Lighthouse Canton Investment Guide

22 August 2025

EUROMONEY PRIVATE BANKING AWARDS 2025
UAE
BEST WEALTH MANAGER

EUROMONEY PRIVATE BANKING AWARDS 2025
SINGAPORE
BEST WEALTH MANAGER

GLOBAL Private Banking INNOVATION AWARDS 2024
BEST FAMILY OFFICE – UNITED ARAB EMIRATES

2024 ASIAN PRIVATE BANKER 14th AWARDS FOR DISTINCTION
BEST INDEPENDENT WEALTH MANAGER SINGAPORE

2024 ASIAN PRIVATE BANKER 14th AWARDS FOR DISTINCTION
HIGHLY COMMENDED INDEPENDENT WEALTH MANAGER INDIA

GLOBAL Private Banking INNOVATION AWARDS 2024
BEST FAMILY OFFICE – MIDDLE EAST

2023 ASIAN PRIVATE BANKER 13th AWARDS FOR DISTINCTION
BEST INDEPENDENT WEALTH MANAGER ASIA PACIFIC

2023 ASIAN PRIVATE BANKER 13th AWARDS FOR DISTINCTION
HIGHLY COMMENDED INDEPENDENT WEALTH MANAGER INDIA

PRIVATE BANKING AWARDS 2023 ASIAMONEY
RISING STAR, SINGAPORE

2022 ASIAN PRIVATE BANKER AWARDS FOR DISTINCTION
BEST INDEPENDENT WEALTH MANAGER ASIA PACIFIC

2021 ASIAN PRIVATE BANKER AWARDS FOR DISTINCTION
BEST INDEPENDENT WEALTH MANAGER WEALTH PLANNING SERVICES

2021 ASIAN PRIVATE BANKER AWARDS FOR DISTINCTION
BEST INDEPENDENT WEALTH MANAGER INVESTMENT ADVISORY

GLOBAL Private Banking INNOVATION AWARDS 2022

OUTSTANDING DIGITAL TRANSFORMATION IN COVID 19 BY A FAMILY OFFICE

BEST FAMILY OFFICE – MIDDLE EAST

BEST FAMILY OFFICE – UNITED ARAB EMIRATES

LIGHTHOUSE CANTON

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4 Pillars of Our Top-Down Framework

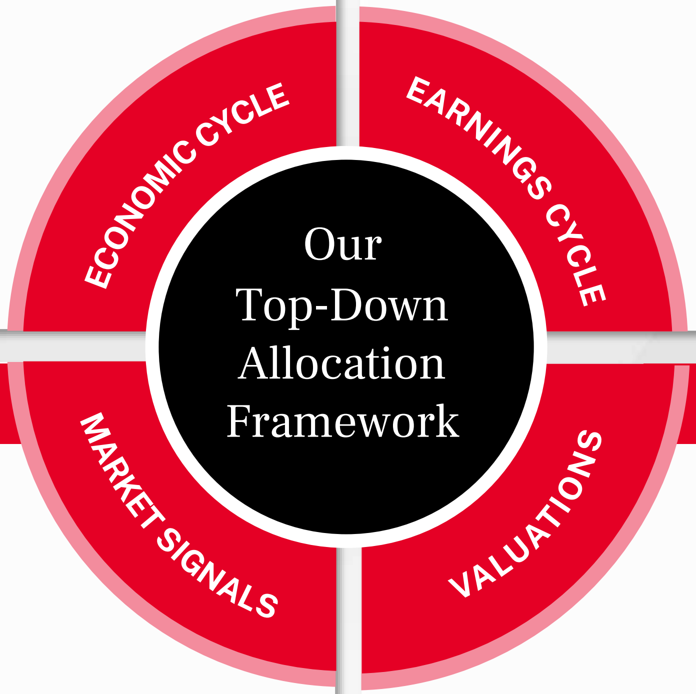
Our models aggregate key variables and score them based on magnitude and direction

Economic Cycle

- Consumer
- Business
- Housing
- Inflation
- Monetary Conditions
- Labor

Earnings Cycle

- Sales Growth
- Earnings Growth
- Operating Margins
- Profit Margins
- Earnings surprises
- Revisions



Market Signals

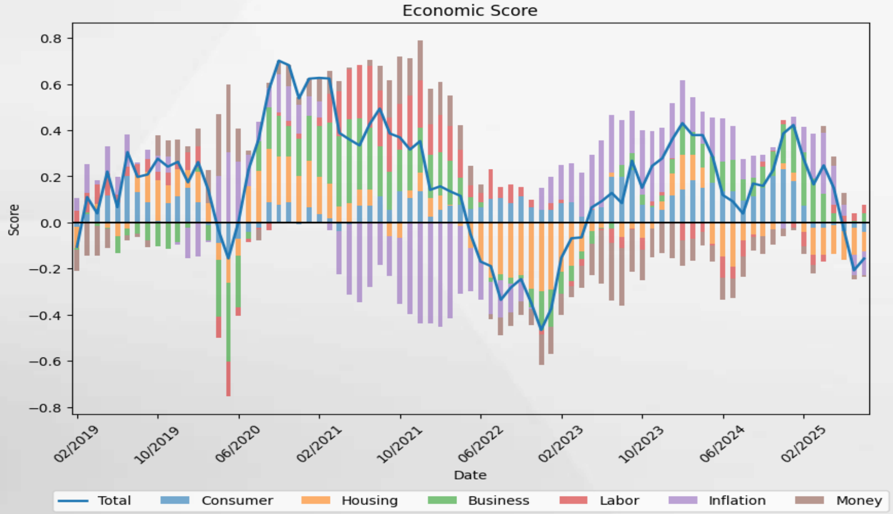
- Market Breadth
- Sentiment
- Momentum
- Sector Rotation Trends
- Cross-Asset Indicators
- Contrarian

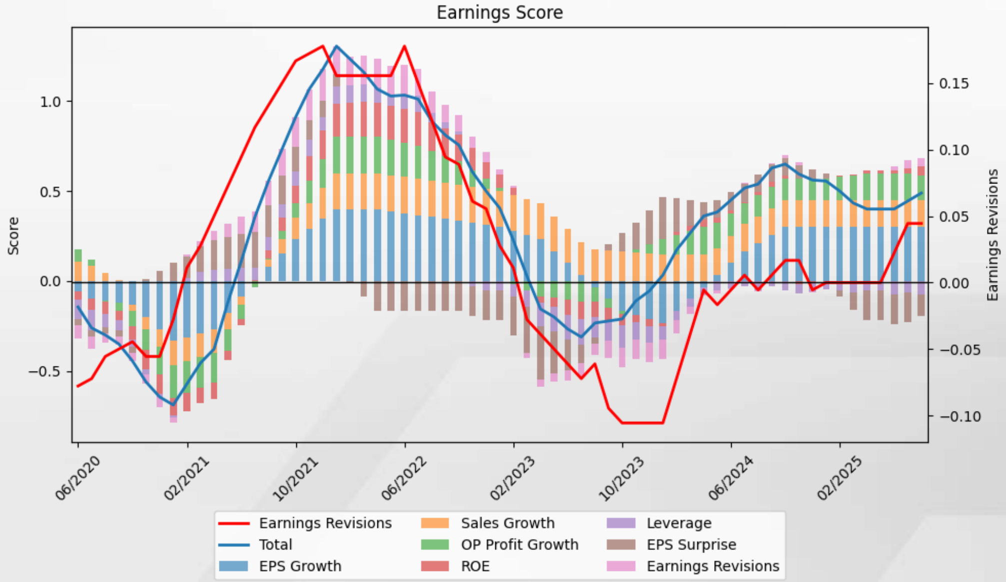
Valuations

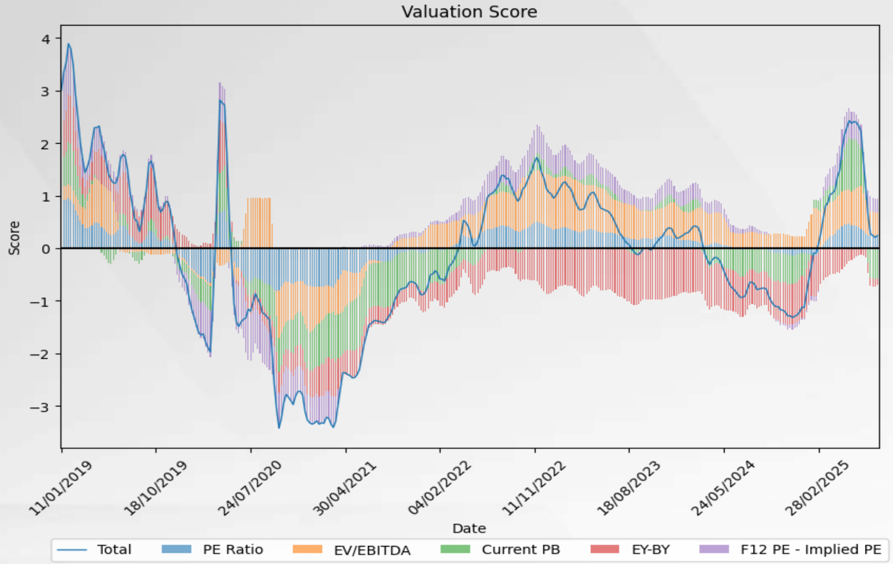
- PE
- Current vs Derived PE
- EV to EBITDA
- PB
- Earnings Yield vs Bond Yield

