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Commentary (Founders Fund)

March 2025

Written by Devan Linus, Chief Investment Officer

Objective

MTC Founders Fund ("Founders", "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. MTC invests predominantly in large cap companies listed in the US and other developed countries and employs a value driven, bottom-up investment approach. MTC's benchmark is the Straits Times Index ("STI") and the MSCI All Country World Index ("MSCI ACWI"). The STI was chosen as a benchmark as MTC's investors are predominantly from Southeast Asia and benchmark themselves to Singapore. MSCI ACWI is the second benchmark as it was designed to best represent broad global equity-market performance. Performance is reported in USD.

Performance

MTC delivered a since inception net return of 196.4% (8.9% p.a.), outperforming both the STI and MSCI ACWI, which returned 24.6% (1.7% p.a.) and 172.4% (8.2% p.a.) respectively.

Benchmark Comparison

Founders, STI & MSCI ACWI

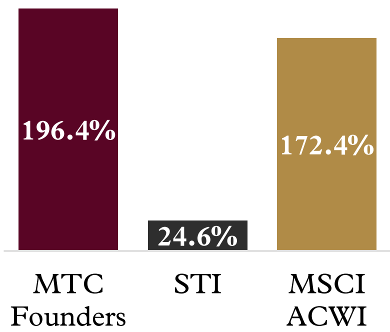
Despite market volatility, we delivered a strong Q1 2025 YTD return of 9.0%, outperforming both the STI and MSCI ACWI. A key driver of this outperformance was our discipline in holding onto our Chinese investments over the past few years, even in the face of persistent negative sentiment toward the region. China rebounded this year, with the Hang Seng appreciating 15.3%. In contrast, the MSCI ACWI posted a YTD decline of -1.7% while the S&P 500 performed even worse at -4.6%. A major contributor to the weakness in the US market, reflected in the S&P 500 is the growing uncertainty and consensus concerns around the impact of Trump-era tariffs, which many believe are detrimental not only to the global economy but to the US economy itself. At MTC, we avoid broad political or ideological views, focusing instead on how policies impact our portfolio and market sentiment. Political and economic debates are best left to post-dinner conversations or the ballot box and not in daily investment decisions. We stay grounded in business and industry fundamentals.

NAV

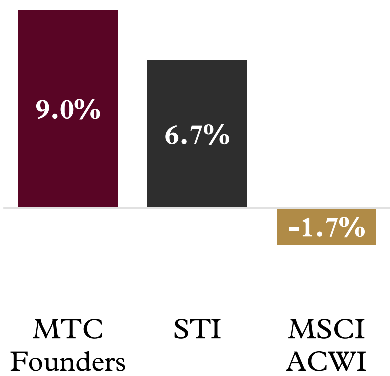
Class S: 296.36

Performance

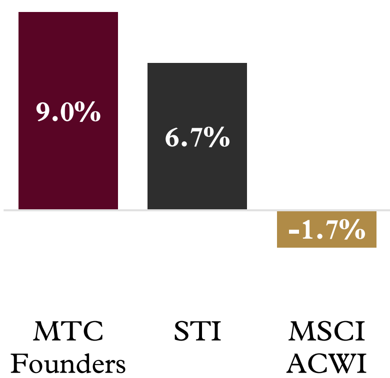
Since Inception (24 Jul 2012)



Year to Date (Mar 2025)



Quarter (Mar 2025)



Macro

Trump Tariffs & Unpredictability

Depending on when you're reading this, global stock indices may have either declined further or rebounded, largely depending on what President Trump says or does. Regardless of political leanings, Trump is arguably the most unpredictable president the world has seen, and global markets are still adjusting to his style. This has fuelled volatility, with the S&P 500 rising 2.7% in January, only to fall -7.1% from that peak to March. Uncertainty is likely to persist throughout the year, as Trump is known for frequently changing his mind. However, rather than dismissing him as simply unpredictable, it's more useful to recognise where he is consistent and where he isn't.

