invest@mtcasset.com
+60 3 2289 5055

MTC Asset Management
Meranti Fund

Commentary (Meranti Fund)

December 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 has delivered a since-inception net return of 73.7% (6.7% p.a.), underperforming Founders but significantly outperforming the KLCI, which returned 115.9% (9.5% p.a.) and -1.7% (-0.2% p.a.), respectively, in MYR terms. For 2024 YTD, Meranti achieved a positive return of 19.0% (22.2% in USD terms), outperforming Founders, which returned 13.9% (17.0% in USD terms). Meanwhile, the KLCI depreciated by -0.4% for the quarter, ending 2024 with a 12.9% YTD return.

Portfolio

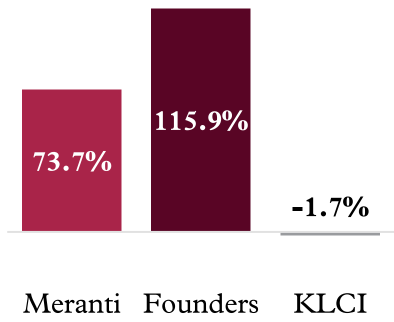
Unlike the start of the year, the Ringgit reversed course and depreciated against the USD, moving from 4.124 USD/MYR on 30 Sep 2024 to 4.472 on 31 Dec 2024 (an ~8% depreciation). This was a key driver behind Meranti's strong Q4 performance of 12.6% (3.8% in USD terms). However, Meranti's outperformance relative to Founders for both the quarter and the year was primarily due to our glove portfolio, which appreciated over 40% in Q4 alone. As a result, we have re-rated our glove portfolio from *Value* to *Fair Value* and significantly trimmed this theme, which we began doubling down on in 2022. Gloves now account for 43% of the portfolio as of 31 Dec 2024, compared to 67% on 30 Sep 2024 and 80% on 31 Dec 2023. While we reduced our glove exposure, we have yet to find a suitable replacement, leading to a 13% allocation to Malaysia, down from 18% in Sep 2024. We missed out on the construction sector, opting for gloves based on a calculated risk-reward analysis. This decision stemmed from caution rather than attempting to predict the AI boom or fully buying into the data centre narrative in Malaysia. At Meranti, we've shifted to a strategy of playing it extremely safe by focusing on high-dividend-yield stocks and battered blue chips, rather than chasing the next trend.

NAV

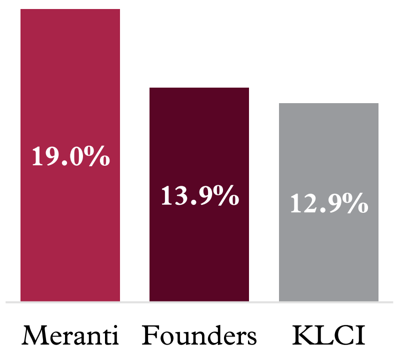
Class S:	173.74

Performance

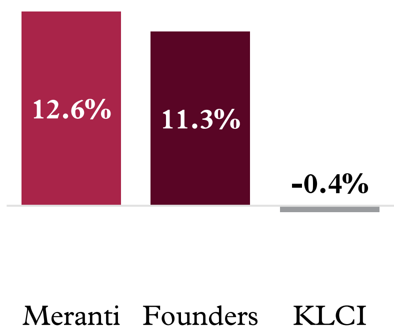
Since Inception (28 Jul 2016)



Year to Date (Dec 2024)



Quarter (Dec 2024)



