TRADEVIEW CAPITAL

Building Wealth, Preserving Legacy

Once Bitten, Twice Shy

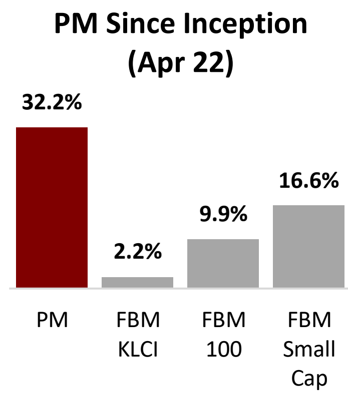
Commentaries: July 2024

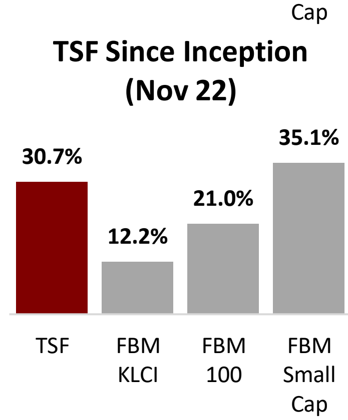
Return (%)	July 2024	Year-To-Date	Since Inception (TSF: Nov 22)	Since Inception (PM: Apr 22)
Tradeview Sustainability Fund (TSF)	2.0%	20.9%	30.7%	N/A
Discretionary Private Mandate (PM)	-0.7%	14.8%	N/A	32.2%
FBM KLCI Index	2.2%	11.7%	12.2%	2.2%
FBM 100 Index	2.6%	15.5%	21.0%	9.9%
FBM Small Cap Index	0.6%	18.7%	35.1%	16.6%

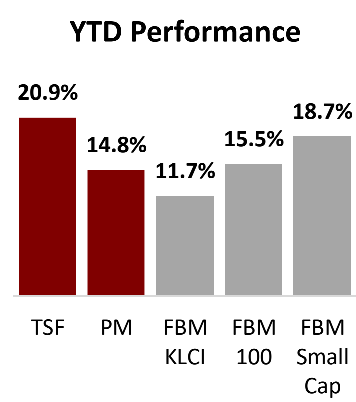
Performance vs Benchmark

The FBMKLCI (+2.2% MoM) notched decent returns in July coming in at 1,626 points as foreign investors contributed with a cumulative net inflow of RM1.3bn and becoming net buyers for the month. We were a laggard regionally for the month as our KLCI gained +2.2% for the month whilst our peers performed slightly better: STI (+3.7%), PSEI (+3.2%), JCI (+2.7%). However, our local bourse's YTD gain is 11.7% which still leads all our regional comps of Singapore (+6.7%), Philippines (+2.6%), Indonesia (-0.2%) and Thailand (-6.7%). Outperformers this month for our KLCI were driven by Construction (+14.4%) and Property (+4.9%) as the Data Centre theme continues to play out, and Finance (+4.1%) as foreign fund flows continued to take positions in blue chip banks. Underperformers for the month were Healthcare (-3.4%) mainly due to weakness in glove counters following a downgrade report by Maybank Investment Bank, and both Technology (-2.3%) and Industrial Production (-2.0%) affected by a confluence of developments which include ASML's downward guidance, Tesla highlighting softer EV demand from China and Nvidia's delay in launching of new chips. The FBM100 Index (+2.6%) and FBM Small Cap Index (+0.6%) also notched healthy gains.

Our funds performance for the month were +2% for the TSF and -0.7% for the Private Mandate. As we enter the second half of the year, we remain confident in exceeding our hurdle rates, with YTD gains of 20.9% for the TSF and 14.8% for the PM. We remain optimistic on our market's wellbeing as it should be supported by good earnings growth and policy tailwinds.







Portfolio Deep Dive

In line with our strategy, we focused on taking profits from strong performers such as PTT, AFFIN, and CPETECH, while also conducting profitable short-term trades on KJTS and KENERGY. We initiated new positions in N2N, TAKAFUL, and AIRPORT, as their valuations appeared attractive. Overall, we have substantially reduced our sector exposure in Industrials and increased diversification across other sectors.

The weakness among smaller-cap stocks in the second half of July negatively impacted our portfolio performance. This was primarily due to retracements in key holdings such as SUNVIEW and MFLOUR, which were not fully offset by gains elsewhere. Nevertheless, we will adhere to our investment philosophy of buying stocks with a good margin of safety and will focus on names that we believe might deliver positive surprises during the upcoming earnings season in late August.

Global Markets Commentary

It has been an eventful July in the US, as President Biden decided not to seek re-election with the Democrats quickly consolidating and throwing their support behind Vice President Kamala Harris. This has reduced Trump's lead in the polls and has resulted in a tighter race as we enter the final few months of campaigning. We have yet to see the details of Kamala's economic plan should she get elected whereas a Trump administration would likely revolve around expansionary fiscal policy, enacting more tariffs which are inflationary and lowering rates. Trump is pro-cryptocurrency and has even suggested to pay off the US national debt amounting to US$35 trillion using Bitcoin in a Fox Business interview. Whether he means it or not, this is foretelling of the kind of policy concerns that will come with his administration in the event Trump wins a second term.

All eyes remain on the Fed as there are concerns of diminishing growth with a lower-than-expected July payrolls report which highlighted unemployment rising to its highest level since 2021 (4.3% vs 4.1% in June) coupled with slowing job growth. This was further compounded by the BOJ unexpectedly hiking rates by 25 basis points which caused the unravelling of the popular carry trade leading to a horde of panicked investors unwinding their positions – this caused the Nikkei to endure its largest single day decline of 12% since 1987, erasing most of its YTD gains. The fallout of this event has roiled global markets including ours resulting in the KLCI having to endure a rough start in the month of August – our local bourse dropped -4.6% to 1,536.48, this is the largest one-day drop not seen since the March 2020 selloff (-5.3%) during Covid. The Fed's next meeting will be in mid-September in which they are widely expected to begin a sequence of overdue rate cuts with some analysts and investors anticipating a 50 basis points cut. Our in-house view maintains that it is likely that the first interest rate cut will come in September at 25 basis points for now.

Looking towards the world's second largest economy, China unexpectedly cut lending rates after a top policy meeting, as the government continues to its effort in boosting its sluggish economy. The one-year loan prime rate will be lowered to 3.35 per cent, the first cut since 2023. China has relied on cutting lending rates in recent years to reinvigorate its weak domestic consumption and revitalize its prolonged property slowdown. Analysts from the community have stressed that broader policy reforms coupled with fiscal stimulus is much needed to restore private sector confidence – with some opining that rate cuts should be more substantial to have an effect. This is unlikely in the short term as officials are attempting to keep a balance between avoiding currency depreciation and ensuring long-term yields are stable.

Closing Remarks

Our firm was fortunate to experience a decent start to the second half of the year with gains to both our Private Mandate and TSF. However, as of the first week of August, the unexpected development in Japan and slowdown in the US has caused our local markets to plunge and endure a lot of uncertainty and volatility to start the month. It has been a painful turn of events with the magnitude of this selloff reminding our team to be ever cognizant and mindful of the repercussions of global market forces. We remain true to our core values of being prudent and level-headed amid this chaotic turmoil whilst reinforcing discipline in locking-in gains along the uptrend for our clients who have put their trust in us. As always, we at Tradeview Capital will continue to always act in the best interest of our clients and will strive to deliver meaningful and sustainable returns.

Sincerely,

Tradeview Capital