LIGHTHOUSE CANTON CAPITAL INDIA

Monthly Market Update
January 2021

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AGENDA

01 **Market Update**

02 **Monthly Performance Update**

03 **Fund Space**
- Investment Opportunities
- Tactical Calls

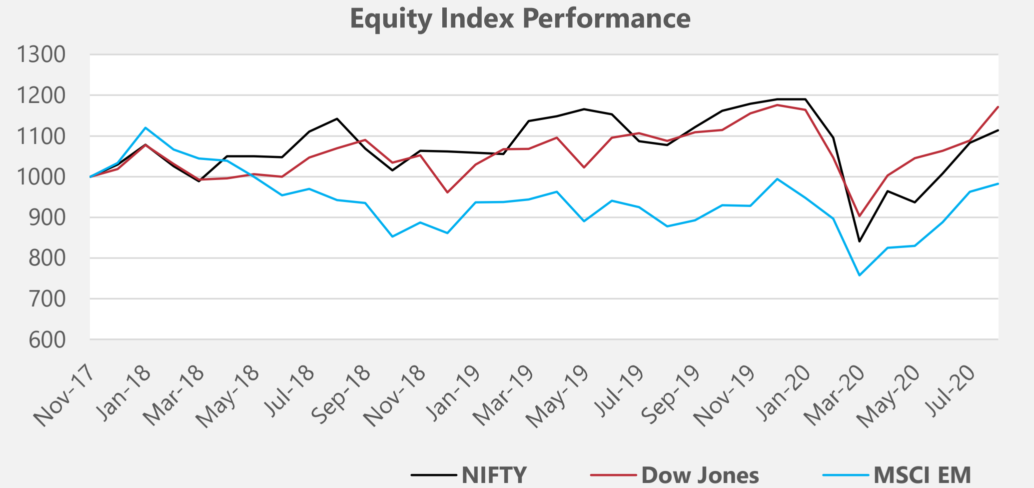
MARKET UPDATE

LC Capital India: Equity Market Update

In a fitting end to a volatile year, we ended the year with just above-average returns but almost at a sky-high volatility. The last couple of months was a runaway rally fueled by liquidity.

Continued FII flows and signs of further stimulus by US Fed led India higher with more than 50% of total flows for the year coming in the last quarter; India was the only EM to get positive FII flows

We believe higher government spending in infrastructure and support to manufacturing should aid brick and mortar companies in 2021



Month	NIFTY	MSCI EM	Dow Jones	BSEMidcap
Dec-20	7.7%	7.4%	3.3%	6.1%
Nov-20	11.4%	9.3%	11.8%	12.8%
Oct-20	3.5%	2.0%	-4.6%	1.4%

* Data Source –NSE, MSCI Website, Yahoo Finance

We recommend creating long-term positions in small and mid caps and moving gradually to an investment-based theme for portfolios over 2021.

LC Capital India: Fixed Income Market Update

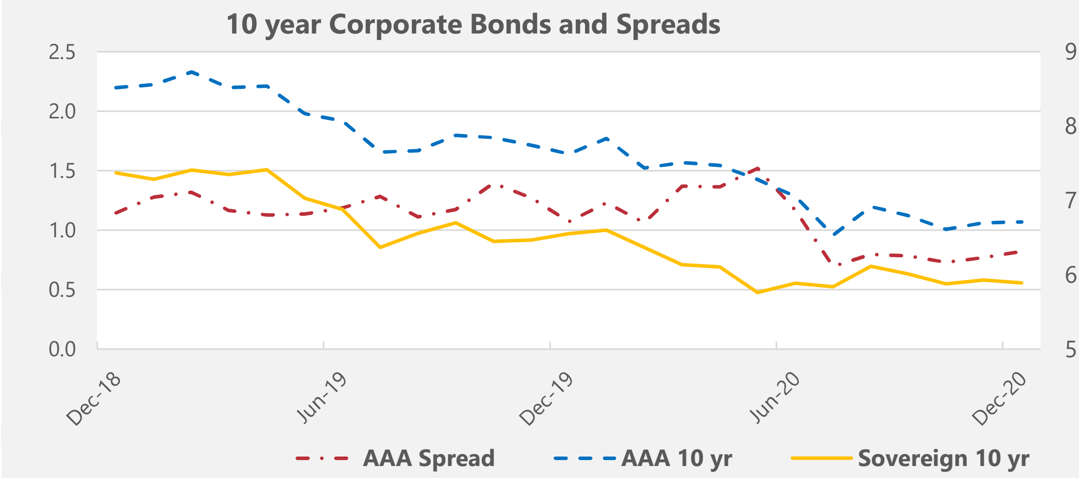
Inflation and growth estimates indicate that we may not have further rate cuts by RBI

