

# Manager's Report

## For the Financial Period 1 April 2011 to 30 June 2011

<b>Name of Fund</b>	: MyETF Dow Jones Islamic Market Malaysia Titans 25 ("the Fund")
<b>Type of Fund</b>	: Exchange Traded Fund
<b>Fund Category</b>	: Shariah 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

The Fund 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

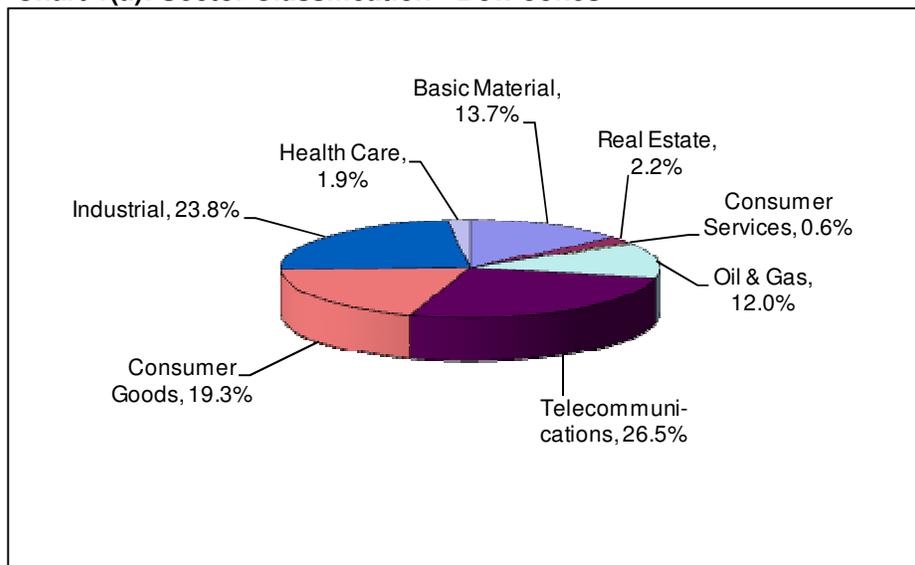
The Benchmark Index is a market capitalisation weighted and free-float adjusted index provided by Dow Jones Indexes ("Dow Jones").

The Benchmark Index was created on 18 January 2008 and constructed based on a reference value of 1000 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 Dow Jones to screen stocks for compliance with the Shariah.

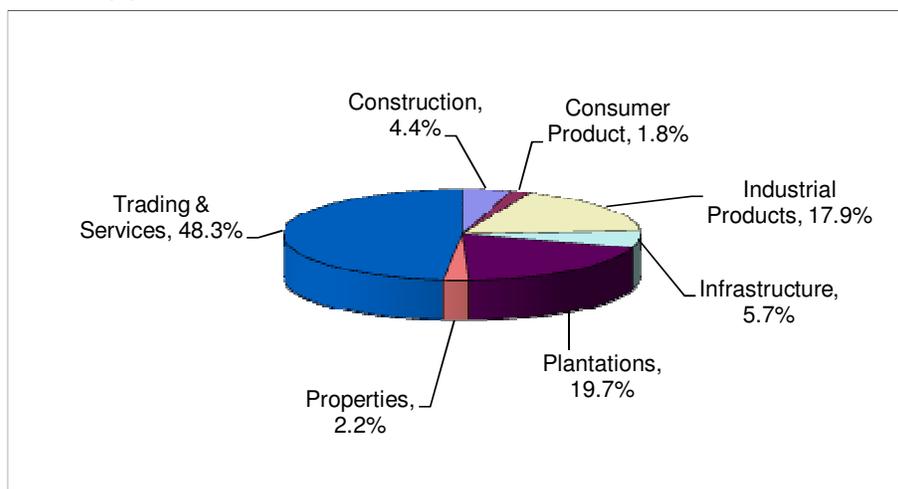
Based on the latest quarterly review (as at 9 June 2011), the sector allocation of DJIM25 Index based on Dow Jones and Bursa Securities sector classifications are as follows:

**Chart 1(a): Sector Classification - Dow Jones**



Source: Dow Jones

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



Sources: Bursa Securities, 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 quarter under review, the Fund continued to achieve its investment objective which is to track closely the underlying benchmark, i.e. DJIM25 Index. As at 30 June 2011, the tracking error (calculated since inception and on daily basis) between the NAV per unit of the Fund and the Benchmark Index on Price Return and Total Return basis were 1.23% and 0.82% respectively, which were within the 3% limit stipulated under the Fund's investment objective. In terms of NAV movement, the NAV per unit of the Fund decreased by 0.23% to RM1.0043 from RM1.0066 (as at end of 1Q). The decrease in NAV per unit was in line with the DJIM25 Index which fell by 0.87% to close at 891.88 points at the end of the quarter. Meanwhile, the Fund's unit price traded on Bursa Securities ended the second quarter at RM0.994, representing an increment of 5.19% for the period. As the unit price traded on Bursa Securities moved closer to the NAV per unit as at end of second quarter, the discount gap between the Fund's NAV per unit and unit price traded has narrowed to 1.03% compared to 6.12% at the end of previous quarter.

In terms of year-to-date movement, the NAV per unit of the Fund increased by 5.47% while the DJIM25 Index rose by 5.29%.

The key statistics and performance of the Fund for the second quarter 2011 and first quarter 2011 are summarized as follows:

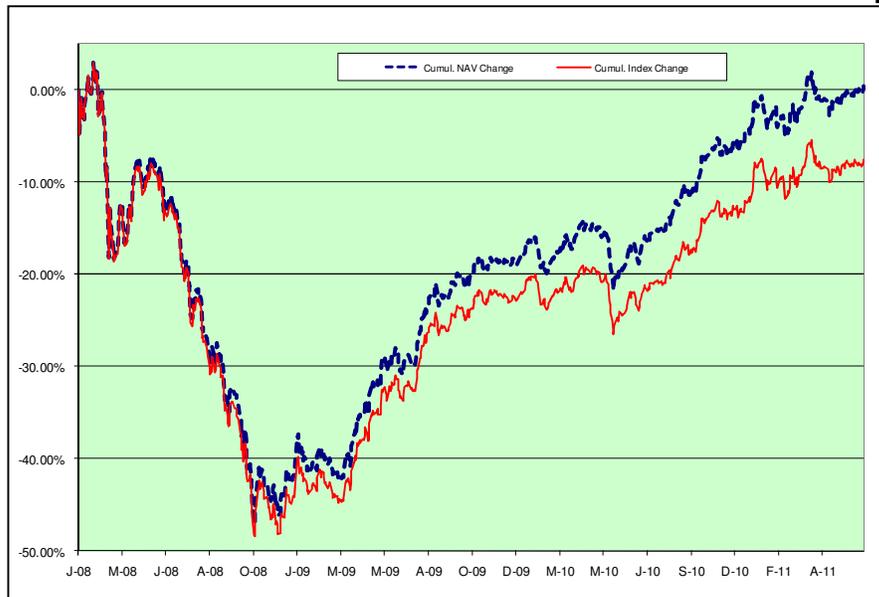
**Table 1: Key Statistics**

	As at 30 June 2011	As at 31 March 2011	QoQ Change (%)
NAV per unit (RM)	1.0043	1.0066	-0.23
- Highest	1.0196 (7 Apr)	1.0066 (31 Mar)	
- Lowest	0.9728 (6 May)	0.9487 (24 Feb)	
Price per unit (RM)	0.994	0.945	5.19
- Highest	0.994 (30 Jun)	0.982 (17 Jan)	
- Lowest	0.9130 (3 May)	0.924 (29 Mar)	
DJIM25 Index	891.88	899.69	-0.87
DJIM25 Total Return Index	1031.64	1033.91	-0.22
Units in Circulation	576,700,000	636,300,000	-9.37
Total NAV (RM)	579,170,422	640,519,011	-9.58
Market Capitalisation (RM)	573,239,800	601,303,500	-4.67
Tracking Error vs. Price Return DJIM25 Index (%)*	1.23	1.27	
Tracking Error vs. Total Return DJIM25 Index (%)*	0.82	0.85	

