,896	15,478
Expenses not deductible for tax purposes	<u>11,138</u>	<u>13,349</u>
	<u>-</u>	<u>-</u>

#### 17 INCOME DISTRIBUTION

Distribution to unit holders is from the following sources:

	<b>Quarter ended 30 September 2018 RM</b>	<b>Quarter ended 30 September 2017 RM</b>
Undistributed net exempt income brought forward	-	-
Exempt dividend income	-	-
Profits from money market placements	-	-
	<u>-</u>	<u>-</u>
Less: Expenses		
Exempt non Shariah-compliant income	-	-
Fund related expenses	-	-
	<u>-</u>	<u>-</u>
Total amount of income distribution	<u>-</u>	<u>-</u>

# MyETF MSCI MALAYSIA ISLAMIC DIVIDEND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018 (CONTINUED)

### 17 INCOME DISTRIBUTION (CONTINUED)

	<u>Year to Date</u> <u>30 September 2018</u>	<u>Year to Date</u> <u>30 September 2017</u>
	RM	RM
Undistributed net exempt income brought forward	809,280	784,320
Exempt dividend income	-	-
Profits from money market placements	-	-
	<u>809,280</u>	<u>784,320</u>
Less: Expenses		
Exempt non Shariah-compliant income	-	-
Fund related expenses	-	-
Total amount of income distribution	<u><u>809,280</u></u>	<u><u>784,320</u></u>

The net asset value per unit prior and subsequent to the income distribution was as follows:

<u>Distribution date (ex-date)</u>	<u>Cum-distribution</u> RM	<u>Distribution</u> <u>per unit</u> RM	<u>Ex-distribution</u> RM
<b><u>2018</u></b>			
1 March 2018	1.2117	0.0281	1.1836
<b><u>2017</u></b>			
1 March 2017	1.0455	0.0152	1.0303

Included in the above is an amount of RM809,280 distributed from previous financial year's undistributed net realised exempt income.

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 based on the financial position of the Fund as at 31 December 2017 with the ex-date of 1 March 2018 and entitlement date of 5 March 2018. The total amount of income distributed was RM809,280 based on 28,800,000 of the Fund's units in circulation, which was paid out to unit holders on 29 March 2018.

### 18 MANAGEMENT EXPENSE RATIO ("MER")

	<u>30 September 2018</u> %	<u>30 September 2017</u> %
MER	<u>0.47</u>	<u>0.53</u>

MER is derived from the following calculation:

$$\text{MER} = \frac{(A + B + C + D + E + F + G)}{H} \times 100$$

A	=	Management fee
B	=	Trustee's fee
C	=	Licensing fee
D	=	Auditors' remuneration
E	=	Tax agent's fee
F	=	Shariah adviser's fee
G	=	Other expenses
H	=	Average net asset value of Fund calculated on daily basis

The average net asset value of the Fund for the financial period calculated on daily basis is RM48,933,391 (30 September 2017: RM54,986,566).

# MyETF MSCI MALAYSIA ISLAMIC DIVIDEND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018 (CONTINUED)

### 19 PORTFOLIO TURNOVER RATIO ("PTR")

	<u>30 September 2018</u>	<u>30 September 2017</u>
PTR (times)	<u>1.08</u>	<u>0.42</u>

PTR is derived from the following calculation:

$$\text{PTR} = \frac{(\text{Total acquisition for the financial period} + \text{total disposal for the financial period}) \div 2}{\text{Average net asset value of the Fund for the financial period calculated on daily basis}}$$

where: total acquisition for the financial period = RM51,631,709 (30 September 2017: RM22,750,980)  
total disposal for the financial period = RM54,314,743 (30 September 2017: RM23,355,230)

The average net asset value of the Fund for the financial period calculated on daily basis is RM48,933,391 (30 September 2017: RM54,986,566).

### 20 SEGMENT REPORTING

The Fund is designed to provide investment results that closely correspond to the performance of the Benchmark Index. The manager attempts to achieve a tracking error of less than 3% between the Net Asset Value of the fund and the Benchmark Index.

The internal reporting provided to the CEO for the fund's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of MFRS. The CEO is responsible for the performance of the fund and considers the business to have a single operating segment.

There were no changes in the reportable segments during the period.

### 21 NON CASH TRANSACTIONS

Creations and cancellations are done by transferring the perfect basket from and to the unit holders respectively. A reconciliation of the cash flows used in creation and cancellation and the total creation and cancellation as presented in the statement of changes in equity is presented below:

	<u>30 September 2018</u>	<u>30 September 2017</u>
Creation		
- Fair value of benchmark index shares	28,550,919	-
- Cash component	<u>1,022,201</u>	<u>-</u>
	<u>29,573,120</u>	<u>-</u>
	<u>30 September 2018</u>	<u>30 September 2017</u>
Cancellation		
- Fair value of benchmark index shares	32,363,572	879,996
- Cash component	<u>78,468</u>	<u>1,604</u>
	<u>32,442,040</u>	<u>881,600</u>

# MyETF MSCI MALAYSIA ISLAMIC DIVIDEND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018 (CONTINUED)

### 22 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of financial assets traded in active markets (such as trading securities) is based on quoted market prices at the close of trading on the period end date.

An active market is a market in which transactions for the asset take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The fair value of financial assets that are not traded in an active market is determined by using valuation techniques.

#### (i) Fair value hierarchy

The table below analyses financial instruments carried at fair value. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)(Level 2).
- Inputs for the asset or liability that are not based on observable market data, (that is, unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgment by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy the financial asset measured at fair value at:

	<u>Level 1</u> RM	<u>Level 2</u> RM	<u>Level 3</u> RM	<u>Total</u> RM
Financial assets at fair value through profit and loss				
- Quoted Shares	<u>55,309,297</u>	<u>-</u>	<u>-</u>	<u>55,309,297</u>

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include Shariah-compliant collective investment schemes. The Fund does not adjust the quoted prices for these instruments.

- (ii) The carrying values of cash and cash equivalents, amount due from manager, rebate of management fee receivable and all current liabilities are a reasonable approximation of the fair values due to their short term nature.