We have seen pockets of improvement and with Coronavirus cases reducing, see further growth

Rates have already started increasing slowly in US with ten-year sovereigns above 1%

AAA borrowers have access to very low short-term credit though the same is not available to everyone

Current spreads indicate that there is sufficient liquidity for AAA bonds as of now but we see incremental lending to high yield segment



Month	AAA 10 yr	Sov. 10 Yr	AAA Spread
Dec-20	6.71	5.89	82.3
Nov-20	6.70	5.93	72.1
Oct-20	6.61	5.88	72.5
Sep-20	6.79	6.01	78.4
Aug-20	6.91	6.12	79.6

* Data Source – RBI

We believe there is limited duration or yield play in the market and therefore, the focus should be on select high yield/credit risk funds where there is margin of safety

LC Capital India: Alternatives Assets Update

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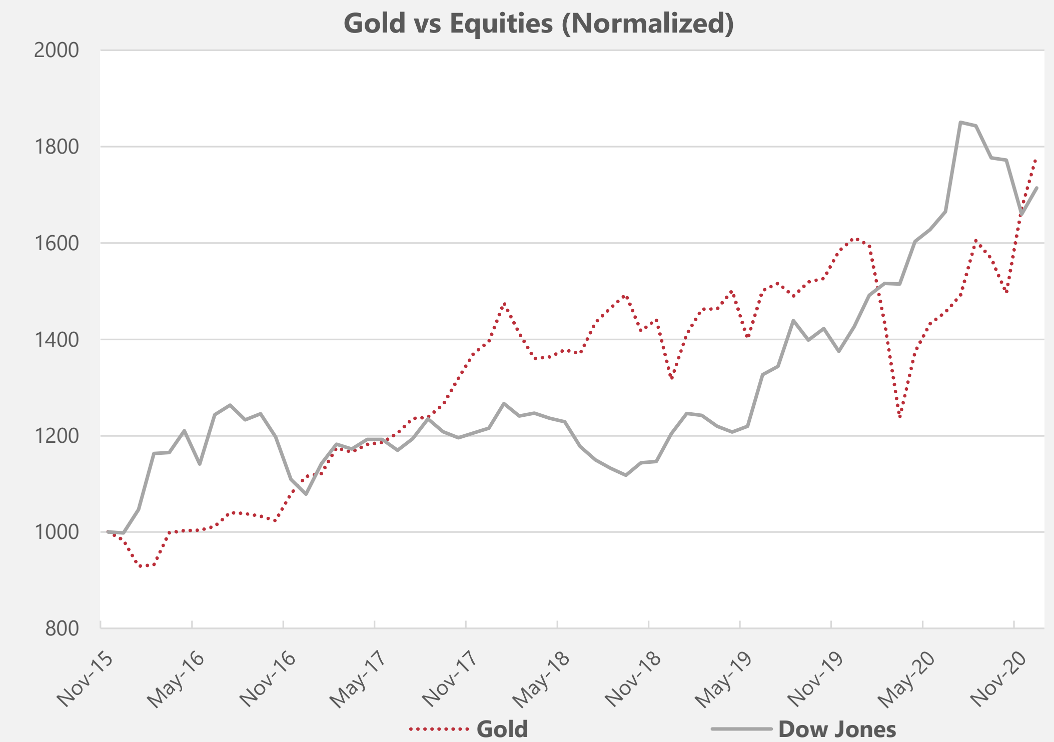
As we expected, industrial and base metals have done well in the last few months while precious metals have been much more subdued

Available liquidity and low interest rates have moved assets towards equities, unless we see stable inflation, global fixed income and gold might remain ignored

We see tremendous resilience from select segments in the PE/VC space (agricultural, food tech, consumer, education, etc.) and would remain positive on funds and deals in those specific industries.

