LIGHTHOUSE CANTON CAPITAL INDIA

Monthly Market Update
March 2021

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AGENDA

01 **Market Update**

02 **Monthly Performance Update**

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

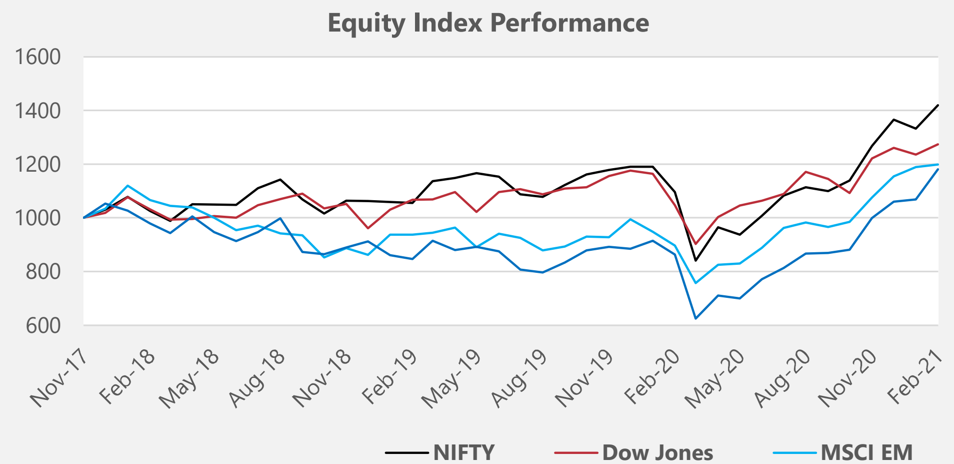
MARKET UPDATE

LC Capital India: Equity Market Update

It was a full-blown rally in the equity markets following a growth-oriented budget that appeared to check all boxes required by the industry as well as investors.

While flows continued to come in (albeit at a slower pace), the last couple of days saw mayhem on streets resulting in deep cuts that robbed the month of double-digit index returns.

With a pro-growth budget in place, focus in on manufacturing and industrial space in the brick-and-mortar world for the rest of 2021.



Month	NIFTY	MSCI EM	Dow Jones	BSEMidcap
Feb-21	6.6%	0.8%	3.2%	10.5%
Jan-21	-2.5%	3.1%	-2.0%	0.8%
Dec-20	7.7%	7.4%	3.3%	6.1%

* 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

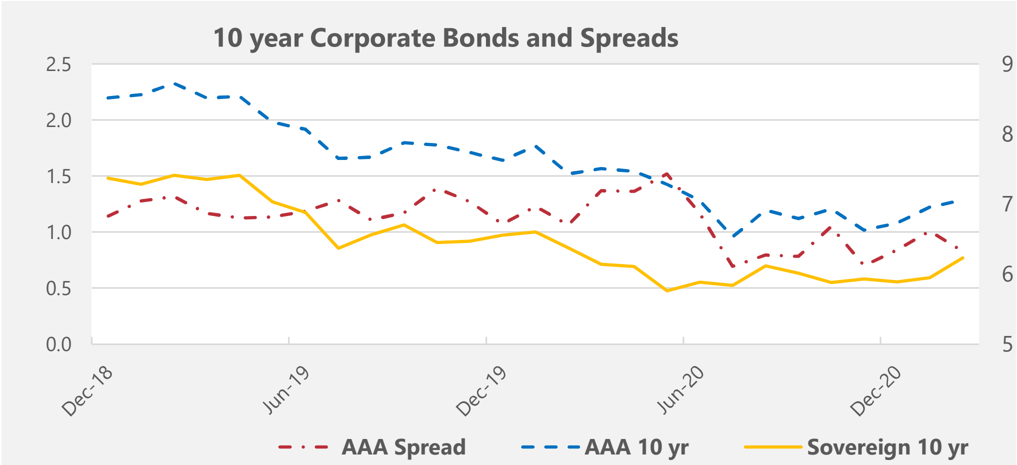
With higher growth estimates, we are expecting rates to move up from current levels.

At the same time, RBI is trying to keep yields lower so that it can manage future outflow as well.

Globally, rates have started picking up, especially in US where 10-year yield has moved by more than 0.4%

The tussle between RBI and market would ensure that yields would move in a small range.

