



A Humble Reflection

Commentaries: December 2023

Return (%)	December 2023	Year-To-Date	Since Inception (TSF: Nov 22)	Since Inception (PM: Apr 22)
Tradeview Sustainability Fund (TSF)	2.3%	7.3%	8.1%	N/A
Discretionary Private Mandate (PM)	2.2%	10.4%	N/A	15.2%
FBM KLCI Index	0.1%	-2.7%	0.4%	-8.5%
FBM 100 Index	0.9%	0.6%	4.7%	-4.9%
FBM Small Cap Index	1.5%	9.6%	13.8%	-1.8%

In 2023, the financial markets experienced a significant rebound in both stock and bond performance, marking a much-awaited recovery from the challenging conditions of the previous year. This positive shift was attributed to a robust economy, corporate earnings surpassing expectations (possibly due to initial bearish projections factoring in a potential US recession in 2023), and the apparent halting of the Federal Reserve's interest rate hikes. Most developed markets concluded the year on a positive note, dispelling the anticipated recession. However, a notable setback occurred as where China highly anticipated economic recovery after it abandoned its zero-COVID policy failed to materialize. This development impeded the broader regional recovery, leaving many eager investors disappointed.

It's essential to note the resilience displayed by various sectors, particularly in the technology domain. Technology and growth stocks experienced a significant surge, propelled by expectations of multiple Fed rate cuts in 2024 and the burgeoning advancements in artificial intelligence technologies. Leading the charge, Nvidia along with the Magnificent Seven set new highs, underscoring the prominence of AI ambitions, digital networks, and unparalleled revenue growth. Nvidia, in particular, boasted a remarkable gain of approximately 239%, emphasizing the enduring significance of the AI theme in the years ahead.

The current market sentiment is optimistic about the US achieving a "soft landing," where the economy slows enough to curb high inflation without plunging into a recession. The anticipation of three quarter-point cuts to the benchmark rate in the coming year adds further fuel to the market's momentum in 2024. To note, the market's bullish stance for 2024 raises questions about potential over-optimism, with concerns about the number of priced-in rate cuts. Despite this positive outlook, we remain cognizant of the volatility that may persist throughout the year, driven by economic data points, market sentiments, and geopolitical risks.

In exercising caution, we firmly believe that Asian equities, including those in Malaysia, presents value. Our focus remains on identifying quality companies, with an increased emphasis on dividend-paying stocks for their defensive characteristics in the face of uncertain macroeconomic and geopolitical conditions. Key areas of focus for 2024 include the bottoming tech hardware cycle, recovery plays and structural themes, sectors benefiting from China's reopening, and Malaysia's optimistic outlook due to political stability and potential gains from strategic roadmaps and plans.

Throughout the year, MSCI Asia ex-Japan delivered positive returns, while FBM100 and FBMSC indices also posted gains. Specific sectors that outperformed included utilities (+51.43%), property (+34.47%), and



construction (+25.78%), whereas underperformers included consumer (-5.60%), industry products (-4.84%), and telecommunication (-3.46%).

In retrospect, 2023 was marked not by overarching investment themes but by individual stock performances aligning with the right sectors at opportune moments. The robust performance of specific sectors such as utilities, property and construction were not broad-based; instead, it was driven by selective stocks that exhibited quality fundamentals. It's essential to recognize the pivotal role of exceptional stock-picking skills in shaping successful investment portfolios. Even in the presence of short-lived thematic trades, our fund managers demonstrated an ability to identify excellent investment opportunities that significantly contributed to the overall portfolio performance.

Our funds outperformed local benchmarks for the month, with the private mandates achieving a gain of 2.2% and the TSF experiencing a remarkable turnaround of 2.3%, attributed to an active and careful trading strategy including our commitment to investing in quality names way ahead of the market.

The KLCI valuation has been discounted due to various factors, including foreign fund outflows, a strengthening USD, disappointing China recovery, unexciting corporate earnings growth, volatile oil prices, and slower-than-expected policy implementation. However, in 2024, positive factors, such as the implementation of domestic policies and economic-friendly measures, may lead to a market upswing. We anticipate a rerating of valuations and potential earnings recovery for local companies, supported by factors like healthy domestic consumption, improving exports, and the return of foreign tourists and fund inflows.

As we move forward, our strategy remains focused on identifying opportunities aligned with thematic tailwinds and benefiting from various frameworks, master plans, and budget measures. Our resilient and diversified portfolio, crafted through a meticulous bottom-up approach, emphasizing undervalued names and opportunistic stock-picking, positions us well for continued success.

Special appreciation is extended to the entire team for their creative ideas and hard work, resulting in another fruitful year. The positive net return of 8.1% achieved by TSF in 2023 (since inception) and remarkable growth in Assets under Management (AUM) in 2023 reflects the team's dedication. Gratitude is extended to you for your unwavering support, trusting us with your hard-earned savings. We are hopeful outlook that we can share another year of positive returns in 2024.

As we bid farewell to 2023, uncertainties persist, but strategic investment decisions guided by a thoughtful approach can navigate the complexities of the capital market landscape. The market has a humbling effect and as we are entrusted with safeguarding your funds, we will ensure to always learn from past mistakes and improve constantly to deliver our fiduciary responsibility to all clients. Wishing everyone a Happy New Year, filled with prosperity and success.

Sincerely,

Tradeview Capital