At MTC, we've followed Trump for over three decades, from his early days modernising New York City, building a casino empire in Atlantic City, hosting major sporting events, developing world-class golf courses, becoming a business celebrity through *The Apprentice*, and now being a two-time president who even survived an assassination attempt. Through it all, one thing has remained consistent: Trump's ability to defy expectations and shape narratives. This perspective allows us to interpret market signals more thoughtfully, rather than reacting impulsively to headlines.

In summary, we anticipated this outcome well in advance, even a year go prior to the election results. We expected that a Trump victory would likely reignite a trade war or some sorts. So, the current developments should come as no surprise. In this instance, Trump is being consistent and following through on his rhetoric, though, as always, the finer details may shift day to day based on his changing stance. As the S&P 500 grew more expensive in February 2025, we made the decision to take profits and reduce leverage, bringing it down from 26% at the end of December 2024 to 18% by March 2025. While we trimmed positions across the board, we didn't fully de-risk into cash, as *Deep Value* stocks continue to represent 56% of the portfolio. Our holdings remain concentrated in industries we believe are less exposed to tariffs, with more detail to follow in the next section.

Portfolio

Updates on our Themes

- US Big Tech – At the market peak in January and February, we trimmed a portion of our US Big Tech holdings following the double-digit appreciation of our portfolio companies. As we've cautioned previously, some of the US Big Tech stocks are trading at concerning valuation multiples. However, we've focused on the more reasonably priced names within the group. For example, we continue to hold Meta, which we believe is less directly exposed to the impact of tariffs, given that its earnings are primarily driven by advertising. While advertising spend may decline in a recessionary environment, we believe Meta's competitive moat remains intact, and the broader trends of digitisation and AI adoption continue to support its long-term growth. Importantly, our exposure to US Big Tech is diversified across companies with revenue streams beyond advertising such as enterprise services, which tend to be more resilient. As of 31 March 2025, our selected US Big Tech holdings represent 27% of the portfolio, down from a higher level last year, as we trimmed these positions after they moved from Deep Value to Fair Value. Had we not trimmed, this segment could have exceeded 50% of the portfolio, a concentration that while potentially more profitable in hindsight, would have raised valid questions around diversification and risk. *(Ultimately, this reflects the constant trade-off between maximizing returns and maintaining prudent risk management. These are reinforced learnings that sharpen our decision-making process. Investing over decades is not about returns at all costs but managing those costs and risk to get as a good return without suffering permanent capital lost)*.

Portfolio (continued)

Updates on our Themes (continued)

