



AmInvestment Bank

## ETF report

AmInvestment Bank

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# MYETF DJ ISLAMIC 25

(DJIM25 MK EQUITY, DJMT.KL)

22 June 2020

*A proxy to Malaysian large-cap shariah stocks*

## HOLD

(Initiation)

**Rationale for report: Initiation**

Price	RM1.12
Fair Value	RM1.18
52-week High/Low	RM1.16/RM0.86

### Key Changes

Fair value	Initiation
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Source: Bloomberg

### Stock and Financial Data

Shares Outstanding (million)	258.3
Market Cap (RM mil)	289.3
NAV (RM/share)	1.18
P/NAV (x)	0.95
Premium/Discount (%)	(5.1)
MER (%)	0.52
Major Shareholders	N/A
Free Float (%)	100
Avg Daily Value (RM)	237,098

### Fund Info

Date of inception	31-Jan-08
Shariah compliance	Yes
ISIN	MYL0821EA008
Stock code	0821EA
Short name	MyETF-DJIM25
BB ticker	DJIM25 MK
Benchmark index	DJIM Mly Tns 25
Min tradable lot	100
Min creation/redemption value (mil)	0.469
Website	<a href="http://www.myelf.com.my">www.myelf.com.my</a>

### Management

Fund manager	i-VCAP Management Sdn Bhd
Investment manager	N/A
Trustee	Deutsche Trustee Malaysia Berhad
Shariah Adviser	Amanie Advisors Sdn Bhd
Participating dealer	CIMB Investment Bank Berhad RHB Investment Bank Berhad
Market maker	N/A

**Fund description and objective:** MyETF Dow Jones Islamic Market Malaysia Titans 25 (MyETF-DJIM25), an exchange-traded fund (ETF) established in Malaysia, is designed to seek performance generally similar to the Dow Jones Islamic Market Malaysia Titans 25 Index (DJ Islamic 25 Index). The fund invests all its assets in substantially the same weighting as per on the benchmark index.

### Investment Highlights

- We initiate coverage on MyETF Dow Jones Islamic Market Malaysia Titans 25 (MyETF-DJIM25) with a HOLD recommendation. We value the ETF at RM1.18, based on our fair values (for stocks under our coverage) and consensus fair values (for stocks not under our coverage).
- The ETF tracks the performance of the DJ Islamic 25 Index, designed to measure the largest and most liquid Malaysia-domiciled companies that comply with Islamic investment guidelines. The top five holdings of the ETF (as at 19 June 2020) are Top Glove (8.5%), Hartalega (8.4%), Petronas Chemicals (7.4%), IHH Healthcare (7.1%) and Sime Darby Plantation (6.3%).
- The DJ Islamic 25 Index is heavily weighted towards consumer goods (27.2% weighting as at 29 May 2020), healthcare (25.1%), oil & gas (16.5%) and telecommunications (14.1%) (Exhibit 4). These four sectors commanded a combined weighting of close to 83% at the market close in May 2020.
- Despite the dented consumer confidence in the aftermath of the Covid-19 pandemic, sales of consumer goods will be supported by the inelastic demand for consumer staple items (particularly, food items). For consumer discretionary items, we see a bright spot in automobiles, driven by the sales tax holiday under the short-term Economic Recovery Plan (Penjana).
- The growth prospects of the healthcare sector are underpinned largely by the strong demand for personal protective equipment, including gloves. Meanwhile, we believe oil prices have found support with the gradual recovery in demand from China as it reopens its economy, while Opec+ continues to exercise production restraint. Telcos are riding on a new wave of digitalisation of the economy, though partially offset by rising mobile competition amidst escalating capex requirements.
- The performance MyETF-DJIM25 was mixed over the last five years. It registered positive returns (in terms of total return, i.e. appreciation in price plus dividend) in 2015, 2017 and 2019, but losses in 2016 and 2018. On average over the five years (2015–2019), it delivered an annual total return of 1.5%.
- Our analysis shows that there is a positive correlation between the MyETF-DJIM25 and its benchmark index, the DJ Islamic 25 Index, and similarly between the price and net asset value (NAV) of MyETF-DJIM25 over 2015–2019.

## BACKGROUND

MyETF DJ Islamic 25 (MyETF-DJIM25) was listed on the then Main Board of Bursa Malaysia Bhd in Jan 2008. i-VCAP Management is the manager of the ETF.