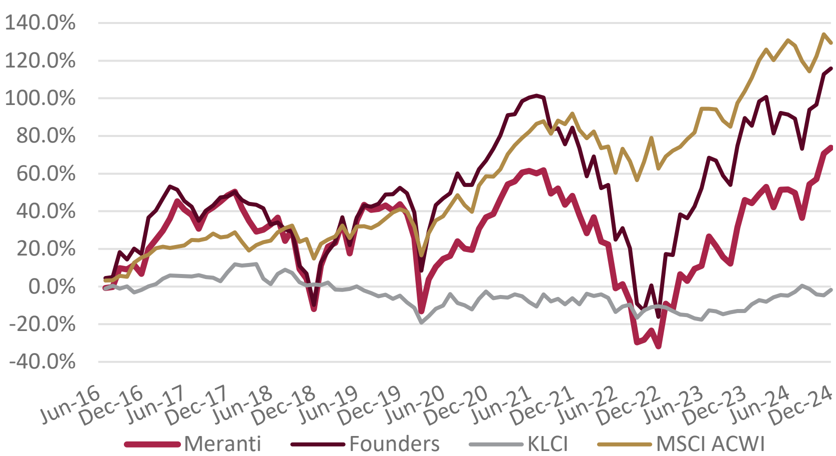
Devan Linus, Chief Investment Officer

Market Insights & Outlook

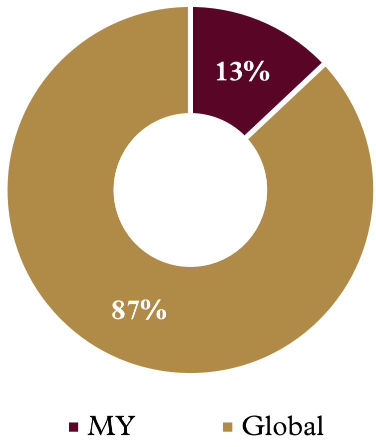
As a result, we've consistently relied on our global allocation to drive performance, though 2024 was an outlier, with our glove stocks returning over 40% YTD compared to Founders, which delivered 13.9% in 2024. For context, at the start of the year, gloves accounted for 80% of our 19% Malaysia allocation (i.e., 15% of the portfolio). This contributed to Meranti's outperformance of both the KLCI and Founders. We don't anticipate Meranti outperforming Founders in 2025, as 51% of the portfolio is now at *Fair Value*, and we currently have no *Deep Value* stocks in our Malaysian allocation. Although we missed opportunities in the construction sector, our plantation investments appreciated by over 50% and were also subsequently re-rated to *Fair Value*. We also don't expect the KLCI to repeat its double-digit performance in 2025, as its gains were primarily driven by fully priced construction stocks (Sunway, Gamuda, YTL). Similarly, the broader Malaysian market doesn't appear particularly cheap, making it challenging to find companies that meet our value criteria. Consequently, the Malaysian allocation may remain low for some time. It's worth noting that our cost-price value since inception value is still approximately 30%, which justifies our decision to maintain a low Malaysian allocation unless we identify opportunities with attractive risk-reward profiles.

Performance

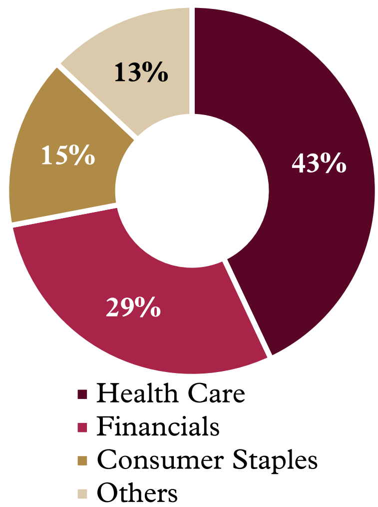
Since Inception (Jul 2016 – Dec 2024), net of fees, MYR



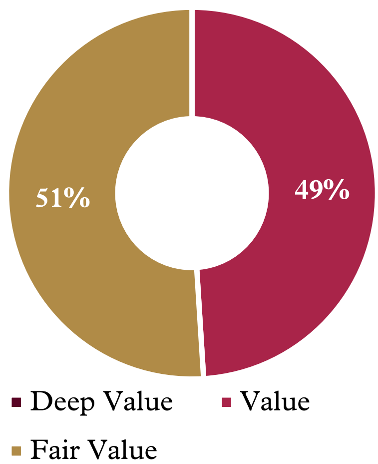
Listing Breakdown



MY Sector Breakdown (GICS)



MY Value Breakdown



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.

 www.mtcasset.com