Starting the Year with a Bang

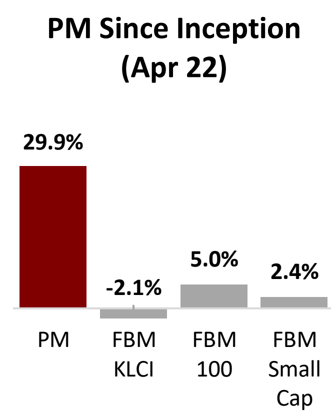
Commentaries: January 2025

Return (%)	January 2025	2024	Since Inception (TSF: Dec 22)	Since Inception (PM: Apr 22)
Tradeview Sustainability Fund (TSF)	-1.9%	-1.9%	26.0%	N/A
Discretionary Private Mandate (PM)	-1.0%	-1.0%	N/A	29.9%
FBM KLCI Index	-5.2%	-5.2%	5.4%	-2.1%
FBM 100 Index	-5.6%	-5.6%	12.3%	5.0%
FBM Small Cap Index	-5.1%	-5.1%	12.0%	2.4%

Performance vs Benchmark

Bursa Malaysia ran into a wall in January, with steep declines of -5.2%, -5.6%, and -5.1% across the FBMKLCI, FBM100, and FBMSC indices, respectively. Foreign institutions were the main culprits, net selling RM3.1 billion worth of shares, leaving local investors as the bag holders. Consequently, foreign shareholding levels fell to a historic low of 19.4%. It was the biggest fall for the month of January in the past 30 years since 1995.

Sector-wise, Construction (-13.5%), Technology (-10.5%), and Utilities (-9.9%)—which were among last year's best performers—declined the most. The U.S. proposal to implement advanced AI chip export controls dampened enthusiasm for data center construction in Malaysia, triggering profit-taking in related thematic stocks such as YTLPWR, GAMUDA, TENAGA, and SUNCON, particularly by foreign investors. The Healthcare sector (-9.8%) also saw a pullback as glove counters succumbed to profit-taking pressure. REITs and Energy were the only sectors that managed to stay positive for the month.

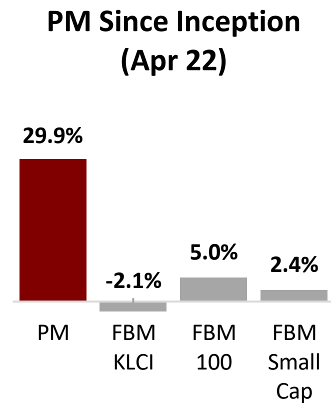


Our portfolios were not spared from the sell-off. Nonetheless, they remained relatively resilient, with TSF and Discretionary Private Mandate accounts recording much narrower losses of -1.9% and -1.0%, respectively. Our disciplined investment approach—avoiding chasing thematic names at elevated valuations—proved resilient. This also indicates how our firm manage clients' monies with great prudence despite euphoric sentiments of thematic plays. When others are bullish and chasing, we do not. When others are panicking, we do not. This can be a double edge sword but it will nonetheless ensure that we always deliver consistent returns.

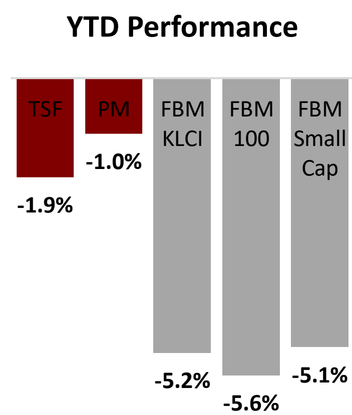
Portfolio Deep Dive

We capitalized on market turmoil to increase our exposure to selected long-term equity positions such as SKBSHUT, AEONCR, and TOPMIX. Despite this, our overall cash allocation rose slightly, thanks to new capital inflows and short-term profit-taking on holdings including AIRPORT and KENERGY.

By individual holdings, PTT, CBH, and GDEX were our top-three performers last month, helping to mitigate the broader market decline, where INARI, HARTA, and KHB led the laggards.



Looking ahead, we expect investors to shift their focus to the 4Q 2024 earnings season in February. The sharp reversal of MYR strength and year-end festive spending should benefit companies involved in exports, tourism, and domestic consumer markets. We will seek short-term trade opportunities within these themes ahead of earnings releases. Additionally, we will closely monitor the ongoing parliamentary session (3 February to 6 March) for potential policy shifts.



Given the uncertainty surrounding U.S. trade policy, we are adopting a more defensive approach to capital deployment. While the sharp correction in the local market over the past few months provides some comfort, we will increasingly rely on a bottom-up approach in stock selection, guided by value investing principles. Simultaneously, we are accelerating efforts to diversify into Singapore's mid-cap equity space ahead of anticipated regulatory incentives aimed at strengthening its capital markets. Many Singapore small-cap stocks are trading at extremely depressed valuations relative to their regional peers, making them attractive opportunities. Being cheap is a virtue.

Global Markets Commentary

The Thailand and Philippine markets fared worse than Malaysia last month, with each down -6.1% and -10.2% respectively. This spared our market from being crowned the worst performer in the region. Market-specific factors, such as selling pressure from maturing long-term equity funds and MSCI index rebalancing, exacerbated the downturns in both markets. Conversely, Singapore and Indonesia managed to stay in the black.

On the global front, trade uncertainties persist following Donald Trump's successful presidential run. True to his campaign promises, he has already imposed import tariffs on Canada, Mexico, and China, with more trading partners likely to be targeted. Malaysia's fate in this regard remains uncertain. However, tariffs are generally perceived as inflationary, leading analysts to temper expectations for U.S. Federal Reserve rate cuts, with the consensus now expecting just one cut this year. This shift has strengthened the USD, driving capital outflows from emerging markets, including Malaysia.

On a positive note, Trump's approach to regional conflicts, such as the Russia-Ukraine and Israel-Palestine tensions, may help ease geopolitical risks. Additionally, his pro-oil policies could contribute to lower global inflation in the coming months. We also see the potential for the Chinese government to unveil their trump card in response to U.S. tariffs, which could finally revive confidence in its real estate and capital markets. We are monitoring China Hong Kong markets very closely and will seek to add more positions in the market in coming months. While we are uncertain when the rebound will happen for the China economy, we think we are close to the bottom.

Closing Remarks

Despite the market downturn, we are lucky to have avoided the worst of the sell-off. Value has started to re-emerge, and downside risks are becoming more contained. We will remain disciplined in our approach—buying undervalued stocks while selectively capitalizing on bottom-up opportunities amid uncertainties introduced by the "Tariff Man." We would like to wish all who celebrate Chinese New Year, Gong Xi Fa Chai and may the year of the Snake be one of many happiness, good health and prosperity.

Sincerely,

Tradeview Capital