invest@mtcasset.com
+60 3 2289 5055

MTC Asset Management
Meranti Fund

Commentary (Meranti Fund)

September 2024

Written by Devan Linus, Chief Investment Officer

Objective

This commentary should be read in conjunction with the MTC Founders Fund Commentary. MTC Meranti Fund ("Meranti", "MTC" or the "Fund") aims to achieve a net return of 8-12% p.a. over a 3-5 year period by investing in a portfolio of global listed equities with an approximate 30% exposure to Malaysian listed equities. Its overseas exposure is close to an exact replica of our sister fund, MTC Founders Fund ("Founders"). Besides its continuous Malaysian exposure, Meranti's investment approach is the same as the Founders Fund. Performance is reported in MYR.

Performance & Benchmark Comparison

Meranti, Founders & KLCI

Meranti delivered a since inception net return of 52.3% (5.2% p.a.), underperforming Founders but significantly outperforming the KLCI, which returned 94.0% (8.4% p.a.) and -1.3% (-0.2% p.a.) respectively in MYR terms. For the Sep 2024 YTD quarter, Meranti performed positively at 0.4% (14.9% in USD terms), but underperformed Founders which returned 1.3% (15.9% in USD terms). KLCI on the other hand continued to appreciate for the quarter at 3.7%, ending the Q3 2024 with a 13.4% return.

Portfolio

Both Meranti's and Founder's singled-digit YTD returns in MYR reflects the MYR's appreciation against the USD. The ringgit strenghted 10.3%, moving from 4.5925 at the start of the year to 4.1190 at 30 Sep 2024. Adjusted for currency effects, our USD-based returns show double-digit performance. KLCI' s positive returns were driven by a few performers. Sunway surged 103% YTD, while YTL Power returned 44% for the year, ranking among the index's top three performers. However, the worst performer, Petronas Chemicals, declined 21%, and Nestlé Malaysia—another key component—fell 12%. While the ringgit and Bursa had a strong year, we remain cautious about the sustainability of these returns. Malaysia is not a high-growth economy, and KLCI remains below its July 2016 levels. Given this context, global investments remain a better source of returns, and 82% of our portfolio remains allocated overseas.

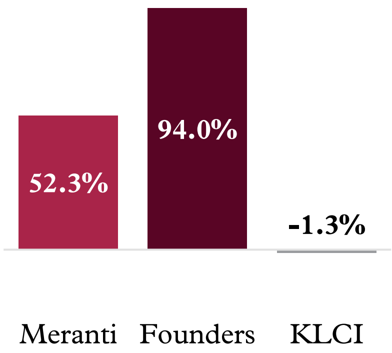
In June, we discussed the potential trimming of our glove portfolio, which had appreciated more than 20% YTD. However in Q3, negative sentiment hit the entire glove sector, erasing most of the gains from earlier in the year. This setback contributed to Meranti's relatively modest YTD performance.

NAV

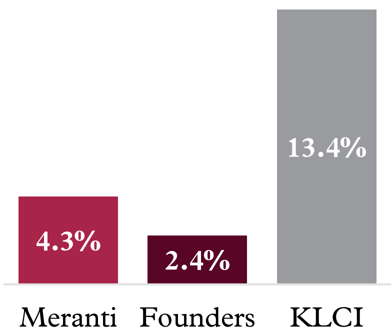
Class S:	151.68

Performance

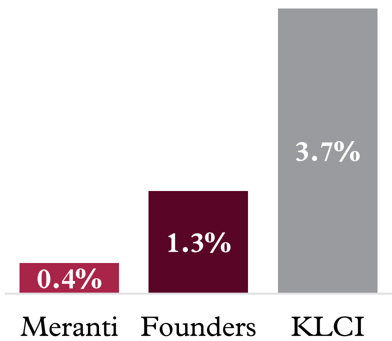
Since Inception (28 Jul 2016)



Year to Date (Sep 2024)



Quarter (Sep 2024)



