

## Manager's Report

### For the Financial Period 1 January to 30 June 2020

<b>Name of Fund</b>	: MyETF Dow Jones Islamic Market Malaysia Titans 25 (“MyETF-DJIM25” or “the Fund”)
<b>Type of Fund</b>	: Exchange Traded Fund
<b>Fund Category</b>	: Shariah-Compliant Equity
<b>Commencement Date</b>	: 22 January 2008
<b>Benchmark Index</b>	: Dow Jones Islamic Market Malaysia Titans 25 Index (“DJIM25 Index”)
<b>Manager</b>	: <i>i</i> -VCAP Management Sdn. Bhd. (“ <i>i</i> -VCAP”)

#### 1. Investment Objective

MyETF-DJIM25 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

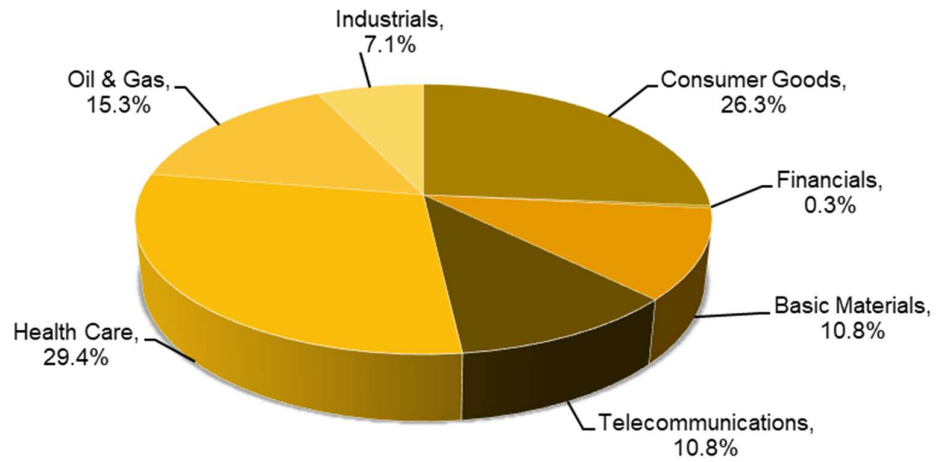
The Benchmark Index is a market capitalisation weighted and free-float adjusted index provided by S&P Dow Jones Indices (“S&P Dow Jones”).

The Benchmark Index was created on 18 January 2008 and constructed based on a reference value of 1,000 as of 17 January 2008. The Benchmark Index consists of 25 Shariah-Compliant securities of companies listed on Bursa Malaysia Securities Berhad (“Bursa Securities”).

The universe for selection of the DJIM25 Index components includes all equities in the Dow Jones Islamic Market Malaysia Index, an index comprised of Malaysia-based companies that conform to the methodology established by S&P Dow Jones to screen stocks for compliance with the Shariah.

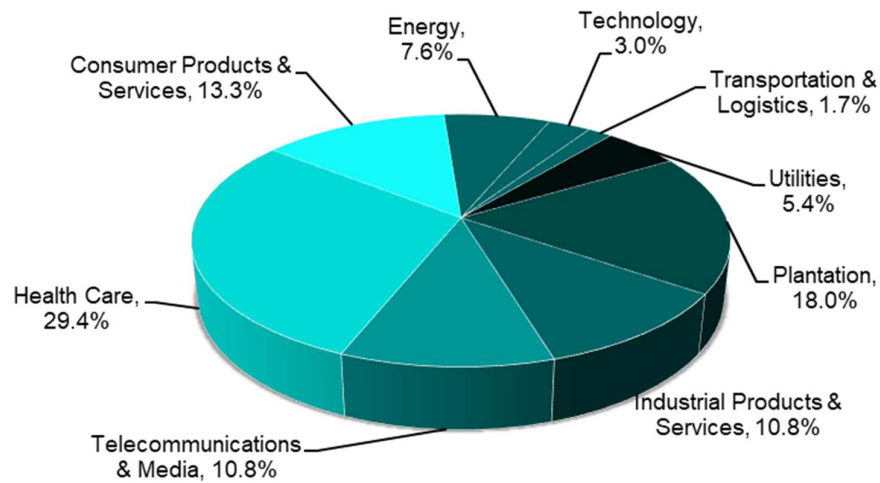
Based on the latest quarterly review (as at 19 June 2020), the sector allocation of DJIM25 Index based on S&P Dow Jones and Bursa Securities sector classifications are as follows:

