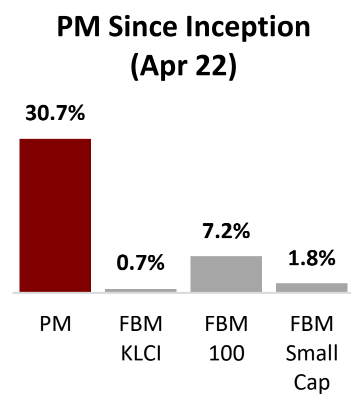
October Blues

Commentaries: October 2024

Return (%)	October 2024	Year-To-Date	Since Inception (TSF: Nov 22)	Since Inception (PM: Apr 22)
Tradeview Sustainability Fund (TSF)	-2.2%	16.6%	26.1%	N/A
Discretionary Private Mandate (PM)	-1.5%	13.5%	N/A	30.7%
FBM KLCI Index	-2.9%	10.1%	10.5%	0.7%
FBM 100 Index	-1.7%	12.7%	18.0%	7.2%
FBM Small Cap Index	-2.3%	3.7%	18.0%	1.8%

Performance vs Benchmark



Bursa Malaysia faced another challenging month in October, with the FBM KLCI dropping 2.9% MoM, narrowly staying above the 1,600-point support level. Foreign investors turned net sellers, resulting in a RM1.8 billion net outflow that erased nearly half of their YTD cumulative inflows. However, the sell-off was cushioned by local institutions, who stepped in with RM1.8 billion in net purchases. Foreign selling was largely concentrated in banks and TNB, though GAMUDA attracted net buying interest.

Sector performance was mixed: Construction (+2.2%), REIT (+1.8%), and Healthcare (+1.3%) led gains. Despite no major new infrastructure projects in the Budget 2025 announcement, GAMUDA's recent contract wins bolstered Construction sector sentiment. Retail REITs performed well due to an improved sector outlook, while the Healthcare sector saw continued demand, partly due to higher U.S. import tariffs on Chinese gloves. The Plantation sector (+1.0%) also gained momentum in late October, supported by a surge in crude palm oil prices. Conversely, Utilities (-7.2%) was weighed down by YTLPWR, Telecom (-3.1%) faced setbacks related to the second 5G network rollout, and Consumer (-2.5%) saw declines, likely due to market disappointment with Budget 2025 provisions. Our portfolios were impacted by these market headwinds, with TSF down 2.2% and Discretionary Private Mandate accounts dipping 1.5% for the month. Nonetheless, we remain optimistic for year-end performance, with YTD gains still solid at 16.6% for the TSF and 13.5% for the Private Mandate accounts.

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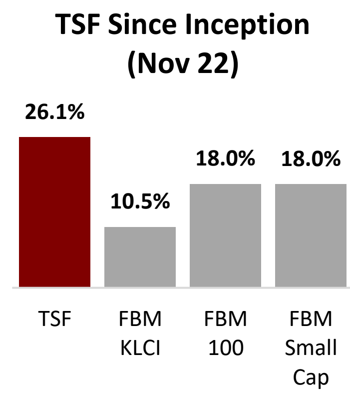
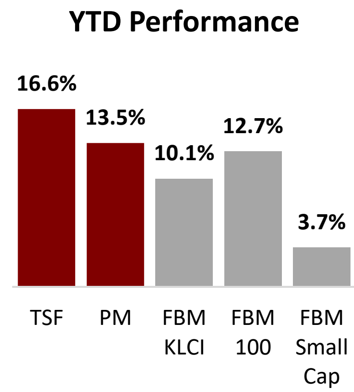
Portfolio Deep Dive

In October, we maintained our bottom-up investment strategy, selectively entering positions to align with sector opportunities and macro themes. We added INTA to capitalize on the anticipated construction upcycle and initiated a position in SIME as a proxy for a potential recovery in China. Additionally, DPHARMA was acquired as a play on the strengthening MYR and anticipated healthcare financing reform.

Meanwhile, we exited positions in MKHOP and PWROOT, realizing gains on TOMEI, which resulted in a reduced Consumer Staples exposure and an increased weighting in Health Care and Industrials. Performance-wise, most holdings faced headwinds, with FEYTECH, SKBSHUT, and SEALINK acting as particular drags. Gains in HARTALEGA partially offset these losses.





Global Markets Commentary

In October, the U.S. market saw fluctuating sentiment as investors weighed recession risks. Economic indicators like non-farm payrolls and wage growth hinted that a soft landing might be achievable. However, persistently high inflation tempered expectations for substantial rate cuts, although the Fed is still expected to ease rates by 25 basis points in the upcoming November meeting. The start of earnings season added to market uncertainty: banks offered upbeat projections, but tech companies, especially in the semiconductor space, issued cautious guidance. Meanwhile, attention has pivoted to the presidential election, with markets pricing in an increasing probability of a Republican victory, reflected in a stronger USD and rising bond yields towards the end of October.

Investor enthusiasm toward China's recent stimulus measures, initially announced in September, has moderated. New initiatives, such as raising local government debt ceilings and purchasing idle land from distressed developers using regional bonds, are aimed at bolstering confidence among investors and homebuyers. While it's still early to gauge the full impact, there are early signs of recovery in China's October economic data. Official manufacturing PMI indicates the first expansion in factory activity since April, and new home sales have seen a strong month-on-month increase. We also anticipate that the Chinese government might be conserving additional stimulus for potential economic headwinds, particularly tariffs that could re-emerge under a Trump administration.

Domestically, the MADANI Budget 2025 was met with mixed reactions from an investor's perspective. The absence of decisive fiscal reforms, like a comprehensive RON95 subsidy removal or GST reimplementation, left many underwhelmed. New measures like the Dividend Tax is deemed anti-business and socialist measure in nature. The tax-on-tax impact also affected the sentiment of business owners and investors. It is a dangerous precedent that was set by the Ministry of Finance. Nonetheless, the Budget appears to be a compromise between fiscal responsibility and political considerations. Looking ahead, the spotlight will be on the upcoming 3Q 2024 corporate earnings season, where we expect heightened earnings volatility due to the rapid strengthening of the Malaysian Ringgit.

Closing Remarks

While our portfolios' performance suffered setbacks in October due to the market correction, we maintain hope for a year-end recovery and is seeking to re-deploy our cash holdings. Our attention is now focused on the upcoming corporate earnings season, which we believe presents a timely opportunity to do so. We've decided to increase our allocation to the China/H.K. market, where we are starting to see a potential bottom to the market and may offer an attractive risk-reward balance driven by favorable valuations and strong government support for capital markets. Our core investment philosophy remains steadfast: we will continue to prioritize stocks offering a solid margin of safety.

Sincerely,

Tradeview Capital