



## Dow Jones Islamic Market Malaysia Titans 25

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*Manager*



**i-VCAP Management Sdn. Bhd. (792968-D)**

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## Introduction

MyETF Dow Jones Islamic Market Malaysia Titans 25 or MyETF-DJIM25 is a national Shariah Exchange Traded Fund (“ETF”) and the first Shariah ETF introduced in Asia. It is managed by *i*-VCAP Management Sdn. Bhd., a wholly-owned subsidiary of Valuecap Sdn. Bhd. (“Valuecap”).

The benchmark index for MyETF-DJIM25 is the Dow Jones Islamic Market Malaysia Titans 25 Index (“DJIM25 Index”). The DJIM25 Index, reviewed quarterly, is based on the securities of 25 leading Shariah-Compliant companies that are traded on Bursa Malaysia Securities Berhad (“Bursa Securities”).

MyETF-DJIM25’s status as a national ETF is derived from the participation of seven initial seeders comprising Khazanah Nasional Berhad, Kumpulan Wang Persaraan (Diperbadankan), Kumpulan Wang Simpanan Pekerja, Lembaga Tabung Angkatan Tentera, Lembaga Tabung Haji, Permodalan Nasional Berhad and Valuecap.

MyETF-DJIM25 was listed on the Main Market of Bursa Securities on 31 January 2008. The stock short name and stock number for MyETF-DJIM25 are “MYETFDJ” and “0821EA” respectively.

## Fund Information

**Manager** : i-VCAP Management Sdn. Bhd. (792968-D)

Registered Address

Level 9, Block B, HP Towers  
No. 12 Jalan Gelenggang  
Bukit Damansara  
50490 Kuala Lumpur  
Malaysia  
Tel. No.: (+603) 2093 7119  
Fax No.: (+603) 2094 7119

Board of Directors

*(Please refer to pages 45-53 for profile of the Directors)*

Y. Bhg. Dato' Azian Binti Mohd Noh  
*Chairman / Non-Independent Non-Executive Director*

Puan Sharifatu Laila Binti Syed Ali  
*Non-Independent Non-Executive Director*

Encik Hassan Bin Ibrahim  
*Independent Non-Executive Director*

Y.M. Tunku Afwida Binti Tunku A. Malek  
*Independent Non-Executive Director*

Encik Rosli Bin Abdullah  
*Independent Non-Executive Director*

Y. Bhg. Dato' Dr. Aziuddin Bin Ahmad  
*Non-Independent Non-Executive Director*  
(resigned w.e.f. 12 August 2010)

Encik Mahdzir Bin Othman  
*Non-Independent Executive Director / Chief Executive Officer*  
(appointed w.e.f. 13 December 2010)

Encik Zainal Izlan Bin Zainal Abidin  
*Non-Independent Executive Director / Chief Executive Officer*  
(resigned w.e.f. 13 December 2010)

Company Secretary

Encik Kutbuddin Bin Asgar Ali (LS0008532)  
Level 9, Block B, HP Towers  
No. 12 Jalan Gelenggang  
Bukit Damansara  
50490 Kuala Lumpur  
Malaysia

## Fund Information (*continued*)

<b>Investment Committee</b> (Please refer to pages 54-56 for profile of the Members)	: Y.M. Tunku Afwida Binti Tunku A. Malek <i>Chairman / Independent Member</i>  Encik Hassan Bin Ibrahim <i>Independent Member</i>  Puan Nik Amlizan Binti Mohamed <i>Member</i>  Encik Shaharin Bin Md. Hashim <i>Member</i> (appointed w.e.f. 18 February 2011)  Y. Bhg. Dato' Dr. Aziuddin Bin Ahmad <i>Member</i> (resigned w.e.f. 12 August 2010)  Encik Mohamad Hishammudin Bin Hamdan <i>Independent Member</i> (resigned w.e.f. 12 August 2010)  Encik Mahdzir Bin Othman <i>Member</i> (ceased to be a member w.e.f. 12 December 2010)
<b>Trustee</b>	: Deutsche Trustees Malaysia Berhad (763590-H) Level 20, Menara IMC 8, Jalan Sultan Ismail 50250 Kuala Lumpur Malaysia Tel. No.: (+603) 2053 7522 Fax No.: (+603) 2053 7526
<b>Auditors and Reporting Accountants</b>	: PricewaterhouseCoopers (AF 1146) Level 10, 1 Sentral Jalan Travers Kuala Lumpur Sentral 50470 Kuala Lumpur Malaysia Tel. No.: (+603) 2173 1188 Fax No.: (+603) 2173 1288
<b>Tax Consultants</b>	: PricewaterhouseCoopers Taxation Services Sdn Bhd (464731-M) Level 10, 1 Sentral Jalan Travers Kuala Lumpur Sentral 50470 Kuala Lumpur Malaysia Tel. No.: (+603) 2173 1188 Fax No.: (+603) 2173 1288

## Fund Information (*continued*)

- Shariah Adviser** : CIMB Islamic Bank Berhad (671380-H)  
*(Please refer to pages 57-58 for corporate information, experience and details of the designated person for the Shariah Adviser)*  
5th Floor, Bangunan CIMB  
Jalan Semantan  
Damansara Heights  
50490 Kuala Lumpur  
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Tel. No.: (+603) 2093 0379  
Fax No.: (+603) 2093 9688
- Technical Adviser** : BNP Paribas Asset Management Malaysia Sdn. Bhd. (751833-W)  
Level 21, Menara Dion  
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Tel. No.: (+603) 2056 0400  
Fax No.: (+603) 2026 2898  
*(The Advisory Agreement expired on 4 March 2010)*
- Participating Dealers** : CIMB Investment Bank Berhad (18417-M)  
5th Floor, Bangunan CIMB  
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- OSK Investment Bank Berhad (14152-V)  
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Malaysia  
Tel. No.: (+603) 2333 8333  
Fax No.: (+603) 2175 3333
- Index Provider** : Dow Jones Indexes  
c/o CME Group Index Services LLC  
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South Brunswick, NJ 08852  
United States of America  
Tel. No.: (+1609) 520 5610 (New Jersey)  
Fax No.: (+1609) 520 7030 (New Jersey)
- Share Registrars** : Symphony Share Registrars Sdn. Bhd.  
Level 6, Symphony House  
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# Manager's Report

## For the Financial Period 1 January 2010 to 31 December 2010

<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 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-VCAP Management Sdn. Bhd. ("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

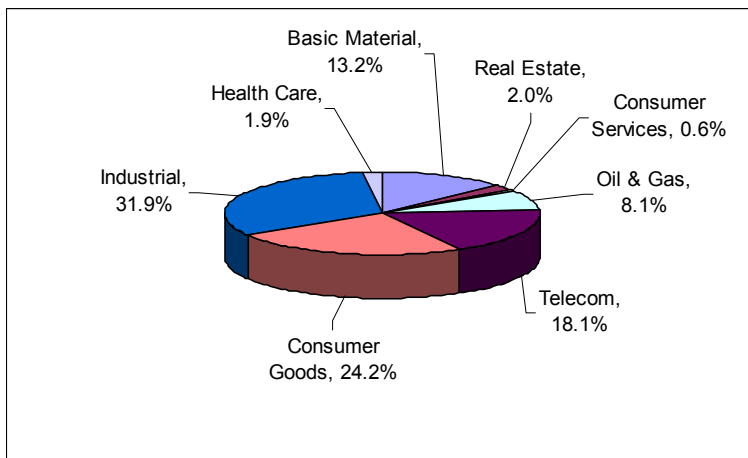
The Benchmark Index is a market capitalisation weighted and free-float adjusted index provided by Dow Jones Indexes ("Dow Jones").

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.

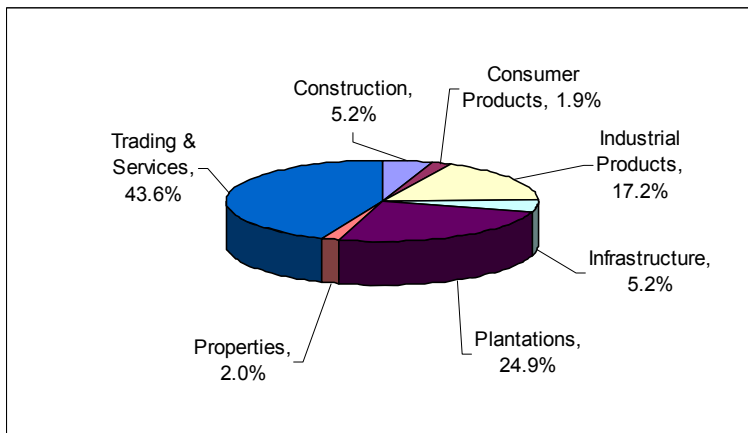
Based on the latest quarterly review (as at 9 December 2010), the sector allocation of DJIM25 Index is as follows:

**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 Financial Year 2010, the Fund continued to achieve its investment objective which is to track closely the underlying benchmark, i.e. DJIM25 Index. As at 31 December 2010 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 1.15% and 0.65% 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 increased by 16.3% to RM0.9522 while the DJIM25 Index rose by 12.8% to 847.10 points. Meanwhile, the Fund's unit price traded on Bursa Securities increased by 16.2% from RM0.820 to end at its highest price of the year at RM0.953. Despite the better equity market performance for the year, the total NAV of the Fund however decreased by 4.7% to RM626.1 million from RM656.7 million largely due to the 18.0% dropped in units in circulation to 657.5 million from 802.0 million at the start of the year.

