Crouching Market, Hidden Dragon

Commentaries: February 2024

Return (%)	February 2024	Year-To-Date	Since Inception (TSF: Nov 22)	Since Inception (PM: Apr 22)
Tradeview Sustainability Fund (TSF)	2.9%	7.9%	16.7%	N/A
Discretionary Private Mandate (PM)	1.2%	5.3%	N/A	21.3%
FBM KLCI Index	2.5%	6.7%	7.0%	-2.4%
FBM 100 Index	2.3%	6.4%	11.5%	1.2%
FBM Small Cap Index	0.4%	2.6%	16.8%	0.8%

Very stealthily, the KLCI has rebounded from 1376 levels on 30th June 2023 by 175 points in the past 8 months. It continued its strong start to the year with a 2.5% month-on-month increase ending the month at 1,551 points – maintaining its five-month streak of consecutive gains. The gains came from the Technology (+4.2%), Consumer (+3.7%) and Energy (+3.3%) sectors whilst laggard sectors for the month were the Healthcare (-4.2%), Property (+0.1%) and Utilities (+0.5%). Foreign funds continued their return to our markets, being net buyers for the fourth consecutive month – nearly doubling the net buy to RM1.3bn from RM0.7bn a month before. Comparing our local bourse's decent performance to our regional peers for the month, the Jakarta Composite Index returned +1.5%, Thailand's SET +0.5% whilst the Singapore STI returned -0.4%. Our portfolios continued its stellar start to the year with the PM registering a gain of +1.2% and the TSF returning +2.9% for the month.

Despite February being a short trading month that was made even shorter with the Chinese New Year break, activity picked up towards the final two weeks as it was the start of results season. There was generally decent reported growth in Q42023 across sectors with the Transportation, Real Estate, Auto and Construction sectors contributing to this, whilst the Gloves, Plantation, Gaming and Petrochemicals sectors reported lacklustre earnings. With the uptake in markets and return of foreign fund flows, we are optimistic and excited to see further initiatives by our government, regulators, and capital market operators to invigorate our markets. A positive development was announced recently in which both the Securities Commission and Bursa Malaysia pledged to cut the approval time for listings on both Main Market and ACE Market to three months – this bodes well in terms of increasing our market's appeal and value proposition for future IPOs.

The Ringgit continued to weaken against the greenback as the market tapered expectations of a Fed rate cut in March and the US economy being more resilient than expected. Over the longer term, we believe the US economy may slow down and in turn push the Fed to cut rates. This will help to narrow the interest rate differential between the US and Malaysia, which will be supportive to the Ringgit. Hence, we believe it is unlikely for the MYR to further weaken substantially from the current levels. It is our view that the current forex levels would be beneficial for the export and tourism sectors. Another potential tailwind for the tourism sector would be the gradual return of Chinese tourists as a result of the weak ringgit.

The AI rally continued to push the S&P500 and the tech-heavy Nasdaq composite to new highs fuelled by Jensen Huang's Nvidia – which became the latest company (and third after Apple and Microsoft) to achieve a USD2tn market cap. Nvidia has been the main driving force behind the US market's dizzying ascend, having contributed more than a quarter of the S&P500 YTD gains. This has led to a multiplier effect and helped fuelled a wider rally across the global stock market. What remains to be seen is whether this trend of continuous growth and demand remains sustainable to continue supporting the US market. Despite Nvidia's huge dominance, there is still the perennial threat of existing chip industry rivals (AMD, Intel) getting their act together although they are currently playing catchup and the emergence of new competitors (Nvidia's main customers and the big cloud companies: Amazon, Microsoft, Google) beginning their foray into chip design.

The much-anticipated flagship National People's Congress will begin this week as we closely monitor China's initiatives and policy moves to spur their economic recovery. All eyes will be on Premier Li Qiang as he delivers China's report card detailing targets for policy focus areas, economic growth levers and military spending budget – with additional scrutiny on how China intends to extricate themselves from the multitude of economic, geopolitical, and demographic obstacles they are currently facing. The trifecta of low investor confidence, real estate crisis and deflationary pressures have really hamstrung the Chinese economy. Whilst many have called for the stimulus floodgates to open, China has to date opted for a targeted and measured stimulus response with many analysts opining President Xi seeing the current downturn as a necessary short-term pain to realise his long-term goal of being an advanced manufacturing superpower specialising in high-quality development – as evidenced from their exports of electric vehicles and solar panels. As we have reiterated many times in previous newsletters, a change in China's fortunes would be an additional tailwind for Malaysia's markets, Ringgit and potential booster for our portfolio.

With two strong months to start the year, we continue to remain optimistic and 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 potential 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. The ongoing water tariff revision is another area which we are closely following as this will highly likely be a boon for water infrastructure related players.

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. Most importantly, the trust you all have placed in us paid off as our fund positioned for this recovery as soon as its inception allowing us to capitalise on the upcycle and deliver stellar returns to all of you. Looking forward to seeing you all who are attending our annual event themed Sustainable Investing For Tomorrow on Saturday, 9th of March 2024.

Sincerely,

Tradeview Capital