- Studios & Streaming – Our selected companies in this sector moved with the broader market with high single digit returns mid-quarter but ended the quarter flat. This is a sector largely insulated from tariffs, and in our view, less vulnerable to recessionary pressures. Cord cutting has already occurred in a major way, and we believe the bulk of that transition is behind us. In the event of a recession, consumers are more likely to cut back on discretionary items such as autos, apparel, and premium dining but less so on home entertainment. After all, people will still want to watch shows at home.
- China Blue Chips – Our patience in holding onto Chinese stocks was finally rewarded with a strong rally, as our selected securities appreciated by approximately 50% YTD. This rally was not driven by major earnings surprises or significant positive economic data out of China. Instead, it was largely a re-rating of valuations, from a very low base to what is still considered a low base. We took profits on roughly 10% of our total holdings, primarily to reduce leverage in line with our macro view. However, we plan to retain the remainder of our Chinese positions for the next few years, or until they move from *Deep Value* to *Fair Value*. To illustrate just how undervalued China remains, the Hang Seng Index had a P/E ratio of approximately 13 as of 31 March 2025, compared to the S&P 500's P/E of around 28. Regarding tariffs, our Chinese portfolio holdings derive the vast majority of their revenue from the domestic market, with the rest coming from Southeast Asia and other emerging markets. As such, US tariffs are expected to have minimal impact on our investments. For example, we hold no exposure to companies like Temu or Chinese glovemakers, which would be directly affected by tariff-related pressures.
- Semiconductors – Our semiconductor holdings are slightly up, supported by the continued momentum around AI and several company-specific positive developments. While some volatility has emerged particularly after Chinese firm DeepSeek claimed it could perform AI computations at a fraction of the hardware cost compared to companies like OpenAI, Meta AI, or xAI, market sentiment was steadied by recent comments from Nvidia CEO Jensen Huang. He highlighted that greater computational capacity per unit of hardware will likely accelerate AI adoption beyond Big Tech, broadening demand across industries. Although we've remained cautious about investing blindly into the AI narrative, select companies have successfully integrated AI to enhance their business models. For instance, Meta has improved content targeting through better algorithms and increasing ad monetisation. Microsoft, meanwhile, has leveraged AI through its CoPilot feature, boosting productivity tools like document creation (though we still write our own commentary, just with fewer spelling and grammar errors thanks to AI support!). Importantly, our semiconductor companies are not solely reliant on hyperscalers like Meta or Microsoft. They serve the broader digital hardware market, which was already a secular growth story driven by digitisation, even before the AI wave. Additionally, our exposure is primarily in American semiconductor firms, which we believe will benefit from pro-US policies under the Trump administration.
- Apparel Retail – This is a new grouping we've entered, and it's one that will certainly be affected by the tariffs. Midway through the quarter, the theme was profitable, but following the surge of tariff-related news, our holdings have pulled back closer to cost. Despite this, we are taking an offensive approach to this investment theme, as we believe our retail companies possess strong brand loyalty and have the pricing power to pass on some of the cost increases to consumers. In fact, we recently reinvested in a company we had previously held, which saw its share price decline more than 50% YTD, a move we believe is overdone, even considering the tariff headwinds. Aligned with our macro view to reduce leverage, we had already trimmed our apparel retail positions near peak valuations in February. This gave us the flexibility to re-enter the previously mentioned stock without increasing leverage. Should valuations in the sector decline further, we may become more aggressive in adding exposure. *Apparel Retail* is an industry that can be nimbler in response to external shocks compared to capital-intensive industries like automobile manufacturing which we exited over a year ago for precisely that reason.

- Others – In our last commentary, we noted our investment in US healthcare at the end of December, which we continued to build upon in early January. This has proven to be a good hedge, supported by surprise positive earnings from our selected companies and the sector's relative insulation from tariff impacts. As a result, our holdings in this grouping have appreciated by over 35%, prompting us to take some profits to reduce leverage. While we still maintain a position in this sector, it remains a small allocation compared to our core themes and groupings mentioned above.

Market Insights & Outlook

While we can't predict the future, it's highly likely that we'll see continued extreme volatility, at least through the end of the year. For instance, Trump announced reciprocal tariffs on 2 April 2025, only to pause them 90 days later on 9 April. That single week saw the S&P 500 plunge nearly 10% and then rebound by the same amount, a level of volatility we haven't seen in some time. And now, we have 90 days of uncertainty to navigate. At MTC, our long-standing view of Trump suggests that further surprises are likely even after the 90-day pause, which could keep volatility elevated. Compounding this is the fact that many modern businesses aren't accustomed to Trump's governing style. For example, manufacturers are now faced with the dilemma; should they shift production back to the US immediately, or hold off and wait to negotiate? The reality is, rebuilding a supply chain isn't a quick thing, it can take months or even years. In our view, this volatility is here to stay for a while. But with it comes the opportunity or the chance to acquire quality businesses at attractive valuations.

