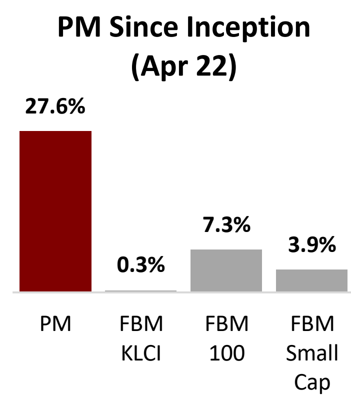
Forex Headwind Sparked Volatility

Commentaries: November 2024

Return (%)	November 2024	Year-To-Date	Since Inception (TSF: Nov 22)	Since Inception (PM: Apr 22)
Tradeview Sustainability Fund (TSF)	-1.5%	14.9%	24.3%	N/A
Discretionary Private Mandate (PM)	-2.4%	10.7%	N/A	27.6%
FBM KLCI Index	-0.5%	9.6%	10.0%	0.3%
FBM 100 Index	0.1%	12.8%	18.1%	7.3%
FBM Small Cap Index	2.0%	5.7%	20.3%	3.9%

Performance vs Benchmark



November proved challenging for Bursa Malaysia as the FBM KLCI slipped by 0.5% month-on-month, reflecting mounting market uncertainties. Foreign investors increased their selloff significantly, with net outflows for the month erasing the net inflows from the first 10 months of 2024, leaving a cumulative net foreign outflow of RM1.3 billion by 11M24. The ringgit's depreciation, from 4.37 in October to 4.45 against the USD, added further pressure, especially as global capital flight ramped up following Donald Trump's big re-election triumph on November 5.

Earnings season brought more headwinds. Many companies reported forex losses for Q3 2024, and for some, those losses were large enough to swing them into the red. It's worth noting, though, that some of these losses are unrealized and were driven by the ringgit's sharp rally in Q3. With the currency now weakening again, some of these unrealized losses could be reversed, highlighting the need for a careful analysis of earnings reports.

Sector performance was a mixed bag. Plantation stocks stood out, thanks to a nearly 9% jump in crude palm oil (CPO) prices during the month on the back of escalating geopolitical risk, bad weather and supply concern. Healthcare also delivered strong gains, supported by glove makers and hospital operators. On the flip side, Technology stocks struggled due to weak earnings guidance, influenced by Q3's ringgit strength and ongoing softness in the semiconductor industry.

Our portfolios faced some pressure, underperforming the FBM KLCI and FBM 100. Small caps offered some positives, but holdings with larger-than-expected forex losses weighed on overall performance. While these companies remain fundamentally strong, their recovery might take longer. For the month, TSF declined by 1.5%, and Discretionary Private Mandate accounts dipped by 2.4%. Year-to-date gains remain healthy at 14.9% for TSF and 10.7% for Discretionary Private Mandate accounts.

Portfolio Deep Dive

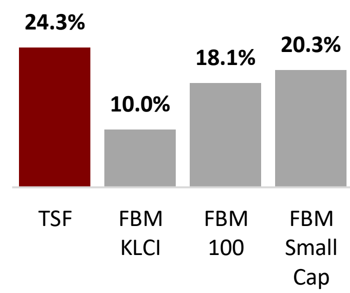
In November, we kept a balanced and defensive stance to manage the rising uncertainties. The cash level stood at approximately 20% at the end of the month, providing flexibility to seize attractive opportunities in the future. We added exposure to companies with strong US revenue streams to capitalize on the strengthening USD and potential growth under Trump's pro-business policies. We also selectively invested in tech names likely to benefit from trade shifts away from China. On the other hand, we reduced exposure to sectors more sensitive to currency volatility and US-China tensions.

Since Budget 2025 was announced in October, we have noticed a rise in special dividend declarations. This trend is likely tied to the new 2% tax on dividend income exceeding RM100,000, which takes effect next year. We believe that more companies, especially family-owned ones or those with individual major shareholders, to increase payouts by year-end. While this isn't a primary investment driver, it presents a tactical opportunity to boost yields.

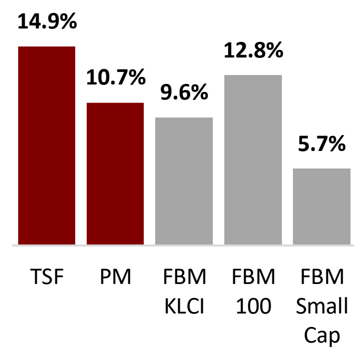
Performance across our holdings was varied. Gohub, SKB Shutter, and Hartalega outperformed, benefiting from positive industry trends and company-specific catalysts. On the downside, Malayan Flour Mill, ICTZone, and Dialog fell short of expectations due to weaker earnings and sentiment, particularly in the energy sector.

We are also keeping an eye on companies likely to declare special dividends before the 2025 tax change, using this as a yield-enhancing strategy. Gains from some small caps helped offset losses in others as we maintained our focus on stocks with solid fundamentals and longer-term recovery potential.

TSF Since Inception (Nov 22)



YTD Performance



Global Markets Commentary

November saw mixed results across global markets. The US delivered another strong month as optimism over Trump's corporate tax cuts and fiscal expansion policies lifted key indices. However, risks like rising national debt and potential inflation are worth keeping an eye on. In Asia, Singapore's STI was the standout, gaining 5.1%, while other MIST markets (Malaysia, Indonesia, and Thailand) lagged.

For Malaysia, the combination of the ringgit's depreciation and weak Q3 earnings created additional challenges. With US-China tensions escalating, emerging markets, including Malaysia, remain under pressure. While the "China plus one" strategy continues to attract foreign direct investment into Southeast Asia, China's economic struggles remain a significant risk for Malaysia as its largest trading partner.

Closing Remarks

As the year draws to a close, we are staying focused on maintaining a balanced portfolio while looking for opportunities in resilient sectors and companies. Trump's second term could bring upside for US-focused investments, but uncertainties around his policies mean global markets might remain cautious.

For December, we will be watching for year-end corporate actions like special dividend announcements and preparing for 2025. Our focus remains on companies with high US exposure, promising Tech names, and resilient dividend payers. Renewable energy is also a key theme, supported by initiatives like the Corporate Green Power Programme and LSS5 projects. Additionally, the data center sector could regain momentum as investment picks up.

The world is increasingly volatile, and many factors are beyond our control. Thematic investments may appear time and again but to consistently beat the market, we need to go back to the basics of investing. Fundamentals are key and it will help provide a floor to our investment portfolio. Hence, the team will need to stay ahead of market narrative instead of playing catch up. That is the only way to generate alpha in a volatile economic landscape.

Sincerely,

Tradeview Capital