

MyETF DOW JONES ISLAMIC MARKET MALAYSIA TITANS 25

UNAUDITED STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2018

	<u>Note</u>	<u>31 March 2018</u> RM	<u>Audited</u> <u>31 December 2017</u> RM
<b>ASSETS</b>			
Financial assets at fair value through profit or loss	4	312,498,043	323,354,829
Dividends receivable	5	281,154	41,793
Amount due from stockbrokers		-	762,585
Cash and cash equivalents	6	1,323,070	3,170,565
<b>TOTAL ASSETS</b>		<u>314,102,267</u>	<u>327,329,772</u>
<b>LIABILITIES</b>			
Amount due to Manager		101,304	100,513
Amount due to Trustee		25,522	12,564
Auditors' remuneration		19,560	13,804
Tax agent's fee		6,183	4,425
Shariah adviser's fee		15,904	21,958
Amount due to stockbrokers		-	3,504,853
Payables	7	100,306	89,013
<b>TOTAL LIABILITIES</b>		<u>268,779</u>	<u>3,747,130</u>
<b>NET ASSET VALUE OF THE FUND</b>		<u>313,833,488</u>	<u>323,582,642</u>
<b>EQUITY</b>			
Unit holders' capital		266,429,703	290,554,754
Retained earnings		47,403,785	33,027,888
<b>NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS</b>	9	<u>313,833,488</u>	<u>323,582,642</u>
<b>NUMBER OF UNITS IN CIRCULATION</b>	9	<u>256,300,000</u>	<u>276,300,000</u>
<b>NET ASSET VALUE PER UNIT (RM)</b>		<u>1.2245</u>	<u>1.1711</u>

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

## MyETF DOW JONES ISLAMIC MARKET MALAYSIA TITANS 25

### UNAUDITED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 31 MARCH 2018

	<u>Note</u>	<u>01.01.2018</u> <u>to</u> <u>31.03.2018</u> <u>RM</u>	<u>01.01.2017</u> <u>to</u> <u>31.03.2017</u> <u>RM</u>
<b>INVESTMENT INCOME</b>			
Gross dividend income		2,613,698	1,954,226
Profit from short term Shariah-compliant deposits		6,058	12,116
Net gain on financial assets at fair value through profit and loss	4	18,345,013	12,112,617
		<u>20,964,769</u>	<u>14,078,959</u>
<b>EXPENSES</b>			
Management fee	12	(311,882)	(298,533)
Trustee's fee	13	(38,988)	(37,317)
License fee	14	(31,188)	(29,853)
Transaction cost		(17,295)	(13,148)
Auditors' remuneration		(3,658)	(7,749)
Tax agent's fee		(1,153)	(4,469)
Shariah adviser's fee		(1,585)	(1,980)
Purification of non Shariah-compliant income		(26,304)	(16,642)
Other expenses	15	(31,249)	(38,432)
		<u>(463,302)</u>	<u>(448,123)</u>
<b>PROFIT BEFORE TAXATION</b>		20,501,467	13,630,836
Taxation	16	-	-
		<u>20,501,467</u>	<u>13,630,836</u>
<b>PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD</b>		<u><u>20,501,467</u></u>	<u><u>13,630,836</u></u>
Profit after taxation is made up as follows:			
Realised amount		8,543,704	1,906,433
Unrealised amount		11,957,763	11,724,403
		<u><u>20,501,467</u></u>	<u><u>13,630,836</u></u>

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

MyETF DOW JONES ISLAMIC MARKET MALAYSIA TITANS 25

UNAUDITED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 31 MARCH 2018

	Unit holders' capital	Retained earnings	Total
Note	RM	RM	RM
Balance as at 1 January 2018	290,554,754	33,027,888	323,582,642
Total comprehensive income for the financial period	-	20,501,467	20,501,467
Distribution for the financial year ended 31 December 2017	-	(6,125,570)	(6,125,570)
Cancellation of units	(24,125,051)	-	(24,125,051)
Balance as at 31 March 2018	266,429,703	47,403,785	313,833,488
Balance as at 1 January 2017	293,706,354	4,405,222	298,111,576
Total comprehensive income for the financial year	-	34,846,596	34,846,596
Distribution for the financial year ended 31 December 2016	-	(6,223,930)	(6,223,930)
Cancellation of units	(3,151,600)	-	(3,151,600)
Balance as at 31 December 2017	290,554,754	33,027,888	323,582,642