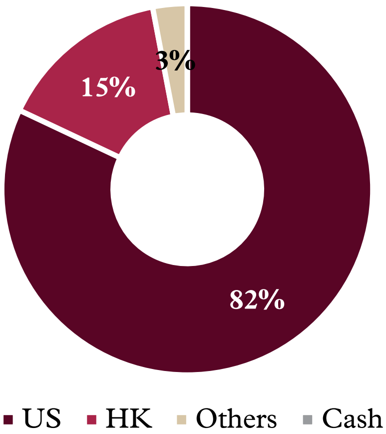
As far as our portfolio is concerned, we're comfortable with our current positioning, having successfully trimmed exposure following the initial market decline. Unlike in previous periods, we've only made selective moves. Adding modestly to our retail positions during the first week and a half of April has left us with ample dry powder to deploy if further market dislocations occur. We anticipate that most of this capital will be deployed in the second half of 2025, should attractive opportunities arise. While the market rebounded on 9 April 2025, we believe this may prove to be a bear rally. Corporate earnings are likely to come under pressure, and downside surprises may follow. Although the reciprocal tariffs have been paused, most businesses still face a 10% flat tariff, along with retaliatory measures from China and other nations. That said, our portfolio is now more diversified than ever, with exposure across a broad range of industries, each of which will be impacted differently by tariffs or other emerging policies. We even expect to outperform the S&P 500 this year, and our message to investors remains clear: stay the course. If markets decline further, consider reinvesting with MTC. Time and again, we've demonstrated that following periods of volatility, we not only recover but reach new highs.

Devan Linus, Chief Investment Officer

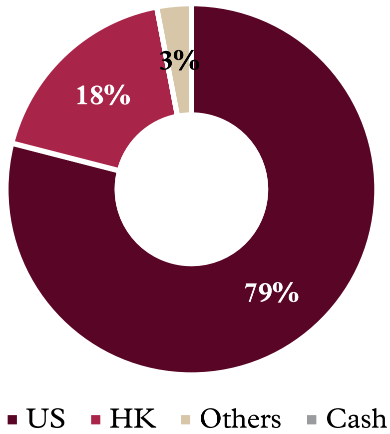
Charts 1: Company Listing and Sector Breakdown

Company Listing Breakdown

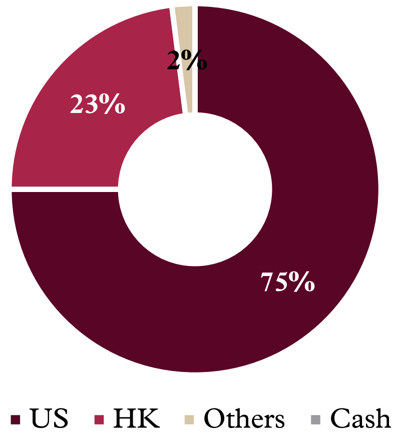
Prior Year (Mar 2024)



Prior Quarter (Dec 2024)



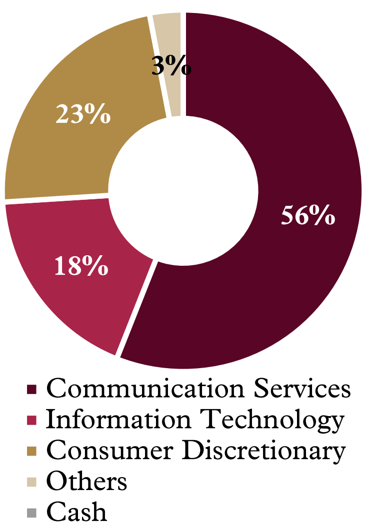
Current Quarter (Mar 2025)



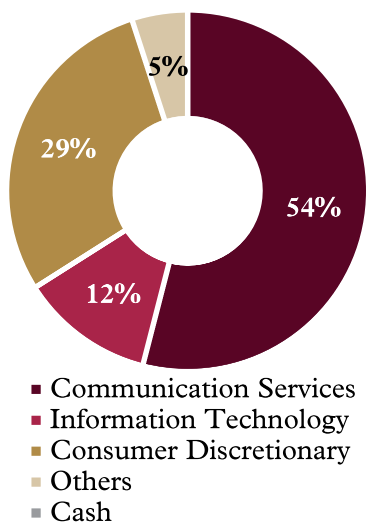
Our investments in China appreciated significantly in the quarter resulting in HK allocation increasing from 18% to 23%.

