TRADEVIEW
CAPITAL
Building Wealth, Preserving Legacy

Fund Flow Conundrum: February's Risk-Off Shift

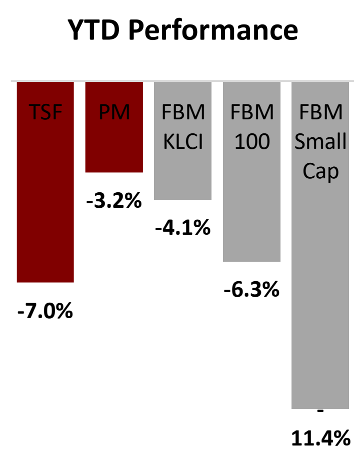
Commentaries: February 2025

Return (%)	Feb-25	Year-To-Date	Since Inception (TSF: Dec 22)	Since Inception (PM: Apr 22)
Tradeview Sustainability Fund (TSF)	-5.2%	-7.0%	19.5%	N/A
Discretionary Private Mandate (PM)	-2.1%	-3.2%	N/A	27.2%
FBM KLCI Index	1.1%	-4.1%	6.6%	-1.0%
FBM 100 Index	-0.7%	-6.3%	11.5%	4.3%
FBM Small Cap Index	-6.6%	-11.4%	4.5%	-4.4%

Performance vs Benchmark

Bursa Malaysia saw persistent sell-offs in February, with the FBMSC and FBM100 indices dropping by 6.6% and 0.7%, respectively. In contrast, the FBMKLCI edged up by 1.1%, driven by gains in blue-chip Financials and Plantation stocks. Foreign investors continued to be net sellers, disposing of RM5.9 billion worth of shares year-to-date. At this rate, foreign funds will exceed RM 6 billion in net outflow. Market divergence was evident, as most ASEAN markets acted as funding sources for thematic outflow into investments in Chinese stocks.

Among sectors, the top three performers were Plantation (+3.6%), supported by strong earnings amid high CPO prices; Financials (+2.5%), benefiting from its defensive positioning; and Construction (+1.5%), rebounding after earlier sell-offs. Conversely, the weakest sectors were Technology (-13.2%), Healthcare (-10.5%), and Energy (-8.4%), weighed down by disappointing earnings and cautious outlooks. Hartalega led declines in the glove sector, missing earnings expectations due to startup costs for its new plant and unforeseen tax increases. Technology stocks like Inari and MPI struggled with weaker-than-expected demand, while foreign selling in Dialog, Yinson, and Hibiscus dragged down the Energy sector. More companies across the broader market fell short of 4Q earnings expectations, citing rising operating costs, higher taxes, and sluggish demand recovery.

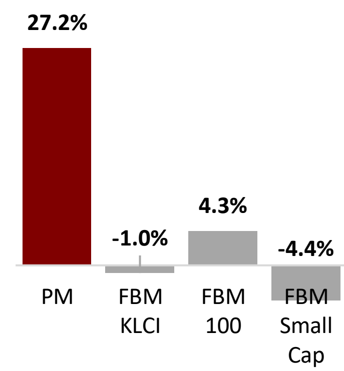


Tradeview Sustainability Fund (TSF) and Discretionary Private Mandate accounts declined by -5.2% and -2.1%, respectively in February. While this was weaker compared to the FBMKLCI and FBM100, but our portfolios still outperformed the FBM Small Cap index. The market sell-off was broad-based, impacting many investors, including our portfolio. However, with our more defensive investment approach, the portfolios demonstrated greater resilience compared to other peers. Our strategy of prioritizing diversification over concentrated thematic plays helped navigate the risk-off environment. For example, our exposure to technology sector is less than 10% of the total portfolio. Maintaining a defensive stance while strategically deploying capital allows flexibility to adapt when foreign fund flows return, especially if the US rate cut cycle resumes. Market weakness also creates opportunities to accumulate quality stocks at attractive valuations, even if not at their lowest levels. Our portfolio started being impacted during the selloff as we added positions during weakness a little too early than we should have. While we cannot anticipate the bottom, we will continue to pace out our positioning in the stocks we like.

Portfolio Deep Dive

We took advantage of market volatility to strengthen our positions in long-term equities such as Skbshut, Inta Bina, Farm Fresh, and Takaful. At the same time, cash holdings increased slightly, driven by new capital inflows and profit-taking on tactical trades like Dialog.