**Chart 1(a): Sector Classification – S&P Dow Jones**



Source: S&P Dow Jones

**Chart 1(b): Sector Classification - Bursa Securities**



Sources: Bursa Malaysia, S&P Dow Jones

### 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 period under review, the Fund continued to achieve its investment objective which is to track closely the underlying Benchmark Index, i.e. DJIM25 Index. As at 30 June 2020, the 3-year rolling tracking error<sup>1</sup> between the NAV per unit of the Fund and the Benchmark Index on Price Return and Total Return basis were at 0.23% 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 8.69% in 1H20 from RM1.0979 to RM1.1933 while the Benchmark Index and Benchmark's Total Return Index (DJIM25T Index) increased by 10.30% and 11.57% respectively. The variance between the DJIM25 Index and Fund's NAV movement was largely due to the adjustment to the Fund's NAV following the income distribution of 1.81 sen per unit for the Financial Year ended 31 December 2019 which was declared and paid during the period.

The Fund had a good start to the year before retracing and reached its low of RM0.8893 on 19 March 2020. The Fund however, managed to regain some lost ground before settling at RM1.1933 per unit on 30 June 2020. Meanwhile, the Fund's unit price traded on Bursa Securities moved in tandem but largely at a discount to its NAV before closing 1H20 at RM1.1800, translating to an increase of 4.42% for the period.

As at end of June, total units in circulation for the Fund decreased to 258.3 million from 267.9 million on a net redemption of 9.6 million units. Despite a reduction in total units, the Fund's total NAV grew to RM308.23 million from RM294.13 million as at end-June 2020, tracking the performance of the general domestic equity market. The key statistics and comparative performance of the Fund for the 1H of 2020 are summarized as follows:

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<sup>1</sup> Independently sourced from Novagni Analytics and Advisory Sdn. Bhd.