Sector Breakdown (GICS)

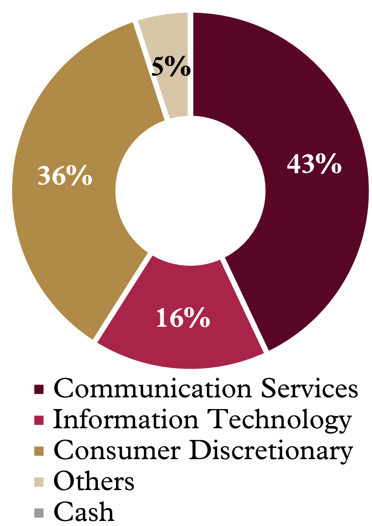
Prior Year (Mar 2024)



Prior Quarter (Dec 2024)



Current Quarter (Mar 2025)

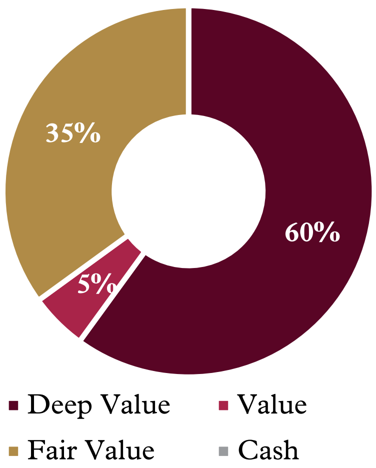


The continued trimming of our US Big Tech classified as Communication Services resulted in a decrease of 54% to 43% in the quarter. Selected trimming across the board and our semiconductor stocks appreciating resulted in Information Technology rising from 12% to 16% in the quarter. This is close to prior year allocation at 18%.

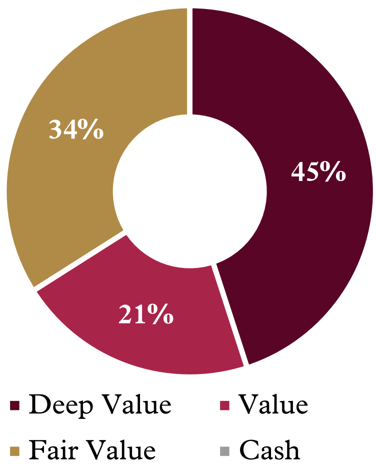
Charts 2: Value and Leverage Breakdown

Value Breakdown

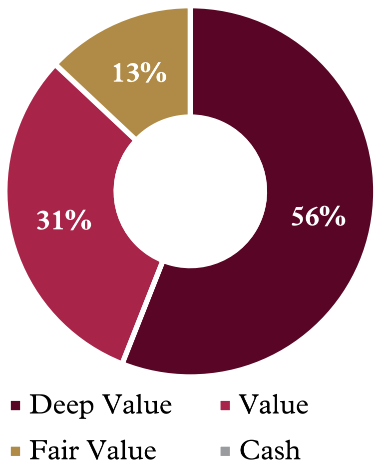
Prior Year (Mar 2024)



Prior Quarter (Dec 2024)



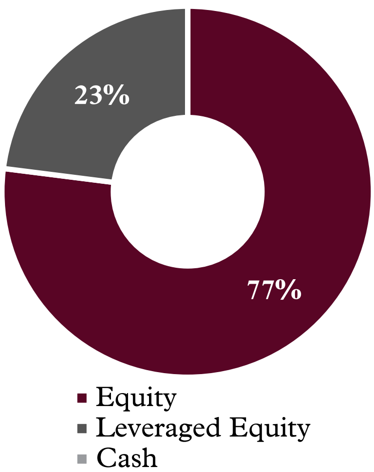
Current Quarter (Mar 2025)



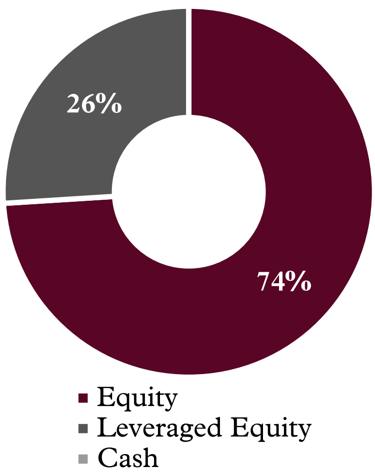
In March certain stocks declined resulting in a re-rating of some from Fair Value to Value, hence a larger allocation to Value at 31%. Trimming of Fair Value US Big Tech and investments in retail resulted in Fair Value decreasing to 13%, and Deep Value increasing to 56%.