The ETF adheres to a passive investment strategy. It does not seek to outperform, but only tracks the performance of the benchmark index, i.e. the DJ Islamic 25 Index. The top five holdings of the ETF (as at 19 June 2020) are Top Glove (8.5%), Hartalega (8.4%), Petronas Chemicals (7.4%), IHH Healthcare (7.1%) and Sime Darby Plantation (6.3%). The composition of the ETF is reflected in Exhibit 3.

## OUTLOOK

The DJ Islamic 25 Index is heavily weighted towards consumer goods (27.2% weighting as at 29 May 2020), healthcare (25.1%), oil & gas (16.5%) and telecommunications (14.1%) (Exhibit 4). These four sectors commanded a combined weighting of close to 83% at the market close in May 2020. We are positive on the outlook for consumer goods and healthcare, but neutral on oil & gas and telecommunications.

Consumer confidence has been dented by business closures, job losses and pay cuts in the aftermath of the Covid-19 pandemic. However, sales of consumer goods will be supported by the inelastic demand for consumer staple items (particularly, food items), which is unaffected by new norms such as social distancing, work from home and distance learning. The same cannot be said for consumer discretionary items (such as home appliances and furnishing, automobiles and entertainment) as consumers tighten their belts. Nevertheless, we see a bright spot in automobiles as certain consumers may bring forward their plans to buy a new car, taking advantage of cheaper car prices during the sales tax holiday (from June to December 2020) under the short-term Economic Recovery Plan (Penjana) announced by the government recently.

The growth prospects of the healthcare sector are underpinned largely by the strong demand for personal protective equipment including gloves amidst the Covid-19 pandemic, and it will probably go beyond as a result of stronger hygiene awareness and practices of the entire world population post the pandemic.

We believe oil prices have found support with the gradual recovery in demand from China as it reopens its economy, while Opec+ continues to exercise production restraint. However, we are mindful of the cutbacks in capital expenditure (capex) and operating expenditure (opex) by oil majors in the world (including a 21% and 12% cut in capex and opex respectively by Petronas in 2020). While we are cautious on upstream players and fabricators, we see a bright spot in maintenance and tank storage providers.

Telcos are riding on a new wave of digitalisation of the economy, triggered by the pandemic. However, this is partially offset by rising mobile competition amidst escalating capex requirements against the backdrop of the National Fibreisation and Connectivity Plan (NFCP) agenda to improve national connectivity and affordability.

## HISTORICAL PERFORMANCE

The performance of MyETF-DJIM25 was mixed over the 5-year period from 2015 to 2019 (Exhibit 1). It registered positive returns (in terms of total return, i.e. appreciation in price plus dividend) in 2015 (+4.7%), 2017 (+11.9%) and 2019 (+1.4%), but losses in 2016 (-6.8%) and 2018 (-3.5%). On average over the five years, it delivered an annual total return of 1.5%. For 2020, it has eased 0.9% thus far, not including dividend it shall receive throughout the year.

This was fairly consistent with the performance of the DJ Islamic 25 Index which had good years in 2015 (+2.8%) and 2017 (+9.4%) and lull periods in 2016 (-8.9%) and 2018 (-5.4%). The index had a fairly flattish performance in 2019.

Thus far in 2020, the index has surged 9.4% thanks to the strong share price performance of glove stocks underpinned by the strong demand for personal protective equipment, including gloves amidst the Covid-19 pandemic. However, the ETF's price has not moved in tandem due to pricing anomalies against a backdrop of extremely low share liquidity.

### EXHIBIT 1: MYETF-DJIM25'S PERFORMANCES

	DJIM25 Chg (%)	ETF Chg (%)	ETF Div Sen	Div Yield (%)	Total Return (%)
2015	2.8%	1.7%	3.3	2.8%	4.7%
2016	-8.9%	-8.6%	2.4	2.2%	-6.8%
2017	9.4%	7.0%	2.2	2.0%	11.9%
2018	-5.4%	-0.9%	2.4	2.1%	-3.5%
2019	0.1%	0.0%	2.4	2.2%	1.4%
<b>Avg*</b>	<b>-0.4%</b>	<b>-0.2%</b>	<b>2.5</b>	<b>2.3%</b>	<b>1.5%</b>
2020	9.4%	-0.9%	-	-	-0.9%

\*2015-2019

Source: Bloomberg, AmInvestment Bank Bhd

Our analysis shows that there is a positive correlation between DJ Islamic 25 Index and MyETF DJ Islamic 25 of 77%, and similarly between the price and NAV of MyETF DJ Islamic 25 of 82% (Exhibit 5).