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

MyETF DOW JONES ISLAMIC MARKET MALAYSIA TITANS 25

UNAUDITED STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 31 MARCH 2018

	<u>Note</u>	<u>01.01.2018</u> <u>to</u> <u>31.03.2018</u> RM	<u>01.01.2017</u> <u>to</u> <u>31.03.2017</u> RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash used in purchase of investments		(5,127,639)	(996,233)
Proceeds from sales of investments		7,500,565	5,002,444
Dividends received		2,374,337	1,985,071
Profit from short-term Shariah-compliant deposits		6,058	12,116
Management fee paid		(311,091)	(292,795)
Trustee fee paid		(26,030)	(36,600)
License fee paid		(29,226)	(1,673)
Payment for other fees and expenses		(70,455)	(89,714)
Net cash generated from operating activities		<u>4,316,519</u>	<u>5,582,616</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payments for cancellation of units		(38,444)	-
Payment of income distribution	17	(6,125,570)	(6,223,930)
		<u>(6,164,014)</u>	<u>(6,223,930)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>			
		(1,847,495)	(641,314)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD</b>			
		<u>3,170,565</u>	<u>1,365,626</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>			
	6	<u><u>1,323,070</u></u>	<u><u>724,312</u></u>

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

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018

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

### A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

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

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

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

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

#### (a) The new standard that are effective:

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

- MFRS 9 “Financial Instruments” will replace MFRS 139 “Financial Instruments: Recognition and Measurement”.

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income (“OCI”). The basis of classification depends on the entity’s business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading).

A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018 (CONTINUED)

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

(a) The new standard that are effective (continued):

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

- MFRS 9 “Financial Instruments” will replace MFRS 139 “Financial Instruments: Recognition and Measurement” (continued).

MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The Fund has reviewed its financial assets and liabilities and does not expect any impact from the adoption of the new standard on 1 January 2018.

There will be no impact on the Fund’s accounting for financial assets as the Fund’s equity investments currently measured at fair value through profit or loss will continue to be measured on the same basis under MFRS 9.

There will be no impact on the Fund’s accounting for financial liabilities as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Fund does not have any such liabilities.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under MFRS 139. It applies to financial assets classified at amortised cost. Based on the assessments undertaken to date, the Fund does not expect any loss allowance to be recognised with the adoption of MFRS 9.

The adoption of this standard did not have any impact on the current or any prior periods and is not likely to affect future periods.

B INCOME FROM SHARIAH-COMPLIANT FINANCIAL INSTRUMENTS

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

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

C NON SHARIAH-COMPLIANT INCOME

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018 (CONTINUED)

D TAXATION

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

E CASH AND CASH EQUIVALENTS

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

F FINANCIAL ASSETS

(i) Classification

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

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

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

(ii) Recognition and measurement

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

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

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018 (CONTINUED)

F FINANCIAL ASSETS (CONTINUED)

(ii) Recognition and measurement (continued)

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

(iii) Impairment of financial assets

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

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

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

G FINANCIAL LIABILITIES

(i) Classification

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

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

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

(ii) Recognition and measurement

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

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



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018 (CONTINUED)

H AMOUNT DUE FROM/TO STOCKBROKERS

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

These amounts are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less impairment for amounts due from stockbrokers. See accounting policy F on impairment of financial assets.

I UNIT HOLDERS' CAPITAL

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

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

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

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

J PRESENTATION AND FUNCTIONAL CURRENCY

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

K 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.

L NET GAINS/(LOSSES)

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018 (CONTINUED)

M DISTRIBUTION

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

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

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

# MyETF DOW JONES ISLAMIC MARKET MALAYSIA TITANS 25

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018

### 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 and a supplemental deed dated 9 December 2016 and 19 June 2017 (the "Deed") entered into between *i*-VCAP Management Sdn. Bhd. (the "Manager") and Deutsche Trustees Malaysia Berhad (the "Trustee").

