

## Manager's Report

### For the Financial Period 17 March to 31 March 2014

<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

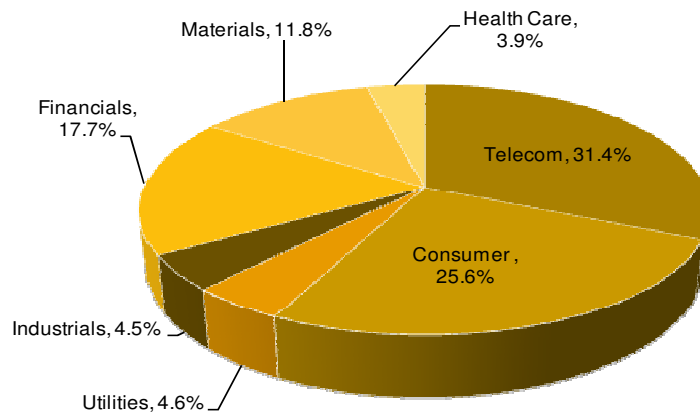
The Benchmark Index is a market capitalisation weighted and free-float adjusted index provided by MSCI Inc ("MSCI"). The Benchmark Index is designed as a performance benchmark for the high dividend-yielding companies of its Parent Index, i.e. the MSCI Malaysia IMI Islamic Index. The Benchmark Index shall 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 assets and the sum of weights of all groups or entities representing more than 5% of the Index is capped at 40% of the Index weighting.

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.

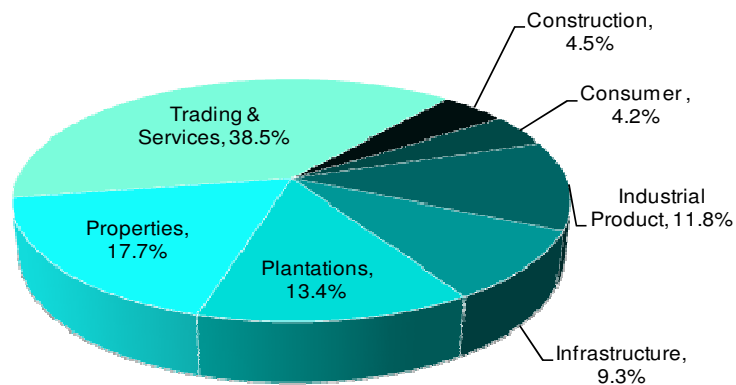
Based on the Fund’s quoted Investments as at 31 March 2014, the sector allocation of MIMYDY40 Index based on MSCI and Bursa Securities sector classifications are as follows:

**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

MyETF-MMID which had its prospectus launched on 27 February 2014, was initially created at RM1.00 per unit at the close of 17 March 2014. Subsequently, the Fund debut its listing on Bursa Securities on 21 March 2014 with total units in circulation of 20 million. For the period between the initial creation to the end of March, the Fund has commenced operations for 11 days and its units traded for 7 days. The Fund's NAV therefore, has tracked the performance of the underlying benchmark, i.e. MIMYDY40 Index, in line with Fund's objective of achieving an absolute value of tracking error of less than 3% limit. In terms of NAV movement, the Fund's NAV per unit hit a high of RM1.0175 on 28 March 2014 before ending the quarter at RM1.0174 or 1.74% from its initial NAV of RM1.00. For the corresponding period, the MIMYDY40 Index also gained almost similarly with an increase of 1.68% to close at 2,374.65 points. Meanwhile, the Fund's units which are traded on Bursa Securities closed at RM1.0100 at the end of March, representing a rise of 1.00%.

As at end of March, total NAV of the Fund increased to RM21.98 million from RM20.0 million at its initial creation largely due to an 8.0% increase in units in circulation to 21.6 million. The key statistics and comparative performance of the Fund for the period between its initial creation at the close of 17 March 2014 against its position as at 31 March 2014 are summarized as follows:

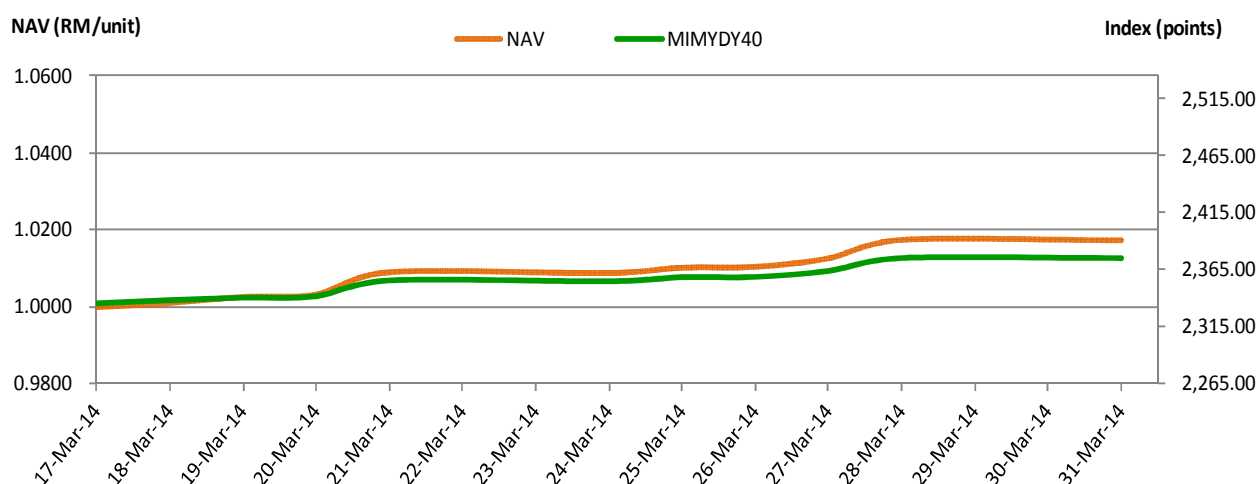
**Table 1: Key Statistics**

	As at 31-Mar-14	As at 17-Mar-14 <sup>^</sup>	Changes
NAV per unit (RM)	1.0174	1.0000	1.74%
- Highest	1.0175 (28 Mar)		
- Lowest	1.0000 (17 Mar)		
<i>(During the period)</i>			
Price per unit (RM)	1.0100	1.0000	1.00%
- Highest	1.0200 (25 Mar)		
- Lowest	1.0000 (21 Mar)		
<i>(During the period)</i>			
Units in Circulation	21,600,000	20,000,000	8.00%
Total NAV (RM)	21,975,760	19,999,513	9.88%
Market Capitalisation (RM)	21,816,000	20,000,000	9.08%
MIMYDY40 Index	2,374.65	2,335.34	1.68%
Tracking Error vs. Price Return MIMYDY40 Index (%) <sup>*</sup>	0.35		
Tracking Error vs. Gross Return MIMYDY40 Index (%) <sup>*</sup>	0.12		
Management Expense Ratio (%)	0.03		

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

<sup>^</sup> The Fund was initially created at RM1.00 per unit based on the close of 17 March 2014. The Fund had its listing debut on 21 March 2014.

**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: Top Ten Holdings of the Fund as at 31 March 2014**

Stock	% of NAV
1. DiGi.Com Berhad	9.27
2. Kuala Lumpur Kepong Berhad	9.21
3. Axiata Group Berhad	8.95
4. Maxis Berhad	8.82
5. UOA Development Berhad	4.79
6. Oldtown Berhad	4.60
7. Gas Malaysia Berhad	4.56
8. WCT Holdings Berhad	4.52
9. Mah Sing Group Berhad	4.44
10. Glomac Berhad	4.41
<b>Total</b>	<b>63.57</b>

Sources: Bloomberg, i-VCAP

**Table 3: Fund's Sector Allocation \***

	As at 31-Mar-14
Trading/Services	38.47%
Plantation	13.44%
Industrial Products	11.75%
Infrastructure	9.27%
Construction	4.52%
Property	17.69%
Consumer Products	4.24%
Cash & Others	0.62%

Sources: Bursa Malaysia, i-VCAP

\* Based on Bursa Securities classification

Details of the Fund's quoted Investments as at 31 March 2014 are as follows:

**Table 4: 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. Axiata Group Berhad	294,900	1,966,983	8.95
2. Maxis Berhad	278,600	1,939,056	8.82
3. Oldtown Berhad	510,300	1,010,394	4.60
4. Gas Malaysia Berhad	269,600	1,002,912	4.56
5. Telekom Malaysia Berhad	163,000	960,070	4.37
6. Pharmaniaga Berhad	189,900	846,954	3.85
7. SEG International Berhad	483,200	729,632	3.32
		<b>8,456,001</b>	<b>38.47</b>
<b><u>Plantation</u></b>			
8. Kuala Lumpur Kepong Berhad	83,600	2,023,120	9.21
9. TDM Berhad	1,010,000	929,200	4.23
		<b>2,952,320</b>	<b>13.44</b>
<b><u>Industrial Products</u></b>			
10. Ta Ann Holdings Berhad	225,300	941,754	4.29
11. Lafarge Malaysia Berhad	103,400	934,736	4.25
12. CSC Steel Holdings Berhad	534,400	705,408	3.21
		<b>2,581,898</b>	<b>11.75</b>
<b><u>Infrastructure</u></b>			
13. DiGi.Com Berhad	377,800	2,036,342	9.27
		<b>2,036,342</b>	<b>9.27</b>
<b><u>Construction</u></b>			
14. WCT Holdings Berhad	457,500	992,775	4.52
		<b>992,775</b>	<b>4.52</b>
<b><u>Property</u></b>			
15. UOA Development Berhad	485,000	1,052,450	4.79
16. Mah Sing Group Berhad	447,700	975,986	4.44
17. Glomac Berhad	896,500	968,220	4.41
18. Paramount Corporation Berhad	536,600	890,756	4.05
		<b>3,887,412</b>	<b>17.69</b>
<b><u>Consumer</u></b>			
19. UMW Holdings Berhad	84,900	932,202	4.24
		<b>932,202</b>	<b>4.24</b>
		<b>21,838,950</b>	<b>99.38</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 being paid.

## **6. Other Information**

There was no material litigation involving the Fund and no significant changes in the state of affairs of the Fund during the period under review. There is also no other material information that will adversely affect the Fund's valuation and the interest of unit holders.

## **7. Soft Dollar Commissions**

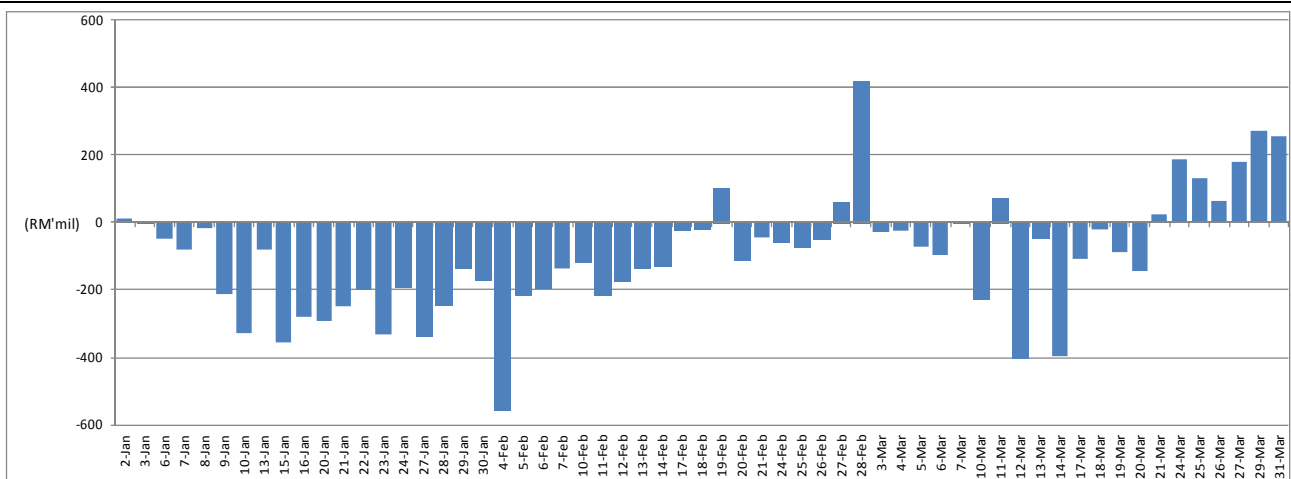
It is the Manager's policy to not receive any goods or services by way of soft commission.

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

Global equity markets started the year with the looming threat of possible fund outflows from emerging markets due to the Federal Reserves' plan to taper off its monetary easing activities in 2014. Sentiment towards equities turned cautious after the generally positive performance in 2013 as investors monitor closely corporate earnings for the fourth quarter of 2013 as well as macro-economic statistics. After a huge selloff in the early part of the year, global equity markets recovered in February attributed to the return of investors' interest into equities on the back of positive economic data especially from the developed markets. Nevertheless, the positive momentum eased towards the end of the first quarter due to political tension between Ukraine and Russia as well as worries over China's slower economic growth rate. On domestic front, Malaysian equities also saw selling pressure as data showed foreign funds withdrew a total of RM6.9 billion from January up to the middle of March. The fund outflows also dragged down the Ringgit which depreciated further to RM3.35 level against the US Dollar at the end of January before recovering to close the quarter at RM3.26.