With low yields and a possible volatile equity market, we turn to offshore vehicles for exposure to absolute return strategies in global markets through LRS route.



* Data Source – Bloomberg

We believe gold to be used as a portfolio hedge against inflation; we see opportunities in LRS investing and private market deals as yield kickers in an otherwise slow-moving market

MONTHLY PERFORMANCE UPDATE

Performance Update – Select Absolute Return Funds and Benchmark Indices

LIGHTHOUSE CANTON

PERFORMANCE UPDATE

Debt Plus Funds

FUND	Dec-20	Nov-20	Oct-20	Sep-20	3 M	6 M	1 Year	2 Years	3 Years
Estee I-Alpha	0.8%	0.7%	0.7%	0.8%	2.2%	4.8%	12.7%	13.0%	12.5%
Whitespace Alpha Debt Plus	2.4%	1.2%	0.1%	1.8%	3.7%	8.9%	15.8%	--	--
Alpha Alternatives MSAR	1.1%	0.5%	0.6%	1.0%	2.2%	8.0%	11.2%	12.1%	--
Avendus Absolute Return Fund	2.5%	1.1%	0.4%	1.3%	4.0%	7.0%	8.0%	10.5%	11.2%
Avendus Absolute Return Strategy	1.9%	0.8%	0.3%	0.6%	3.1%	--	--	--	--

Benchmark Indices

INDEX	Dec-20	Nov-20	Oct-20	Sep-20	3 M	6 M	1 Year	2 Years	3 Years
Nifty 50	7.8%	11.4%	3.5%	-1.2%	24.3%	35.7%	14.9%	13.5%	9.9%
S&P BSE 500	7.7%	11.7%	2.5%	-0.3%	23.2%	36.2%	16.8%	12.2%	6.9%
S&P BSE MidCap	6.1%	13.5%	1.4%	0.3%	22.0%	37.4%	19.9%	7.8%	0.2%
S&P BSE SmallCap	7.3%	13.3%	0.1%	3.7%	21.7%	46.2%	32.1%	10.9%	-2.0%
Nifty Arbitrage Index	0.3%	0.1%	0.3%	0.3%	0.6%	1.0%	2.4%	4.5%	4.5%
Dow Jones Industrial Average	3.3%	11.8%	-4.6%	-2.3%	10.2%	18.6%	7.2%	31.2%	23.8%
MSCI Emerging Markets	7.4%	9.2%	2.0%	-1.8%	19.7%	31.1%	18.3%	10.1%	2.4%

* Performance as of 31st December, 2020; Estee I-Alpha and Avendus Absolute Return Strategy are PMS strategies, rest are category – III AIFs

Performance Update – Select Long Only and Biased PMS/AIF Strategies

LIGHTHOUSE CANTON

PERFORMANCE UPDATE

Long Only Funds

FUND	Dec-20	Nov-20	Oct-20	Sep-20	3 M	6 M	1 Year	2 Years	3 Years
LC SageOne Select Stock Portfolio	9.4%	9.9%	0.5%	2.8%	20.9%	49.6%	42.0%	21.8%	7.6%
Vallum GARP Advantage Strategy	6.5%	8.1%	0.8%	5.1%	16.0%	39.3%	31.0%	14.0%	0.3%
Abakkus Emerging Opportunities	8.7%	9.0%	1.7%	8.1%	20.5%	53.6%	51.2%	27.4%	17.5%
Marcellus Consistent Compounders	9.4%	12.0%	6.7%	0.7%	30.7%	40.5%	33.8%	30.6%	20.2%
Marcellus Kings of Capital	3.3%	21.2%	6.8%	-4.9%	33.8%	27.2%	27.2%	12.8%	8.4%
Alchemy High Growth Select Stock	8.2%	11.1%	1.1%	0.2%	21.5%	34.7%	3.5%	3.8%	2.3%
SageOne Small/Micro Cap Port.	3.2%	11.6%	1.5%	6.0%	16.9%	54.8%	61.4%	26.5%	17.0%
White Oak India Pioneers Equity	8.4%	11.7%	3.5%	2.1%	25.3%	40.8%	35.8%	21.1%	13.6%