### EXHIBIT 2: MYETF-DJIM25'S PERFORMANCES

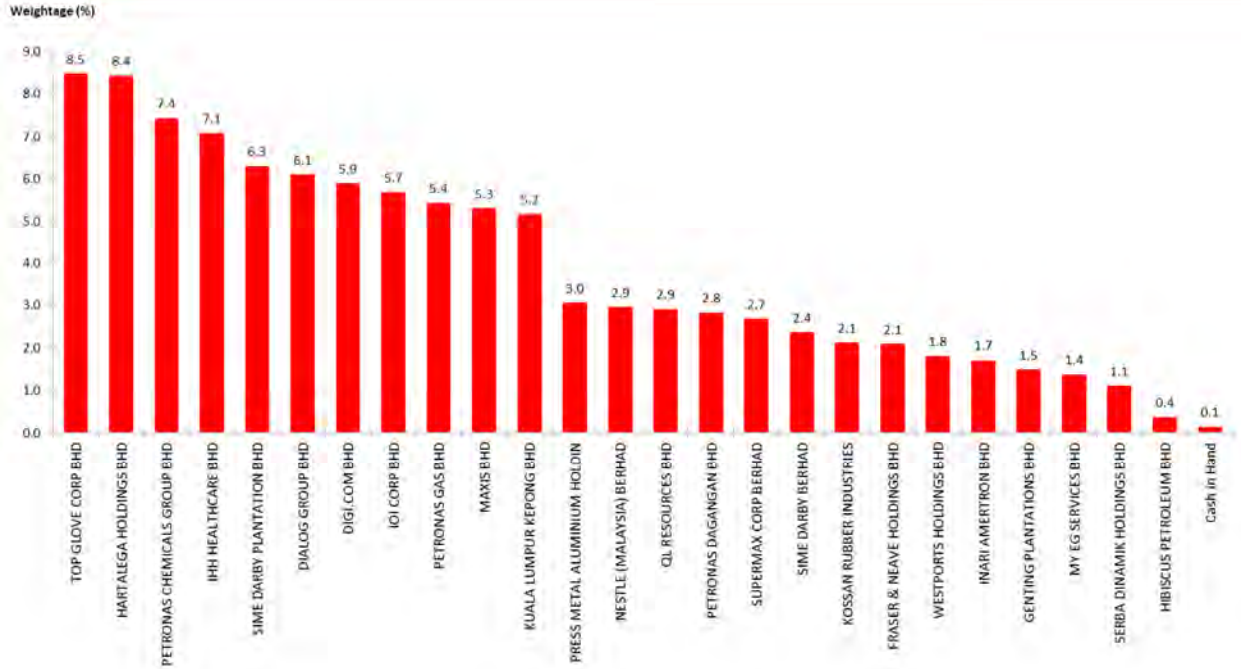
<b>PE (x)</b>	31.3
<b>1Y Fwd PE (x)</b>	26.2
<b>Year</b>	<b>Tracking error (%)</b>
1M	0.03
1Y	0.02
3Y	0.02
5Y	0.01