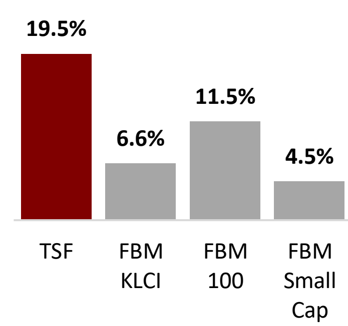
PM Since Inception (Apr 22)



Among individual holdings, ICT Zone, OSK, and Public Bank were the top performers, providing some buffer against portfolio declines, while HARTA, DRB Hicom, and KHB were among the biggest underperformers.

We continue to adopt a balanced approach, maintaining healthy cash reserves for defensive positioning while capitalizing on bargain-hunting opportunities. With rising expectations of US rate cuts, selective exposure to growth stocks could attract capital inflows if monetary easing occurs sooner than anticipated. Additionally, increasing allocations to dividend-yielding stocks like cash-rich MARCO provides a buffer against downside risks.

TSF Since Inception (Nov 22)



Asia ex-Japan is expected to remain a key growth driver in 2025 despite ongoing trade uncertainties. China's recent policy shift toward private-sector support presents a potential re-rating opportunity for our local equities. Meanwhile, tariff concerns are driving stronger intra-Asia trade and investment, benefiting high-end manufacturers and regional trading partners.

Market volatility remains elevated as investors respond to economic data, policy changes, and geopolitical events. The upcoming Federal Reserve meeting on 18-19 March 2025 will be a crucial event to watch. While short-term risks persist, maintaining a diversified and disciplined approach is essential for navigating these uncertainties.

Global Markets Commentary

The global economic outlook remains uncertain, with 2025 growth projected to be subdued at around 2.7%–3.3%, according to Malaysia's Socio-Economic Research Centre. Key concerns include geopolitical tensions, policy shifts, and potential inflation risks. Europe faces economic challenges and Japan is grappling with rising interest rates to curb inflation amid sluggish growth. The eurozone's GDP growth slowed further in Q1 2025, with Germany on the brink of recession, while Japan's GDP contracted by 0.3% in Q4 2024 due to weaker domestic demand.

The US economy showed mixed signals, with Q4 2024 GDP growth confirmed at an annualized 2.3%. While core capital goods orders continued to rise and home prices remained stable, weak home sales and declining consumer confidence reflected concerns over labor market conditions and inflation. Corporate earnings in Q4 were initially strong but weakened toward the end, with 74.3% of S&P 500 companies surpassing expectations—falling short of the typical 76% beat rate. Nvidia, a key AI chipmaker, missed expectations, leading to a sharp drop in its share price. Meanwhile, the S&P 500, heavily weighted toward large-cap technology stocks, is facing growing scrutiny over AI-related capital expenditures, as investors question whether these investments will yield meaningful returns, particularly in light of recent volatility in AI stocks following the emergence of China's DeepSeek AI.

Key risks for global markets include rising 10-year bond yields, increasing fiscal pressure on central banks, and liquidity concerns following China's recent monetary easing. Investor sentiment remains cautious ahead of the US tariff policy announcement in April 2025. Meanwhile, geopolitical tensions in the Middle East and Eastern Europe continue to impact energy prices and shape market outlooks.

In China, new property prices fell in January, but at a slower pace, suggesting the worst may have passed. While business condition PMIs could improve in February after the Lunar New Year holiday, they are likely to remain subdued. We are monitoring the China-Hong Kong markets and plan to increase our exposure in the coming months on top of what we already have on hand such as China-ETF, Tencent and Ping An.

Locally, Malaysia's GDP maintained steady growth, rising by 4.7% in October 2024, 4.9% in November, and 5.4% in December, leading to a full-year expansion of 5.1%. Strong-performing sectors included construction, logistics, and property, while the retail sector showed mixed results, with tourism-related segments leading gains. Government infrastructure projects in East Malaysia are expected to further support growth in the construction sector.

Private sector growth is expected to range between 4% and 5%, driven by strong construction activity. However, the electronics and electrical sector faces uncertainty due to weakening global semiconductor demand. Bank Negara Malaysia is likely to keep Overnight Policy Rate steady for the whole of 2025, as inflation remains manageable. However, inflationary pressures could increase due to budget-related cost factors and the expansion of the Sales and Services Tax in May 2025.

Closing Remarks

Despite February being one of the worst months since our inception, we will continue to remain disciplined in our investment approach enabled us to navigate market turbulence effectively. The market is at an attractive level, the concern is foreign funds as it is at historical lows of less than 20% shareholding in our local bourse. Looking ahead, we remain committed to our core principles—mitigating downside risks while seizing opportunities for long-term value creation.

Sincerely,

Nixon Wong,
Chief Investment Officer
Tradeview Capital