There is limited space for gains through yield movement in the mid duration range while longer yields should remain range-bound



Month	AAA 10 yr	Sov. 10 Yr	AAA Spread
Feb-21	7.06	6.23	83
Jan-21	6.96	5.95	101
Dec-20	6.73	5.89	84
Nov-20	6.63	5.93	70
Oct-20	6.93	5.88	105

* Data Source – RBI

RBI may want to keep 10-year yields stable to manage long-term coupon payout and therefore, limited gains could be made in the mid duration segment and high yield/credit risk.

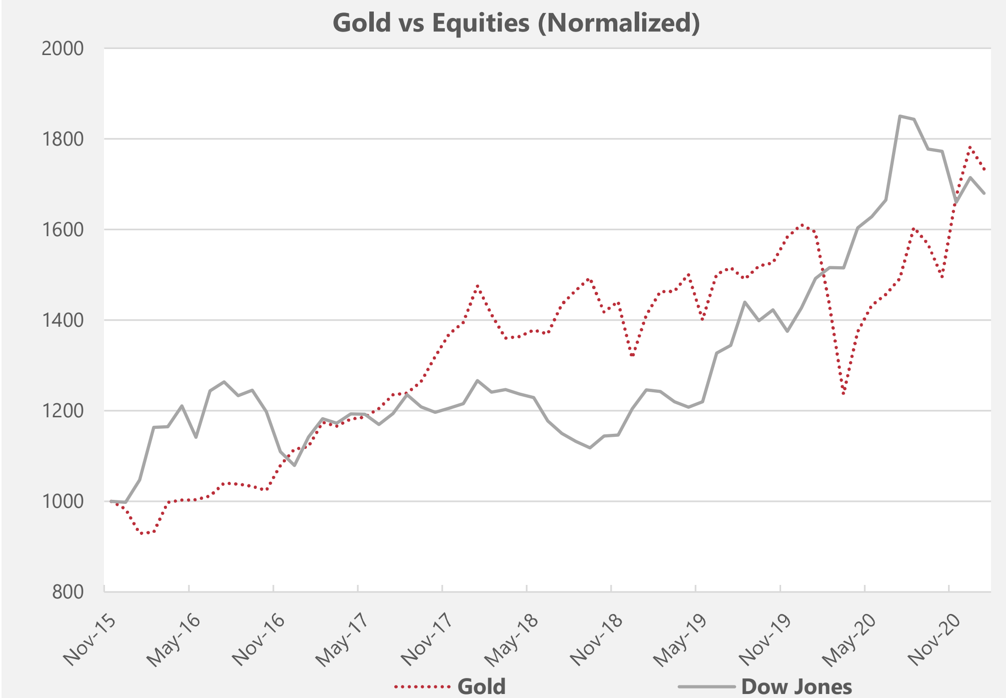
LC Capital India: Alternatives Assets Update

Industrial and base metals have been performing well, aided by the recent glut in shipping vessels that has driven supply chains globally to a standstill

With current yields and the growth outlook globally, precious metals may remain subdued for a while before picking up with inflation in the later part of the year

We see some traction 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

Gold will function in its limited capacity as a hedge against inflation in the markets; we see opportunities in private deals for longer-term gains

MONTHLY PERFORMANCE UPDATE

Performance Update – Select Absolute Return Funds and Benchmark Indices

PERFORMANCE UPDATE

Debt Plus Funds

	Feb-21	Jan-21	Dec-20	Nov-20	3M	6M	1 Yr	2 Yrs	3 Yrs
Estee I-Alpha	0.8%	0.9%	0.8%	0.7%	2.5%	4.7%	11.9%	13.1%	12.2%
Alpha Alt MSAR	0.6%	0.6%	1.1%	0.5%	2.3%	4.4%	10.7%	11.3%	--
Whitespace Debt Plus	1.1%	1.9%	2.3%	1.2%	5.4%	8.8%	17.1%	--	--
Avendus Abs Return Fund	1.9%	2.5%	2.5%	1.1%	7.0%	10.0%	13.8%	12.3%	12.0%