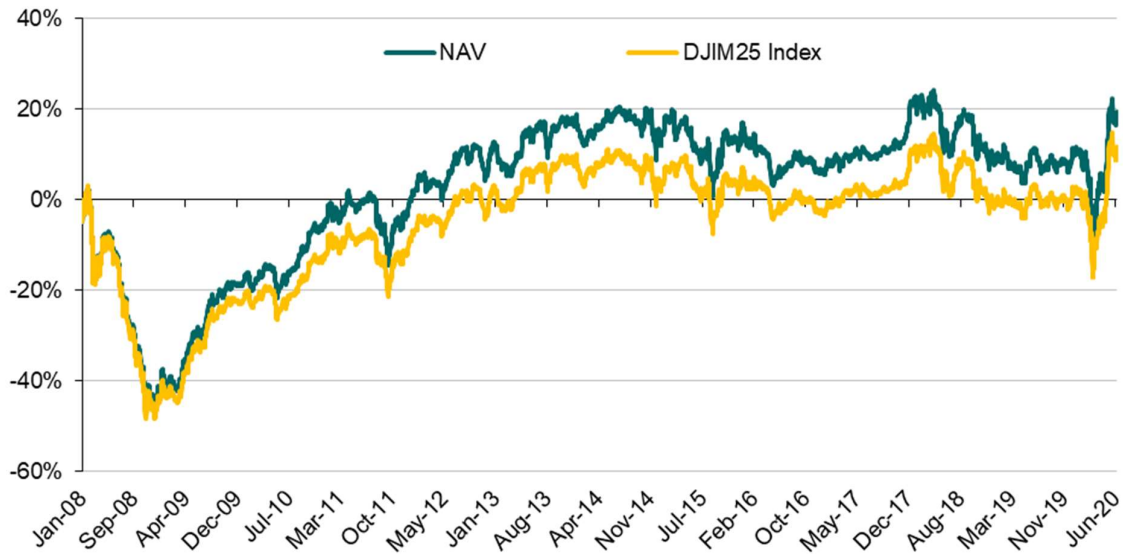
**Table 1: Key Statistics**

	As at 30-Jun-20	As at 31-Dec-19	Change
NAV per unit (RM)#	1.1933	1.0979	8.69%
- Highest	1.2233 (10 Jun)	1.1231 (21 Feb)	
- Lowest	0.8893 (19 Mar)	1.0356 (14 May)	
<i>(During the period)</i>			
Price per unit (RM)#	1.1800	1.1300	4.42%
- Highest	1.1800 (22 Jun)	1.1500 (25 Jun)	
- Lowest	0.8600 (31 Mar)	1.0400 (07 Jun)	
<i>(During the period)</i>			
Units in Circulation	258,300,000	267,900,000	-3.58%
Total NAV (RM)	308,228,498	294,127,661	4.79%
Market Capitalisation (RM)	304,794,000	309,507,000	-1.52%
DJIM25 Index	1,075.95	975.47	10.30%
DJIM25T Index	1,620.96	1,452.90	11.57%
Tracking Error vs. Price Return DJIM25 Index (%)*	0.23	0.12	
Tracking Error vs. Total Return DJIM25 Index (%)*	0.23	0.12	
Management Expense Ratio (%)	0.26	0.52	

Sources: Bloomberg, i-VCAP

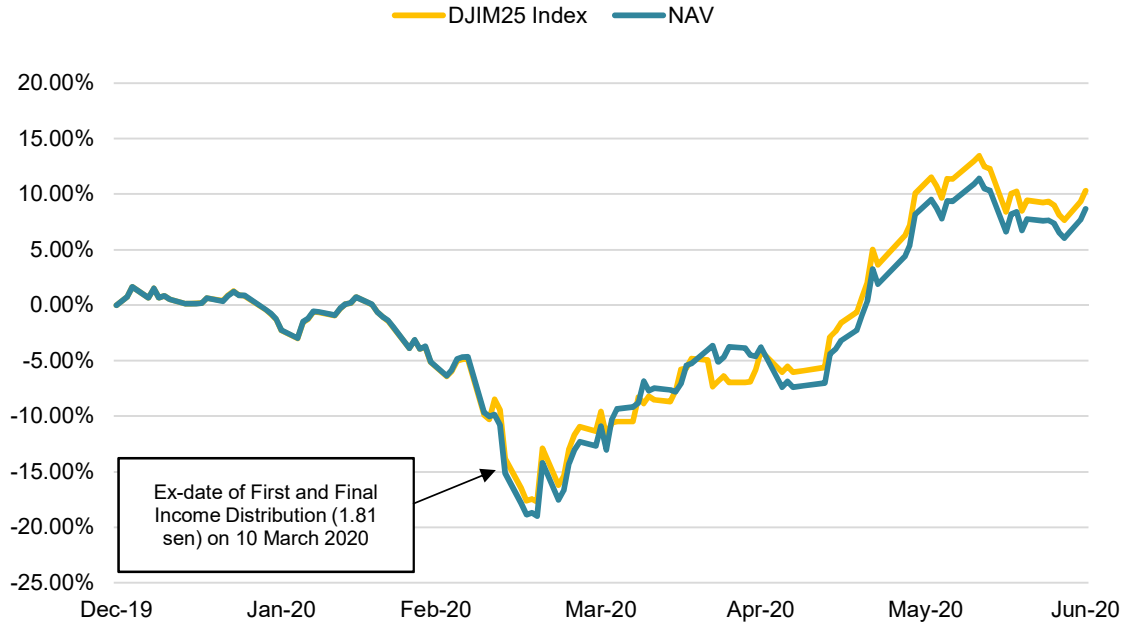
\* The 3-year rolling tracking error between the NAV per unit of the Fund and the Price Return and Total Return Benchmark Index. The calculation was independently sourced from Novagni Analytics and Advisory Sdn. Bhd.

