TRADEVIEW CAPITAL

Building Wealth, Preserving Legacy

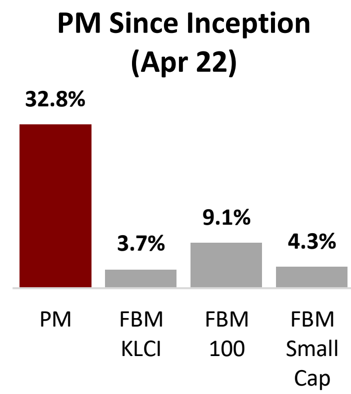
A September to Remember

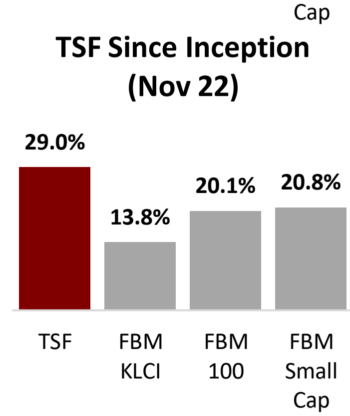
Commentaries: September 2024

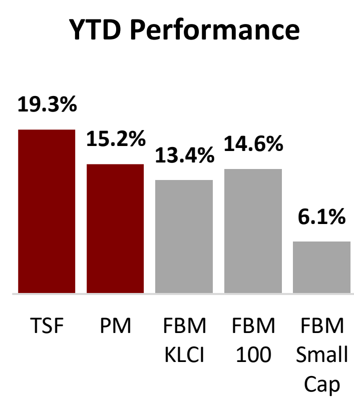
Return (%)	September 2024	Year-To-Date	Since Inception (TSF: Nov 22)	Since Inception (PM: Apr 22)
Tradeview Sustainability Fund (TSF)	0.7%	19.3%	29.0%	N/A
Discretionary Private Mandate (PM)	1.8%	15.2%	N/A	32.8%
FBM KLCI Index	-1.8%	13.4%	13.8%	3.7%
FBM 100 Index	-1.4%	14.6%	20.1%	9.1%
FBM Small Cap Index	-0.6%	6.1%	20.8%	4.3%

Performance vs Benchmark

The FBMKLCI (-1.8% MoM) stumbled in September coming in at 1,649 points as foreign investors net inflow weakened to RM0.5bn for the month vs the very strong cumulative net inflow of RM2.5bn last month – cumulatively the buy flows YTD is RM3.6bn. Outperformers this month for our KLCI were driven by Healthcare (+6.9%) as glove counters underwent a resurgence following the higher tariff rates imposed the US on Chinese medical gloves producers coming into effect 2025 instead of the initial, Construction (+5.2%) rebounding from last month's selloff as the data centre theme returned coupled with increasing talks of government infrastructure spending and Property (+4.2%) mainly from investors bottom fishing. Underperformers for the month were Energy (-8.7%) as largely attributed to profit taking from the decline in oil prices. Technology (-7.3%) declined mainly due to the strengthening Ringgit against the USD, dampening the narrative of a robust second half recovery for tech players. The FBM100 Index (-1.4%) also experienced a decline in tandem with the main KLCI. The FBM Small Cap Index (-0.6%) which is an indicator of retail participation continued its downward trend from last month as retail investors continued to be in a risk-off mode. Our funds delivered a resilient performance for the month bucking the larger trend with a +0.7% for the TSF and +1.8% for the Private Mandate. We continue to remain optimistic in finishing the year strong with our YTD gains currently standing at 19.3% for the TSF and 15.2% for the PM.







Portfolio Deep Dive

During the month, we subscribed to the IPOs of 99 Speed Mart and KHPT, while also initiating new positions in TOMEI and HUMEIND to hedge against USD weakness. Concurrently, we capitalized on gains by trimming positions in HARTA and BIPORT. Overall, our sector allocation remained broadly consistent with the prior month.

Despite facing broader market headwinds, our portfolio of bottom-up stock selections has outperformed, with ICTZONE, RESINTC, and HUMEIND driving the gains. Furthermore, the strong post-IPO performance of 99 Speed Mart also provided a significant boost to our returns. These gains more than offset underperformance in the Oil & Gas and Technology sectors, where we remain underweight. The one key reason we were able to avoid a terrible September selloff is largely because we were underweighting the technology sector throughout the year despite the market euphoric in the first half of 2024. This calculated was in line with the prudent stance of focusing on earnings rather than sentiment and protected us from the major retracement in technology stocks.