The key statistics and performance of the Fund in 2010 and in the previous years are summarized as follows:

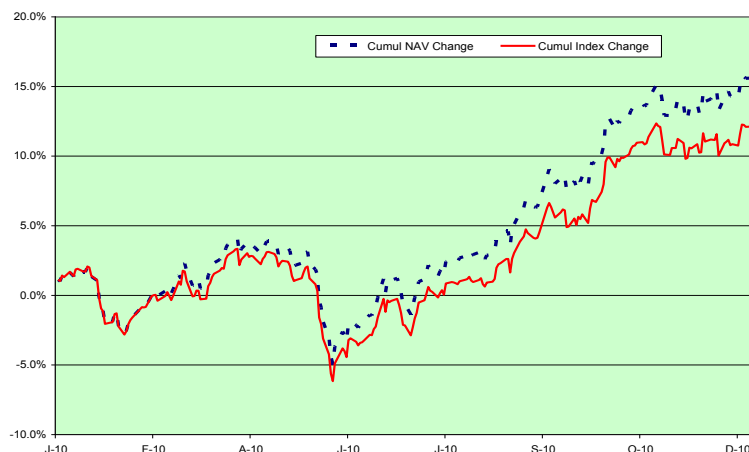
**Table 1: Key Statistics**

	As at 31 December 2010	As at 31 December 2009	YoY Change (%)	As at 31 December 2008
NAV per unit (RM)	<b>0.9522</b>	0.8188	16.29	0.5809
- Highest	<b>0.9581 (29 Dec)</b>	0.8211 (29 Dec)		1.0297 (14 Feb)
- Lowest	<b>0.7827 (26 May)</b>	0.5777 (12 Mar)		0.5293 (29 Oct)
Price per unit (RM)	<b>0.953</b>	0.820	16.22	0.61
- Highest	<b>0.953 (30 Dec)</b>	0.820 (31 Dec)		0.99 (15 Feb)
- Lowest	<b>0.787 (27 May)</b>	0.56 (3 Mar)		0.51 (28 Oct)
DJIM25 Index	<b>847.10</b>	750.94	12.81	538.48
DJIM25 Total Return Index	<b>965.57</b>	822.92	17.33	567.41
Units in Circulation	<b>657,500,000</b>	802,000,000	-18.02	831,000,000
Total NAV (RM)	<b>626,099,613</b>	656,705,064	-4.66	482,712,668
Market Capitalisation (RM)	<b>626,597,500</b>	657,640,000	-4.72	506,910,000
Tracking Error vs. Price Return DJIM25 Index (%)*	<b>1.15</b>	1.33		1.45
Tracking Error vs. Total Return DJIM25 Index (%)*	<b>0.65</b>	0.74		0.51

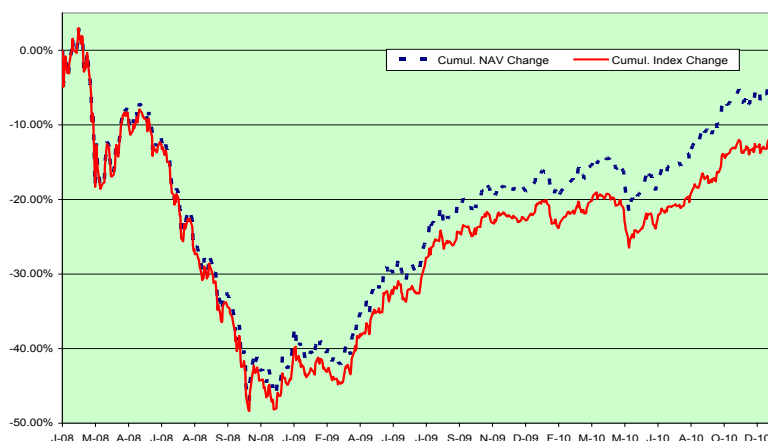
Sources: Bloomberg, i-VCAP

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

**Chart 2(a): Fund NAV Per Unit vs. Benchmark Index – Performance in FY2010**



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



**Note:** Past performance is not necessarily indicative of future performance. Unit price and investment return may go up as well as down.

**Table 2: Historical Performance**

	Y-o-Y Performance			Annualized Average
	2010	2009	2008	
MyETF-DJIM25 – NAV Per Unit (%)	<b>16.29</b>	40.95	-41.91	-1.65
DJIM25 – Price Return Index (%)	<b>12.81</b>	39.46	-44.16	-4.30
DJIM25 – Total Return Index (%)	<b>17.33</b>	45.03	-41.16	0.05
Tracking Error vs. Price Return Index (%)*	<b>1.15</b>	1.33	1.45	
Tracking Error vs. Total Return Index (%)*	<b>0.65</b>	0.74	0.51	
Management Expense Ratio (%)	<b>0.52</b>	0.54	0.51	

\* 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

Dow Jones performed four quarterly reviews in 2010 (in March, June, September and December) and rebalanced the composition of the Benchmark Index in accordance with its index methodology. The reviews resulted in changes to the weightings of the component stocks and stock constituents in the Benchmark Index. During the year, two stocks were removed from the Benchmark Index which were Sino Hua-Ann International Berhad (second quarter) and PPB Group Berhad (fourth quarter). The two removed constituent stocks were replaced by Latexx Partners Berhad and Petronas Chemicals Group Berhad respectively. Pursuant to the quarterly reviews, the Manager had undertaken rebalancing exercises for the Fund in order to be in line with the changes in the Benchmark Index. In terms of weightings, notable changes to the Fund's sector composition arising from the quarterly reviews were the increase in Industrial Products to 16.9% from 7.5% at the start of the year and the decrease in Consumer Products from 8.7% to 1.9%. Details of the changes for the year are as follows:

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

	As at 31 December 2010	As at 31 December 2009	Change (percentage points)
Trading/Services	42.8%	47.8%	- 5.0
Plantations	24.4%	24.1%	0.3
Industrial Products	16.9%	7.5%	9.4
Consumer Products	1.9%	8.7%	- 6.8
Infrastructure	5.0%	5.3%	- 0.3
Construction	5.1%	4.0%	1.1
Property	2.1%	1.9%	0.2
Cash & Others	1.8%	0.7%	1.1

\* Based on Bursa Securities classification

Details of the Fund's quoted Investments as at 31 December 2010 are as follows:

**Table 4: MyETF-DJIM25's Investment in Listed Equities**

	<b>Quantity (Units)</b>	<b>Market Value (RM)</b>	<b>Market Value as a percentage of Net Asset Value (%)</b>
<b>Trading/Services</b>			
Sime Darby Bhd	10,319,300	90,809,840	14.50
Maxis Bhd	10,567,900	56,009,870	8.95
MISC Bhd	4,193,140	35,054,650	5.60
PLUS Expressways Bhd	5,589,200	25,263,184	4.04
Telekom Malaysia Bhd	6,427,000	22,558,770	3.60
Petronas Dagangan Bhd	1,086,300	12,709,710	2.03
Dialog Group Bhd	5,456,431	9,767,011	1.56
Kencana Petroleum Bhd	3,520,912	8,485,398	1.36
Star Publications (M) Bhd	1,160,000	3,839,600	0.61
Malaysian Bulk Carriers Bhd	1,170,000	3,299,400	0.53
		267,797,434	42.77
<b>Plantations</b>			
IOI Corp. Bhd	14,049,439	81,627,241	13.04
Kuala Lumpur Kepong Bhd	1,890,500	41,780,050	6.67
Batu Kawan Bhd	922,100	15,583,490	2.49
Genting Plantation Bhd	1,193,300	10,501,040	1.68
IJM Plantations Bhd	1,041,225	3,102,851	0.50
		152,594,671	24.37
<b>Industrial Products</b>			
Petronas Chemicals Group Bhd	11,648,200	64,298,064	10.27
Petronas Gas Bhd	1,145,900	12,719,490	2.03
Lafarge Malayan Cement Bhd	1,244,400	9,544,548	1.52
KNM Group Bhd	3,130,468	8,890,529	1.42
Top Glove Corporation Bhd	1,747,800	8,704,044	1.39
Latexx Partners Bhd	661,800	1,654,500	0.26
		105,811,175	16.90
<b>Consumer Products</b>			
UMW Holdings Bhd	1,722,400	12,091,248	1.93
		12,091,248	1.93
<b>Infrastructure</b>			
Digi.com Bhd	1,285,100	31,613,460	5.05
		31,613,460	5.05
<b>Construction</b>			
Gamuda Bhd	8,393,800	31,980,378	5.11
		31,980,378	5.11
<b>Property</b>			
SP Setia Bhd	2,188,300	13,020,385	2.08
		13,020,385	2.08
		614,908,751	98.21

## **5. Distribution Policy**

The Fund may distribute to its unit holders 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 unit holder 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.

During the Financial Year under review, the Fund declared in December a distribution of 1.00 sen per unit amounted to total distribution of RM6,540,000 which was paid in January 2011.

## **6. Other Information**

For the period under review and up to the point of reporting, there was no material litigation involving the Fund and there were no significant changes in the state of affairs of the Fund. There was also no other material information that had adversely affected the Fund's valuation and the interest of unit holders.

## **7. Soft Dollar Commissions**

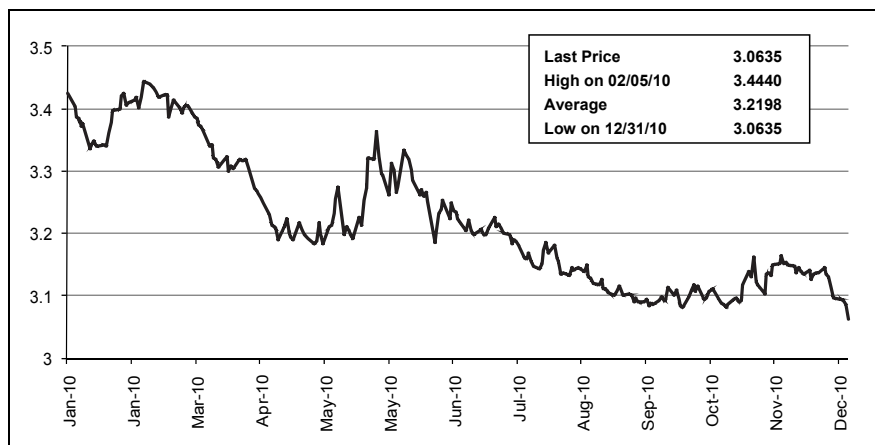
It is the Manager's policy to not receive any goods or services by way of soft commission.