**Chart 2 (a): Fund NAV Per Unit vs. Benchmark Index – Performance Since Inception**



Sources: Bloomberg, i-VCAP

**Chart 2(b): Fund NAV Per Unit vs. Benchmark Index – Performance in 1H2020**



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	2019	2018	2017	2016
	(%)	(%)	(%)	(%)	(%)
MyETF-DJIM25 - NAV Price Return <sup>(a)</sup>	18.30	(0.90)	(5.40)	9.64	(8.78)
DJIM25 - Price Return Index	20.78	0.14	(5.41)	9.35	(8.91)
MyETF-DJIM25 - NAV Total Return <sup>(a)</sup>	22.75	1.36	(3.51)	11.94	(6.82)
DJIM25 - Total Return Index	23.34	2.41	(3.05)	12.41	(6.30)

Sources: Bloomberg, i-VCAP

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

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

	Cumulative Returns <sup>(b)</sup>				
	YTD	1-Year	3-Year	5-Year	Since Inception
	(%)	(%)	(%)	(%)	(%)
MyETF-DJIM25 - NAV Price Return <sup>(a)</sup>	8.69	8.24	8.61	10.04	19.33
DJIM25 - Price Return Index	10.30	9.03	9.80	11.40	11.58
MyETF-DJIM25 - NAV Total Return <sup>(a)</sup>	10.70	10.24	15.41	21.94	51.29
DJIM25 - Total Return Index	11.57	11.36	18.23	26.51	68.11

Sources: Bloomberg, i-VCAP

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

(b) Cumulative returns are up to 30 June 2020.

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

	Average Returns <sup>(b)</sup>				
	YTD	1-Year	3-Year	5-Year	Since Inception
	(%)	(%)	(%)	(%)	(%)
MyETF-DJIM25 - NAV Price Return <sup>(a)</sup>	18.30	8.24	2.79	1.93	1.43
DJIM25 - Price Return Index	20.78	9.03	3.26	2.28	0.93
MyETF-DJIM25 - NAV Total Return <sup>(a)</sup>	22.75	10.24	4.89	4.04	3.38
DJIM25 - Total Return Index	23.34	11.36	6.07	5.29	5.45

Sources: Bloomberg, i-VCAP

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

(b) Average returns for both DJIM25 Price Return Index and DJIM25 Total Return Index are annualized figures computed based on the price and total returns for the respective period.

During the period under review, S&P Dow Jones had postponed its 1Q20 rebalancing. The decision was made following thorough consideration of how best to support their clients and govern their indices during the period of extreme global market volatility, market wide circuit breaker events and exchange closures. Nevertheless, S&P Dow Jones performed its 2Q20 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 in the Fund. During the period, one stock was removed, i.e. Telekom Malaysia Berhad while one stock

was included, i.e. Supermax Corporation Berhad into the Fund at its 2Q20 review. The Manager had undertaken the rebalancing exercise during the quarter to ensure that the Fund's investment would be reflective of the changes in the Benchmark Index.

In terms of sectoral weightings, notable changes to the Fund's sector composition as compared to end-December 2019 was the increase in Health Care from 15.50% to 29.87% due to the strong demand of Health Care stocks in line with their latest financial results and overweight call. Meanwhile the weighting of other sectors decreased during 1H20. Details of the Fund's latest top holdings and the key changes in 1H20 are as follows:

**Table 3: Top Ten Holdings of the Fund as at 30 June 2020**

Stock	% of NAV
1. Top Glove Corporation Bhd	9.05
2. Hartalega Holdings Bhd	8.88
3. Petronas Chemicals Group Bhd	7.28
4. IHH Healthcare Bhd	6.86
5. Dialog Group Bhd	6.06
6. Sime Darby Plantation Bhd	6.04
7. Digi.Com Bhd	5.77
8. IOI Corporation Bhd	5.44
9. Petronas Gas Bhd	5.25
10. Maxis Bhd	5.17
<b>Total</b>	<b>65.80</b>

Sources: Bloomberg, i-VCAP

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

	As at 30-Jun-20	As at 31-Dec-19	Change (%)
Health Care	29.87%	15.50%	14.39
Plantation	17.97%	21.80%	-3.83
Consumer Products & Services	13.17%	15.10%	-1.93
Telecommunications & Media	10.94%	15.20%	-4.26
Industrial Products & Services	10.18%	12.70%	-2.52
Energy	7.50%	8.20%	-0.70
Utilities	5.25%	5.90%	-0.65
Technology	2.97%	3.30%	-0.33
Transportation & Logistics	1.78%	2.20%	-0.42
Cash & Others	0.37%	0.10%	0.25

