



Return Of The Funds

Commentaries: January 2024

Return (%)	January 2024	Year-To-Date	Since Inception (TSF: Nov 22)	Since Inception (PM: Apr 22)
Tradeview Sustainability Fund (TSF)	4.9%	4.9%	13.4%	N/A
Discretionary Private Mandate (PM)	4.0%	4.0%	N/A	19.8%
FBM KLCI Index	4.0%	4.0%	4.4%	-4.8%
FBM 100 Index	4.0%	4.0%	8.9%	-1.1%
FBM Small Cap Index	2.2%	2.2%	16.4%	0.4%

The new year began on a very strong note as the KLCI breached the psychological 1,500 level - a level not seen since January 2023. It closed at 1512 points at 17 months high. This was mainly contributed by the Construction, Energy and Property sectors which have posted year-to-date gains of 9.1%, 7.7% and 5.7% respectively. Our Tech sector has been the worst performing with a YTD loss of -2.3% due to the slower recovery of demand especially customers of the semiconductors players based in China. We do not rule out there may be some bottom-fishing opportunities in quality names provided the horizon of investment is lengthened. The return of the funds both foreign (net buy flow entry RM 630 Million) and local institutions being net buyers for consecutive days have lifted the local bourse delivering the fine start which many investors have been eagerly awaiting. For the month, our portfolios continued to outperform the local benchmarks FBM100 (+4.0%) and FBMKLCI (+4.0%) with the PM registering a gain of +4.0% and the TSF continuing its stellar run with a return of +4.9%.

Although optimism was in the air, "January effect" was not without drama. The bubble finally burst for 16 highly leveraged overly inflated stocks that were mostly under some form of margin financing and warehousing arrangement. We had 0 exposure to this incident as all of these companies are fundamentally flawed without any decent earnings growth, yield or quality assets to justify its lofty the valuations. It is one of those occasions where honesty pays and being prudent helped our fund maintain its strong performance.

Other major local developments were that of Bank Negara Malaysia (BNM) maintaining OPR at 3% which will be supportive for our economic growth. Although this was largely expected, in line with the Federal Reserve anticipated to start cutting rates in June (our house view), it is likely that BNM will not be needing to increase OPR anymore. Moving further south, our 17th Malaysian King, Sultan Ibrahim Iskandar of Johor was sworn in and will begin his five-year reign as the new Agong. This is widely regarded as positive catalyst for Johor thematic plays and Malaysia-Singapore developments. Having a reputation of being pro-business and pro-economy, it is another attractive proposition for foreign investors when looking for investment destinations among countries in Southeast Asia.

On the global front, the Fed held the benchmark federal-funds rate steady at 5.25-5.50% - the highest it has been in the past twenty years, as it awaits more convincing evidence that the trend of declining inflation will continue. The consensus still expects the Fed to reduce the rate by 150bps cumulatively in the next seven meetings in 2024. Last Friday was tech results day with Amazon and Meta leading the gains in Big Tech stocks. Meta increased its market cap by USD 197 billion to USD 1.2 trillion as a result of its unexpected first-ever quarterly dividend coupled with Q4 sales and outlook exceeding consensus. Amazon was mainly riding on the tailwinds of the bumper holiday retail sales. Nvidia, being the designated AI enabler and premier chipmaker gained 5% after both Apple and Meta doubled down on investing in AI this year. The Magnificent Seven with their strong balance sheets and other haven assets continue to be



the go-to options for investors as they are secure and non-risky – in the face of uncertain corresponding interest rate path.

As we approach the turn of the Lunar New Year, conditions remain lacklustre in China with weaknesses on multiple fronts. There was a contraction in the manufacturing activity for the fourth straight month with the PMI at 49.2 for January. The current environment was further weighed down with a decline in January's new-home sales which was down 34% from a year earlier. The Chinese property developers who have been the bedrock of the previous economic growth, continues to spiral with many developers defaulting on their overseas debt (Evergrande was recently ordered to liquidate by a Hong Kong court). Having already released various stimulus, it remains to be seen if China will finally open the floodgates to restore confidence. We are carefully monitoring the recent announcement of a USD 278 billion package aimed at propping up their stock markets as reported by Bloomberg. If this is executed well, it may just be the turning point for China's stock market. With the imminent approach towards the year of the Dragon, we are hoping for a change in fortunes in China's economy as their recovery would be an additional tailwind for Malaysia's markets, Ringgit and potential booster for our portfolio.

We remain optimistic for a continuous market upswing with the implementation of domestic policies and economic-friendly measures. 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. 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. Another trend that we are carefully monitoring is the ongoing water tariff revision which 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.

Lastly, we are glad to announce that our Tradeview Sustainability Fund (TSF), after 13 months have made it into the top 10 of Malaysia-based equity fund, ranking #6th out of 67 on the Lipper Table in The Edge. This is something the team worked hard to achieve and thank you all for continuing to entrust us with your hard-earned monies. Gong Xi Fa Chai to all who celebrate the Chinese New Year and Happy Holidays to others. May the year of the Dragon, bring forth abundance of wealth, happiness and good health.

Sincerely,

Tradeview Capital