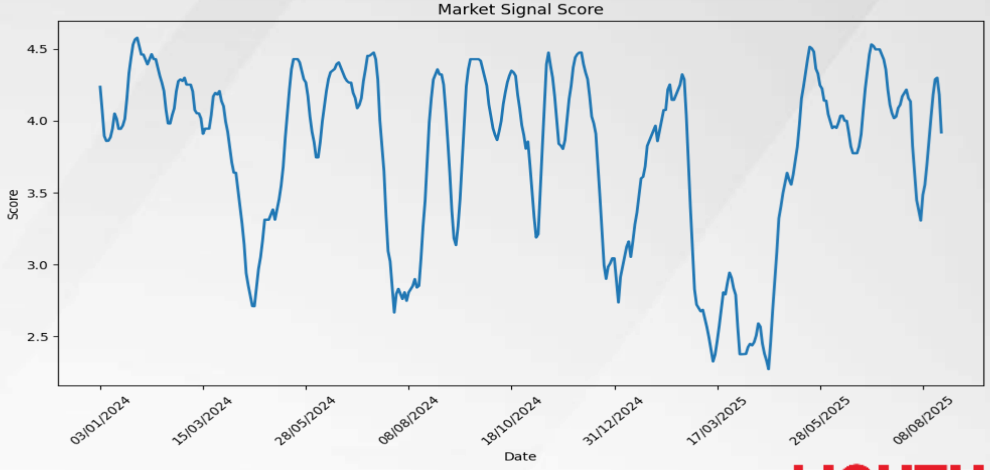
Lighthouse Canton’s Proprietary 4-Pillars Model

A Historical Perspective









Source: Lighthouse Canton, August 25

Lighthouse Canton Proprietary Model

25 August 2025

Our aggregate model score continues to deteriorate and now suggests a "neutral" positioning in equities and bonds, with downside risks to both. While earnings remain a bright spot and the uptrend still in place, stretched as it may be, weakening macro conditions, especially consumption and housing warrant caution. Additionally, valuations, while not a catalyst, point to below average returns in years ahead. Our focus remains on catalysts – on the downside, labor will hold the key for the economy and sentiment (market signals) while revival in housing and consumption can reverse the softening trend.

Economic Cycle – Momentum Decelerating; Labor is the Key: Risks for the US economy are ***tilted towards a further slowdown*** with 4 of 6 components in negative territory. Stretched households and a persistent drag from housing, are partially offset by relative resilience in business activity and labor conditions, although these too face challenges at the margin, reflected in higher bankruptcies and slowing payrolls and rising jobless claims. Inflation in the meantime has remained sticky, edging up in recent months but more importantly tariff related headwinds cloud the forward view. ***Our economic model already is below neutral levels – labor markers create downside risk while any revival in consumption and housing can reverse the recent downtrend***.

Earnings Cycle – Another Solid Quarter: Earnings momentum is **strong and improving**, with another solid quarter, significantly outperforming forecasts (12% vs. 5% consensus), reinforcing confidence in the underlying corporate profitability. Growth indicators - EPS, sales, operating profit, and return on equity are all trending higher, driving positive revisions. ***While earnings remain a bright spot, the forward view will be determined by how broader economic conditions, consumption and labor specifically, evolve and how responsive is monetary and fiscal policy.***

Valuations – Expensive Equities and Bonds: Equity valuations remain **elevated** across most metrics in a historical context and relative to other bonds. That said, while valuations are rich, they have been **stable in recent months**. Unlike earlier in the year when metrics were trending higher, most ratios have flattened, keeping the overall aggregate view at **average (stable)** rather than deteriorating further. ***While not a near-term catalyst, valuations will determine medium-term returns for equities.*** **Corporate bond valuations continue to be stretched.**

Market Signals – Strong Trend, Weaker Momentum: *Equities remain in an uptrend even as momentum indicators appear stretched. For now, neither is breadth stretched nor is sentiment at extremes, suggesting support for the trend. Under the hood though, the trend for tech appears to be faltering with rotation into discretionary and communication services, albeit in very early stages.*

Asset Allocation

Equities: Our proprietary ***nowcaster*** is **"NEUTRAL"** in equities, progressively deteriorating in sync with a weakening economy and elevated valuations. For now, Tech remains the only overweight sector, led by earnings strength and a persistent uptrend. Growth remains favored though even with nascent rotation into communications and discretionary sectors. **Internationally**, Europe after unwinding YTD outperformance (vs. SPX) appears to be finding a bid. India too appears to be stabilizing although earnings outlook remains a concern. China remains favored.

Fixed Income: With credit spreads on both HY and IG corporate bonds back to record lows, other than European financials, corporate bonds do not appear attractive. As for treasuries, yields remain in balance – potential inflationary threats (from tariffs and easy financial conditions) offset by decelerating growth. ***Adding duration is recommended***.

Currencies: Consensus view on the dollar is bearish citing risks from loss of US' haven status as well a European/ EM revival. ***While the arguments for dollar bearishness appear sound, the runaway DXY depreciation in 1H appears exhausted.***

Gold, Oil and Bitcoin: Gold is stuck in a range for the last three months – it needs resolution out of the 3200-3400 range. Should the bullishness in equities continue, the case for being long Gold remains weak, at least in the short-term. Trend for oil is weak, as the long-term outlook. ***Bitcoin remains a preferred currency diversifier.***

Alternatives: With a dominant ***macro*** narrative, such ***strategies*** remain a preferred positioning. Volatility, currently depressed, is expected to rise and challenge trend following approaches. Relatively ***non-correlated strategies*** – insurance, life settlement and to a large extent private credit, ***remain a preferred positioning***.

Lighthouse Canton Proprietary Model

25 August 2025

Equity Model Scores (as of Aug-25)

Factor	Current (08/2025)	1M Ago (07/2025) / 1Q Ago* (05/2025)	3M Ago (05/2025) / 2Q Ago* (02/2025)	Current Score	Score (1M / 1Q* Ago)	Score (3M / 2Q* Ago)
Economic	Below Average (Improving)	↑	↓	2.4	2.2	3.6
Earnings*	Strong (Improving)	↑	→	4.3	4.1	4.3
Valuation	Average (Deteriorating)	↓	↓	2.6	2.8	3.7
Market	Above Average (Deteriorating)	↓	→	3.9	4.1	4.0
LC Equity Score	Average (Deteriorating)	↓	↓	3.1	3.2	3.8

Based on QoQ Trend for Earnings

Factor	Current (08/2025)	1M Ago (07/2025)	3M Ago (05/2025)	Current Score	Score (1M Ago)	Score (3M Ago)
Economic	Below Average (Improving)	↑	↓	2.3	2.1	3.6
Valuation	Very Weak (Stable)	→	→	1.0	1.0	1.0
Market	Above Average (Improving)	↑	↓	3.9	3.6	4.5
LC Fixed Income Score	Average (Improving)	↑	↓	2.8	2.6	3.5

