Overcoming the “September Effect”

Commentaries: September 2023

Return (%)	September 2023	Year-To-Date	Since Inception (TSF: Nov 22)	Since Inception (PM: Apr 22)
Tradeview Sustainability Fund (TSF)	0.4%	1.6%	2.3%	N/A
Discretionary Private Mandate (PM)	0.4%	7.0%	N/A	11.7%
FBM KLCI Index	-1.9%	-4.8%	-1.7%	-10.4%
FBM 100 Index	-1.6%	-1.7%	2.3%	-7.1%
FBM Small Cap Index	0.7%	8.5%	12.7%	-2.8%

The month of September continued its historical trend of being a bad month, with the KLCI declining a further 1.9% MoM to 1,424 points. Cumulatively, this brought the KLCI’s 9M2023 decline to -4.8% year to date. The doldrums were clearly widespread with both the FBM 100 and Small Cap also posting meagre returns for the month. With diligent stock-picking and prudent management, our team bucked the trend and overcame the “September Effect” – notching a +0.4% monthly gain for both the PM and TSF.

The best performing sectoral indices this month were Energy, Construction, Property and Healthcare; continuing their performance from last month, whilst the laggards were the Finance, Tech and Utilities sectors. These could be attributed to the lingering tailwinds of the previous announcements and policies by the government such as the the National Energy Transition Roadmap (NETR), and the recent New Industrial Master Plan 2030 (NIMP).

We will be looking forward to the upcoming Budget 2024 announcement as this could be a much-needed spark to lift our markets out of the doldrums and finish the year on a respectable note. With the slew of plans already announced (Madani Economy Framework, NETR, 12MP MTR, NIMP) the Budget 2024 should be consistent and complementary to the current initiatives and policies in place. Hence, we are anticipating additional policies that i) are accommodative to renewables, EVs and industrial productions, ii) bolster the manufacturing and tech sector, iii) provide more clarity on the rollout of mega projects such as the MRT3, High Speed Rail and Penang LRT. Other potential policies and initiatives that we will also be looking out for will be the Capital Gains tax on unlisted shares, reimplementation of GST (although unlikely in our view) and reforms to address the declining FDI and DDI trend.

On the global front, there was consensus that the Fed funds rate has peaked or will soon peak at 5.25-5.5% with potentially another rate hike in the remaining two meetings of this year. In the most recent Fed meeting, the Federal Open Market Committee (FOMC) through the dot plot projections signalled support for one more quarter-point rate rise while indicating fewer rate cuts for 2024 and 2025. To add to the complexity of achieving growth in the US, student loan repayments have resumed, the autoworker strike remains unresolved and the surge in oil prices stemming from recent supply cuts – which may lift the cost of goods and services. We will be closely monitoring to see whether the Fed can engineer a soft landing for the US economy by forging a path to bring inflation down without excessive job losses.

Looking further East, China continues to be lackluster having endured weakness in their real estate and shadow banking sectors. Quick fixes were enacted to address these issues, with Citic Group and China Construction Bank coming to the aid of Zhongrong, whilst the Chinese government embarked on a supportive approach to prop up the property market by instructing lenders to ease lending curbs, cut mortgage rates and reduce down-payments for home purchases. The recovery of China remains crucial to

Malaysia’s wellbeing as they are our largest trading partner; as such, we will be hoping for further tangible stimulus to be announced by the Chinese government in the coming months.

Amidst the increasingly tumultuous global backdrop and dreary local landscape, we continued to utilize our proprietary bottoms-up approach to look for undervalued names coupled with opportunistic stock-picking in sectors that still stood to benefit from thematic tailwinds. As such, we entered into some names related to the ongoing tourism recovery and industrial production. To ensure that we have a robust and multi-weather portfolio, we also diversified into select overseas names whilst reducing our stakes in cyclical names such as building materials and property, while taking profit on financials. Cash holding remains at a healthy level as we enter the last quarter of the year, with an eye to enter some names in our watchlist as valuations become increasingly attractive and thematic trends continue to play out.

Sincerely,

Tradeview Capital