## 8. Market Review and Outlook

Overall the equity market performed well in 2010 on the back of economic growth driven by a rebound in the global trade and a broad-based expansion in domestic demand. After an impressive 9.5% growth in the first half of 2010, the Malaysian economy is expected to experience a slower growth in second half of the year (5.3% y-o-y growth in 3Q10). Nonetheless, the overall economy is expected to grow at a commendable pace of 6.5% to 7.5% in 2010, which is higher than 6% forecasted earlier.

Malaysia also attracted interest from foreign investors following the liberalization of its foreign exchange rules which lent strong support to the Ringgit. The Ringgit strengthened from RM3.4265 to RM3.0635 per US Dollar in 2010. The strengthening was also driven by the decision by Bank Negara Malaysia to raise its Overnight Policy Rate by 25 basis points in March, May and July respectively. The decision provided a hint to investors of a strong economic growth outlook which gave comfort to investors despite uncertainties of economic growth in most developed countries.

**Chart 3: RM Strengthening**

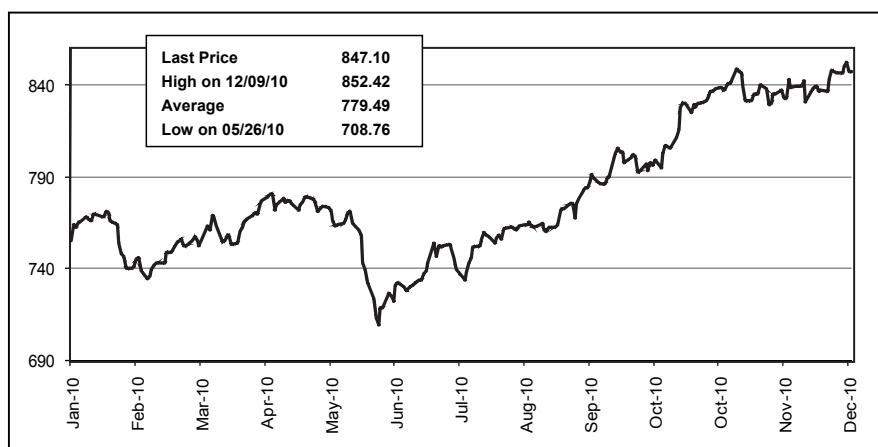


Source: Bloomberg

Given the positive backdrop for the year, the Malaysian equity market continued its positive run in 2010. The Fund's underlying benchmark DJIM25 Index rose 12.8% y-o-y to close at 847.10 points. Comparatively, the underlying benchmark performed in line with FTSE Bursa Malaysia Hijrah Index which gained 12.3%, while the broader Shariah Index of FTSE Bursa Malaysia EMAS Shariah gained 18.2% y-o-y.

For DJIM25 Index, the gain in 2010 was driven by the Plantation, Trading & Services and Construction sectors. The DJIM25 Index showed its resiliency throughout the year despite intermittent pullbacks before closing the year at a high.

**Chart 4: DJIM25 Index**



Source: Bloomberg

Looking ahead, the Malaysian economy is expected to continue its growth but at a moderate pace in 2011 mainly due to the higher base effect and uncertainties in external demand. Government's effort in transforming the economy driven by private investment and strong domestic demand will lend support to a forecasted growth of around 5% in 2011.

On the global front, economists continue to be positive on China's growth in 2011 albeit a slower pace than in 2010. The projected growth of between 8.5% to 9.7% should off-set the tepid rate in the developed economies that are expected to struggle growing above the 2.0% rate. Geographically, economic growth will continue to focus in the Asian region led by China and largely driven by healthy domestic consumption and demand.



**Table 5: GDP Forecast**

	2010F					2011F				
	IMF	World Bank	OECD	ADB	Bloomberg Consensus	IMF	World Bank	OECD	ADB	Bloomberg Consensus
US	2.60	3.30	3.20		2.70	2.30	2.90	3.20		2.50
UK	1.70	1.20	1.30		1.60	2.00	2.20	2.50		1.90
Euro	1.70	0.70	1.20		1.60	1.50	1.30	1.80		1.40
China	10.50	9.50	11.10	9.60	10.00	9.60	8.50	9.70	9.10	8.90
Japan	2.80	2.50	3.00		3.30	1.50	2.10	2.00		1.60
India	9.70	8.20	8.20	8.50	NA	8.40	8.70	8.50	8.70	NA
<b>ASEAN-5</b>										
Malaysia	6.70	7.40		6.80	6.80	5.30	4.80		5.00	5.20
Singapore	15.00	6.40		14.00	10.80	4.50	5.10		5.00	5.00
Thailand	7.50	7.50		7.00	7.40	4.00	3.20		4.50	4.50
Indonesia	6.00	6.00	6.00	6.10	5.98	6.20	6.20	6.20	6.30	6.20
Philippines	7.00	6.20		6.20	5.90	4.50	5.00		4.60	5.00

Source: Various

The equity market meanwhile is expected to remain positive supported by continuous progress and implementation of the projects and reforms announced under the New Economic Model, 10th Malaysian Plan and the Economic Transformation Programme. Sectors that are expected to directly benefit include Construction, Oil and Gas Services and Plantation sector. Speculation of an early election may also add excitement to the equity market.

The market nonetheless will continue to face external risks. Questions over the sustainability of the economic recovery in the US, concerns over the debt problem in the Euro Zone and inflationary pressure arising from high commodity prices may affect investors' sentiment and lead to a volatile market condition in 2011.

# Trustee's Report

Deutsche Bank



Deutsche Trustees Malaysia Berhad  
(Company No. 763590-H)

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8 Jalan Sultan Ismail  
50250 Kuala Lumpur

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## TRUSTEE'S REPORT

### TO THE UNITHOLDERS OF MyETF DOW JONES ISLAMIC MARKET MALAYSIA TITANS 25

We have acted as Trustee for MyETF Dow Jones Islamic Market Malaysia Titans 25 (the "Fund") for the financial period ended 31 December 2010. To the best of our knowledge, for the period under review, i-VCAP Management Sdn. Bhd. (Manager) has operated and managed the Fund in accordance with the following:-

- (a) limitations imposed on the investment powers of the Manager and Trustee under the Deed, the Securities Commission's Guidelines on Exchange-Traded Funds, the Capital Markets and Services Act 2007 and other applicable laws;
- (b) the valuation of the Fund has been carried out in accordance with the deed of the Fund and applicable regulatory requirements; and
- (c) creation and redemption of units for the Fund have been carried out in accordance with the deed of the Fund and applicable regulatory requirements.

For Deutsche Trustees Malaysia Berhad

A handwritten signature in black ink, appearing to read 'Jacqueline William'.

**Jacqueline William**  
Chief Executive Officer

A handwritten signature in black ink, appearing to read 'Richard Lim'.

**Richard Lim**  
Head, Client Management  
& Business Support

Date: 18 February 2011

Kuala Lumpur

## Shariah Adviser's Report



### MyETF Dow Jones Islamic Market Malaysia Titans 25

#### Shariah Adviser's Report to the Unitholders of MyETF Dow Jones Islamic Market Malaysia Titans 25 For the Financial Period Ended 31 December 2010

We have acted as the Shariah Adviser of **MyETF Dow Jones Islamic Market Malaysia Titans 25 ("the Fund")**. Our responsibility is to ensure that the Fund has been operated and managed in accordance with the Shariah.

In our opinion, the Manager of the Fund, *i*-VCAP Management Sdn. Bhd. has managed and administered the Fund in accordance with the Shariah and complied with the applicable guidelines, rulings or decisions issued by the Securities Commission and the Shariah Adviser pertaining to Shariah matters for the financial period ended 31 December 2010.

We also confirm that the investment portfolio of the Fund comprises securities which have been classified as Shariah-compliant by the Shariah Advisory Council of the Securities Commission.

For and on behalf of **Shariah Adviser**  
**CIMB Islamic Bank Berhad**

A handwritten signature in black ink, appearing to be 'Abdul Ghani Endut', written over a horizontal dotted line.

**ABDUL GHANI ENDUT**

Head, Shariah Department / Designated Person Responsible for Shariah Advisory

Date: 18 February 2011

CIMB Islamic Bank Berhad (671380-H)

Menara Bumiputra-Commerce 11 Jalan Raja Laut 50350 Kuala Lumpur Malaysia / P.O. Box 10063 50704 Kuala Lumpur Malaysia  
Telephone +60 3 2619 1188 Facsimile +60 3 2691 3245 [www.cimb.com](http://www.cimb.com)

## Statement by the Manager

I, Mahdzir Bin Othman, being a Director of the Manager, do hereby state that, in the opinion of the Manager, the financial statements set out on pages 21 to 43 are drawn up in accordance with the provisions of the Deed and give a true and fair view of the state of affairs of the Fund as at 31 December 2010 and of its results, changes in net assets attributable to unit holders and cash flows of the Fund for the financial year ended on that date in accordance with the Financial Reporting Standards in Malaysia and the Securities Commission's Guidelines on Exchange Traded Funds.



