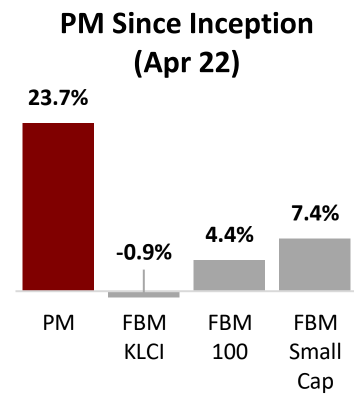
Riding on the Rebound

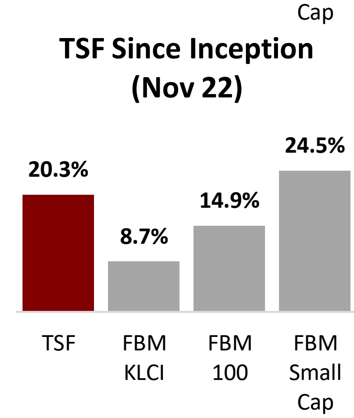
Commentaries: April 2024

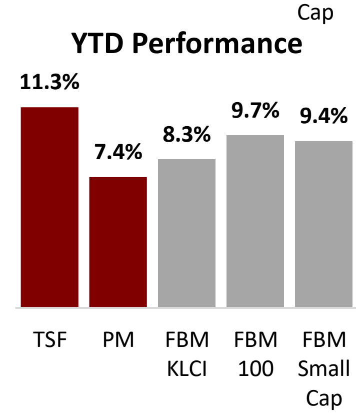
Return (%)	April 2024	Year-To-Date	Since Inception (TSF: Nov 22)	Since Inception (PM: Apr 22)
Tradeview Sustainability Fund (TSF)	3.6%	11.3%	20.3%	N/A
Discretionary Private Mandate (PM)	2.8%	7.4%	N/A	23.7%
FBM KLCI Index	2.6%	8.3%	8.7%	-0.9%
FBM 100 Index	2.5%	9.7%	14.9%	4.4%
FBM Small Cap Index	3.4%	9.4%	24.5%	7.4%

Performance vs Benchmark

The FBMKLCI (+2.6% MoM) sustained its strong run into April mainly due to support from local institutional investors, which mitigated sell-down by foreign investors. Utilities, Healthcare, and Industrial sectors lead the gains, whilst Construction and Finance were underperformers for the month. The FBM100 Index (+2.5%) and the FBM Small Cap Index (+3.4%) also rallied in tandem with the general market. With these positive tailwinds and our proprietary investment methodology, we outperformed the benchmarks by achieving a +3.6% and +2.8% return for the TSF and PM respectively.







Portfolio Deep dive

We continue to adopt a bottom-up approach in picking stocks which has resulted in a portfolio that is concentrated in small and mid-cap names. This strategy has paid off as it has largely outperformed the large caps. While we did not manage to capitalize as much on the hot sectors such as Utilities and Healthcare, shrewd picks in our portfolio, such as ATAIMS, CAB and SHANG anchored our performance during the month. Returns were further boosted by our heavyweights in the Industrial sector, as well as our limited exposures to the Property, Construction, and Technology sectors which were the laggards during the month.

The heightened geopolitical risk tensions during the month also boosted Energy stocks. This is another sector that we have been underweight due to ESG considerations, with DIALOG being our sole exposure. Nonetheless, we believe that oil prices will be dictated by demand outlook in the long-term and impact from supply concern will likely be short-lived. Hence, we remain cautious on oil & gas counters and believe the upcoming 1Q earnings season in May could present us with some buying opportunities.

Looking ahead, we believe that the ongoing pivot by the EPF from overseas to domestic investments will provide some level of support to the market. As such, we will aim ride this tailwind and lock in some profits after the 1Q earnings season. In our view, the potential rollout of subsidy rationalization and tax reforms, coupled with the elevated investor optimism could result in a risk-reward proposition that may not be as favourable in the next few months.

Global Markets Commentary

The ever distant 2% inflation target remains out of reach as for the third straight month, inflation showed that it is here to stay. Core prices, which exclude volatile energy and foods increased at a 3.7% annualized rate during the quarter and was up 2.8% in the year through March. Rates have been kept constant as anticipated by investors, however, questions arose on how the Fed would navigate for the remaining of 2024 and beyond. Fed Chair Jerome Powell in the most recent meeting has outlined the two scenarios in which rate cuts would be warranted: 1) inflation resuming the decline seen last year and 2) the labour market exhibiting material and unexpected weakness. If rate cuts do occur, we would potentially see larger fund flows returning and benefitting higher-yielding regions like Asia which would ultimately benefit Malaysia.

The China recovery has continued with the Shanghai Composite Index and Hang Seng Chinese Enterprise Indexes gradually recovering with investors cautiously participating. However, the property sector which makes up one quarter of economic activity, continues to plague the nation with purchasing demand remaining soft – this depresses property prices which impacts both the local governments and developers' source of revenue from land sales. The latest PMI readings showed continued growth although at a slower rate with April coming in at 50.4 vs March of 50.8, providing investors with glimmers of hope of China achieving its annual 5% growth target. We will continue to remain vigilant and open to opportunities, particularly in sectors poised for growth as Beijing repivots and directs funds to develop high-tech manufacturing sectors such as renewable energy and electric vehicles. Domestically, sectors such as financials, consumer goods, e-commerce, selective technology firms, and dividend-yielding stocks hold promise for future investments.

Other macro developments include the skyrocketing of cocoa prices due to disease and suboptimal weather in the main cocoa supplying region of West Africa – this further compounded existing structural issues such as ageing trees and under-investment that has compressed yields. The spike in cocoa and coffee prices will prompt major F&B players to reevaluate their current supply chain arrangements. On the geopolitical front, Israel launched a retaliatory attack on Iran as response to a strike by Iran on Israeli soil. The initial aftermath of the exchange of strikes resulted in a general sell down of markets with a short-lived increase in oil prices. Our local bourse was also affected amidst the sequence of strikes and conflict; however, it has since recovered – approaching the 1,600 level not seen since 2022. We will continue to monitor and evaluate our portfolio allocation in light of the everchanging geopolitical dynamics.

Closing Remarks

The beginning of Q2 has largely been trending in the right direction for us and we are looking forward to the further implementation of domestic policies and economic-friendly measures. We will also continue to anticipate a rerating of valuations and earnings recovery for local companies, supported by factors like healthy domestic consumption, improving exports, and the return of foreign tourists and fund inflows. Our strategy remains focused on identifying opportunities that stand to gain from the thematic tailwinds of the various frameworks, master plans, and budget measures that will be executed.

As always, our portfolio remains resilient and diversified as it is crafted through a meticulous bottoms-up approach with an emphasis on undervalued names and opportunistic stock-picking. Having successfully distributed 6 cents per unit to reward our longstanding and patient unitholders of the Tradeview Sustainability Fund, we remain committed to achieving sustainable positive returns for our clients.

Sincerely,

Tradeview Capital