Long-Biased Funds

FUND	Dec-20	Nov-20	Oct-20	Sep-20	3 M	6 M	1 Year	2 Years	3 Years
Edelweiss Alternative Equity	8.4%	4.4%	2.2%	4.5%	15.6%	31.4%	20.3%	19.3%	11.3%
DSP Satcore	3.6%	5.2%	0.9%	-1.9%	9.9%	10.3%	10.3%	13.1%	11.1%
Avendus ERF - II	6.5%	9.4%	3.8%	-1.1%	20.9%	26.8%	11.8%	13.9%	--
Estee Long/Short	0.8%	-1.4%	0.2%	1.6%	-0.5%	0.0%	44.8%	--	--
Whitespace Alpha Equity Plus	9.7%	12.0%	3.6%	0.0%	27.3%	43.9%	26.6%	--	--

* Performance as on 31st December, 2020; Abakkus Emerging Opportunities Fund is an AIF, rest all are PMS strategies among Long Only Funds; Estee Long/Short is a PMS among long-biased funds, rest are AIFs

PERFORMANCE UPDATE

Performance Update – Select Mutual Funds

LIGHTHOUSE CANTON

Mutual Funds

FUND	Dec-20	Nov-20	Oct-20	Sep-20	3 M	6 M	1 Year	2 Years	3 Years
Canara Robeco Bluechip Equity (L)	7.7%	10.2%	3.2%	-0.5%	22.5%	32.8%	23.0%	19.3%	13.7%
Axis Bluechip (L)	8.3%	10.9%	4.0%	0.0%	24.9%	33.7%	19.7%	19.1%	14.7%
Axis Growth Opportunities (LM)	5.3%	12.3%	1.5%	-1.0%	20.1%	33.0%	24.6%	20.4%	--
Mirae Asset Emerging Bluechip (MU)	6.2%	11.7%	2.8%	0.0%	21.8%	36.7%	22.3%	18.5%	9.9%
PGIM India Diversified Equity (MU)	7.7%	11.8%	2.4%	1.9%	23.3%	41.9%	35.8%	22.2%	11.2%
PGIM India Mid Cap Opportunities (MC)	6.5%	13.0%	0.3%	6.1%	20.7%	48.5%	48.2%	23.9%	8.8%
Invesco India Mid Cap (MC)	5.3%	11.6%	-1.2%	3.6%	16.2%	33.5%	24.3%	13.6%	6.9%
Axis Small Cap (SC)	5.2%	10.8%	1.6%	3.8%	18.4%	41.1%	22.3%	20.8%	9.9%
SBI Small Cap (SC)	6.8%	14.1%	0.3%	2.2%	22.2%	47.2%	33.5%	19.0%	4.4%
Edelweiss Balanced Advantage (BAF)	5.2%	6.8%	1.9%	0.1%	14.5%	23.1%	22.6%	14.9%	10.4%

- Performance as on 31st December, 2020;
- L – Large Cap, LM – Large & Mid Cap, MU – Multi Cap, MC – Mid Cap, SC – Small Cap, BAF – Balanced Advantage Fund

INVESTMENT OPPORTUNITIES

Long/Short Equity : Whitespace Alpha Fund II (Debt Plus)

LIGHTHOUSE CANTON

GENERAL INFORMATION

Fund Name	**Whitespace Alpha Fund II**
Fund Management Firm	Whitespace Alpha LLP
Fund Managers	Whitespace Alpha LLP
Ref Index	CRISIL Liquid Fund Index
Category	AIF – CAT III
Sub-Category	Long Short – Market Neutral
Fee	2% management fee charged monthly
	20% performance fee