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**MAHDZIR BIN OTHMAN**

For and on behalf of the Manager  
iVCAP Management Sdn. Bhd.

Kuala Lumpur  
18 February 2011

# Independent Auditors' Report

## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF MyETF DOW JONES ISLAMIC MARKET MALAYSIA TITANS 25

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of MyETF Dow Jones Islamic Market Malaysia Titans 25 ("the Fund") on pages 21 to 43 which comprise the statements of financial position as at 31 December 2010 of the Fund, and the statements of comprehensive income, changes in equity and cash flows of the Fund for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 24.

#### Manager's Responsibility for the Financial Statements

The Manager is responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards in Malaysia and the Securities Commission's Guidelines on Exchange Traded Funds. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Manager's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards in Malaysia and the Securities Commission's Guidelines on Exchange Traded Funds so as to give a true and fair view of the financial position of the Fund as of 31 December 2010 and of its financial performance and cash flows for the financial year then ended.

## **Independent Auditors' Report (continued)**

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF  
MyETF DOW JONES ISLAMIC MARKET MALAYSIA TITANS 25(CONTINUED)

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

### **OTHER REPORTING RESPONSIBILITIES**

The supplementary information set out in Note 25 on page 43 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Manager is responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

### **OTHER MATTERS**

This report is made solely to the unit holders of the Fund and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS  
(No. AF: 1146)  
Chartered Accountants

Kuala Lumpur

# Statement of Comprehensive Income

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Note	<b>2010</b> <b>RM</b> <b>Total</b>	<b>2009</b> <b>RM</b> <b>Total</b>
<b>INVESTMENT INCOME</b>			
Gross dividend income		28,026,508	22,701,963
Profit from short term Shariah-compliant deposits		198,128	207,696
Net gain on financial assets at fair value through profit and loss	10	76,788,298	186,454,716
		<hr/>	<hr/>
		105,012,934	209,364,375
<b>EXPENSES</b>			
Management fee	4	2,604,712	2,333,137
Trustee's fee	5	325,589	291,642
License fee	6	254,068	234,092
Brokerage Fees		192,011	370,485
Auditors' remuneration		25,600	25,000
Tax agent's fee		7,650	7,500
Shariah adviser's fee		38,000	51,400
Purification of Non Shariah-compliant Income	24	1,961,514	3,267,311
Other expenses	7	122,571	207,742
		<hr/>	<hr/>
		5,531,715	6,788,309
<b>NET INCOME BEFORE TAXATION</b>			
<b>TAXATION</b>	8	99,481,219 (1,433,320)	202,576,066 (1,746,270)
		<hr/>	<hr/>
<b>NET INCOME AFTER TAX AND TOTAL COMPREHENSIVE INCOME</b>		<b>98,047,899</b>	<b>200,829,796</b>
		<hr/>	<hr/>
Net income after taxation is made up as follows:			
Realised amount		26,614,073	(50,510,718)
Unrealised amount		71,433,826	251,340,514
		<hr/>	<hr/>
		98,047,899	200,829,796
		<hr/>	<hr/>

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

# Statement of Financial Position

AS AT 31 DECEMBER 2010

		<b>As at 31 December</b>		
		<b>2010</b>	<b>2009</b>	<b>2008</b>
		<b>As restated</b>	<b>As restated</b>	<b>As restated</b>
		<b>RM</b>	<b>RM</b>	<b>RM</b>
		<b>Note</b>		
<b>ASSETS</b>				
Current assets				
Financial assets at fair value through profit or loss	10	614,908,751	651,844,050	480,805,992
Dividend receivable	11	1,395,995	797,324	1,287,390
Receivables	12	50	50	50
Deposits with licensed bank	13	10,498,562	4,668,404	1,103,000
Bank balance with a licensed bank	13	1,971,180	3,561,516	884,991
<b>TOTAL ASSETS</b>		<b>628,774,538</b>	<b>660,871,344</b>	<b>484,081,423</b>
<b>LIABILITIES</b>				
Current liabilities				
Amount due to Manager		211,229	221,796	164,019
Amount due to Trustee		26,404	27,725	20,502
Auditors' remuneration		25,600	25,000	25,000
Tax agent's fee		7,650	7,500	5,500
Payables	14	2,404,042	3,884,259	1,153,734
<b>TOTAL LIABILITIES</b>		<b>2,674,925</b>	<b>4,166,280</b>	<b>1,368,755</b>
<b>NET ASSET VALUE OF THE FUND</b>	<b>16</b>	<b>626,099,613</b>	<b>656,705,064</b>	<b>482,712,668</b>
<b>EQUITY</b>				
Unit holders' Capital		668,378,363	797,031,713	819,309,613
Accumulated Losses		(42,278,750)	(140,326,649)	(336,596,945)
<b>NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS</b>		<b>626,099,613</b>	<b>656,705,064</b>	<b>482,712,668</b>
<b>NUMBER OF UNITS IN CIRCULATION</b>	<b>16</b>	<b>657,500,000</b>	<b>802,000,000</b>	<b>831,000,000</b>
<b>NET ASSET VALUE PER UNIT (RM)</b>		<b>0.9522</b>	<b>0.8188</b>	<b>0.5809</b>

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.



## Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Unit holders' Capital RM	Accumulated Losses RM	Total RM
<b>At 1 January 2009, as previously stated</b>	-	-	-
Prior year adjustment for adoption of amendments to FRS 132 (Note 22)	819,309,613	(336,596,945)	482,712,668
<b>At 1 January 2009, as restated</b>	819,309,613	(336,596,945)	482,712,668
Total Comprehensive Income for the year	-	200,829,796	200,829,796
Dividend for 2009	-	(4,559,500)	(4,559,500)
Creation of units	2,595,100	-	2,595,100
Cancellation of units	(24,873,000)	-	(24,873,000)
<b>At 31 December 2009</b>	797,031,713	(140,326,649)	656,705,064
Total Comprehensive Income for the year	-	98,047,899	98,047,899
Cancellation of units	(128,653,350)	-	(128,653,350)
<b>At 31 December 2010</b>	668,378,363	(42,278,750)	626,099,613

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

## Cash Flow Statement

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Note	<u>2010</u> RM	<u>2009</u> RM
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash used in purchase of investments		(86,900,747)	(173,966,611)
Proceeds from sales of investments		80,875,083	159,726,290
Dividends received		25,994,517	21,445,760
Profit from short term Shariah-compliant deposits		198,128	207,711
Management fee paid		(2,615,279)	(2,275,359)
Trustee fee paid		(326,910)	(284,420)
License Fee paid		(190,255)	(277,334)
Payables Paid		-	(86)
Purification of Non Shariah-compliant Income		(3,550,000)	(588,485)
Cash Received on Capital Repayment of investments		-	7,953,680
Payment for other fees and expenses		(148,614)	(194,630)
Net cash inflow from operating activities		<u>13,335,923</u>	<u>11,746,516</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Payment of Income Distribution		-	(4,559,500)
Proceeds from units created	23	-	102,746
Payments for cancellation of units	23	(9,096,101)	(1,047,833)
Net cash outflow from financing activities		<u>(9,096,101)</u>	<u>(5,504,587)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		4,239,822	6,241,929
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		<u>8,229,920</u>	<u>1,987,991</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	13	<u><u>12,469,742</u></u>	<u><u>8,229,920</u></u>
Cash and cash equivalents comprise:			
Cash and bank balances		1,971,180	3,561,516
Short term Shariah-compliant deposits		10,498,562	4,668,404
	13	<u><u>12,469,742</u></u>	<u><u>8,229,920</u></u>

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

## Summary of Significant Accounting Policies

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

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 under the historical cost convention, unless otherwise indicated and in accordance with the Financial Reporting Standards ("FRS"), the MASB approved accounting standards in Malaysia for entities other than private entities, and the Securities Commission's ("SC") Guidelines on Exchange Traded Funds.

- (i) Standards and amendments to published standards and interpretations that is effective.

The new standards for the Fund's financial year beginning on 1 January 2010 are as follows:

- FRS101 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. It requires non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated statement of financial position as at the beginning comparative period, in addition to the current requirement to present statements of financial position at the end of the current period and comparative period. The Fund has applied FRS101 (revised) from 1 January 2010, and has elected to present solely a statement of comprehensive income. The adoption of this revised standard has not resulted in a significant change to the presentation of the Fund's performance statement, as the Fund has no elements of other comprehensive income.
- FRS 8, 'Operating segments' replaces FRS114, 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The segment information is therefore reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.
- FRS 139 "Financial Instruments: Recognition and Measurement" establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted under strict circumstances. The adoption of this standard has not resulted in a significant impact to the financial statements.
- FRS 7 "Financial instruments: Disclosures" provides information to users of financial statements about an entity's exposure to risks and how the entity manages those risks. The improvement to FRS 7 clarifies that entities must not present total interest income and expense as a net amount within finance costs on the face of the income statement. The adoption of this standard has resulted in more risk disclosures.

## Summary of Significant Accounting Policies

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

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

(i) Standards and amendments to published standards and interpretations that is effective (continued)

- The amendments to FRS132 "Financial instruments: Presentation" and FRS 101(revised) "Presentation of financial statements" - "Puttable financial instruments and obligations arising on liquidation" require entities to classify puttable financial instruments and instruments that impose on the entity an obligation to deliver to another party a prorata share of the net assets of the entity only on liquidation as equity, if they have particular features and meet specific conditions. This has resulted in the units of the Fund being classified as equity. As a result of the reclassification of puttable instruments from liability to equity, the Fund's distributions will no longer be classified as a finance cost in the statement of comprehensive income but rather will be recorded as a dividend in the statement of changes in equity. The amendment has been applied retrospectively. The impact to the financial statements is disclosed in Note 22.