Portfolio Leverage Breakdown

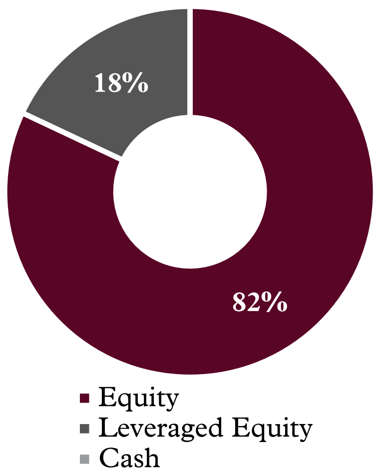
Prior Year (Mar 2024)



Prior Quarter (Dec 2024)



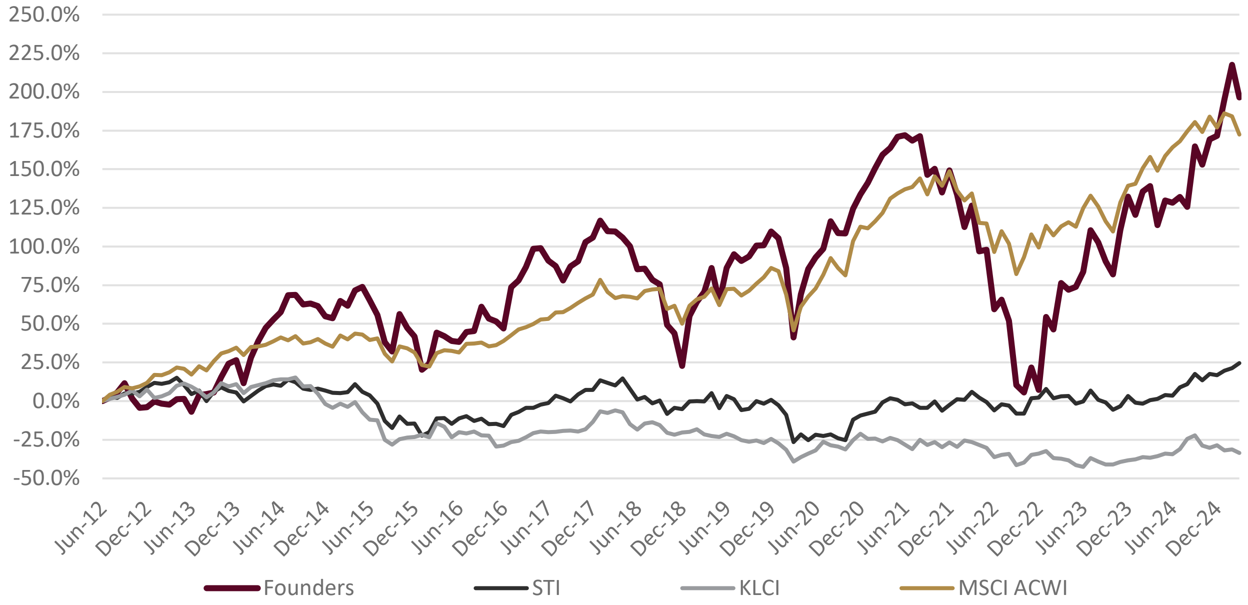
Current Quarter (Mar 2025)



Our trimming across the board given our macro view resulted in leverage reducing from 26% in Dec 2024 to 18% in Mar 2025.

Charts 3: Performance

Since Inception (Jul 2012 – Mar 2025), net of fees, USD



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 mutual fund under the Mutual Funds Law of the Cayman Islands and is registered with the Cayman Islands Monetary Authority.