Sources: Bursa Malaysia, i-VCAP

\* Based on Bursa Securities classification

Details of the Fund's quoted Investments as at 30 June 2020 are as follows:

**Table 5: MyETF-DJIM25's Investment in Listed Equities**

	Quantity (Units)	Market Value (RM)	Market Value as a percentage of Net Asset Value (%)
<b><u>Health Care</u></b>			
Top Glove Corporation Bhd	1,732,000	27,885,200	9.05
Hartalega Holdings Bhd	2,104,400	27,357,200	8.86
IHH Healthcare Bhd	3,846,400	21,155,200	6.86
Supermax Corporation Bhd	1,079,100	8,632,800	2.80
Kossan Rubber Industries Bhd	832,300	7,082,873	2.30
		<b>92,113,273</b>	<b>29.87</b>
<b><u>Plantation</u></b>			
Sime Darby Plantation Bhd	3,782,200	18,608,424	6.04
IOI Corporation Bhd	3,863,800	16,768,892	5.44
Kuala Lumpur Kepong Bhd	711,600	15,797,520	5.13
Genting Plantations Bhd	424,900	4,176,767	1.36
		<b>55,351,603</b>	<b>17.97</b>
<b><u>Consumer Products &amp; Services</u></b>			
Fraser & Neave Holdings Bhd	201,200	6,534,976	2.12
Nestle Malaysia Bhd	78,200	10,940,180	3.55
Petronas Dagangan Bhd	350,700	7,224,420	2.34
QL Resources Bhd	908,900	8,725,440	2.83
Sime Darby Bhd	3,334,400	7,168,960	2.33
		<b>40,593,976</b>	<b>13.17</b>
<b><u>Telecommunications &amp; Media</u></b>			
Digi.Com Bhd	4,126,300	17,784,353	5.77
Maxis Bhd	2,969,700	15,947,289	5.17
		<b>33,731,642</b>	<b>10.94</b>
<b><u>Industrial Products &amp; Services</u></b>			
Petronas Chemicals Group Bhd	3,619,500	22,440,900	7.28
Press Metal Aluminium Holdings Bhd	1,971,700	8,931,801	2.90
		<b>31,372,701</b>	<b>10.18</b>
<b><u>Energy</u></b>			
Dialog Group Bhd	5,175,400	18,683,194	6.06
Hibiscus Petroleum Bhd	1,580,600	972,069	0.32
Serba Dinamik Holdings Bhd	2,087,700	3,444,705	1.12
		<b>23,099,968</b>	<b>7.50</b>
<b><u>Utilities</u></b>			
Petronas Gas Bhd	959,100	16,189,608	5.25
		<b>16,189,608</b>	<b>5.25</b>
<b><u>Technology</u></b>			
Inari Amertron Bhd	3,124,400	5,280,236	1.71
My E.G. Services Bhd	2,736,600	3,885,972	1.26
		<b>9,166,208</b>	<b>2.97</b>
<b><u>Transportation &amp; Logistics</u></b>			
Westports Holdings Bhd	1,440,200	5,472,760	1.78
		<b>5,472,760</b>	<b>1.78</b>
		<b>307,091,739</b>	<b>99.63</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. 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.

In April 2020, the Fund paid an income distribution amounted to RM4,704,901 in relation to the first and final distribution of 1.81 sen per unit for the Financial Year 2019 (declared in February 2020). The first and final income distribution amount is derived from the dividend income that the Fund received from its stocks investment holding and the profit income during the year.

## 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. Cross Trade

It is the Manager's policy not to perform any cross trade transaction.