All changes in accounting policies have been made in accordance with the transitional provisions in the respective standards, where applicable.

Other than disclosed above, the adoption of the new standards did not have a material impact on the financial statements of the Fund.

(ii) Standards, amendments to published standards and interpretations to existing standards that are applicable but not yet effective

- Amendments to FRS 7 "Financial instruments: Disclosures" and FRS 1 "First-time adoption of financial reporting standards" (effective from 1 January 2011) requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy.

The Fund has applied the transitional provision which exempts entities from disclosing the possible impact arising from the initial application of this amendment on the financial statements of the Fund.

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

Revenue arising from assets yielding profit is recognised on an accruals basis (taking into account the effective yield of the asset).

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

## **Summary of Significant Accounting Policies**

### **FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)**

#### **C NON SHARIAH-COMPLIANT INCOME**

Any income or distribution received by the Fund from its investment portfolio which relates to interest 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 Shariah Adviser from time to time and without limitation, 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.

#### **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 AMOUNT DUE TO / FROM STOCKBROKERS**

Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively.

These amounts are recognised initially at fair value and subsequently measured at amortised cost using the effective profit method, less provision for impairment for amounts due from brokers. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount due from brokers is impaired. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, profit income is recognised using the rate of profit used to discount the future cash flows for the purpose of measuring the impairment loss.

The effective profit method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the profit income or profit expense over the relevant period. The effective profit rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective profit rate, the Fund estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective profit rate, transaction costs and all other premiums or discounts.

## **Summary of Significant Accounting Policies**

### **FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)**

#### **G FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS**

##### **(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.

##### **(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 the income statement.

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.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category 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.

In accordance with the Deed, quoted investments in Malaysia are valued at the last done market price quoted on Bursa Malaysia at the date of the statement of financial position.

#### **H CREATION AND CANCELLATION OF UNITS**

The Fund issues cancellable units, which are cancelled at the unit holder's option and are classified as equity. Cancellable units can be put back to the Fund at any time for shares and cash equal to a proportionate share of the Fund's net asset value.

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 is calculated by dividing the net assets attributable to unit holders with the total number of outstanding units. In accordance with the 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.

## **Summary of Significant Accounting Policies**

### **FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)**

#### **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 REALISED AND UNREALISED PORTIONS OF NET INCOME AFTER TAX**

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

#### **L CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of financial statements in conformity with the Financial Reporting Standards and the SC Guidelines on Exchange Traded Funds requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on the Manager's best knowledge of current events and actions, actual results could differ from those estimates.

Estimates and judgments 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.

# Notes to the Financial Statements

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

### 1 INFORMATION ON THE FUND

The Exchange Traded Fund (the "Fund") was constituted under the name MyETF Dow Jones Islamic Market Malaysia Titans 25 pursuant to the execution of a trust deed dated 17 January 2008 (the "Deed") entered into between i-VCAP Management Sdn. Bhd. (the "Manager") and Deutsche Trustees Malaysia Berhad (the "Trustee").

The Fund was launched on 22 January 2008 and will continue its operations until terminated by the Trustee or the Manager as provided under Clause 25 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 Dow Jones Islamic Market Malaysia Titans 25 Index ("Benchmark Index") as provided by Dow Jones Indexes, which is under CME Group Index Services LLC. The Benchmark Index is a free float-adjusted, market capitalization weighted index representing securities of 25 leading Shariah-compliant Malaysian companies listed on Bursa Malaysia Securities Berhad. 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, cash flow profit rate risk and credit/default risk from the following financial instruments:

31 December 2010	Notel	Loans and Receivables	Asset at fair value through profit or loss	Total
Financial Assets at fair value through profit or loss	10	-	614,908,751	614,908,751
Dividend and other receivables		1,396,045	-	1,396,045
Cash and Cash Equivalents	13	12,469,742	-	12,469,742
Total		<u>13,865,787</u>	<u>614,908,751</u>	<u>628,774,538</u>

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.



# Notes to the Financial Statements

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (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 31 December, the fair value of equities exposed to price risk was as follows:

	Fair Value	
	2010	2009
Financial Assets at fair value through profit or loss	614,908,751	651,844,050

The table below summarises the sensitivity of the Fund's unrealized income or loss to equity price movements as at 31 December. The analysis is based on the assumptions that the Dow Jones Islamic Market Malaysia Titans 25 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.

% Change in benchmark index	Benchmark Index	Market Value RM	Change in unrealised gain RM
-10%	762.4	557,722,237	(57,186,514)
0%	847.1	614,908,751	-
10%	931.8	672,095,264	57,186,514)

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

#### Cash flow profit rate risk

The Fund holds a limited amount cash and cash equivalents that expose the Fund to cash flow profit rate risk. The Fund's policy requires cash and cash equivalents to comprise no more than 10% of the funds assets.

## Notes to the Financial Statements

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (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. For amount due from stockbrokers, the settlement terms are governed by the relevant rules and regulations as prescribed by Bursa Securities. 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 31 December is the carrying amount of the financial assets as set out below.

	2010	2009
Cash and Cash Equivalents	12,469,742	8,229,920
Other Assets	1,396,045	797,374
<b>Total</b>	<b>13,865,787</b>	<b>9,027,294</b>

None of these assets is impaired nor past due but not impaired.

At 31 December 2010, all cash and cash equivalents are placed with CIMB Islamic Bank Berhad.

#### 3 CAPITAL AND LIABILITY RISK MANAGEMENT

The capital of the Fund is represented by the net assets attributable to unit holders. 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 comprise 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.

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

### 4 MANAGEMENT FEE

The Manager is entitled to a management fee at a rate not exceeding 1.0% per annum on the Net Asset Value (NAV) of the Fund calculated on daily basis, as provided under Clause 14.1 of the Deed.

For the financial year ended 31 December 2010, the management fee was recognised at a rate of 0.4% (2009: 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.

### 5 TRUSTEE'S FEE

The Trustee is entitled to an annual fee, inclusive of custodian fee, at a rate not exceeding 0.08% per annum on the Net Asset Value (NAV) of the Fund, as provided under Clause 14.2 of the Deed.

For the financial year ended 31 December 2010, the Trustee's fee was recognised at a rate of 0.05% (2009: 0.05%) per annum on the NAV of the Fund, inclusive of local custodian fee, calculated on daily basis.

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

### 6 LICENSE FEE

License fee is payable to CME Group Index Services LLC, the Benchmark Index provider.

For the financial year ended 31 December 2010, the License Fee was recognised at a rate of 0.04% (2009: 0.04%) per annum of the Net Asset Value (NAV) of the Fund, calculated on daily basis.

There will be no further liability to CME Group Index Services LLC in respect of license fee other than the amounts recognised above.

### 7 OTHER EXPENSES

Included in Other Expenses are professional fees, other than Management, Trustee's and License Fees, and other expenses as permitted by the Deed, paid or provided for during the year.

During the financial year ended 31 December 2010, the Other Expenses' rate had been changed from 0.05% per annum to 0.025% per annum of the Net Asset Value (NAV) of the Fund, calculated and accrued on daily basis.

The expenses are reversed out from the accrual on their respective payment dates.

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

### 8 TAXATION

	Financial year ended 31.12.2010 RM	Financial year ended 31.12.2009 RM
Current taxation	1,433,320	1,746,270

The numerical reconciliation between net income before finance cost and taxation multiplied by the Malaysian statutory tax rate and tax expense of the Fund is as follows:

	Financial year ended 31.12.2010 RM	Financial year ended 31.12.2009 RM
Net profit/(loss) before taxation	99,481,219	202,576,066
Tax at Malaysian statutory rate of 25% / 26%	24,870,305	50,644,017
Tax effect of:		
Income not subject to tax	(5,622,839)	(3,981,145)
Gains exempt from tax	(19,122,386)	(46,476,598)
Expenses not deductible for tax purposes	1,308,240	1,559,996
	1,433,320	1,746,270

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

### 9 INCOME DISTRIBUTION

Distribution to unit holders is from the following sources:

	<u>2010</u> RM	<u>2009</u> RM
Undistributed Net Exempt Income brought forward	-	3,072,340
Exempt Dividend Income	-	1,740,288
Profits from Money Market Placements	-	17,801
	-	4,830,429
Less: Expenses		
Exempt Non Shariah-compliant Income	-	(24,072)
Fund Related Expenses	-	(246,857)
Total amount of Income Distribution	-	4,559,500
Distribution date	-	1 June 2009
Income distributable per unit (sen)	-	0.55
Distribution yield	-	0.67%

The Net Asset Value per unit prior and subsequent to the income distribution was as follows:

<u>Distribution date</u>	<u>Cum-distribution</u> RM	<u>Distribution</u> <u>per unit</u> RM	<u>Ex-Distribution</u> RM
1 June 2009	0.7095	0.0055	0.7040

Included in the above is an amount of RM3,072,340 distributed from previous year's undistributed net realised exempt income.

The income distribution above had been proposed before taking into account the net realised capital loss brought forward of RM33,785,879.

A first and final income distribution of 1 sen per unit with ex date of 6 January 2011 and entitlement date of 10 January 2011 amounting to RM6,540,000 has been paid out in 31 January 2011. These financial statements do not reflect this income distribution.

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

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

	<u>2010</u> RM	<u>2009</u> RM
Designated at fair value through profit or loss at inception		
- Shares quoted in Malaysia	614,908,751	651,844,050
	<u>614,908,751</u>	<u>651,844,050</u>
Net gain on assets at fair value through profit or loss		
- Realised	6,750,467	(64,088,474)
- Change in unrealised	70,037,831	250,543,190
	<u>76,788,298</u>	<u>186,454,716</u>

### 11 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 year.

Dividends Receivable – Non Shariah-compliant Income represents the portion of the dividends receivable which relates to income that does not comply with Shariah principles.