Benchmark Indices

	Feb-21	Jan-21	Dec-20	Nov-20	3M	6M	1 Yr	2 Yrs	3 Yrs
Nifty 50	6.6%	-2.5%	7.8%	11.4%	12.0%	27.6%	29.7%	16.0%	11.5%
BSE500	5.9%	-1.8%	7.7%	11.7%	12.0%	27.8%	30.1%	15.8%	9.1%
BSE Mid Cap	10.5%	0.8%	6.1%	13.5%	18.1%	36.3%	36.8%	18.1%	6.4%
BSE Small Cap	12.0%	-0.6%	7.3%	13.3%	19.4%	40.6%	47.0%	21.3%	3.6%
Nifty 50 Arb Index	0.6%	-0.6%	0.3%	0.1%	0.3%	1.0%	1.2%	4.0%	4.3%
Crisil Liquid Fund Index	0.3%	0.3%	0.3%	0.3%	0.8%	1.8%	4.2%	5.4%	6.2%
Nifty Bank	13.9%	-2.2%	5.6%	23.9%	17.6%	46.5%	19.4%	14.0%	11.5%
NIFTY IT	-1.4%	1.6%	11.4%	4.8%	11.7%	34.4%	53.1%	23.8%	24.1%
MSCI Emerging Markets	0.8%	3.1%	7.4%	9.2%	11.5%	22.3%	36.0%	15.5%	6.4%

* Performance as of 28th February, 2021; 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

PERFORMANCE UPDATE

Long Only Funds

	Feb-21	Jan-21	Dec-20	Nov-20	3M	6M	1 Yr	2 Yrs	3 Yrs
Marcellus Cons. Compounders	2.5%	-6.8%	9.4%	12.0%	4.6%	25.8%	23.4%	29.3%	--
Vallum India GARP Advantage	9.1%	-1.4%	6.5%	8.1%	14.6%	31.1%	40.6%	21.0%	4.6%
SageOne Small Cap	8.5%	4.4%	3.2%	11.6%	16.9%	40.3%	65.4%	--	--
Abakkus Emerging Opportunities	13.3%	0.5%	8.7%	9.0%	23.8%	48.3%	69.1%	--	--
LC SageOne Select	9.9%	-0.3%	9.4%	9.9%	20.0%	36.3%	48.6%	31.0%	11.6%
White Oak India Pioneers	6.1%	-3.1%	8.4%	11.7%	11.4%	31.6%	32.5%	--	--
Alchemy High Growth Select Stock	6.7%	2.2%	8.2%	11.1%	18.0%	32.7%	14.1%	10.8%	6.5%
Marcellus Kings Of Capital	7.6%	-6.1%	3.3%	21.2%	4.4%	28.6%	--	--	--

Equity Minus Funds

	Feb-21	Jan-21	Dec-20	Nov-20	3M	6M	1 Yr	2 Yrs	3 Yrs
Whitespace Equity Plus	7.1%	-0.6%	9.7%	12.0%	16.8%	35.5%	44.8%	--	--
Avendus Enh Retrn Fund - II	4.0%	-0.4%	6.5%	9.4%	10.3%	23.9%	23.2%	16.1%	--
DSP Satcore	3.2%	-0.7%	3.6%	5.2%	6.2%	10.5%	10.6%	14.6%	11.8%
Edelweiss Alt Equity	-0.6%	-3.8%	8.4%	4.4%	3.7%	15.6%	11.9%	16.4%	9.8%

* Performance as on 28th February, 2021; Abakkus Emerging Opportunities Fund is an AIF, rest all are PMS strategies among Long Only Funds; All equity minus strategies are AIFs

Performance Update – Select Mutual Funds

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PERFORMANCE UPDATE

Mutual Funds

	Feb-21	Jan-21	Dec-20	Nov-20	3M	6M	1 Yr	2 Yrs	3 Yrs
Canara Robeco Bluechip Equity (L)	6.0%	-2.1%	7.7%	10.2%	11.8%	26.5%	29.4%	22.4%	15.3%
Axis Bluechip (L)	4.9%	-5.0%	8.3%	10.9%	8.0%	24.5%	20.7%	19.5%	15.3%
Axis Growth Opportunities (LM)	9.9%	-2.8%	5.3%	12.3%	12.5%	27.0%	33.8%	23.6%	--
Mirae Asset Emerging Bluechip (MU)	9.0%	0.7%	6.2%	11.7%	16.5%	33.7%	38.8%	25.6%	15.8%
PGIM India Flexicap Equity (MU)	7.4%	-1.0%	7.7%	11.8%	14.5%	33.5%	49.0%	28.0%	14.7%
PGIM India Mid Cap Opportunities (MC)	11.5%	1.9%	6.5%	13.0%	20.9%	45.4%	60.0%	35.2%	15.6%
Invesco India Mid Cap (MC)	9.5%	0.8%	5.3%	11.6%	16.3%	32.8%	31.4%	22.6%	13.0%
Axis Small Cap (SC)	7.7%	-0.6%	5.2%	10.8%	12.7%	31.6%	23.0%	26.8%	14.2%
SBI Small Cap (SC)	10.1%	-0.5%	6.8%	14.1%	17.0%	36.9%	42.7%	28.5%	9.9%
Edelweiss Balanced Advantage (BAF)	4.6%	-0.7%	5.2%	6.8%	9.3%	19.0%	27.5%	18.0%	12.0%