Legend	
↓	Deteriorated
→	Stable
↑	Improved

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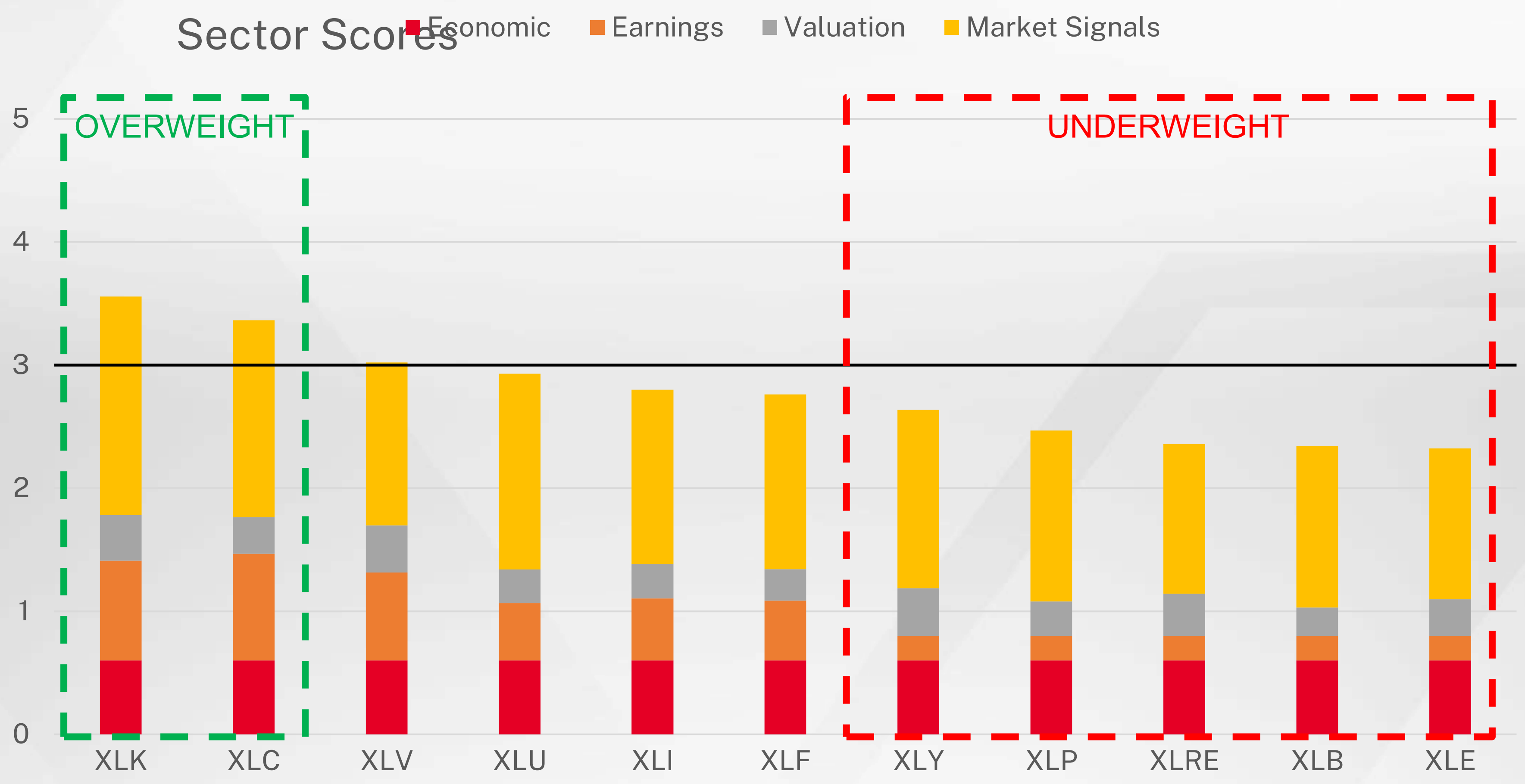
LC Model Portfolios - Overview

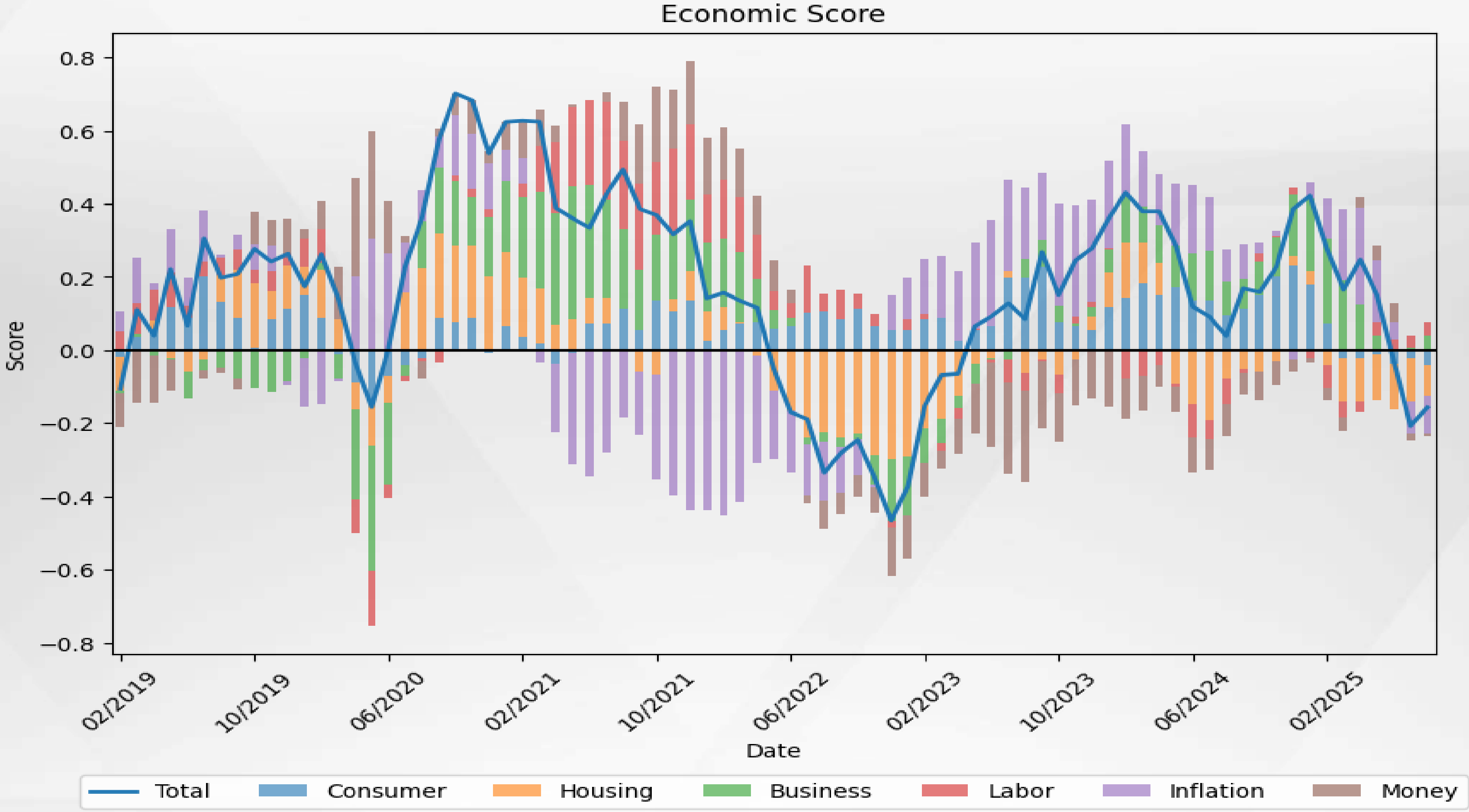
Allocation	Multi-Asset Defensive	Multi-Asset Balanced	Multi-Asset Growth	
Return Target	**SOFR + 3%**	**SOFR + 6%**	**SOFR + 9%**	
Drawdown	**<5%**	**<10%**	**<20%**	
Equities				
Range	0% - 10%	20% - 40%	50% - 80%	**Neutral** **OW Growth and Defensives** **OW China**
Target Allocation	5%	30%	65%	
Fixed Income				
Range	45% - 65%	25% - 45%	5% - 15%	**Neutral** **OW Duration**
Target Allocation	55%	35%	10%	
Alternatives				
Range	25% - 55%	15% - 55%	5% - 45%	**Neutral** **Macro, Non-Correlated, Pvt. Credit**
Target Allocation	40%	35%	25%	
Total	**100%**	**100%**	**100%**	

Lighthouse Canton Proprietary Model



Lighthouse Canton Proprietary Model: Economic Cycle Nowcaster

Decelerating Momentum; Labor is the Key



Source: Lighthouse Canton, August 25

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Lighthouse Canton Proprietary Model: Economic Cycle Nowcaster

Decelerating Momentum; Labor is the Key

Source: Lighthouse Canton, as of August 25

Econ Model Scores (as of Aug-25)

Factor	Current (08/2024)	1M Ago (06/2025)	3M Ago (04/2025)
Consumer	Negative	↓	↓
Housing	Negative	↑	↑
Business	Positive	↑	→
Labor	Positive	↑	↑
Inflation	Negative	↓	↓
Money	Negative	↑	↓
Aggregate	Below Average (Improving)	↑	↓