The Fund was launched on 21 January 2008 and will continue its operations until terminated in accordance with Part 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"), regardless of its performance. 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, profit rate risk and credit/default risk from the following financial instruments:

	Note	Financing and receivables RM	Financial assets at fair value through profit or loss RM	Total RM
<b>31 March 2018</b>				
Financial assets at fair value through profit or loss	4	-	312,498,043	312,498,043
Dividends receivable		281,154	-	281,154
Cash and cash equivalents	6	1,323,070	-	1,323,070
<b>Total</b>		<b>1,604,224</b>	<b>312,498,043</b>	<b>314,102,267</b>
<b>31 December 2017</b>				
Financial assets at fair value through profit or loss	4	-	323,354,829	323,354,829
Dividends receivable		41,793	-	41,793
Amount due from stockbrokers		762,585	-	762,585
Cash and cash equivalents	6	3,170,565	-	3,170,565
<b>Total</b>		<b>3,974,943</b>	<b>323,354,829</b>	<b>327,329,772</b>

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

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

## MyETF DOW JONES ISLAMIC MARKET MALAYSIA TITANS 25

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018 (CONTINUED)

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

##### Market risk

##### Price Risk

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

At 31 March 2018, the fair value of equities exposed to price risk was as follows:

	<u>31 March 2018</u> RM	<u>31 December 2017</u> RM
Financial assets at fair value through profit or loss	<u>312,498,043</u>	<u>323,354,829</u>

The table below summarises the sensitivity of the Fund's unrealized income or loss to equity price movements as at 31 March 2018. 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.

<u>% Change in benchmark index</u>	<u>Benchmark index</u>	<u>Market value</u> RM	<u>Impact to profit after tax/NAV</u> RM
<b><u>31 March 2018</u></b>			
-10%	982.85	282,442,255	(30,055,788)
0%	1,092.06	312,498,043	-
10%	1,201.27	342,553,831	30,055,788
<b><u>31 December 2017</u></b>			
-10%	926.78	302,239,985	(21,114,844)
0%	1,029.75	323,354,829	-
10%	1,132.73	344,469,673	21,114,844

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018 (CONTINUED)

2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Profit rate risk

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

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

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

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 March 2018 is the carrying amount of the financial assets as set out below.

	<u>Cash and cash equivalents</u> RM	<u>Dividends receivable</u> RM	<u>Amount due from stockbrokers</u> RM	<u>Total</u> RM
<b><u>31 March 2018</u></b>				
Financial institutions				
– AAA	1,323,070	-	-	1,323,070
Others	-	281,154	-	281,154
	<u>1,323,070</u>	<u>281,154</u>	<u>-</u>	<u>1,604,224</u>
<b><u>31 December 2017</u></b>				
Financial institutions				
– AAA	3,170,565	-	-	3,170,565
Others	-	41,793	762,585	804,378
	<u>3,170,565</u>	<u>41,793</u>	<u>762,585</u>	<u>3,974,943</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018 (CONTINUED)

3 CAPITAL AND LIQUIDITY RISK MANAGEMENT

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

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

<b><u>31 March 2018</u></b>	<b><u>Within one month RM</u></b>	<b><u>One month to one year RM</u></b>	<b><u>Total RM</u></b>
Amount due to Manager	101,304	-	101,304
Amount due to Trustee	25,522	-	25,522
Auditors' remuneration	-	19,560	19,560
Tax agent's fee	-	6,183	6,183
Shariah adviser's fee	-	15,904	15,904
Payables	7,610	92,696	100,306
	<u>134,436</u>	<u>134,343</u>	<u>268,779</u>
<b><u>31 December 2017</u></b>			
Amount due to Manager	100,513	-	100,513
Amount due to Trustee	12,564	-	12,564
Auditors' remuneration	-	13,804	13,804
Tax agent's fee	-	4,425	4,425
Shariah adviser's fee	-	21,958	21,958
Trade payables	3,504,853	-	3,504,853
Payables	7,264	81,749	89,013
	<u>3,625,194</u>	<u>121,936</u>	<u>3,747,130</u>

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018 (CONTINUED)

4 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>31 March 2018</u> RM	<u>31 December 2017</u> RM
Designated at fair value through profit or loss at inception		
- Shares quoted in Malaysia	312,498,043	323,354,829
	<u>31 March 2018</u> RM	<u>31 March 2017</u> RM
Net gain on financial assets at fair value through profit or loss		
- Realised gain	6,387,250	388,214
- Unrealised gain	11,957,763	11,724,403
	<u>18,345,013</u>	<u>12,112,617</u>

5 DIVIDENDS RECEIVABLE

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

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

6 CASH AND CASH EQUIVALENTS

	<u>31 March 2018</u> RM	<u>31 December 2017</u> RM
Shariah-compliant deposits with a licensed bank	562,045	1,264,717
Cash at bank – From Shariah-compliant income	741,712	1,902,759
Cash at bank – From non Shariah-compliant income	19,313	3,089
	<u>1,323,070</u>	<u>3,170,565</u>

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

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

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018 (CONTINUED)