Source: Bloomberg, AmInvestment Bank Bhd

**VALUATIONS**

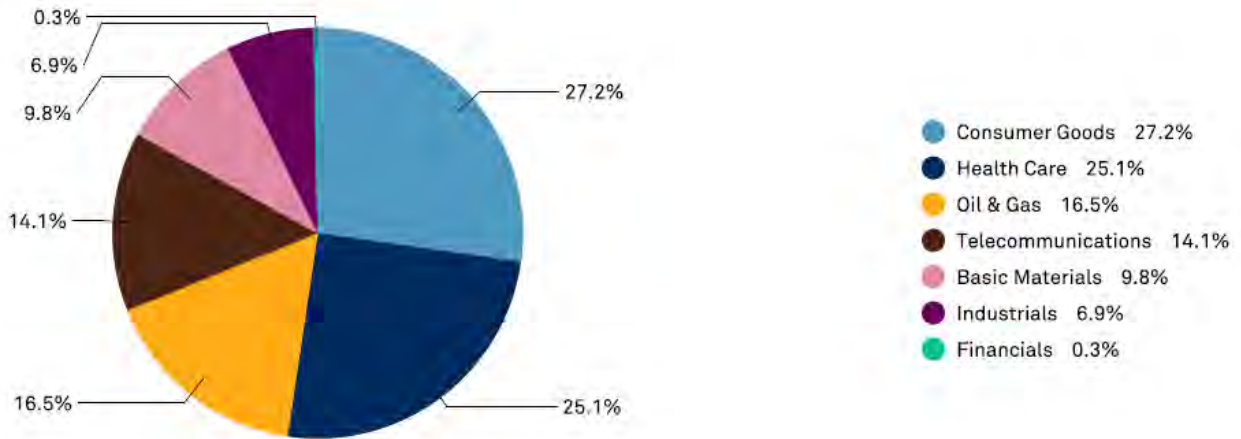
We value MyETF DJ Islamic 25 at RM1.18, based on our fair values (for stocks under our coverage) and consensus fair values (for stocks not under our coverage) (Exhibit 5). It is equal to its NAV of RM1.18 (Exhibit 5). We initiate coverage on the ETF with a HOLD recommendation.

**EXHIBIT 3: MYETF DJIM25 – CONSTITTUENTS & WEIGHTING (%)**



Source: MYETF DJIM25, AmInvestment Bank

**EXHIBIT 4: ETF'S SECTOR WEIGHTING\***



Source: S&P Dow Jones Indices, AmInvestment Bank  
 \*As at 29 May 2020

## EXHIBIT 5: MYETF-DJIM25 – PRICE VS. NAV



Source: Bloomberg, AmInvestment Bank

## EXHIBIT 6: MYETF-DJIM25 – NAV AND FV CALCULATIONS

MYETF DJIM25's NAV				MYETF DJIM's FV				
Stock	No. of shares	Price (RM)	Value (RM)	Stock	No. of shares	FV (RM)	Source	Value (RM)
Top Glove Corp Bhd	2,600	15.40	40,040	Top Glove Corp Bhd	2,600	20.06	AmBank	52,156
Petronas Chemicals Group Bhd	5,600	6.27	35,112	Petronas Chemicals Group Bhd	5,600	7.70	AmBank	43,120
Hartalega Holdings Bhd	3,300	12.08	39,864	Hartalega Holdings Bhd	3,300	12.43	AmBank	41,019
IHH Healthcare Bhd	6,200	5.40	33,480	IHH Healthcare Bhd	6,200	6.06	AmBank	37,572
Dialog Group Bhd	8,100	3.56	28,836	Dialog Group Bhd	8,100	4.85	AmBank	39,285
Sime Darby Plantation Bhd	5,900	5.05	29,795	Sime Darby Plantation Bhd	5,900	3.43	AmBank	20,237
Digi.Com Bhd	6,500	4.29	27,885	Digi.Com Bhd	6,500	4.55	AmBank	29,575
Petronas Gas Bhd	1,500	17.12	25,680	Petronas Gas Bhd	1,500	17.80	AmBank	26,700
IOI Corp Bhd	6,100	4.40	26,840	IOI Corp Bhd	6,100	3.17	AmBank	19,337
Maxis Bhd	4,600	5.45	25,070	Maxis Bhd	4,600	5.50	AmBank	25,300
Kuala Lumpur Kepong Bhd	1,100	22.22	24,442	Kuala Lumpur Kepong Bhd	1,100	18.10	AmBank	19,910
Nestle (Malaysia) Berhad	100	139.00	13,900	Nestle (Malaysia) Berhad	100	18.36	AmBank	1,836
Supermax Corp Bhd	1,700	7.40	12,580	Supermax Corp Bhd	1,700	4.15	AmBank	7,055
Press Metal Aluminium Holdin	3,100	4.65	14,415	Press Metal Aluminium Holdin	3,100	3.94	AmBank	12,214
Petronas Dagangan Bhd	600	22.16	13,296	Petronas Dagangan Bhd	600	18.46	Consensus	11,076
QL Resources Bhd	1,400	9.80	13,720	QL Resources Bhd	1,400	8.00	Consensus	11,200
Sime Darby Berhad	5,200	2.14	11,128	Sime Darby Berhad	5,200	2.21	AmBank	11,492
Kossan Rubber Industries	1,200	8.28	9,936	Kossan Rubber Industries	1,200	9.72	AmBank	11,664
Fraser & Neave Holdings Bhd	300	32.60	9,780	Fraser & Neave Holdings Bhd	300	33.23	Consensus	9,969
Westports Holdings Bhd	2,300	3.70	8,510	Westports Holdings Bhd	2,300	3.81	AmBank	8,763
Inari Amertron Bhd	4,900	1.64	8,036	Inari Amertron Bhd	4,900	2.01	AmBank	9,849
Genting Plantations Bhd	700	10.00	7,000	Genting Plantations Bhd	700	7.19	AmBank	5,033
My Eg Services Bhd	4,400	1.47	6,468	My Eg Services Bhd	4,400	1.58	Consensus	6,952
Serba Dinamik Holdings Bhd	3,200	1.62	5,184	Serba Dinamik Holdings Bhd	3,200	2.20	AmBank	7,040
Hibiscus Petroleum Bhd	2,500	0.67	1,675	Hibiscus Petroleum Bhd	2,500	0.63	Consensus	1,575
Cash In Hand			608	Cash In Hand				608
<b>NAV</b>			<b>473,280</b>	<b>FV</b>				<b>470,537</b>
<b>NAV/unit</b>			<b>1.18</b>	<b>FV/unit</b>				<b>1.18</b>