Legend	
↓	Deteriorated
→	Stable
↑	Improved

Risks for the US economy are ***tilted towards a further slowdown*** with 4 of 6 components in negative territory. Stretched households (income, savings, and spending are all down compared to last year) and a persistent drag from housing (elevated mortgage rates continue to suppress prices, sales, and affordability) are partially offset by relative resilience in business activity and labor conditions, although these too face challenges at the margin, reflected in higher bankruptcies and slowing payrolls and rising jobless claims. Inflation in the meantime has remained sticky, edging up in recent months but more importantly tariff related headwinds cloud the forward view. ***Our economic model already is below neutral levels – labor markers create downside risk while any revival in consumption and housing can reverse the recent downtrend.***

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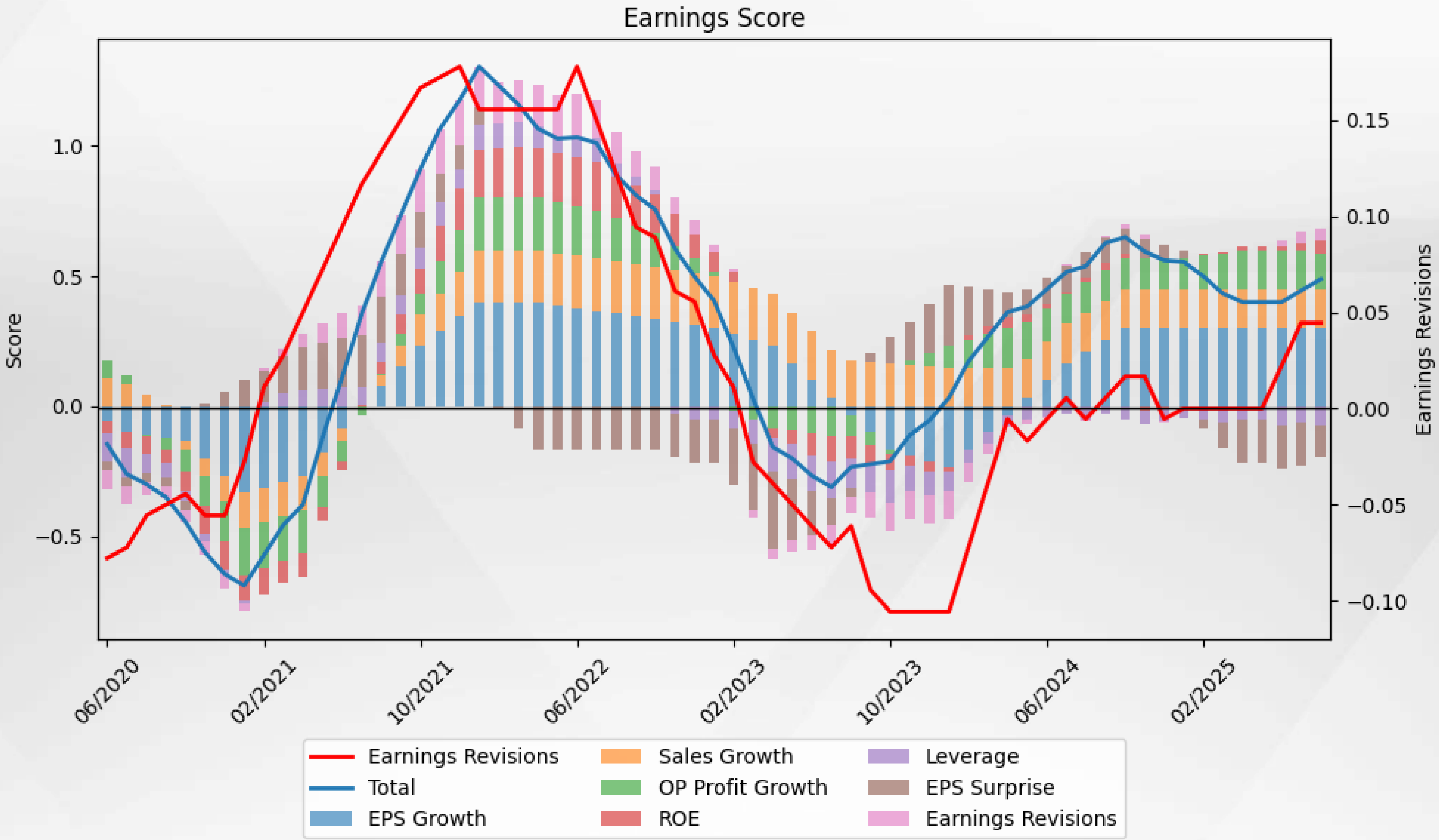
Lighthouse Canton Proprietary Earnings Cycle Model

Another Solid Quarter – The One Bright Spot

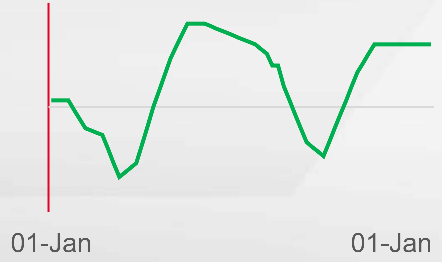


Source: Lighthouse Canton, August 25

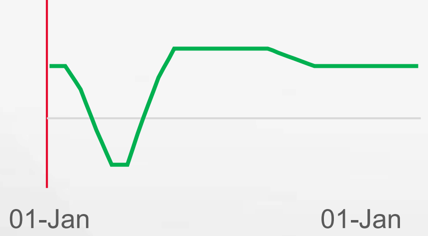
Lighthouse Canton Proprietary Earnings Cycle Model

Another Solid Quarter – The One Bright Spot

EPS Growth



Sales Growth



OP Profit Growth

Return on Equity

Leverage

Earnings Revisions

Earnings Surprise

Earnings (as of Aug-25)

Factor	Current (08/2025)	1Q Ago (05/2025)	2Q Ago (02/2025)
EPS Growth Momentum	Positive	→	→
Sales Growth Momentum	Positive	→	→
Operating Profit Growth Momentum	Positive	↓	↑
Return on Equity	Positive	↑	↑
Leverage	Negative	↓	↓
Earnings Surprise	Negative	↑	↓
Earnings Revision	Positive	↑	↑
Aggregate	Strong (Improving)	↑	↓

Legend	
↓	Deteriorated
→	Stable
↑	Improved

Corporate earnings momentum is **strong and improving**, supported by a clear upside surprise in 2Q results. Reported earnings grew **12% versus 5% consensus expectations**, significantly outperforming forecasts and reinforcing confidence in the underlying strength of corporate profitability. Growth indicators are broadly positive: EPS, sales, operating profit, and return on equity are all trending higher. Analysts have responded by revising forecasts upward, reflecting greater conviction that earnings resilience will extend into coming quarters.

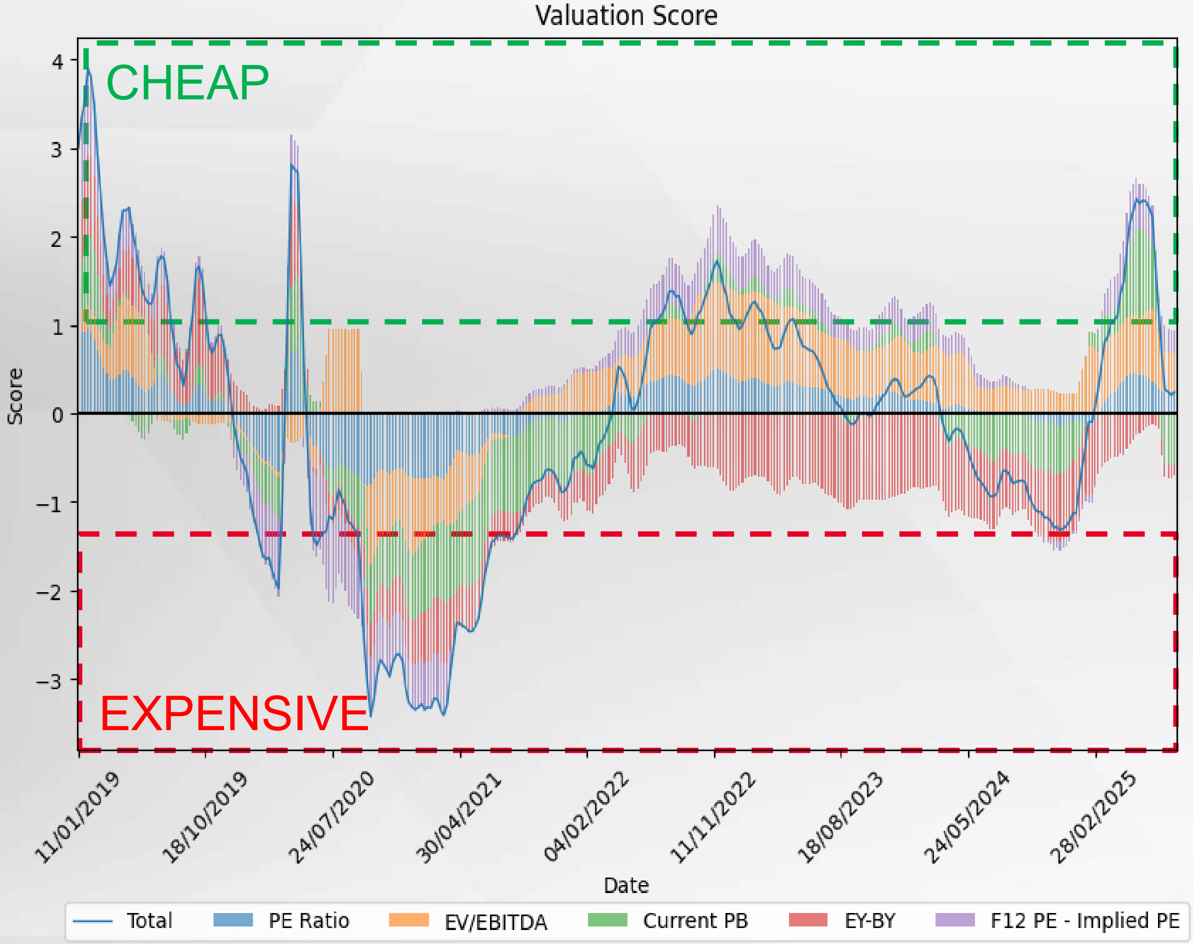
While the trajectory of earnings remains a bright spot, the forward view will be determined by how broader economic conditions, consumption and labor specifically, evolve and how responsive is monetary and fiscal policy.

