TRADEVIEW CAPITAL
Building Wealth, Preserving Legacy

# Resilient, Diversified, and Bottoms-Up Crafted

## ***Commentaries: March 2024***

| Return (%) | March 2024 | Year-To-Date | Since Inception (TSF: Nov 22) | Since Inception (PM: Apr 22) |
|---|---|---|---|---|
| **Tradeview Sustainability Fund (TSF)** | -0.5% | 7.4% | 16.2% | N/A |
| **Discretionary Private Mandate (PM)** | -0.6% | 4.7% | N/A | 20.6% |
| FBM KLCI Index | -1.0% | 5.6% | 6.0% | -3.4% |
| FBM 100 Index | 0.5% | 7.0% | 12.1% | 1.8% |
| FBM Small Cap Index | 3.1% | 5.8% | 20.4% | 3.9% |

Time flies, and we find ourselves at the close of the first quarter of 2024 in the blink of an eye. It seems like just yesterday we were welcoming the new year. And here we are, on April Fool's Day, marking another year of our firm's anniversary. It's been an adventurous 2 years for our team, during which we've learned a great deal, from honing our business development strategies to driving growth in assets under management, and from making sound investment decisions to weathering market fluctuations.

Let's delve into the events of the past quarter that have contributed to the positive performance of our portfolio thus far. Primarily, our success can be attributed to the adept stock-picking skills of our fund managers, which have proven to be more influential than external macroeconomic factors. However, it's essential to acknowledge the continued significance of the macro environment, which will likely shape market movements over the next two months until the onset of corporate earnings season.

The global bond and equity markets have concluded the first quarter on a high note, with investors bracing for further volatility after months of fluctuating between optimism and pessimism regarding potential rate cuts by major central banks. The S&P 500 has seen its fifth consecutive month of gains, buoyed by robust economic performance, record-high corporate earnings estimates, technological advancements, and expectations of future rate cuts by the Federal Reserve.

Despite the scaling back of expectations for Fed rate cuts, the US dollar remains strong, reflecting investors' confidence in a scenario of rate cuts unaccompanied by recession. However, some analysts caution against conflicting economic signals, highlighting the need for vigilance in such uncertain times. Amid rising interest in put options for downside protection, US stock market sentiment appears to be prudent, possibly signaling a period of consolidation before the emergence of new market catalysts.

In China, indexes such as the Shanghai Composite Index and Hang Seng Chinese Enterprise Index have rebounded, albeit modestly, reflecting renewed investor interest. However, fundamental challenges persist, particularly in the property market, where indicators like declining profits and rising bad loans underscore ongoing economic weaknesses. Nevertheless, there are glimpses of optimism, with manufacturing activity (Purchasing Managers' Index figures in March returned to expansion territory of 50.8 from 49.1 in February) showing signs of recovery, suggesting a gradual stabilization of the economy. Yet, sustained recovery will likely depend on additional stimulus measures and improvements in the property market. As we navigate these market dynamics, we remain vigilant and open to opportunities, particularly in sectors poised for growth. Domestically, sectors such as financials, consumer goods, e-commerce, selective technology firms, and dividend-yielding stocks hold promise for future investments.

In the energy market, Brent crude oil has seen a notable uptick, fueled by optimistic global growth forecasts and increased oil demand projections. Meanwhile, the FBMKLCI (+5.6% QoQ) has continued its upward trajectory, buoyed by strong performances in key sectors like utilities, property, construction, and energy. During the quarter, both the FBM100 Index and the FBM Small Cap Index followed the upward trajectory of the FBMKLCI, reflecting gains of 7% and 5.7% respectively since December 2023. The top-performing sectors during the quarter included Utilities, Property, Construction, and Energy, while Technology, Healthcare, and Consumer sectors experienced lackluster performance, albeit remaining in positive territory.

Our portfolio is predominantly focused on small to mid-cap stocks with healthy fundamentals, which unfortunately did not capitalize as much as we like on the favorable performance seen in cyclical sectors like Property, Construction, Energy, and Utilities. The gains in Property and Construction were primarily driven by news flow surrounding projects in Johor, including the rollout of MRT3, Bayan Lepas LRT, Johor-Singapore RTS, and the Sarawak Master development plan, although the earnings impact of these developments is yet to materialize. There may be a case of sentiment outpacing fundamentals in the abovementioned thematic trades.

Regarding Energy stocks, we adopted a cautious approach following the early-year rally fueled by positive sentiment around increased Petronas Capex. This caution was prompted by the onset of the monsoon season in first quarter of each year, which historically results in poor 1Q results for energy companies, presenting potential buying opportunities soon.

Our limited exposure to selective utility stocks, such as Tenaga and YTL Power, is due to stretched valuations resulting from positive sentiment on National Energy Transition Roadmap (NETR) policies. However, we remain optimistic about engineering, procurement, construction, and commissioning (EPCC) players like Sunview and Samaiden, the beneficiaries of government initiatives such as the Large Scale Solar 5 project which was announced today. This project is likely to offer significant scale and margin potential. Furthermore, we maintained our focus on the ongoing water tariff revision and water infrastructure upgrading plans, recognizing its potential to significantly benefit players in the water infrastructure sector over the longer run, such as YLI and Resintech.

Looking ahead, we anticipate a period of consolidation in the local equity market, pending significant policy developments. Key catalysts for market growth include fiscal reforms, accelerated development spending, and initiatives outlined in the NETR. Moreover, factors such as attractive valuations, high dividend yields, and currency fluctuations are likely to attract foreign investors. Attention will also be focused on upcoming government initiatives, such as subsidy rationalization and tax reforms, which could impact market sentiment and economic performance in the months to come.

We want to hereby express our heartfelt thanks to all who have remained with us over the past two years, and we are committed to further enhancing our efforts to achieve sustainable positive returns. As a token of our appreciation, we are thrilled to announce a distribution of 6 cents per unit to reward our unitholders of the Tradeview Sustainability Fund. Although our actual realized income is higher, we are conserving the excess gains for rainy days. This is the nature in which our fund operates. We always plan for contingency and black swan events ensuring your hard-earned monies are always safe. Distributing dividend at this early stage of the fund. This accomplishment is particularly noteworthy as it sets us apart within the boutique portfolio management segment, where such gestures are rare. Lastly, we hope you will stay with us for the years to come as we continue to grow Tradeview Capital role in Malaysia's capital market.

**Sincerely,**

**Tradeview Capital**