## 7 PAYABLES

	<u>31 March 2018</u> RM	<u>31 December 2017</u> RM
Amount due to index licensor	55,671	53,710
Amount due to beneficial organisations (Note 8)	19,313	3,088
Printing cost	4,000	4,000
Other payables	21,322	28,215
	<u>100,306</u>	<u>89,013</u>

## 8 AMOUNT DUE TO BENEFICIAL ORGANISATIONS

Amount due to beneficial organisations is the Non Shariah-compliant income portion of dividends received and receivable as at 31 March 2017. It comprises the following amounts:

	<u>31 March 2018</u> RM	<u>31 December 2017</u> RM
Cash at bank – non Shariah-compliant income	<u>19,313</u>	<u>3,088</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.

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

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

	Note	<u>31 March 2018</u> RM	<u>31 December 2017</u> RM
Unit holders' contribution	(a)	266,429,703	290,554,754
Retained earnings		47,403,785	33,027,888
		<u>313,833,488</u>	<u>323,582,642</u>

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

	<u>31 March 2018</u>		<u>31 December 2017</u>	
	No. of Units	RM	No. of Units	RM
At beginning of the period/year	276,300,000	290,554,754	279,100,000	293,706,354
Cancellation during the period/year	(20,000,000)	(24,125,051)	(2,800,000)	(3,151,600)
At the end of the period/year	<u>256,300,000</u>	<u>266,429,703</u>	<u>276,300,000</u>	<u>290,554,754</u>
Approved size of Fund	<u>500,000,000</u>		<u>500,000,000</u>	



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018 (CONTINUED)

## 10 TRANSACTIONS WITH BROKERS

Details of transactions with the brokers for the period ended 31 March 2018 are as follows:

<u>Name of brokers</u>	<u>Value of trade</u> RM	<u>Percentage of total trades</u> %	<u>Brokerage fees</u> RM	<u>Percentage of total brokerage</u> %
BIMB Securities Sdn. Bhd.	4,750,419	56.82	5,701	56.74
Alliance Investment Bank Bhd.	2,974,917	35.58	3,570	35.54
RHB Investment Bank Bhd.	635,430	7.60	775	7.72
	<u>8,360,766</u>	<u>100.00</u>	<u>10,046</u>	<u>100.00</u>

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

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

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

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

	<u>31 March 2018</u>		<u>31 December 2017</u>	
	<u>No. of Units</u>	<u>RM</u>	<u>No. of Units</u>	<u>RM</u>
The Manager	870,800	1,066,295	968,800	1,134,562
Valuecap	500,000	612,250	22,542,800	26,399,873
Shareholders of Valuecap	244,581,300	299,489,802	243,110,300	284,706,472
	<u>245,952,100</u>	<u>301,168,346</u>	<u>266,621,900</u>	<u>312,240,907</u>

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

(b) Transactions with Government-related entities

Shareholders of Valuecap are entity controlled by the Government of Malaysia (“GOM”). Management considers that, for the purpose of MFRS 124 “Related Party Disclosures”, GOM is in the position to exercise control over the Fund. As a result, the GOM and GOM-related entities (collectively referred to as “government-related entities”) are related parties of the Fund.

The Fund has collectively, but not individually, entered into significant transactions with other government-related entities which include but not limited to the investment transactions and investment income of the Fund.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018 (CONTINUED)

12 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 a daily basis, as provided under Clause 14.1 of the Deed.

For the financial period ended 31 March 2018, the management fee was recognised at a rate of 0.4% (2017: 0.4%) per annum on the NAV of the Fund, calculated on daily basis.

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

13 TRUSTEE'S FEE

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

For the financial period ended 31 March 2018, the Trustee's fee was recognised at a rate of 0.05% (2017: 0.05%) per annum on the NAV of the Fund, inclusive of local custodian fee, calculated on a daily basis.

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

14 LICENSE FEE

License fee is payable to S&P Dow Jones Indices LLC, the Benchmark Index provider.

For the financial period ended 31 March 2018, the License Fee was recognised at a rate of 0.04% (2017: 0.04%) per annum of the Net Asset Value ("NAV") of the Fund, calculated on daily basis.

There will be no further liability to S&P Dow Jones Indices LLC in respect of license fee other than the amounts recognised above.