The level of Non Shariah-compliant Income is based on the impure ratio for each component stock as determined by Dow Jones Indexes.

Dividends declared are recognized on the Ex-Date and are reversed out from the receivables upon receipt by the Fund

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

### 12 RECEIVABLES

	<u>2010</u> RM	<u>2009</u> RM
Allotment Fee for cancellation/creation of units due from Participating Dealers	50	50

### 13 CASH AND CASH EQUIVALENTS

	<u>2010</u> RM	<u>2009</u> RM
Short-term money market placements in Islamic financial instruments with licensed banks	10,498,562	4,668,404
Cash at Bank –		
From Shariah-compliant Income	996	39,523
Cash at Bank –		
From Non Shariah-compliant Income	1,970,184	3,521,993
	<u>12,469,742</u>	<u>8,229,920</u>

The effective average profit rate of short term deposits per annum as at the date of the statement of assets and liabilities is as follows:

	<u>2010</u> %pa	<u>2009</u> %pa
Deposits with licensed financial institutions	2.38	1.89

For the financial year ended 31 December 2010, the Shariah-compliant money market placements of the Fund have a weighted average maturity period of 4.91 days (5.63 days: 2009) and are denominated in Ringgit Malaysia.

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

### 14 PAYABLES

		<u>2010</u> RM	<u>2009</u> RM
Amount due to Index Licensor		130,011	66,199
Amount due to Shariah Adviser		19,000	30,000
Amount due to beneficial organisations	15	1,981,344	3,569,830
Amount due to Bursa		1,050	1,050
Other payables		272,637	217,180
		<u>2,404,042</u>	<u>3,884,259</u>

### 15 AMOUNT DUE TO BENEFICIAL ORGANISATIONS

Amount due to beneficial organisations is the Non Shariah-compliant Income portion of dividends received and receivable as at 31 December 2010. It comprises the following amounts:

	<u>2010</u> RM	<u>2009</u> RM
Cash at Bank – Non Shariah-compliant Income	1,970,184	3,521,993
Dividends Receivable – Non Shariah-compliant Income	11,160	47,837
	<u>1,981,344</u>	<u>3,569,830</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.

The level of Non Shariah-compliant Income is based on the impure ratio for each component stock as determined by Dow Jones Indexes.



## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

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

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

	Note	2010 RM	2009 RM
Unit holders' Contribution	(a)	668,378,363	797,031,713
Accumulated Losses		(42,278,750)	(135,767,149)
Income Distribution		-	(4,559,500)
		<u>626,099,613</u>	<u>656,705,064</u>

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

	2010		2009	
	No. of Units	RM	No. of Units	RM
At beginning of year	802,000,000	656,705,064	831,000,000	482,712,668
Created during the year	-	-	4,000,000	2,595,100
Redeemed during the year	(144,500,000)	(128,653,350)	(33,000,000)	(24,873,000)
Net Income Distribution	-	-	-	(4,559,500)
	<u>657,500,000</u>	<u>528,051,714</u>	<u>802,000,000</u>	<u>455,875,268</u>
Total Comprehensive Income for the year	-	98,047,899	-	200,829,796
At the end of the financial year	<u>657,500,000</u>	<u>626,099,613</u>	<u>802,000,000</u>	<u>656,705,064</u>
Approved size of Fund	<u>10,000,000,000</u>			

In accordance with the Deed, the Manager may increase the size of the Fund from time to time with the approval of the Trustee and the SC. The maximum number of units that can be issued out for circulation by the Fund is 10,000,000,000. As at 31 December 2010, the number of units not yet issued by the Fund is 9,342,500,000 (2009: 9,198,000,000).

The Manager, I-VCAP Management Sdn. Bhd., did not hold any units in the Fund as at 31 December 2010.

## Notes to the Financial Statements

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

#### 17 TRANSACTIONS WITH BROKERS

Details of transactions with the brokers as at 31 December 2010 are as follows:

Name of brokers	Value of trade RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage %
RHB Investment Bank Bhd	41,815,579	26.24	50,199	26.14
OSK Investment Bank Bhd	40,990,815	25.73	49,408	25.73
CIMB Investment Bank Bhd	38,362,487	24.08	46,613	24.28
Maybank Investment Bank Bhd.	38,159,302	23.95	45,791	23.85
	<u>159,328,183</u>	<u>100.0</u>	<u>192,011</u>	<u>100.0</u>

All the brokers listed above are not related to the Manager.

#### 18 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-VCAP Management Sdn. Bhd.	The Manager
Valuecap Sdn Bhd ("Valuecap")	Holding company of the Manager
Directors of Valuecap and shareholders of Valuecap with significant influence	Other related parties

There are no units that were held by the Manager as at the end of the year.

	<u>31 December 2010</u>		<u>31 December 2009</u>	
	No. of units	RM	No. of units	RM
Valuecap and other related parties at NAV				
- Legally (direct holding)	379,860,300	361,702,978	382,698,600	313,353,614
- Beneficially (indirectly through nominee banks)	379,000	360,884	21,859,000	17,898,149
	<u>380,239,300</u>	<u>362,063,862</u>	<u>404,557,600</u>	<u>331,251,763</u>

The transactions above were conducted on an arm's length basis.

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

19	MANAGEMENT EXPENSE RATIO ("MER")	<u>2010</u> %	<u>2009</u> %
	MER	0.52	0.54

MER is derived from the following calculation:

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

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

The average net asset value of the Fund for the financial year calculated on daily basis is RM646,274,034 (2009: RM585,548,981)

20	PORTFOLIO TURNOVER RATIO ("PTR")	<u>2010</u>	<u>2009</u>
	PTR (times)	0.12	0.26

PTR is derived from the following calculation:

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

where: total acquisition for the financial year = RM78,328,393 (2009: RM157,124,157)  
total disposal for the financial year = RM80,999,790 (2009: RM117,834,738)

The average net asset value of the Fund for the financial year calculated on daily basis is RM646,274,034 (2009: RM585,548,981)

## 21 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 FRS. 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 year.

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

### 22 CHANGES IN ACCOUNTING POLICY

In the previous financial year, the Fund had classified its puttable instruments as liabilities in accordance with FRS 132, 'Financial instruments: Presentation'. However, the FRS 132 (amendment), 'Financial instruments: Presentation', and FRS 101 (amendment), 'Presentation of financial statements' - 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2010) (the 'amendment') requires puttable financial instruments that meet the definition of a financial liability to be classified as equity where certain strict criteria are met.

Those criteria include: (i) the puttable instruments must entitle the holder to a pro-rata share of net assets; (ii) the puttable instruments must be the most subordinated class and that class's features must be identical; (iii) there must be no contractual obligations to deliver cash or another financial asset other than the obligation on the issuer to repurchase; and (iv) the total expected cash flows from the puttable instrument over its life must be based substantially on the profit or loss of the issuer. As a result, the prior year financial statements are restated from amounts previously reported to conform with the amendment. The amendment has been applied retrospectively.

The effects as a result of adoption of the amendment on the statement of financial position for the current and prior years are set out below.

	As previously stated RM	Adjustment RM	As restated RM
31 December 2008			
Financial liability	482,712,668	(482,712,668)	-
Unit holder's capital	-	819,309,613	819,309,613
Retained Earnings	-	(336,596,945)	(336,596,945)
31 December 2009			
Financial liability	656,705,064	(656,705,064)	-
Unit holder's capital	-	797,031,713	797,031,713
Retained Earnings	-	(140,326,649)	(140,326,649)

Effect of changes in accounting policy on the balance sheet as at 31 December 2010 and statement of changes in equity for the year ended 31 December 2010 are set out below.

	Previous accounting policy RM	Change in accounting policy RM	Revised accounting policy RM
31 December 2010			
Financial liability	626,099,613	(626,099,613)	-
Unit holder's capital	-	668,378,363	668,378,363
Retained Earnings	-	(42,278,750)	(42,278,750)

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

### 23 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>2010</u> RM	<u>2009</u> RM
Creation		
- Fair value of Benchmark Index shares	-	2,492,354
- Cash component	-	102,746
	<u>-</u>	<u>2,595,100</u>
Cancellation		
- Fair value of Benchmark Index shares	119,557,249	23,825,167
- Cash component	9,096,101	1,047,833
	<u>128,653,350</u>	<u>24,873,000</u>

### 24 PRIOR YEAR RECLASSIFICATIONS

During the year, the Fund has classified the purification of Non Shariah-compliant Income as an expense item. To ensure consistency, the prior year comparative has been reclassified accordingly.

### 25 SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

The following analysis of realised and unrealised retained profits / (accumulated losses) at the legal entity level is prepared in accordance with Bursa Malaysia Securities Berhad's Listing Requirements and the Guidance on Special Matter No. 1, "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements", as issued by the Malaysian Institute of Accountants whilst the disclosure is based on the prescribed format by Bursa Malaysia Securities Berhad.

	<u>2010</u> RM
Total retained profits/accumulated losses of the Fund	
- Realised	(97,382,604)
- Unrealised	55,103,854
	<u>(42,278,750)</u>

The analysis between realised and unrealised above is prepared on a different basis as compared to the analysis of realised and unrealised as disclosed in the statement of comprehensive income.

