



The Black Myth Storm

Commentaries: August 2024

Return (%)	August 2024	Year-To-Date	Since Inception (TSF: Nov 22)	Since Inception (PM: Apr 22)
Tradeview Sustainability Fund (TSF)	-2.1%	18.4%	28.0%	N/A
Discretionary Private Mandate (PM)	-1.3%	13.2%	N/A	30.5%
FBM KLCI Index	3.3%	15.4%	15.8%	5.6%
FBM 100 Index	0.6%	16.2%	21.7%	10.6%
FBM Small Cap Index	-10.1%	6.7%	21.5%	4.9%

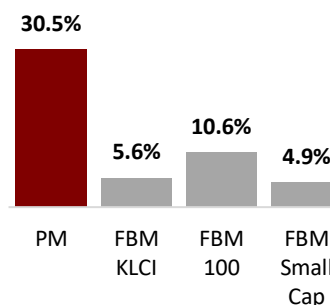
Performance vs Benchmark

The FBMKLCI (+3.3% MoM) notched decent returns in August coming in at 1,678 points as foreign investors continued to contribute with a cumulative net inflow of RM2.5bn – doubling the net inflow last month. Outperformers this month for our KLCI were driven by Finance (+8.5%) and Plantation (+1.5%) as foreign fund flows continued to take positions in blue chip banks. Underperformers for the month were Technology (-14.9%) as costs remain elevated whilst topline growth continued to stagnate which was unexpected to most investors as the expectation for recovery was further delayed. Construction (-10.6%) and Property (-9.1%) because of profit-taking following a strong 7M24, muted earnings growth and rotation to banks. The FBM100 Index (+0.6%) was resilient for the month whereas the FBM Small Cap Index (-10.1%) which is an indicator of retail participation suffered a sizeable decline as retail investors transitioned to a risk-off mode.

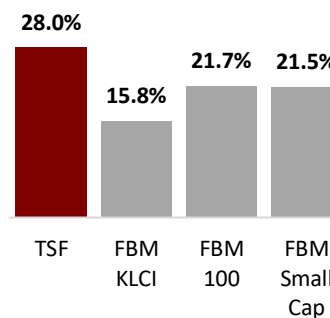
Our funds performance for the month were -2.1% for the TSF and -1.3% for the Private Mandate. Despite the minor stumble, we remain confident and optimistic in finishing the year strong with our YTD gains currently standing at 18.4% for the TSF and 13.2% for the PM.

The Ringgit strengthened by 6% against the USD, bolstered by strong foreign investment inflows and local institutional buying. Malaysia's GDP growth accelerated to 5.9% YoY in 2Q24, boosting investor confidence, particularly in the tech and high-tech industries, driven by increasing FDI commitments. The IPO market is also experiencing a resurgence, with proceeds up 15% year-over-year to USD 674 million. Government initiatives, such as the National Semiconductor Strategy and the National Energy Transition Roadmap, are positioning Malaysia as a key hub for high-tech industries and continue to be

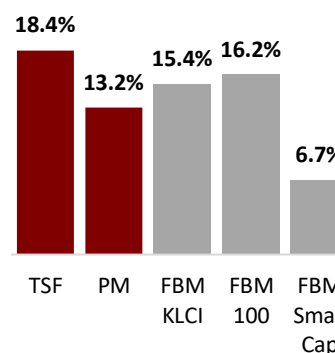
PM Since Inception (Apr 22)



TSF Since Inception (Nov 22)



YTD Performance





tailwinds for our country. Upcoming catalysts include the Budget 2025 announcement and the continued rollout of major infrastructure projects, which are expected to sustain the positive momentum.

Portfolio Deep Dive

We continue to adhere to our strategy of locking in profits for our portfolios and pursuing short-term trades on several names such as KENERGY, WELLCHIP, and EPB. However, the recent market downturn has also opened up new opportunities, allowing us to strategically add positions in stocks like SKBSHUT, PBA, and DANCO. We have significantly reduced our exposure to the more economically-sensitive Consumer Discretionary sector, while increasing our allocation to defensive Healthcare names.