Source: Lighthouse Canton, as of August 25

Valuation Score Components

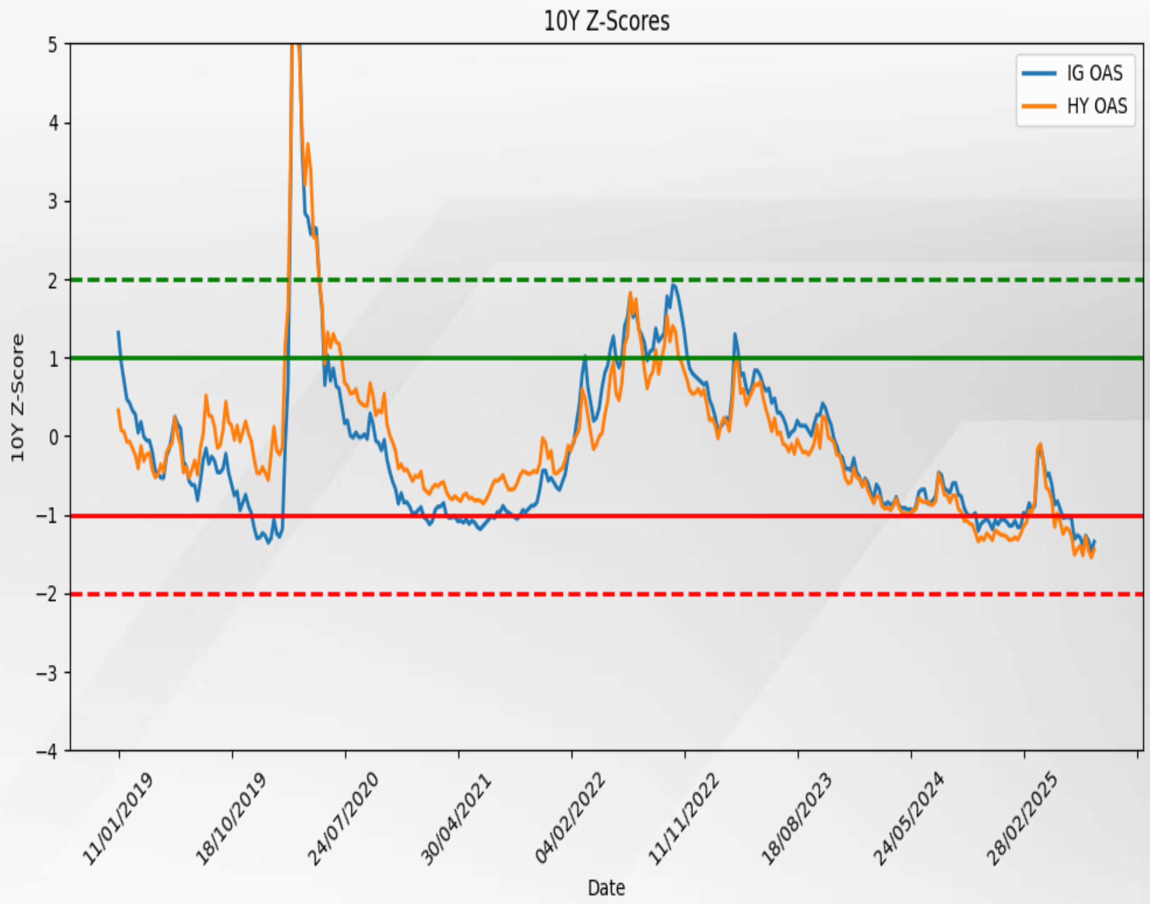
Equity Valuations – Even More Expensive

Equity:



Bond Valuations Attractive Only in Parts (EU Financials)

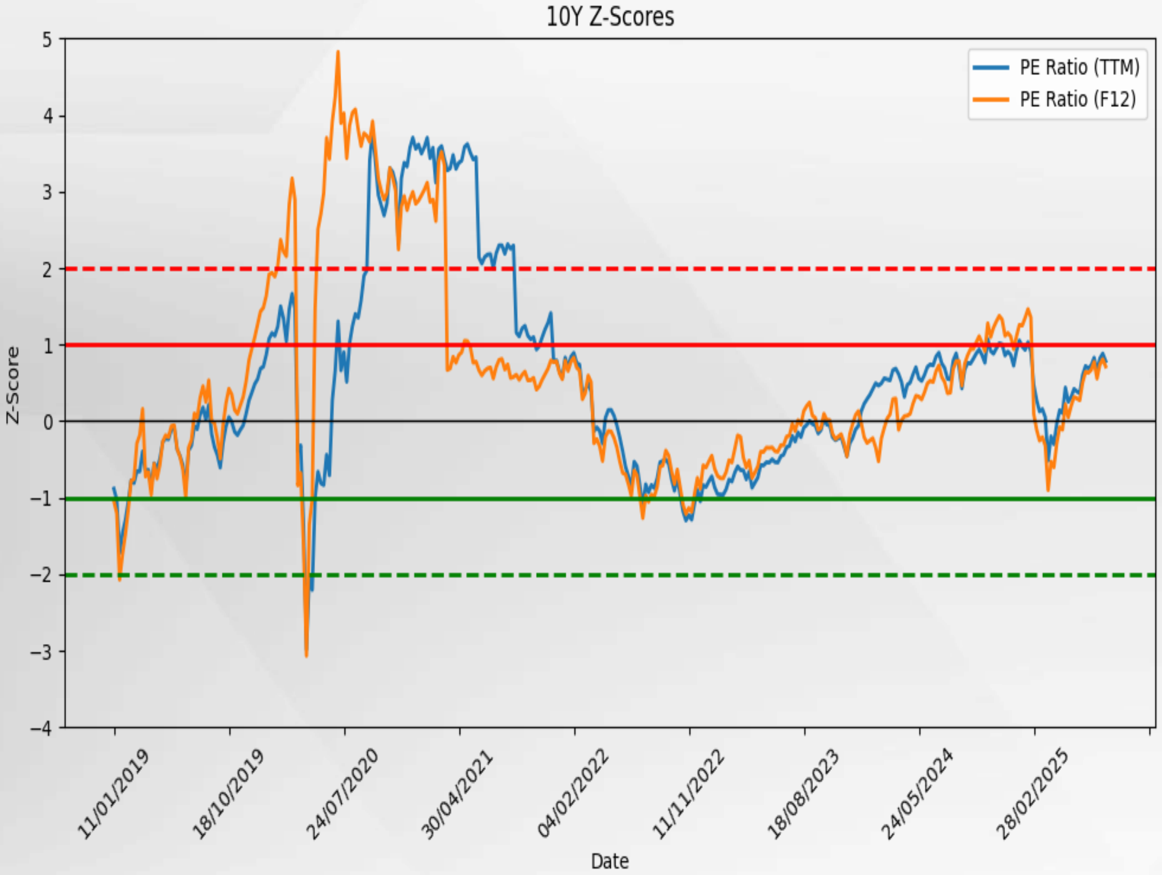
Fixed Income:



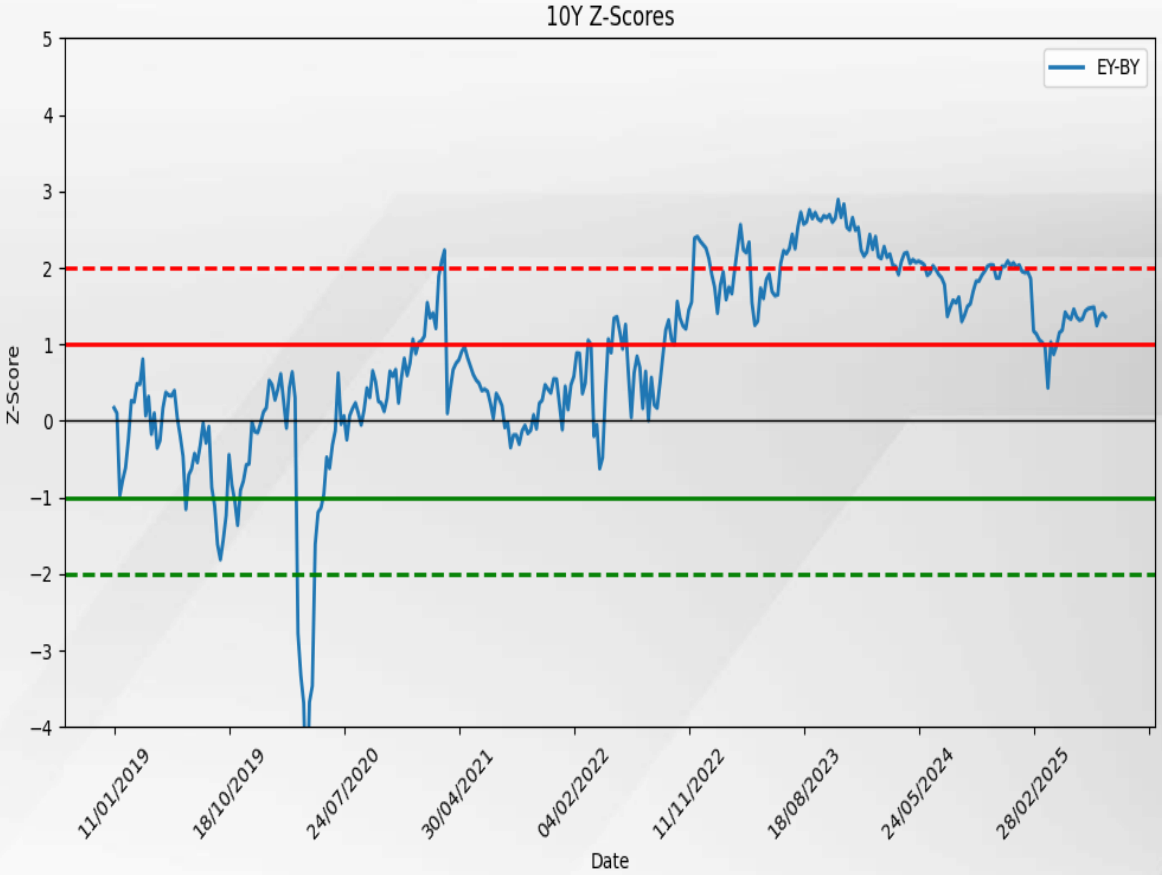
Source: Lighthouse Canton, August 25

Valuation Score Components

PE – Expensive Valuations More Expensive



Bonds vs. Equities – Bonds Becoming



Source: Lighthouse Canton, August 25

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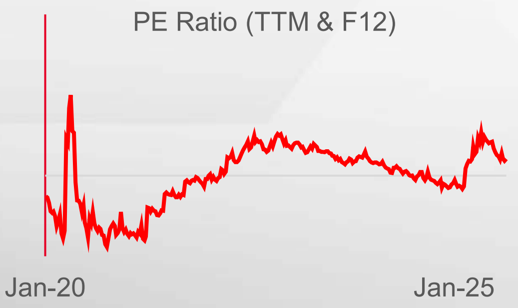
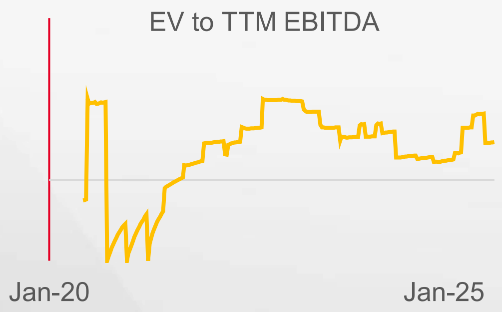
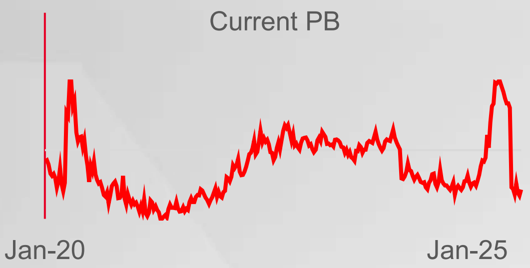
Lighthouse Canton Proprietary Valuations Model

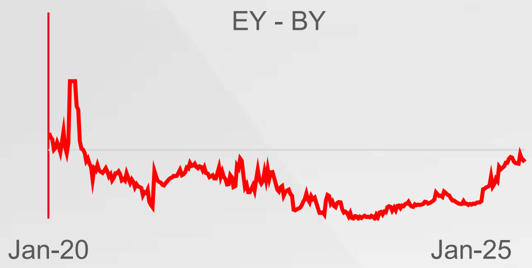
Expensive – Both Equities and Bonds

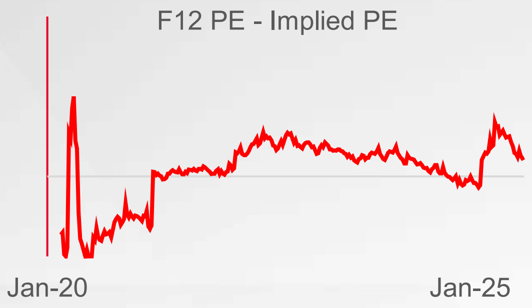
Absolute Valuations (as of Aug-25)











Factor	Current (22/08//2025)	1M Ago (25/07/2025)	3M Ago (30/05/2025)
PE Ratio (TTM)	Overvalued	→	↓
PE Ratio (F12)	Overvalued	→	↓
EV to TTM EBITDA	Fairly Valued	↓	↓
Current PB	Overvalued	↓	↓
EY-BY	Overvalued	→	→
F12 PE - Implied PE	Overvalued	→	↓
Aggregate	**Average (Stable)**	↓	↓

Legend	
↓	Deteriorated
→	Stable
↑	Improved

Equity valuations remain **elevated**, with most major metrics signalling **overvaluation**. Both trailing and forward P/E ratios, price-to-book, and yield-based comparisons (EY-BY, forward PE vs. implied PE) point to stretched levels. Only EV/EBITDA sits in the **fair value range**, offering a modest counterbalance.

Importantly, while valuations are rich, they have been **stable in recent months**. Unlike earlier in the year when metrics were trending higher, most ratios have flattened, keeping the overall aggregate view at **average (stable)** rather than deteriorating further.

