info@malayantraders.com
+60 3 2289 5055

Malayan Traders Capital
Founders Fund

Commentary

March 2015

Written by Devan Linus Rajadurai, Chief Investment Officer

Objective

Malayan Traders Capital Founders Fund (“Malayan Traders”, “MTC” or the “Fund”) aims to achieve a net return of 10-15% p.a. over a 3-5 year period by investing in a portfolio of global listed equities. MTC invests predominantly in blue chip companies listed in the US and Emerging Asia and employs a value driven, bottom-up investment approach. MTC’s benchmark is the Singapore Straits Times Index (“STI”) and the MSCI All Country World Index (“MSCI ACWI”). The STI was chosen as a benchmark as MTC’s investors predominantly originate from Southeast Asia, where the STI is the most commonly followed index. Performance is reported in USD.

Performance

MTC’s portfolio inception returns is 61.7% (19.1% p.a.) significantly outperforming its benchmarks, the STI and the MSCI ACWI, which returned 5.8% (2.1% p.a.) and 39.9% (13.0% p.a.) respectively.

Market Insights

General

In March, the major world indices such as the Dow Jones, the FTSE, and the Nikkei all maintained their new all-time highs set in February. The Nasdaq also closed above 5,000 for the first time since the tech bubble burst in year 2000. We can summarise the month of March as a month of continued positivity, with the US showing continued signs of recovery and the EU, via the European Central Bank, beginning a quantitative easing program, buying $64B a month in bonds until September 2016.

United States of America

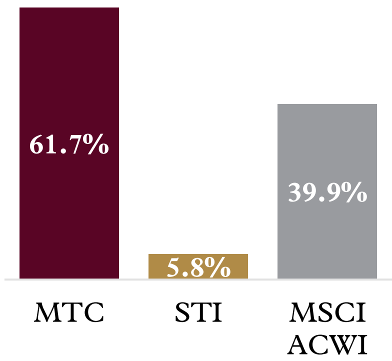
While interest rates are expected to increase sometime this year, the US Federal Reserve reworded their latest policy statement, removing its promise to be “patient” before raising rates, giving itself more flexibility to lift rates for the first time since 2006. US job growth in February was phenomenal, with 295,000 jobs added to the US economy. This marked the 12th straight month the US has added more than 200,000 jobs, its best streak since 1995. Unemployment rate fell to 5.5%, the lowest level since May 2008 (Oct 2009: 10.0%). Further, for the first time since the 2008 financial crisis, all major US banks passed the stress test and have now announced plans to finally return money to its shareholders, a clear sign that the banking sector is underway to recovery.

NAV

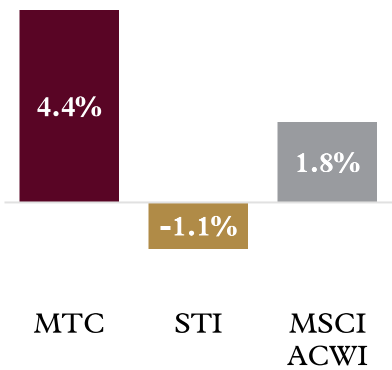
Class A: 161.69

Performance

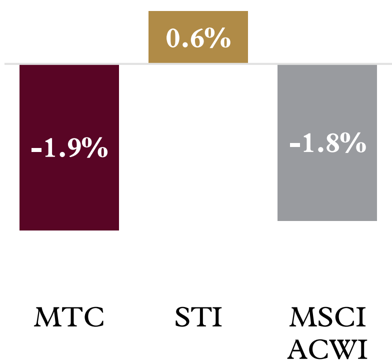
Since Inception (24 Jul 2012)



Year to Date (2015)



Month (Mar 2015)



Market Insights (continued)

China

For the first half of March, the Hong Kong Hang Seng and Shanghai Shenzhen indices remained at similar levels since December 2014 at 24,000 and 2,800 respectively. The second half of March saw the Shenzhen rally 13% to close at 3,168, a further sign of investors' confidence in China. This positivity in the stock market is supported by the successful implementation of the Chinese government's property cooling measures, where home prices fell 5.7% in February, the steepest decline since 2011. Further, given China's high local government debt (40% of GDP), policymakers are now allowing local government entities to refinance up to $160B of high yield bonds to lower interest costs, further strengthening the Chinese economy.

Portfolio

Hong Kong / China

Despite the negative news encumbering China in 2014, such as its excessively high property prices, growing government debt and shadow banking, we have always felt that the market overly discounted China. As such, we have bought into blue chip Chinese financials and tech companies. Although not a major portion of our portfolio, it is material enough for us to benefit from the huge discounts and dividends that exist in certain Chinese companies (especially those listed in Hong Kong, that on a relative basis, are trading at a further discount compared to their Shanghai listing counterparts). Our Chinese tech company enjoys the attractiveness of the Hong Kong stock market discount, although it generates the majority of its revenue and growth outside of China, making it a true global company.

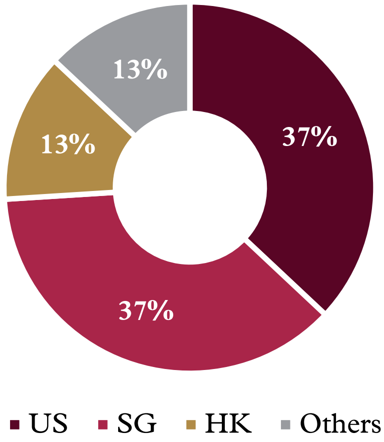
Outlook

With still a high proportion of our companies being 'deep value', we remain optimistic on delivering a double digit return for 2015. Whilst the world began the year with a large dose of negativity, we are bullish on the US and Emerging Asia. As commented above, the US has already taken great strides forward since 2008, and the companies that we are invested in continue to benefit from the great innovation machine that is the US economy, producing new and disruptive products and services for the world. Emerging Asia continues to remain undervalued, and we only expect to see valuations increase going forward.

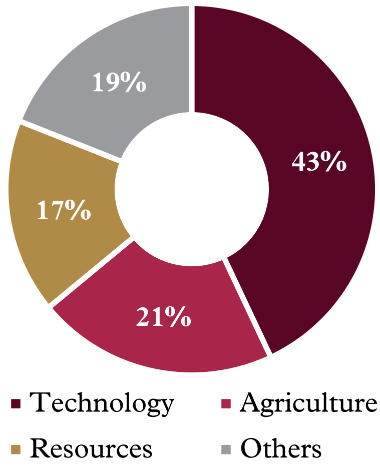
Disclaimer

The views expressed in this report are those of Devan Linus Rajadurai, MTC's Founder & Chief Investment Officer. MTC's investment strategy is implemented by the Fund's Investment Manager, MTC Asset Management, with the support of its sister entity, MTC Asset Management (M) Sdn. Bhd. licensed by Securities Commission Malaysia (CMSL: eCMSL/A0333/2015), which provides research and operational support to MTC Asset Management. The Fund is a regulated mutual fund under the Mutual Funds Law of the Cayman Islands and is registered with the Cayman Islands Monetary Authority. This report is up-to-datd as of 1 August 2016.

Company Listing Breakdown



Sector Breakdown



Value Breakdown