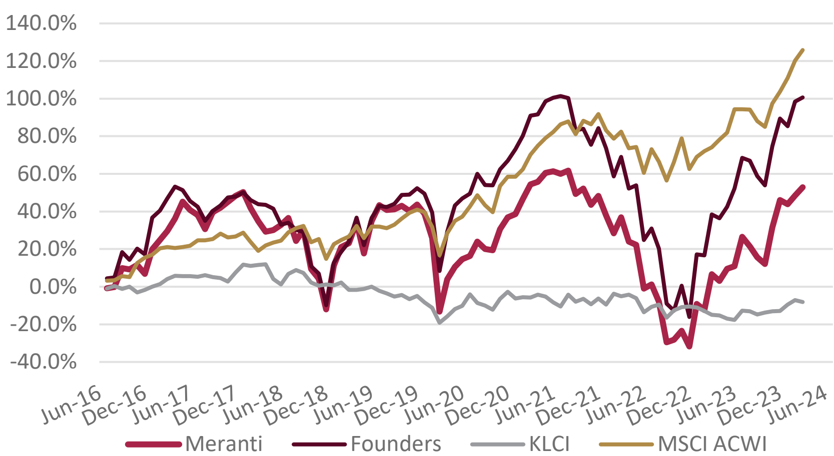
Devan Linus, Chief Investment Officer

Market Insights & Outlook

Our insight is not to overanalyse the 13.4% return of the KLCI. A significant part of the rally came from Sunway, YTL Power, and another Top 5 performer, Tenaga. Their rally was primarily driven by the story and announcement of AI datacentre projects in Malaysia and the resulting increased demand for power. However, we must remain mindful that, aside from familiar use cases like chatbots and deepfake videos, AI adoption remains uncertain, particularly among SMEs. Secondly, given each country's data security requirements, it is unclear whether Malaysia can successfully position itself as a regional data hub. In recent times, companies have rallied based on stories alone, without the need of showing revenues and profits. Caution is warranted, especially as no data centres have been completed yet. You don't always have to chase stories to find returns. For example, in our portfolio, we have a palm oil company that appreciated >50% YTD and continues to offer a ~5% dividend yield. The increase in earnings resulted from higher fresh fruit bunch (FFB) prices in recent years. If you're buying and holding, it wiser to invest in stable opportunities rather than chasing euphoria, particularly in Malaysia, where many stocks have historically been subject to speculative 'goreng' activity.

Performance

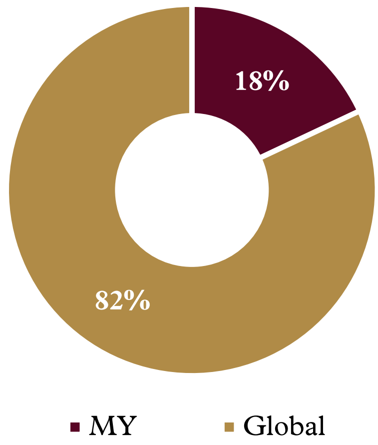
Since Inception (Jul 2016 – Sep 2024), net of fees, MYR



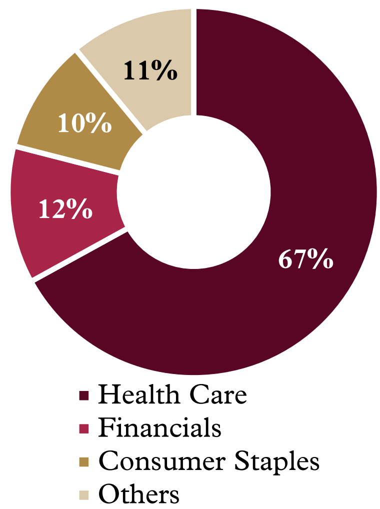
Disclaimer

The views expressed in this report are those of Devan Linus Rajadurai, MTC's Co-Founder, CEO & Chief Investment Officer. MTC's investment strategy is implemented by the Fund's Investment Manager, MTC Asset Management (M) Sdn. Bhd. licensed by Securities Commission Malaysia (CMSL: eCMSL/A0333/2015). The Fund is a regulated wholesale fund under the Capital Markets and Services Act 2007 (CMSA) of Malaysia.

Listing Breakdown



MY Sector Breakdown (GICS)



MY Value Breakdown