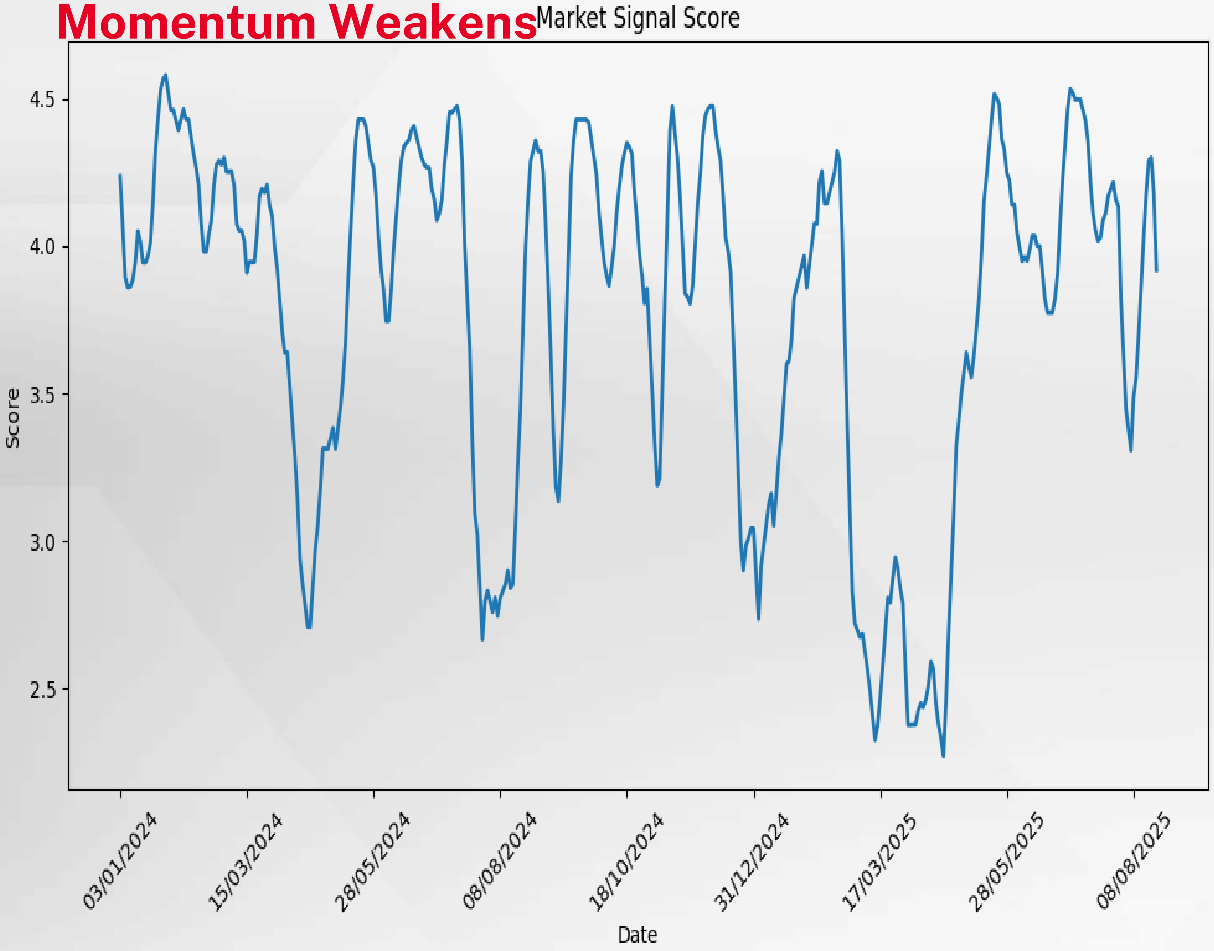
Markets are clearly pricing in a lot of optimism. Strong recent earnings growth justifies some of the premium, but from a valuation perspective, equities look **expensive**, leaving little cushion if earnings momentum slows or macro conditions worsen.

Corporate bond valuations continue to be stretched with further decline in credit spreads (already at record lows).

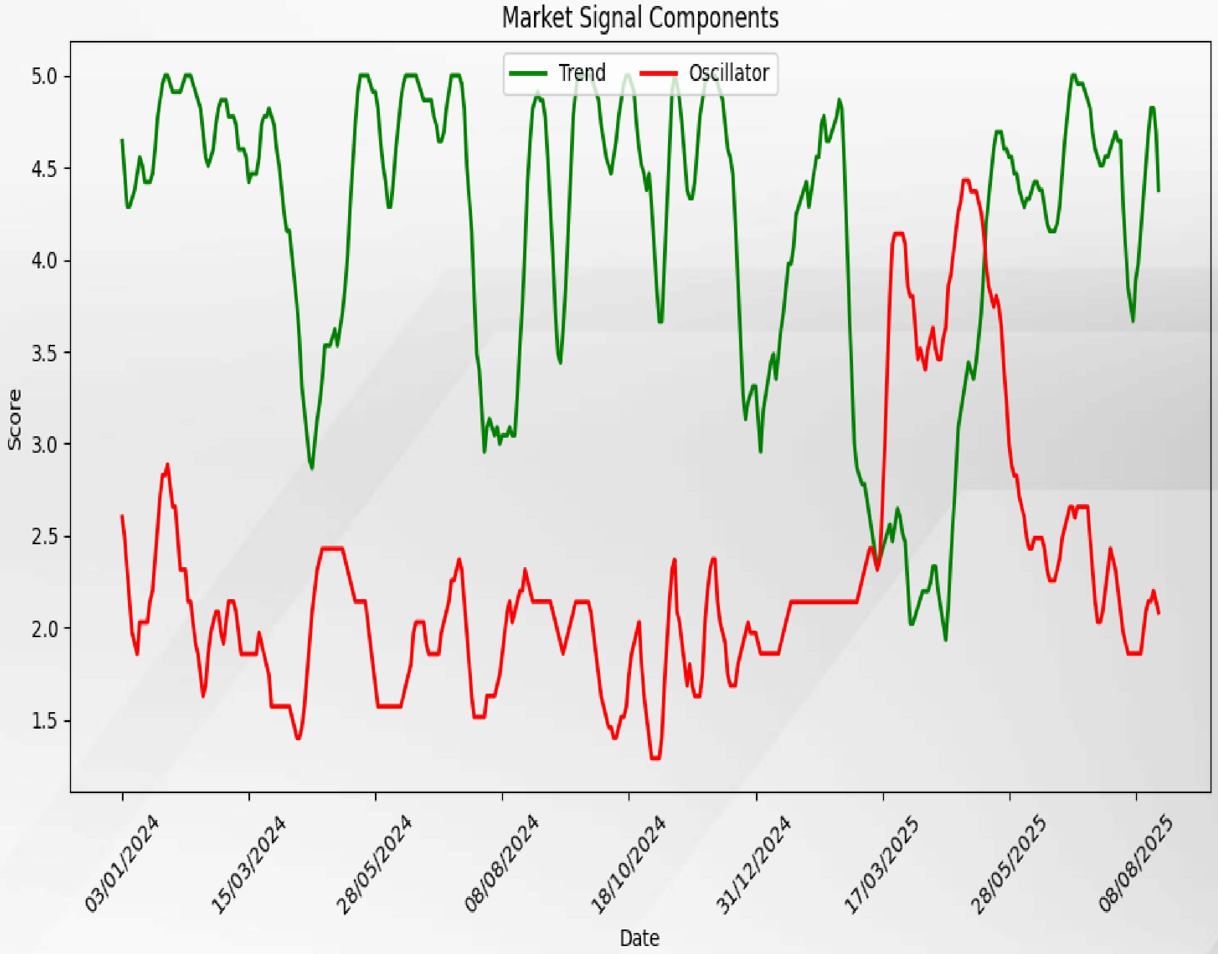
Source: Lighthouse Canton, as of August 25