## 8. Soft Dollar Commissions

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

## 9. Market Review and Outlook

Global equity markets started the year 2020 on a positive note, continued the bullish sentiment from 2019. Investors were excited by the improved economic data as well as the signing of phase one trade deal between the US and China in mid-January. Nonetheless, the rally was short-lived as global stock markets saw massive declines on concerns over the Covid-19 pandemic and its detrimental effects on global economy. Panic sell-off across all asset classes took place in March as the pandemic spread beyond China to the rest of the world, triggering the unprecedented implementation of either full or partial lockdowns over 100 countries. The situation was intensified

as oil market crashed after Saudi Arabia and Russia failed to reach an agreement on production cuts during the OPEC meeting. In mid-March, most equity markets plunged to a multi-year low despite the government announced measures to support businesses and households and reduce borrowing costs. All sectors saw substantial declines in share prices, particularly energy, financial, travel and hospitality sectors.

Despite gloomy economic outlook and Covid-19 pandemic continued with no end in sight, global equity markets rebounded sharply in the second quarter of 2020. Investors were encouraged by the stimulus programs, accommodative monetary policy and easing of lockdown restrictions implemented by most countries during the quarter. Market sentiment was further boosted by the strong jump in oil prices as the world's largest oil producers reached an agreement to a historic production cut.

On the macro front, the US economy recorded tepid economic growth of 0.5% yoy in 1Q20, while Eurozone and China plunged 3.8% and 6.8% yoy respectively. The historic drop in output reflected the worst months of pandemic-related shutdowns to control the spread of Covid-19. In the June FOMC meeting, Fed reiterated its dovish stance and provided lower projections on growth and inflation outlook against the backdrop of Covid-19 pandemic. In the latest US dot plot projections released in June, the Fed left the target range for its federal fund rate unchanged at 0-0.25% and reiterated its commitments to maintain ultra-low monetary policy until 2022.

The Malaysian economy decelerated sharply at 0.7% yoy in 1Q20 (4Q2019: 3.6%), the weakest growth since 4Q09 due to decreases in both public and private investments as well as net exports. Nevertheless, the economy was supported by public and private consumption. The overall deceleration of the domestic economy was in tandem with the sluggish global economic performance as countries struggled to keep their economies running while containing the Covid-19 pandemic.

In the financial markets, the local equity market moved downwards starting end-February to more than 20% in March 2020 mainly in response to the Covid-19 pandemic and an oil price war between Russia and the OPEC countries led by Saudi Arabia. Nonetheless, sentiment improved thereafter following the government's initiatives to revive the economic activities by formulating a comprehensive short, medium and long-term economic recovery plan, which will complement the various announced economic stimulus packages.

The DJIM25 Index started well at the beginning of the year before retracing at end-February to its lowest level of 802.63 points on 19 March 2020. The Benchmark Index recovered thereafter but

traded within a tight range before rebounding marginally to end the period at 1,075.95 points, translating to an increase of 10.3% in 1H20. The recovery was helped by net buying as investors deemed the earlier pullback as an opportunity to re-enter the market on expectations that the Covid-19 pandemic will gradually come under control, stable economic growth and corporate earnings.

**Chart 3: DJIM25 Index Performance in 1H20**



Sources: Bloomberg, i-VCAP

To support growth prospects, central banks globally have swiftly embarked on monetary policy easing measures as efforts to boost growth prospects. The downside risks to growth have increased significantly due to impact from the Covid-19 pandemic. Back home, Bank Negara Malaysia (BNM) in its latest monetary policy decision on 7 July 2020 eased the OPR level by another 25 bps bringing the level to a new low of 1.75% as a pre-emptive measure. Going forward, domestic demand is expected to continue to be the main anchor of growth, albeit at a more moderate pace. Investment activity is expected to see a modest recovery, helped by ongoing and new projects. Nevertheless, the downside risks to growth remain, due to uncertainty from various trade negotiations, geopolitical risks, weaker-than-expected growth of major trade partners, and domestic factors such as weakness in commodity-related sectors and delays in the implementation of projects. However, on the demand side, the risk of deterioration in private consumption may be somewhat mitigated following measures such as the recent interest rate cut by Bank Negara Malaysia, that should increase household's disposable income.

Given the more moderate domestic macroeconomic outlook as well as the prevailing external uncertainties, investors' focus should be on companies that can demonstrate clear growth strategy coupled with resilient earnings, strong balance sheet and cash flows. MyETF-DJIM25's constituents of big-cap stocks therefore provide exposure for investors into key sectors that can drive domestic economic growth which are generally preferred on any market pullbacks.