15 OTHER EXPENSES

	<b>01.01.2018 to 31.03.2018 RM</b>	<b>01.01.2017 to 31.03.2017 RM</b>
GST expense	23,720	25,543
Other expenses	7,529	12,889
	<u>31,249</u>	<u>38,432</u>

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018 (CONTINUED)

16 TAXATION

	<b>01.01.2018 to 31.03.2018 RM</b>	<b>01.01.2017 to 31.03.2017 RM</b>
Tax charged for the financial period:		
- Current taxation	-	-

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

	<b>01.01.2018 to 31.03.2018 RM</b>	<b>01.01.2017 to 31.03.2017 RM</b>
Profit before taxation	20,501,467	13,630,836
Tax at Malaysian statutory rate of 24%	4,920,352	3,271,401
Tax effect of:		
Investment income not subject to tax	(5,031,545)	(3,378,950)
Restriction on tax deductible expenses for exchange-traded funds	69,636	67,870
Expenses not deductible for tax purposes	41,557	39,679
	-	-

17 INCOME DISTRIBUTION

Distribution to unit holders is from the following sources:

	<b>31 March 2018 RM</b>	<b>31 March 2017 RM</b>
Undistributed net exempt income brought forward	6,125,570	6,223,930
Exempt dividend income	-	-
Profits from money market placements	-	-
	6,125,570	6,223,930
Less: Expenses		
Exempt non Shariah-compliant income	-	-
Fund related expenses	-	-
Total amount of income distribution	6,125,570	6,223,930

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

<b><u>Distribution date (ex-date)</u></b>	<b><u>Cum-distribution</u> RM</b>	<b><u>Distribution</u> per unit RM</b>	<b><u>Ex-distribution</u> RM</b>
<b><u>2018</u></b>			
1 March 2018	1.2195	0.0239	1.1956
<b><u>2017</u></b>			
1 March 2017	1.0859	0.0223	1.0636

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018 (CONTINUED)

## 17 INCOME DISTRIBUTION (CONTINUED)

Included in the above is an amount of RM6,125,570 distributed from previous financial year's undistributed net realised exempt income.

The first and final income distribution for the financial year ended 31 December 2017 of 2.39 sen per unit was declared on 12 February 2018 based on the financial position of the Fund as at 31 December 2017 with the ex-date of 1 March 2018 and entitlement date of 5 March 2018. The total amount of income distributed was RM6,125,570 based on 256,300,000 of the Fund's units in circulation, which was paid out to unit holders on 29 March 2018.

## 18 MANAGEMENT EXPENSE RATIO ("MER")

	<u>31 March 2018</u> %	<u>31 March 2017</u> %
MER	<u>0.14</u>	<u>0.14</u>

MER is derived from the following calculation:

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

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

The average net asset value of the Fund for the financial period calculated on daily basis is RM319,820,870 (31 March 2017: RM302,616,368).

## 19 PORTFOLIO TURNOVER RATIO ("PTR")

	<u>31 March 2018</u>	<u>31 March 2017</u>
PTR (times)	<u>0.05</u>	<u>0.01</u>

PTR is derived from the following calculation:

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

where: total acquisition for the financial period = RM1,626,236 (31 March 2017: RM998,723)  
total disposal for the financial period = RM6,724,135 (31 March 2017: RM4,991,786)

The average net asset value of the Fund for the financial period calculated on daily basis is RM319,820,870 (31 March 2017: RM302,616,368).

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018 (CONTINUED)

#### 20 SEGMENT REPORTING

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

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

The investment objective of the Fund is to provide investments results that, before expenses, closely correspond to the performance of the Dow Jones Islamic Market Malaysia Titans 25 Index, regardless of its performance.

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

#### 21 NON CASH TRANSACTIONS

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

	<u>31 March 2018</u>	<u>31 March 2017</u>
Cancellation		
- Fair value of benchmark index shares	24,086,607	-
- Cash component	38,444	-
	<u>24,125,051</u>	<u>-</u>

#### 22 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

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

##### (i) Fair value hierachy

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

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018 (CONTINUED)

## 22 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(i) Fair value hierarchy (continued)

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

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

The following table analyses within the fair value hierarchy the Fund's financial assets (by class) measured at fair value at 31 March 2018:

	<u>Level 1</u> RM	<u>Level 2</u> RM	<u>Level 3</u> RM	<u>Total</u> RM
Financial assets at fair value through profit and loss				
- Quoted Shares	312,498,043	-	-	312,498,043

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

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include forward foreign currency contracts. As Level 2 instruments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018 (CONTINUED)

23 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

	<b><u>31 March 2018</u></b> <b>RM</b>
Total accumulated gains of the Fund	
- Realised	(19,686,860)
- Unrealised	67,090,645
	47,403,785
	47,403,785

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.