Lighthouse Canton Proprietary: Market Signals

Market Signals – Still Strong, But Weakening Momentum Weakens



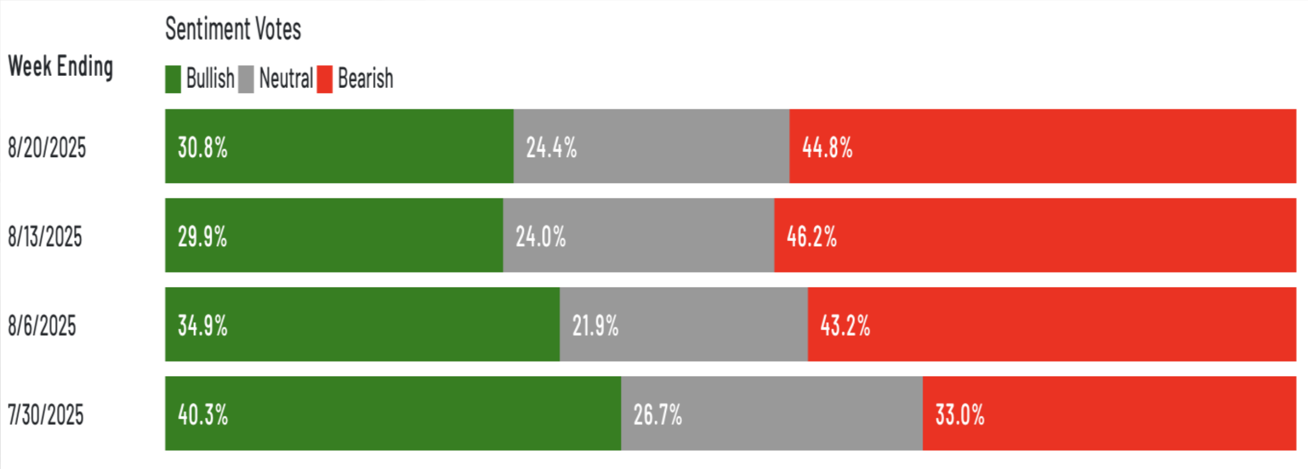
Strong Trend – But



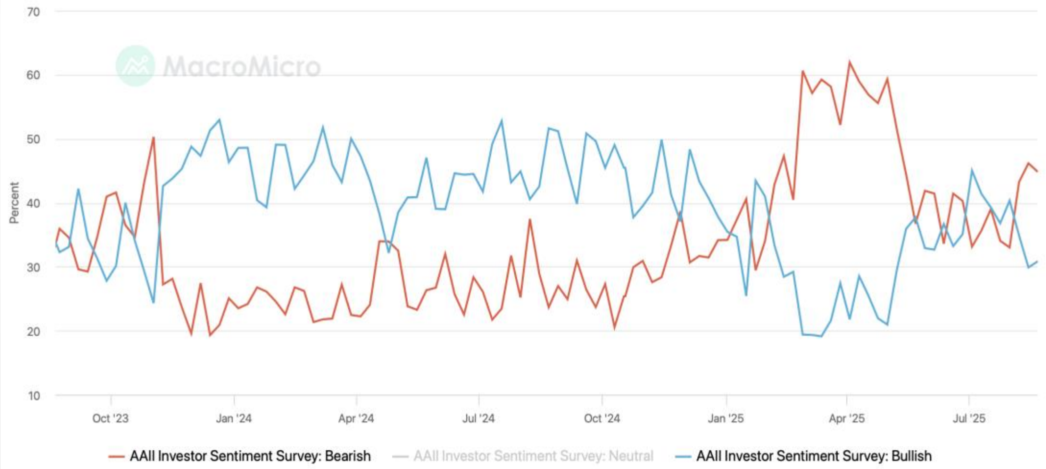
Source: Lighthouse Canton, August 25

Sentiment

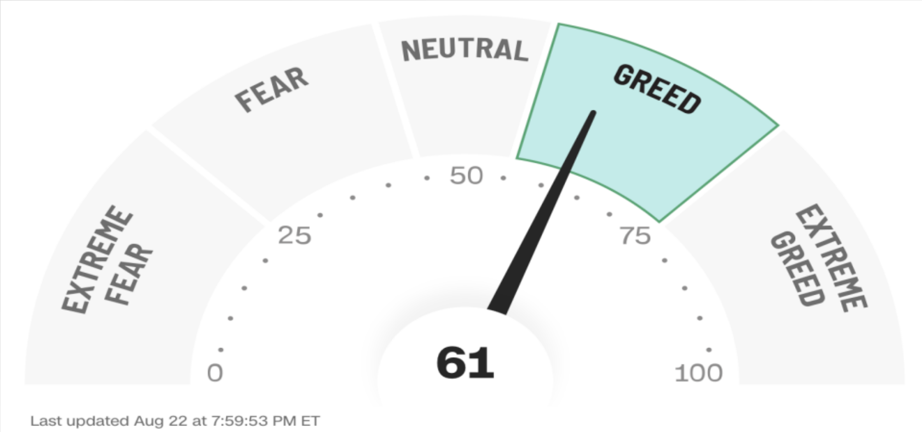
Sentiment Bullish but Not Egregious



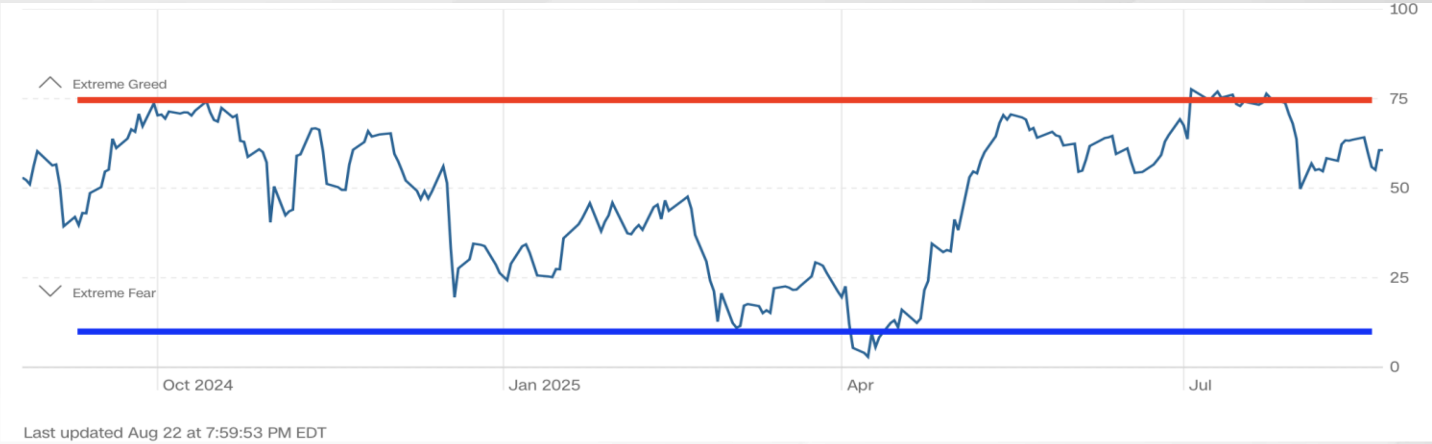
Source: AAII



Source: MacroMicro



Source: CNN



Source: CNN

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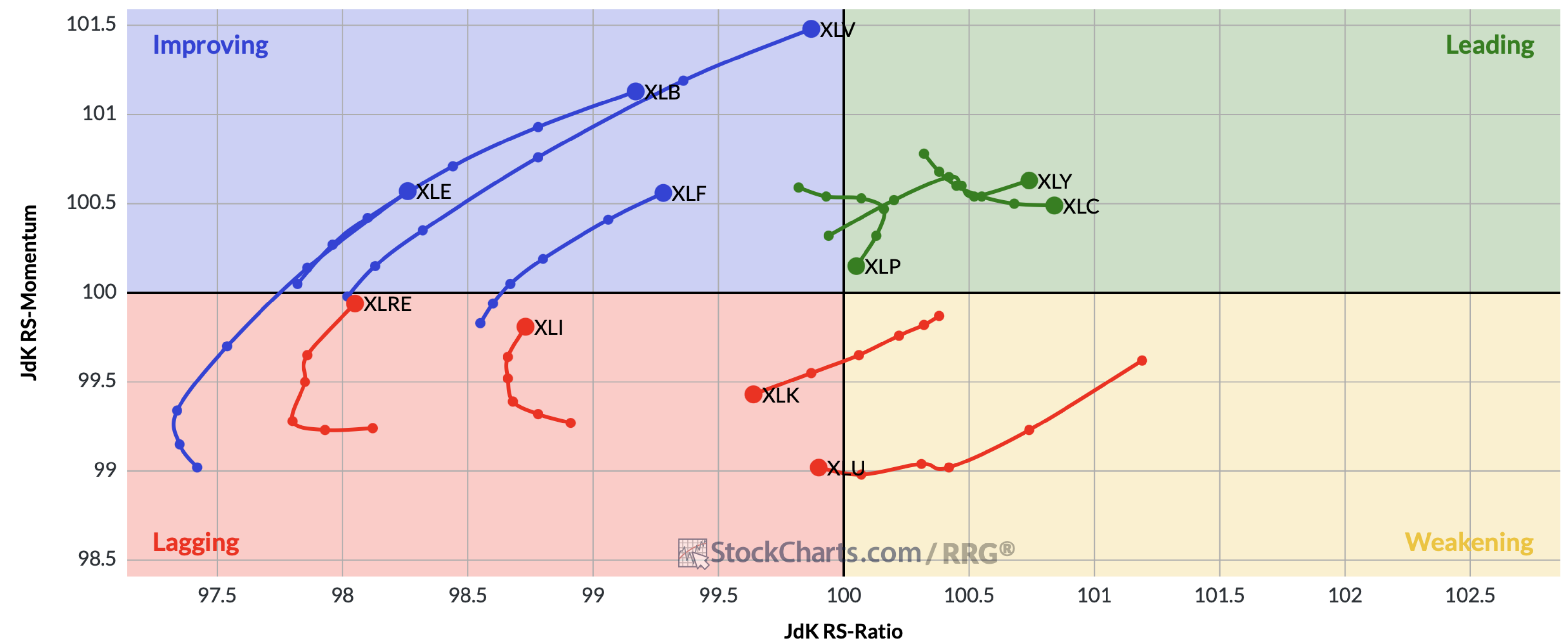
Rotational Trends & Volatility

Growth Has Momentum – BUT – Discretionary and Communications Leading Tech



Source: Stockcharts

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S&P Technicals

Uptrend in Place – BUT - Stretched

Source: TradingView

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