## Analysis of Unit Holdings

### Summary of Unit Holders

As at 31 January 2011

Size of unit holdings	No. of unit holders	% of unit holders	No. of units held	% of units in circulation
Less than 100	1	0.36	1	0.00
100 - 1,000	43	15.64	34,799	0.01
1,001 - 10,000	116	42.18	634,200	0.10
10,001 - 100,000	73	26.55	2,812,700	0.44
100,001 to less than 5% of issued units	36	13.09	29,784,200	4.68
5% and above of issued units	6	2.18	603,034,100	94.77
	<b>275</b>	<b>100.00</b>	<b>636,300,000</b>	<b>100.00</b>

Note: 5% of issued units = 31,815,000 units

## Profile of Directors of the Manager & Investment Committee Members of the Fund

### Directors' Profile

<b>Name:</b>	<b><i>Y. Bhg. Dato' Azian Binti Mohd Noh</i></b>
<b>Age:</b>	57
<b>Nationality:</b>	Malaysian
<b>Designation:</b>	<b><i>Non-Independent Non-Executive Chairman</i></b>
<b>Qualifications:</b>	Master in Business Administration from Universiti Kebangsaan Malaysia, and Bachelor of Economics and Advanced Diploma in Accounting both from Universiti Malaya. Qualified Chartered Accountant and Member of Malaysian Institute of Accountants. Attended the Harvard Advanced Management Programme at Harvard Business School in 2009.
<b>Working Experience and Occupation:</b>	Dato' Azian is currently the Chief Executive Officer ("CEO") of Kumpulan Wang Persaraan (Diperbadankan) ("KWAP"), a position she has held since March 2007, following the corporatisation of Kumpulan Wang Amanah Pencen. Her extensive experience in the investment industry spans over 19 years since 1991 with her participation during the inception of Kumpulan Wang Amanah Pencen. Prior to that, she had held several positions related to finance in several government agencies. She is currently also a Director of Valuecap Sdn. Bhd. ("Valuecap").
<b>Date Appointed to Board:</b>	Dato' Azian is one of the first two directors named in the Articles of Association of the Manager dated 10 October 2007 and is deemed appointed on that date.
<b>Details of Membership of any Board Committee:</b>	Dato' Azian is not a member of any Board Committee.
<b>Directorship of other public companies:</b>	Rashid Hussain Berhad (in Members Voluntary Liquidation) Malakoff Corporation Berhad TIME dotCom Berhad (resigned w.e.f. 11 October 2010)

## Directors' Profile (*continued*)

<b>Family relationship with any director:</b>	Dato' Azian has no family relationship with any of the other director(s) on the Board of the Manager.
<b>Conflict of interest with the Fund:</b>	Dato' Azian is a Board Member of Valuecap and CEO of KWAP both of which are unit holders of the Fund.
<b>List of convictions for offences within the past 10 years other than traffic offences:</b>	None
<b>Number of Board Meetings Attended in the Financial Year:</b>	Dato' Azian attended 12 out of 12 Board of Directors Meetings held during the financial year.

<b>Name:</b>	<b><i>Puan Sharifatu Laila Binti Syed Ali</i></b>
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<b>Age:</b>	48
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<b>Nationality:</b>	Malaysian
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<b>Designation:</b>	<b><i>Non-Independent Non-Executive Director</i></b>
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<b>Qualifications:</b>	Master in Business Administration from Universiti Malaya and Bachelor of Science from Universiti Kebangsaan Malaysia.
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<b>Working Experience and Occupation:</b>	Puan Sharifatu Laila was appointed as CEO of Valuecap in 2002 and played a key role in the setting up of Valuecap. She has been actively involved in the investment industry for more than 23 years. Prior to joining Valuecap, she had served at various premier institutions such as Employees Provident Fund ("EPF"), Permodalan Nasional Berhad ("PNB") and Lembaga Tabung Haji ("LTH"). She began her investment career in PNB in 1985 as an Investment Executive before leaving to join EPF 3 years later. During her tenure with EPF, she held
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## Directors' Profile *(continued)*

several positions from Investment Officer to Senior Portfolio Manager (Head of the Equity Investment Division) overseeing approximately RM40billion (US\$10billion) and also Head of the Treasury Division overseeing an approximately RM100billion portfolio (US\$30billion). She gained extensive experience in the field of portfolio investment both in the local and regional environment whilst serving EPF. At LTH, she was Head, Investment Department / Chief Investment Officer.

**Date Appointed to Board:**

Puan Sharifatu Laila is one of the first two directors named in the Articles of Association of the Manager dated 10 October 2007 and is deemed appointed on that date.

**Details of Membership of any Board Committee:**

Puan Sharifatu Laila is not a member of any Board Committee.

**Directorship of other public companies:**

Puan Sharifatu Laila is not a director of any public companies.

**Family relationship with any director:**

Puan Sharifatu Laila has no family relationship with any of the other director(s) on the Board of the Manager.

**Conflict of interest with the Fund:**

Puan Sharifatu Laila is the CEO of Valuecap which is a unit holder of the Fund.

**List of convictions for offences within the past 10 years other than traffic offences:**

None

**Number of Board Meetings Attended in the Financial Year:**

Puan Sharifatu Laila attended 11 out of 12 Board of Directors Meetings held during the financial year.

## Directors' Profile (*continued*)

<b>Name:</b>	<b><i>Encik Hassan Bin Ibrahim</i></b>
<b>Age:</b>	59
<b>Nationality:</b>	Malaysian
<b>Designation:</b>	<b><i>Independent Non-Executive Director</i></b>
<b>Qualifications:</b>	Bachelor of Laws from University of Singapore.
<b>Working Experience and Occupation:</b>	Encik Hassan established the firm of Messrs Hassan & Associates in March 2007, focusing on corporate and conveyancing matters. Prior to that, he was a partner with Messrs Zainal Abidin & Co. since 1989, with involvement in the same areas of specialisation. During his tenure with Messrs Zainal Abidin & Co., he had attended to the preparation of several project financing facility documents based on the Shariah principle of Al-Ijarah, Murabahah and Bai-Bithaman Ajil. He has over 10 years of experience serving Bank Pembangunan Malaysia Berhad from 1976 to 1988 in Project Evaluation & Investment functions.
<b>Date Appointed to Board:</b>	2 November 2007
<b>Details of Membership of any Board Committee:</b>	Encik Hassan is a member of the Board Audit and Risk Management Committee and of the Investment Committee.
<b>Directorship of other public companies:</b>	Encik Hassan is not a director of any public companies.
<b>Family relationship with any director:</b>	Encik Hassan has no family relationship with any of the other director(s) on the Board of the Manager.
<b>Conflict of interest with the Fund:</b>	None

## Directors' Profile (*continued*)

**List of convictions for offences within the past 10 years other than traffic offences:**

None

**Number of Board Meetings Attended in the Financial Year:** Encik Hassan attended 12 out of 12 Board of Directors Meetings held during the financial year.

<b>Name:</b>	<b><i>Y.M. Tunku Afwida Binti Tunku A. Malek</i></b>
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<b>Age:</b>	45
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<b>Nationality:</b>	Malaysian
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<b>Designation:</b>	<b><i>Independent Non-Executive Director</i></b>
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<b>Qualifications:</b>	Bachelor in Science (Hons.) majoring in Economics and Accountancy from The City University (London). She also qualified as a Chartered Accountant from The Institute of Chartered Accountants in England and Wales.
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<b>Working Experience and Occupation:</b>	Tunku Afwida is currently the Director / shareholder of Benih Semaian Sdn. Bhd. an agriculture-related business which is also involved in property project management and funding advisory. Prior to that, she was CEO and Executive Director ("ED") of Kenanga Investment Bank Berhad (2006 to 2008), CEO and ED of MIMB Investment Bank Berhad (2003 to 2006) and ED / Chief Investment Officer ("CIO") of Commerce Asset Fund Managers Sdn Bhd (1995 to 2003).
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<b>Date Appointed to Board:</b>	17 July 2009
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## Directors' Profile (*continued*)

<b>Details of Membership of any Board Committee:</b>	Tunku Afwida is a member of the Board Audit and Risk Management Committee and a member and Chairman of the Investment Committee.
<b>Directorship of other public companies:</b>	CAGAMAS Berhad
<b>Family relationship with any director:</b>	Tunku Afwida has no family relationship with any of the other director(s) on the Board of the Manager.
<b>Conflict of interest with the Fund:</b>	None
<b>List of convictions for offences within the past 10 years other than traffic offences:</b>	None
<b>Number of Board Meetings Attended in the Financial Year:</b>	Tunku Afwida attended 8 out of 12 Board of Directors Meetings held during the financial year.

<b>Name:</b>	<b><i>Encik Rosli Bin Abdullah</i></b>
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<b>Age:</b>	57
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<b>Nationality:</b>	Malaysian
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<b>Designation:</b>	<b><i>Independent Non-Executive Director</i></b>
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<b>Qualifications:</b>	Master in Business Administration from Universiti Kebangsaan Malaysia, Post-Graduate Diploma in Accounting and Bachelor in Economics both from Universiti Malaya. Chartered Accountant and Member of Malaysian Institute of Accountants.
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## Directors' Profile (*continued*)

<b>Working Experience and Occupation:</b>	Encik Rosli currently serves as the Registrar and CEO of the Malaysian Institute of Accountants ("MIA"). He has held the position as Registrar of MIA since December 2007 and was also made its CEO in October 2008. Prior to this, he had served in various capacities in the public and private sector. He was in the public sector from 1976 to 1994. In the public sector he had served with the Ministry of Finance in the Accountant General's office at state and federal treasury departments. He also served as Chief Accountant of the Ministry of Works and for the Ministry of Education. He was attached to the Public Services Department's Government Pension Department as the Chief Accountant and also as Secretary to Teachers Provident Fund. He was the Bursar of Universiti Putra Malaysia and Director Corporate Services at the Accountant General Department. Subsequently, he joined the private sector and served as the Financial Controller / General Manager Finance of Kuala Lumpur International Airport Berhad. He had also served as the Senior General Manager of Putrajaya Holdings Sdn. Bhd. He currently serves as a Director on the Boards of Keretapi Tanah Melayu Berhad and Bank Pembangunan Malaysia Berhad.
<b>Date Appointed to Board:</b>	16 December 2009
<b>Details of Membership of any Board Committee:</b>	Encik Rosli is a member and Chairman of the Board Audit and Risk Management Committee.
<b>Directorship of other public companies:</b>	Keretapi Tanah Melayu Berhad Bank Pembangunan Malaysia Berhad
<b>Family relationship with any director:</b>	Encik Rosli has no family relationship with any of the other director(s) on the Board of the Manager.



