LIGHTHOUSE CANTON CAPITAL INDIA

Smell The Coffee
May 2021

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AGENDA

01 **Market Update**

02 **Monthly Performance Update**

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

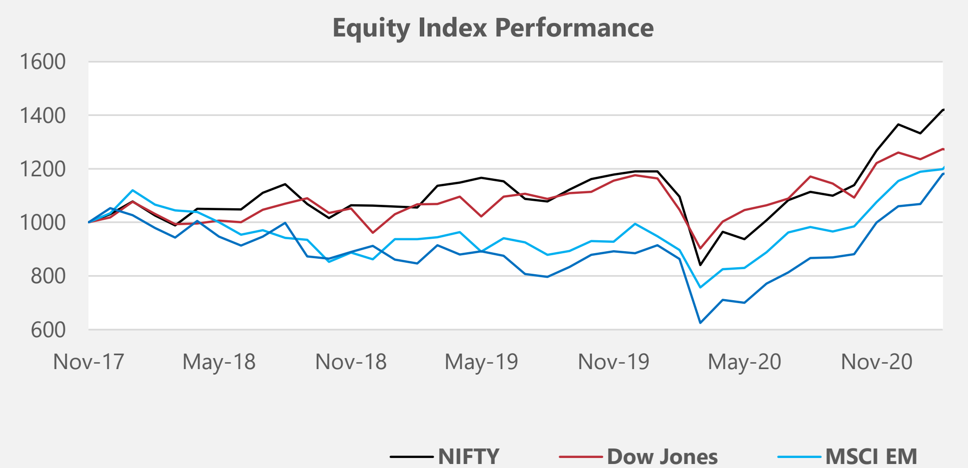

MARKET
UPDATE

LC Capital India: Equity Market Update

As we enter a phase with increased coronavirus cases, an expectation that economic impact will be managed and support from DIIs is keeping the market from falling.

Since the beginning of the year, the only consistent call has been an increase in inflation and rates, which apart from potentially getting delayed, is expected to be here.

We continue to remain positive on basic industrial segments along with sections of IT and Pharma which will benefit from global recovery.



Month	NIFTY	MSCI EM	Dow Jones	BSEMidcap
Apr-21	-0.4%	2.5%	2.7%	0.6%
Mar-21	1.1%	-1.5%	6.6%	1.0%
Feb-21	6.6%	0.8%	3.2%	10.5%

* Data Source –NSE, MSCI Website, Yahoo Finance

For the last six months, we have been recommending creating long-term positions in small and mid cap portfolios. Any correction can be a good time to add positions there.

LC Capital India: Fixed Income Market Update

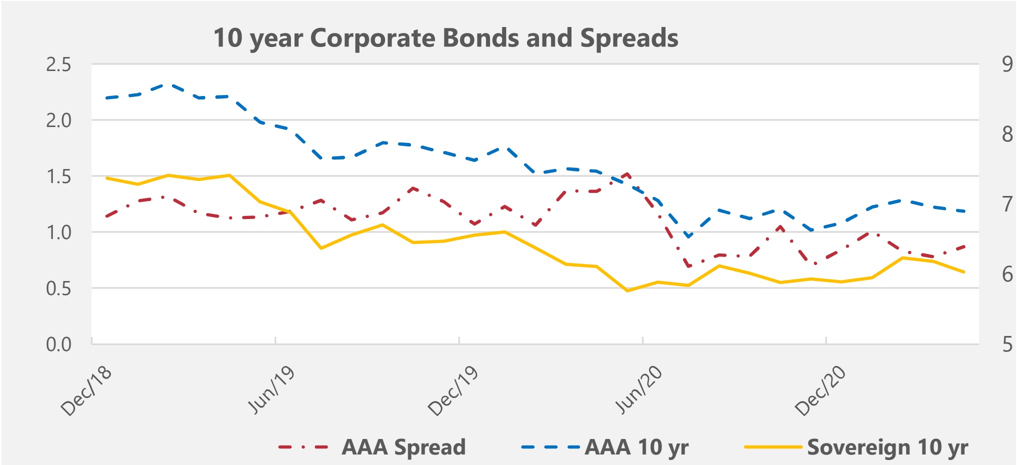
10 year sovereign yields has corrected from 6.18% in Mar 21 to 6.03% in Apr 21.