Global Markets Commentary

The Fed finally lowered interest rates during the September meeting – cutting rates by 50 basis points perceived by many as bold but overdue. It was the first rate cut since 2020 resulting in the benchmark rate to be between 4.75 and 5 percent. Powell has reiterated that the Fed will target the rates to be at a neutral level whereby it neither boost nor dampens economic activity. Inflation has diminished in the past two years leading to Fed officials to opine that the risk of higher inflation being sustained is mitigated and hence have shifted their focus towards ensuring high interest rates do not further weaken the US labor market. The recent bumper jobs report suggests that an soft landing may be achieved and may result in the Fed not cutting rates by another half-percentage point in November. The Fed's next policy meeting is in 6-7 November and officials will have one more employment report to evaluate before then. All eyes continue to be on the presidential election in November as there are still no clear favorites – the two candidates remain in a virtual tie in all seven swing states that will decide who wins the White House.

China has finally rolled out a series of stimulus measures, including cuts to its benchmark interest rate, in an effort to combat the economic slowdown facing the world's second-largest economy. During a rare public briefing on Tuesday, the People's Bank of China (PBoC) revealed plans for government funding to boost the stock market, support share buybacks, and provide further assistance to the struggling property sector. With doubts growing among economists about China's ability to meet its 5 per cent growth target for the year, PBoC Governor Pan Gongsheng emphasized that the goal of these measures is to "maintain stable economic growth" and "foster a moderate price recovery." The stimulus package, aimed at boosting the country's struggling stock and property markets, caused the benchmark equity index to surge by 24% within a week. Hong Kong's Hang Seng index increased by almost 7% on Wednesday morning, while mainland Chinese markets remained closed for the week. This has been the overdue response from the China officials that everyone has been waiting for – we will continue to monitor this closely and hope that it will have a long-lasting impact which will finally usher in the long awaited China recovery.

All attention will be on Malaysia's Budget 2025, set to be presented in Parliament on 18 October 2024. Prime Minister Datuk Seri Anwar has indicated that the budget will concentrate on three main priorities: tackling the cost of living, improving citizens' quality of life, and advancing the nation's development.

Additionally, the release of Malaysia's 3Q24 preliminary GDP estimates on 18 October, along with IPI data on 11 October and CPI data on 24 October, will be key points of interest.

Investors will also scrutinize the details of Budget 2025, evaluating its potential impact on corporate earnings. Other significant topics include forthcoming guidelines on data centres, the effects of the Ringgit's recent appreciation, rising tensions in the Middle East, and the influence of recent Chinese government stimulus measures. Another major event to look out for will be the third meeting of the 15th Malaysian Parliament, running from 14 October to 12 December.

Globally, investors are keeping a close eye on the escalating conflict in the Middle East, particularly after Israel and the U.S. vowed retaliation following Iran's largest-ever direct attack, involving over 180 ballistic missiles. Other global concerns include the ongoing Russia-Ukraine war which will have closure on the next steps once the US presidential elections conclude with both candidates having largely different foreign policy approaches.

Closing Remarks

Our all-weather portfolio construction again proved resilient in this month of volatility as our Private Mandate and TSF notched gains compared to our local benchmarks. A lot of our peers continued to suffer high single digit to double digit declines for the second consecutive month due to their large exposure in the aforementioned decliners. As a result, our publicly tracked wholesale fund, TSF jumped the ranks on The Edge Lipper Table to number 6 among other 66 funds currently. This is our highest ranking to-date.

That may be so, we are not without mistakes. One of the biggest errors of judgment on our part is the lack of positioning in China and Hong Kong stocks. Months after months, we have consistently debated within the team on the potential recovery and the upside versus downside risk in the China Hong Kong stock market. While we have a China ETF and a direct investment in a China property services company listed in Hong Kong that rode the upside wave, we totally missed the opportunity to obtain higher returns for all our clients due to the slow execution, lack of conviction and courage to pull the trigger. This is a very good lesson for us as many China Hong Kong stocks which was in our watchlist doubled, but we did not benefit as we failed to execute the trade. Prudence is good but being overly cautious capped our upside.

We will continuously reflect on where we are lacking whilst reinforcing discipline in locking-in gains along the uptrend. The months ahead would become increasingly hard to navigate, so as it comes down to the wire, we will be even more cognizant of the risk and be extremely cautious. Increasing our cash holdings remains our active strategy for now.

Sincerely,

Tradeview Capital