Sources: Bloomberg, iVCAP

\*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 2: Fund NAV vs. Benchmark Index – Performance Since Inception**



Sources: Bloomberg, iVCAP

**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): Average Total Return**

	<b>1-Year</b>	<b>3-Year</b>	<b>Since Inception</b>
MyETF-DJIM25 – NAV Per Unit (%)	21.70	5.43	0.12
DJIM25 – Price Return Index (%)	19.59	2.88	-2.24
DJIM25 – Total Return Index (%)	23.79	7.40	1.98

Source: i-VCAP

Average total returns are annualized figures computed based on the absolute returns for the respective period

**Table 2(b): Historical Performance**

	<b>2010</b>	<b>2009</b>	<b>2008</b>
MyETF-DJIM25 – NAV Per Unit (%)	16.29	40.95	-41.91
DJIM25 – Price Return Index (%)	12.81	39.46	-44.16
DJIM25 – Total Return Index (%)	17.33	45.03	-41.16
Tracking Error vs. Price Return Index (%)*	1.15	1.33	1.45
Tracking Error vs. Total Return Index (%)*	0.65	0.74	0.51
Management Expense Ratio (%)	0.52	0.54	0.51

Source: 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

During the period under review, Dow Jones performed its Second Quarter 2011 Review (quarterly review) of the DJIM25 Index in accordance with its index methodology. The quarterly review resulted in changes to the component and weightings of the stocks in the DJIM25 Index. The changes involved deletion of four stocks namely PLUS Expressway Berhad, Malaysian Bulk Carriers Berhad, IJM Plantations Berhad and Latexx Partners Berhad. The deleted stocks were replaced by Axiata Group Berhad, Malaysian Marine & Heavy Engineering Holdings Berhad, Supermax Corporation Berhad and Time dotCom Berhad. Pursuant to the quarterly review, the Manager had undertaken rebalancing exercise for the Fund in order to be in line with the changes in the Benchmark Index. Notable changes to the Fund's sector composition were the increase in Trading & Services to 47.7% from 42.9% at the end of first quarter and the decrease in Plantations from 22.3% to 19.3%. Details of the changes for the second quarter are as follows:

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

	<b>As at 30 Jun 2011</b>	<b>As at 31 Mar 2011</b>	<b>Change (percentage points)</b>
Trading/Services	<b>47.7%</b>	<b>42.9%</b>	4.8
Plantations	<b>19.3%</b>	<b>22.3%</b>	-3.0
Industrial Products	<b>17.8%</b>	<b>19.1%</b>	-1.3
Consumer Products	<b>1.8%</b>	<b>1.9%</b>	-0.1
Infrastructure	<b>5.6%</b>	<b>5.6%</b>	0.0
Construction	<b>4.5%</b>	<b>4.9%</b>	-0.4
Property	<b>2.2%</b>	<b>2.1%</b>	0.1
Cash & Others	<b>1.1%</b>	<b>1.2%</b>	-0.1

Source: i-VCAP

\* Based on Bursa Securities classification

**Table 4: Top Ten Holdings of the Fund as at 30 June 2011**

	<b>Stock</b>	<b>% of NAV</b>
1	Sime Darby Bhd	13.22
2	Petronas Chemicals Group Bhd	11.46
3	IOI Corporation Bhd	9.98
4	Axiata Group Bhd #	8.52
5	Maxis Bhd	8.04
6	Kuala Lumpur Kepong Bhd	5.81
7	Digi. Com Bhd	5.18
8	Gamuda Bhd	4.48
9	MISC Bhd	4.28
10	Telekom Malaysia Bhd	4.14
	<b>Top Ten Holdings' Total</b>	<b>75.11</b>

Sources: Bloomberg, i-VCAP

# New inclusion in second quarter

## **5. Distribution Policy**

The Fund may distribute amongst the unitholders all, or substantially all of the net income (after the income purification process and deduction of relevant fees, expenses and taxes) received by the Fund, 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 semi-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.