- Performance as on 28th February, 2021;
- L – Large Cap, LM – Large & Mid Cap, MU – Multi Cap, MC – Mid Cap, SC – Small Cap, BAF – Balanced Advantage Fund

INVESTMENT OPPORTUNITIES

Debt Plus : Whitespace Alpha Fund II (Debt Plus)

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
Feb-21	1.1%	0.3%
Jan-21	1.9%	0.3%
Dec-20	2.3%	0.3%
Nov-20	1.2%	0.3%
Oct-20	0.1%	0.3%
Sep-20	1.8%	0.3%

Period	Fund	Index
3 Months	5.4%	0.8%
6 Months	8.8%	1.8%
1 Year	17.1%	4.2%
Inception	17.8%	4.7%

Volatility	2.1%	0.3%
Sharpe	5.56	-4.42

- Data as of 28th February, 2021
- Inception in October, 2019

KEY POINTS

This fund parks 90-95% capital in liquid funds (only AAA/AA+ rated schemes and across fund houses for diversification) and FDs (top private sector banks only) and uses that as margin for running arbitrage strategies using futures and options. The three key strategies are:

- ***Core Strategy*** – plain vanilla arbitrage strategy, semi-automated, across equities and commodities between cash and futures contracts.
- ***Index Modelling*** – trade on implied volatility between F&) contracts of stocks and indices, driven by spreads, volumes, volatility and OI
- ***Statistical Modelling*** – hedged option strategies (box, butterfly, etc.); using correlation models around macro variables to take hedged calls

High Yield : Vivriti Short Term Bond Fund

GENERAL INFORMATION

Fund Name	**Vivriti Short Term Bond Fund**
Fund Management Firm	Vivriti Asset Management
Ref Index	N.A.
Category	Alternative - AIF - Category II
Sub-Category	High Yield Credit
Fee	1.25% per annum management fee Including management expenses

HIGHLIGHTS

- Indicative pre-tax IRR of 10.25% for class A investors, 13.5% for Class B
- Term of fund – 3 years, average duration ~22 months
- Interest pay out is quarterly while 1/3rd principal is returned at the end of each year
- Segmentation – 90% Class A, 7.5% Class B, 2.5% Class C
- Distribution is through a waterfall model with Class B/C firms taking maximum risk
- 10% first loss protection to class A investors
- Entity cap of 10% at the fund level
- All underlying instruments are held to maturity, no rate risks

KEY POINTS

Vivriti Short Term Bond Fund invests in debt issued by large retail financial services (NBFCs, HFCs, MFIs) firms core to the economy, financial individuals for livelihood, emergency and consumption, and financing small enterprises. These retail financial services are expected to be at the forefront of recovery out of Covid-induced slowdown, extending credit to individuals and enterprises. These are usually steady business models with operations of more than 10-20 years with proven access to capital. The core competency of Vivriti comes in through extensive research and lending experience to these institutions with almost zero NPAs. Underlying papers are minimum A rated in the fund.

High Yield : Northern Arc Impact Fund

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GENERAL INFORMATION

Fund Name	**Northern Arc Impact Fund**
Fund Management Firm	Northern Arc Investments
Ref Index	N.A.
Category	Category II – AIF (close-ended)
Sub-Category	High Yield Credit
Fee	1.5% Management Fee Up to 0.25% Operating Expenses

HIGHLIGHTS

- Indicative target XIRR of 12.5-13% post expenses
- Target corpus INR 700 cr with green shoe option of INR 350 cr
- Fund tenor – 5 years
- Instruments – senior NCDs and subordinated NCDs
- Sector exposure – Microfinance, SME Finance, CV Finance, Agri-business Finance
- Semi-annual coupon payment in June and December
- First close at INR 170 cr with participation from impact investment firms from Europe and USA