## Directors' Profile (continued)

**Date Appointed to Board:** 13 December 2010

**Details of Membership of any Board Committee:** Encik Mahdzir was a member of the Investment Committee up to 12 December 2010.

**Directorship of other public companies:** Encik Mahdzir is not a director of any public companies.

**Family relationship with any director:** Encik Mahdzir has no family relationship with any of the other director(s) on the Board of the Manager.

**Conflict of interest with the Fund:** None

**List of convictions for offences within the past 10 years other than traffic offences:** None

**Number of Board Meetings Attended in the Financial Year:** Encik Mahdzir has attended 1 out of 1 Board of Directors Meeting held during the financial year subsequent to his appointment as a Director on 13 December 2010.

## Investment Committee Members' Profile

The Investment Committee currently has four (4) members, including Y.M. Tunku Afwida Binti Tunku A. Malek (Chairman / Independent) and Encik Hassan Bin Ibrahim (Independent), whose profiles are set out in the Directors' Profile section of this Annual Report, whilst the profile of the other two (2) members of the Investment Committee are as follows:-

<b>Name:</b>	<b><i>Puan Nik Amlizan Binti Mohamed</i></b>
<b>Age:</b>	42
<b>Nationality:</b>	Malaysian
<b>Designation:</b>	<b><i>Non-Independent Member</i></b>
<b>Qualifications:</b>	Bachelor of Arts in Economics/Accounting from Claremont McKenna College.
<b>Working Experience and Occupation:</b>	Puan Nik Amlizan is currently a Director at KWAP overseeing the Equity Department since June 2007. She is Alternate Director to Dato' Azian Binti Mohd Noh at Valuecap. She has over 18 years of working experience, out of which 16 years are in the fund management industry. Prior to joining KWAP, she was General Manager / Head of Equity (Shariah / Ethical) at RHB Asset Management Sdn. Bhd. and Head of Investment Research / Senior Portfolio Manager & Analyst at Mayban Investment Management Sdn. Bhd. She had also served at BBMB Unit Trust Management Berhad and Georgiou Incorporated, United States of America.
<b>Date First Appointed to Investment Committee:</b>	7 January 2008
<b>Conflict of interest with the Fund:</b>	She is an Alternate Director to Dato' Azian Binti Mohd Noh on the Board of Directors of Valuecap and she is also a Director of KWAP both of which are unit holders of the Fund.



## Investment Committee Members' Profile (*continued*)

List of convictions for offences within the past 10 years other than traffic offences:

None

**Name:** Encik Shaharin Bin Md. Hashim

**Age:** 41

**Nationality:** Malaysian

**Designation:** *Non-Independent Member*

**Qualifications:** Bachelor of Arts in Mathematics and Economics from University of Pennsylvania, Philadelphia, USA.

**Working Experience and Occupation:** Encik Shaharin is currently the Head of Investment Research Department of Valuecap which he joined in 2005. He has over 18 years of working experience encompassing areas of analysis and policy and product R&D works in the Malaysian capital and financial markets. Starting off his career at Bank Negara Malaysia at its then Bank Examination Department, he left to conduct Corporate Finance work at Malaysian Technology Development Corporation (MTDC), a venture capital company. Upon leaving MTDC, he was employed by the Malaysian Exchange of Securities Dealing & Automated Quotation Berhad ("MESDAQ") as a Technical Assistant to the Executive Chairman. Encik Shaharin continued his employment in Bursa Malaysia Berhad following the merger of the two exchanges and ended his tenure as Manager, Corporate Finance. In his current capacity as Head of Investment Research at Valuecap, Encik Shaharin oversees a team of specialists responsible for the provision of qualitative and quantitative assessments relevant to the Group's investment portfolios.

**Date First Appointed to Investment Committee:** 18 February 2011

## Investment Committee Members' Profile *(continued)*

**Conflict of interest with the Fund:** He is currently the Head, Investment Research Department of Valuecap which is a unit holder of the Fund.

**List of convictions for offences within the past 10 years other than traffic offences:** None

## Date of First Appointment on Investment Committee and Attendance at Investment Committee Meetings During 2010

<u>Name</u>	<u>Date First Appointed</u>	<u>Attendance</u>
<b>Y.M. Tunku Afwida Binti Tunku A. Malek (Chairman)</b>	17 July 2009	6 of 7
<b>Encik Hassan Bin Ibrahim</b>	7 January 2008	5 of 7
<b>Puan Nik Amlizan Binti Mohamed</b>	7 January 2008	7 of 7
<b>Y. Bhg. Dato' Dr. Aziuddin Bin Ahmad</b> <i>(resigned w.e.f. 12 August 2010)</i>	7 January 2008	3 of 4 (there were 4 meetings held up to date of resignation)
<b>Encik Mahdzir Bin Othman</b> <i>(ceased to be a member of Investment Committee w.e.f. 12 December 2010)</i>	7 January 2008	7 of 7
<b>Encik Mohamad Hishammudin Bin Hamdan</b> <i>(resigned w.e.f. 12 August 2010)</i>	30 December 2008	1 of 4 (there were 4 meetings held up to date of resignation)
<b>Encik Shaharin Bin Mohd Hashim</b>	18 February 2011	-

## Shariah Adviser's Profile

**Shariah Adviser** : CIMB Islamic Bank Berhad ("CIMB Islamic")

Incorporated in Kuala Lumpur, Malaysia on 2 November 2004 as a public company (Co. No. 671380-H) under the Companies Act, 1965.

**Corporate Information** : Principal Activities

CIMB Islamic is the global Islamic banking and finance franchise of CIMB Group Sdn. Bhd. ("CIMB Group"). Currently, CIMB Islamic provides Shariah-Compliant financial products and services in investment banking, consumer banking, asset management, private banking and takaful.

### Shareholding

CIMB Islamic is 100% owned by CIMB Bank Berhad.

**Experience as Adviser** : CIMB Islamic provides advisory services on various Islamic banking and finance products to ensure compliance with applicable Shariah principles as well as the relevant resolutions and rulings made by the Shariah advisory councils of the regulatory bodies and CIMB Islamic Shariah Committee which is comprised of experienced and knowledgeable Shariah advisers with expertise in the field of Islamic law and jurisprudence and Islamic finance.

During the financial year, there were four (4) Shariah Committee meetings with regards to MyETF Dow Jones Islamic Market Malaysia Titans 25 ("the Fund").

**Designated Person** : The designated person responsible for the Fund is Encik Abdul Ghani Bin Endut who is Associate Director, Head of Shariah Advisory, Islamic Banking Division of CIMB Group. He holds a Bachelor of Art (Hons.) in Business Studies from the University of

## **Shariah Adviser's Profile (*continued*)**

East London, United Kingdom and a Bachelor of Art (Hons.) in Islamic Jurisprudence and Legislation from the University of Jordan.

Encik Abdul Ghani joined CIMB in January 2005 as Manager of the Shariah Advisory Unit and the Secretary of CIMB Islamic Shariah Committee. Previously, he was attached to the Shariah Department of the first Islamic bank in Malaysia for more than ten years, where he was the Head of the Shariah Department and the Secretary of the Shariah Supervisory Council. He was actively involved in Shariah advisory activities of the Bank and other external parties. He was also involved in the structuring of Islamic venture capital and as Shariah adviser to Islamic unit trusts.

He is responsible for the provision of Shariah advisory services for all types of Islamic products to both CIMB Group of companies and external parties.

He is currently a member of the Shariah Governance Working Group for the Islamic Financial Services Board (IFSB).

In addition to Encik Abdul Ghani as the designated person responsible for the Fund, CIMB Islamic Shariah Committee comprises the following members:

- Sheikh Prof. Dr. Mohammad Hashim Kamali
- Sheikh Nedham Yaqoobi
- Sheikh Dr. Haji Mohd Na'im Bin Haji Mokhtar
- Sheikh Assoc. Prof. Dr. Shafaai Bin Musa
- Sheikh Dr. Yousef Abdullah Al Shubaily

## Other Information

### Other Relevant Information

- There are no sanctions and/or penalties imposed on the Fund by the relevant regulatory bodies during the financial year and up to the date of this report.
- The following sanctions and/or penalties were imposed on the Manager or its Directors during the financial year:-
  - A penalty of RM6,110.14 was imposed by Inland Revenue Board on the Manager under Section 107C (10) of the Income Tax Act for having its actual tax payable for the Year of Assessment ("YA") 2008 exceeding its tax estimates for the same YA by an amount of more than 30% of the actual tax payable amount.
- There was no material litigation involving the Fund since the last annual balance sheet date.
- The amount of non-audit fees incurred for the Financial Year 2010 for services rendered by PricewaterhouseCoopers Taxation Services Sdn. Bhd. a company affiliated to the Auditors of the Fund is RM8,500.
- There were twelve (12) Board of Directors Meetings held in the Financial Year 2010.
- There were seven (7) Investment Committee Meetings held in the Financial Year 2010.

***i*-VCAP Management Sdn. Bhd. (792968-D)**

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