In terms of performance, the intensifying headwinds in the small and mid-cap space led to a broad-based decline across our portfolios. Nevertheless, the strong gains in several banking stocks which has been in our portfolio for a long time, including PBBANK and MAYBANK, as well as the post-earnings rally in PBA, helped mitigate some of the negative impact on our returns. We remain committed to our core philosophy of holding on to stocks that offer good value while exiting those that no longer meet our criteria. We will not hesitate to cut losses if the fundamentals no longer justify its existence.

Global Markets Commentary

August started with a frightening global market sell-off, primarily triggered by the unwinding of yen carry trades. This was compounded by renewed fears of a recession and a gradual trend of disinflation. Although the Bank of Japan signaled no immediate rate hikes, Japan's rising inflation suggests that future rate increases could lead to more market volatility.

The US economy has been showing signs of a slowdown, but the risk of a recession remains low. The labour market is cooling, as reflected by the slowest job growth in two and a half years and a significant downward revision in nonfarm payrolls. Despite this, consumer spending and services sector growth continue to support the economy, with the services PMI rising to 55.2 and home sales improving. Inflation has eased to its lowest level since March 2021 at 2.9% YoY, leading to expectations of gradual interest rate cuts by the Fed. Housing starts and building permits have declined, signaling a slowdown in the housing market, but consumer confidence remains resilient. As the US heads toward the presidential election later this year, economic policies, including potential rate cuts by the Fed, are anticipated to mitigate recession risks, with the benchmark rate expected to be reduced to 4.50-4.75% by the end of 2024. Most major economies finished the month in negative territory, likely due to fund outflows based on the expectations of a Fed rate cut and a potential weakening of the USD.

Meanwhile, the release of "Black Myth: Wukong," China's first AAA game by Game Science, founded by ex-employees of Tencent Holdings and which Tencent Holdings currently holds a 5% stake, is taking the gaming world by storm. Despite it being a China-produced game, in just three days since its launch, it sold



over 10 million copies and generated CNY3 billion (approx. US\$422 million) in revenue. As of 3rd September, it has reached \$852.4 million in gross revenue (before platform fees and taxes) on Steam based on new data from VG Insights. This brings its estimated sales on the platform to over 17.8 million units.

This feat is particularly significant considering the anti-Chinese has been on the rise in the past few years. The millennials and generation Z appear to appreciate the cultural backstory of the game which is the main reason that made it so popular. Its widespread popularity is a positive indicator that our world is more interconnected and mutually appreciative of the distinct culture of history of the people and unlike what the politicians wants to portray. Celebration of diversity remains alive and well.

Additionally, this game has the potential to significantly boost the country's economy by driving consumer spending in the gaming sector and related industries. Consumers are showing a growing preference for content and experiences over goods. Companies like NetEase and Bilibili, both heavily involved in the gaming industry, reported strong YoY growth in online gaming revenue following the game's release. The game's success reflects China's strategy to invigorate its economy by fostering domestic innovation and creating products that captivate both local and global audiences regardless of political leanings or agenda. It is also an important mark that highlights the shift towards experience-based consumption, which could become a key driver of economic growth in China especially for the youth.

That said, the property market continues to weigh heavily on its economy, with new home sales by the top 100 developers worsening from a 17% YoY decline in June to 19.7% in July. Average home prices in 70 cities also saw sharper declines, particularly in tier-3 cities (-5.9%) and tier-1 (-8.8%) locations. Any recovery in the property sector is expected to be slow, with continued price declines likely through the second half of 2024. This is the main reason that stopped us from taking a bottom fishing strategy towards the China stocks for the past two years. Prudence over greed.

Closing Remarks

Our all-weather portfolio construction proved resilient in this month of volatility as our Private Mandate and TSF only experienced minor stumbles. In comparison, a lot of our peers suffered high single digit to double digit declines for the August month due to their large exposure in the aforementioned decliners. We will continue to remain level-headed whilst reinforcing discipline in locking-in gains along the uptrend. The months ahead would become increasingly hard to navigate, so as it comes down to the wire, we will be even more cognizant of the risk and be extremely cautious.

Sincerely,

Tradeview Capital