An interim income distribution for Financial Year End 31 December 2011 of 1 sen per unit was declared on 29 July 2011 based on the financial position of the Fund as at 30 June 2011 with ex-date on 22 August 2011 and entitlement date on 24 August 2011. The interim income distribution will be paid on 19 September 2011.

## **6. Other Information**

There was no material litigation involving the Fund and there were 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 interest of unitholders.

## **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

During the period under review (1 April 2011 to 30 June 2011), DJIM25 Index lost 7.81 points or 0.87% to end the quarter at 891.88 points. The DJIM25 Index continued its upward momentum which started in mid March, pushing the index to its highest level for the year of 911.55 points on 7 April. The Index then retraced to its lowest level for the quarter of 868.01 points on 6 May before trading at a narrow band of between 880 and 890 points level for the remaining of the quarter.

The short rally in early April was in line with the uptrend in the global and regional equity markets following better than expected corporate earnings growth in the US and generally positive economic news in Asia. However, while most major equity markets continued their rally in April, Malaysian equity market took a dip as anticipation of below expectation result for the ruling government at the Sarawak state election dampened sentiment. The local market continued its downward trend in early May after sovereign debt issue in Europe triggered a sell-off in equity market globally. Nevertheless the release of healthy corporate earnings on the local front helped to prevent the market from declining further. The prolonged concern on the debt issue in Europe led investors to turn more cautious in June resulting in the narrow trading band for DJIM25 Index.

**Chart 3(a): DJIM25 Index – Year-to-date**



Source: Bloomberg

During the quarter, the DJIM25 Index underperformed other local major equity indices. FTSE Bursa Malaysia Hijrah Index and the broader FTSE Bursa Malaysia EMAS Shariah Index gained 1.46% and 1.39% respectively, while the closely tracked FTSE Bursa Malaysia KLCI Index was higher by 2.20% on the back of merger and acquisition news in the financial sector. The underperformance of the DJIM25 Index was partly attributed to the weak commodity performance as palm oil and crude oil prices dropped 7% and 10% respectively during the quarter. This in turn had negatively affected the share price performance of DJIM25 Index's heavyweights.

**Chart 3(b): DJIM25 Index vs. Domestic Indices – Year-to-date**



Source: Bloomberg

Nevertheless, on year-to-date basis, DJIM25 Index was resilient and remained in positive territory despite intermittent pullbacks. It also performed relatively well, rising by 5.29% and outperforming FTSE Bursa Malaysia Hijrah Index, FTSE Bursa Malaysia EMAS Shariah Index and FTSE Bursa Malaysia KLCI Index which rose by 5.15%, 4.57% and 3.96% respectively.

Looking forward, global economic growth is expected to be fragile as concern following the US credit rating cut to AA+ from AAA by Standard & Poor's in August and the accelerating sovereign debt issue in Europe raise doubts over the economic growth in the respective region. The severity of the impact on the US economy following the downgrade remains to be seen in the near term but the decision by Standard & Poor's and situation in Europe had significantly dampened investors' confidence resulting in sharp correction in the global equity markets.

Malaysia was also not spared in the recent sell-down as the DJIM25 Index erased its year-to-date gain in early August. Going forward domestic equity market is expected to be choppy as market sentiment will be influenced by external events. Nevertheless, domestic equity market may remain resilient relative to the global market supported by stable economic growth projection and positive news flows with regards to the implementation of projects planned under the Economic Transformation Program and pump-priming initiatives in the oil and gas and construction sectors.