Source: Bloomberg, AmInvestment Bank, MYETF DJIM25

## PERFORMANCE

Total return	1M	3M	6M	1Y	3Y	5Y	Inception
Price	15.18	6.60	1.75	7.62	7.16	9.75	46.70
NAV	16.57	16.12	14.04	11.91	15.27	18.25	53.29
Benchmark	14.97	16.92	15.00	13.78	18.22	22.99	66.71

Source: Bloomberg

## GLOSSARY

Creation Application	An application to create new Units
Redemption Application	An application to redeem existing Units
Creation Unit Block	The quantity of Units which will be issued upon a successful Creation Application in respect of one (1) whole In-Kind Creation Basket This quantity of Units may change from time to time as determined by the Manager, approved by the Trustee and notified to the Participating Dealers
Redemption Unit Block	The quantity of Units which are required to be delivered to the Trustee in exchange for one (1) whole In-Kind Redemption Basket in a Redemption Application. This quantity of Units may change from time to time as determined by the Manager, approved by the Trustee and notified to the Participating Dealers
Creation Securities	The Permitted Investments which, together with the Cash Component (if any), comprise an In-Kind Creation Basket or multiples thereof, are required to be deposited with the Trustee (but which shall not form part of the Fund Assets until such time as the Creation Application is successfully completed) by or for the account of a Participating Dealer pursuant to an approved and successful Creation Application submitted by that Participating Dealer.
Redemption Securities	The Permitted Investments which, together with the Cash Component (if any), comprise an In-Kind Redemption Basket or multiples thereof, are to be distributed from the Fund to or for the account of a Participating Dealer pursuant to an approved and successful Redemption Application submitted by that Participating Dealer in accordance with the provisions of the Deed.
Tracking error	The volatility from the average of excess returns versus the benchmark of defined granularity over the timeframe specified. Tracking error is used as a measure of quality of benchmark tracking.

For more info on the definition of ETF and benefits of investing in it, kindly refer to <http://www.bursamarketplace.com/mkt/themarket/etf>.

For more other info about the ETF, kindly refer to the fund's website, Bursa's website or its prospectus.

## FUND RATING STRUCTURE AND DEFINITIONS

<b>BUY</b>	Minimum expected total return (capital gains + dividend yield) of 15% over a period of 12 months.
<b>HOLD</b>	Expected total return (capital gains + dividend yield) of between <+15% and >-15% over a period of 12 months).
<b>UNDERWEIGHT</b>	Minimum expected negative total return (capital gains + dividend yield) of 15%-20% over a period of 12 months.
<b>SELL</b>	Minimum expected negative total return (capital gains + dividend yield) of >20% over a period of 12 months.
<b>UNRATED</b>	Stock not within AmBank Research regular coverage; AmBank Research does not have a view on its fair value and valuation.
<b>ACCEPT OFFER</b>	Shareholders are recommended to accept the offer of share acquisition after an evaluation by the analyst that shows the offer is "fair and reasonable", providing an exit opportunity to the shareholders to realise their investment in cash at the offer price.

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