During the period under review, i.e. between the Fund's listing debut to end-March 2014, the MIMYDY40 Index moved within a tight range before closing at 2,374.65 points. This represents an increase of 0.82% since the Fund's listing date and 1.68% from the initial creation on 17 March 2014.

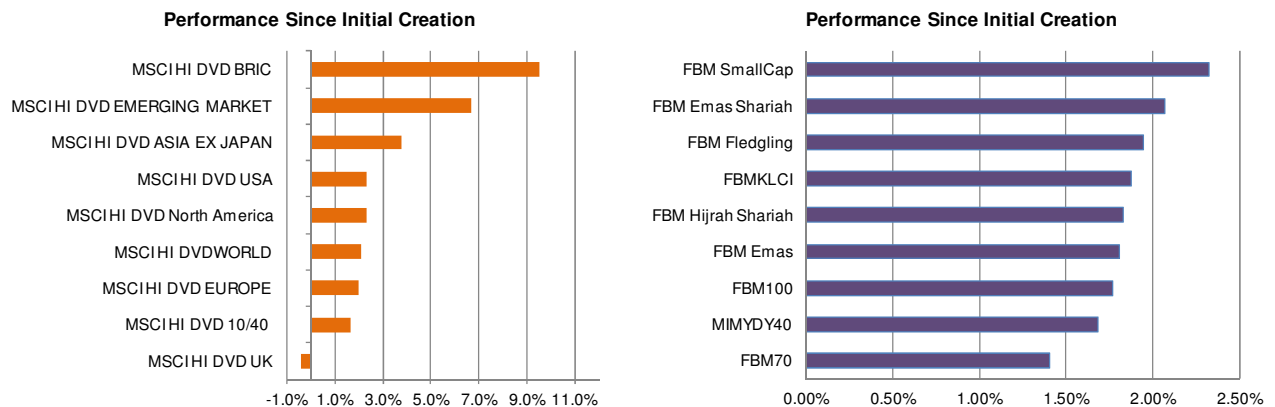
**Chart 3: Foreign Daily Net Flows into Malaysian Equity (RM'mil)**



Source: Bursa Malaysia

Given the short period since the Fund's initial creation to the end of March, the MIMYDY40 Index moved in tandem with most of the local equity benchmark indices. Nonetheless, compared to MSCI High Dividend Yield's global equity benchmark index series, MIMYDY40 Index was more in tandem with the developed market indices but trailed the emerging market performance.

**Chart 4: Comparative Performance of MSCI High Dividend Yield Indices and Domestic Indices (17 March to 31 March 2014)**



Sources: Bloomberg, i-VCAP

# Based on the initial creation date of MyETF-MMID on 17 March 2014.



Despite challenges clouding emerging economies on the back of fear of a hard landing in China and geopolitical tensions, the stable growth of the advanced economies is expected to underpin an improving global growth outlook going forward. Meanwhile, developing economies may continue to face the risk of further capital outflows arising from the withdrawal of U.S Quantitative Easing policy and weakening currency which may affect inflation and domestic spending. Nonetheless, given the healthier macroeconomic fundamentals of the emerging economies with ample foreign exchange reserves, better capitalized banking systems and stronger corporate balance sheet, it is expected that foreign investors may eventually return to emerging markets.

On the local front, the Government is forecasting the nation's GDP to register a growth of 4.5% to 5.5% in 2014. Malaysian equity market is expected to stand out relative to regional and emerging markets amidst external volatilities in 2014 anchored by healthy domestic demand and stable export data. Private sector spending will remain supportive of economic activities despite ongoing consolidation of the public sector. Meanwhile, inflationary rate is expected to edge higher to around 3.5% level in 2014 partly due to the withdrawal of subsidies. BNM is expected to remain accommodative in support of domestic growth. Nonetheless, the risk of demand-pull inflation and financial imbalances will also be the key determinants for any policy rate adjustment. Despite the external uncertainties that may cause further volatilities, the Malaysian equity market is expected to remain stable particularly for companies that show better earnings growth with generous dividend payout.