TRACK RECORD

Month	Fund	Index
Dec-20	2.4%	0.3%
Nov-20	1.2%	0.3%
Oct-20	0.1%	0.3%
Sep-20	1.8%	0.3%
Aug-20	1.6%	0.3%
Jul-20	1.5%	0.3%

Period	Fund	Index
3 Months	3.7%	0.9%
6 Months	8.9%	1.9%
1 Year	15.8%	4.6%
Inception	17.6%	4.9%

- Data as of 31st December, 2020
- Inception in October, 2019

Volatility	2.2%	0.3%
Sharpe	5.202	-4.028

KEY POINTS

Whitespace Alpha LLP is a systematic manager running AIFs in the absolute returns/arbitrage space. Fund II (Debt Plus) parks 90-95% capital in liquid funds (only AAA/AA+ rated schemes and across fund houses) and uses that to take margin for arbitrage strategies (index/cash & carry/statistical) using futures and options to generate post-tax absolute returns in the range of 7-8% annualized.

TACTICAL CALLS

Tactical Opportunity – MF - PGIM India Emerging Markets Equity Fund

With global interest rates expected to remain low for a longer period and developed markets (especially US) at an all-time high, choices for safe returns are few

Emerging Market equities, after a decade of underperformance, are expected to come back as global economies start staging a comeback

PGIM India Emerging Markets Equity Fund feeds into **Jennison Emerging Markets Equity Fund** that has performed in the top decile in the last 1/3/5 years

The size of the fund allows for nimble allocation across stocks and markets and results in better positioning in case there is a marked change in global macro environment

TRACK RECORD

Month	Fund	Index
Dec-20	13.9%	7.4%
Nov-20	7.7%	9.2%
Oct-20	4.9%	2.1%
Sep-20	-2.2%	-1.6%
Aug-20	8.4%	2.2%
Jul-20	6.7%	8.9%

Period	Fund	Index
1 Year	72.9%	18.3%
3 Years	22.6%	6.2%
5 Years	20.5%	12.8%
Inception	13.8%	6.5%

Allocation	Fund	Index
China	52.1%	41.9%
Korea	6.2%	12.1%
Taiwan	5.3%	12.8%
Brazil	9.3%	4.6%
India	3.1%	8.3%

- Data Source – PGIM Website
- Inception – September 2014
- Index – MSCI Emerging Markets
- All data in USD terms and annualized
- Data as of 31st December, 2020

We believe that there could be a longer-term reversal to emerging market equities as the world again moves closer through digital mobility and cost rationalization in a growing world.

Tactical Opportunity – MF - Edelweiss Balanced Advantage Fund

LIGHTHOUSE CANTON

While liquidity is pushing equity market returns globally, valuation leaves little room for error and a small event can potentially lead to a larger crash in the market

To safeguard some of the returns while still participating in the rally, we believe balanced advantage funds to be an ideal option

Edelweiss Balanced Advantage Fund has been among the better performers in this space consistently and with a better hold on special situation trades, is able to add consistent alpha to the portfolio

The current cash allocation is 74% and is dynamically managed using Nifty futures and is therefore, easy to execute on short notice.

TRACK RECORD

Month	Fund	Index
Dec-20	5.2%	7.8%
Nov-20	6.8%	11.4%
Oct-20	1.9%	3.5%
Sep-20	0.1%	-1.2%
Aug-20	1.7%	2.8%
Jul-20	5.7%	7.5%

Period	Fund	Index
3 Months	14.5%	24.3%
6 Months	23.1%	35.7%
1 Year	22.6%	14.9%
3 Years	10.4%	9.9%
5 Years	10.4%	12.0%
10 Years	10.2%	8.6%
Inception	10.2%	10.2%
Volatility	8.7%	18.0%
Sharpe	0.485	0.232

- Data Source – Edelweiss Mutual Fund
- Inception – September 2009
- Index – Nifty 50 Index
- Performance is annualized beyond 1 year
- Data as of 31st December, 2020

We believe that Balanced Advantage Fund is a low volatile approach to get returns over market cycles and holds much relevance in the current valuation range

Notes