KEY POINTS

Northern Arc Impact Fund is a five year close-ended category II AIF with semi-annual coupon payments. It focusses on segments where Northern Arc specializes – microfinance (40-50%), SME finance (25-40%), CV financing (10-25%) and agri-business finance (0-10%). The target XIRR for the fund stands at 12.5-13% after expenses and is rated AA+ (SO) by CRISIL. Northern Arc also provides a first loss protection of up to 10% for the fund. A significant part of the fund (~70%) will be matched with the tenure of the fund to reduce any interest rate risk. The fund received its first funding of INR 170 crore from PG Impact Investments, Anthos Fund & Asset Management and Calvert Impact Capital.

TACTICAL CALLS

Tactical Opportunity – AIF – Whitespace Alpha Fund I (Equity Plus)

GENERAL INFORMATION

Fund Name	**Whitespace Alpha Fund I**
Fund Management Firm	Whitespace Alpha LLP
Fund Managers	Whitespace Alpha LLP
Ref Index	NIFTY 50 Index
Category	AIF – CAT III
Sub-Category	Long Biased – Equity Minus
Fee	2% management fee charged monthly
	20% performance fee

TRACK RECORD

Month	Fund	Index
Feb-21	7.1%	6.6%
Jan-21	-0.6%	-2.5%
Dec-20	9.7%	7.8%
Nov-20	12.0%	11.4%
Oct-20	3.6%	3.5%
Sep-20	0.0%	-1.2%

Period	Fund	Index
3 Months	16.8%	12.0%
6 Months	35.5%	27.6%
1 Year	44.8%	29.7%
Inception	32.5%	18.1%

Volatility	29.5%	29.3%
Sharpe	0.90	0.41

- Data as of 28th February, 2021
- Inception in October, 2019

KEY POINTS

This fund parks 90-95% capital in Nifty ETFs and uses that as margin for running arbitrage strategies using futures and options with the aim to create a sustainable return of ~10% above the benchmark. The three key underlying strategies are:

- ***Core Strategy*** – plain vanilla arbitrage strategy, semi-automated, across equities and commodities between cash and futures contracts.
- ***Index Modelling*** – trade on implied volatility between F&) contracts of stocks and indices, driven by spreads, volumes, volatility and OI
- ***Statistical Modelling*** – hedged option strategies (box, butterfly, etc.); using correlation models around macro variables to take hedged calls

Tactical Opportunity – MF - PGIM India Emerging Markets Equity Fund

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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
Feb-21	0.6%	0.8%
Jan-21	6.8%	3.1%
Dec-20	13.9%	7.4%
Nov-20	7.7%	9.2%
Oct-20	4.9%	2.1%
Sep-20	-2.2%	-1.6%

Period	Fund	Index
1 Year	89.6%	36.0%
3 Years	23.4%	6.4%
5 Years	24.8%	15.2%
Inception	14.7%	7.0%

Allocation	Fund	Index
China	43.9%	39.5%
Taiwan	13.8%	13.8%
India	13.6%	9.2%
S. Korea	7.0%	13.2%
U.S.	6.0%	--

- Data Source – PGIM Website
- Inception – September 2014
- Index – MSCI Emerging Markets
- All data in USD terms and annualized
- Data as of 28th February, 2021

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

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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 equity allocation is 69% and is dynamically managed using Nifty futures and is therefore, easy to execute on short notice.

TRACK RECORD

Month	Fund	Index
Feb-21	4.6%	6.6%
Jan-21	-0.7%	-2.5%
Dec-20	5.2%	7.8%
Nov-20	6.8%	11.4%
Oct-20	1.9%	3.5%
Sep-20	0.1%	-1.2%

Period	Fund	Index
3 Months	27.5%	12.0%
6 Months	12.0%	27.6%
1 Year	12.8%	29.7%
2 Years	11.0%	16.0%
3 Years	12.0%	11.5%
5 Years	12.8%	15.8%
10 Years	11.0%	10.5%
Volatility	9.2%	23.0%
Sharpe	0.55	0.20

- Data Source – Edelweiss Mutual Fund
- Inception – September 2009
- Index – Nifty 50 Index
- Performance is annualized beyond 1 year
- Data as of 28th February, 2021

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