In the Apr 21 meeting, MPC members voted for no change in policy rate and continued with their accommodative stance to support growth.

The trajectory of growth and inflation would be dependent on state of the pandemic.

Reflation narrative getting stronger especially in developed economies; worries may rise on imported tightening for emerging markets.

We would be watchful on how RBI manages economic slowdown and imported tightening in the coming months.



Month	AAA 10 yr	Sov. 10 Yr	AAA Spread
Apr-21	6.90	6.03	87
Mar-21	6.96	6.18	78
Feb-21	7.06	6.23	83
Jan-21	6.96	5.95	101
Dec-20	6.73	5.89	84

* Data Source – RBI

We believe interest rates to remain volatile in the near-term and recommend investing in high quality roll down strategies.

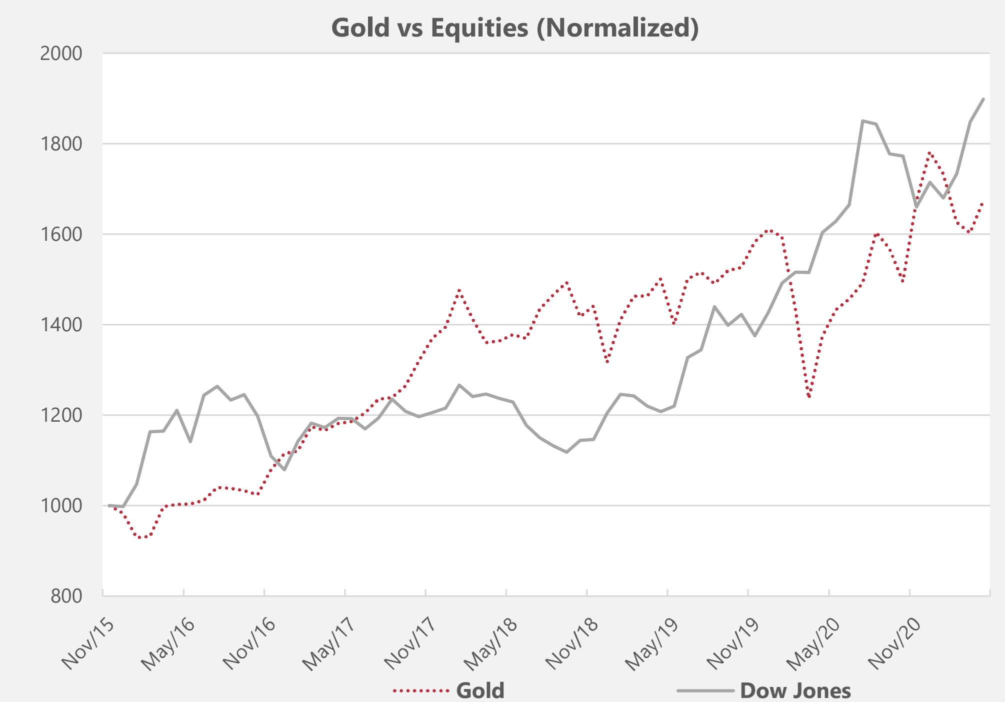
LC Capital India: Alternatives Assets Update

In a reflationary environment, we expect base metals and energy to do better as economies recover albeit at a slower pace than expected as the pandemic continues.

Exposure to above segments could be taken through select funds, FOFs or securities in a staggered manner. Overseas allocation could help investors to also hedge against INR depreciation.

Adoption of yield curve control and higher inflation expectation, may lead to fall in real yields and higher gold prices. We recommend gold as a constant segment in one's portfolio.

On PE/VC space, we see serious alpha in professionally managed early stage ventures as the number of unicorns and soonicorns (soon to be unicorns) are set to increase.



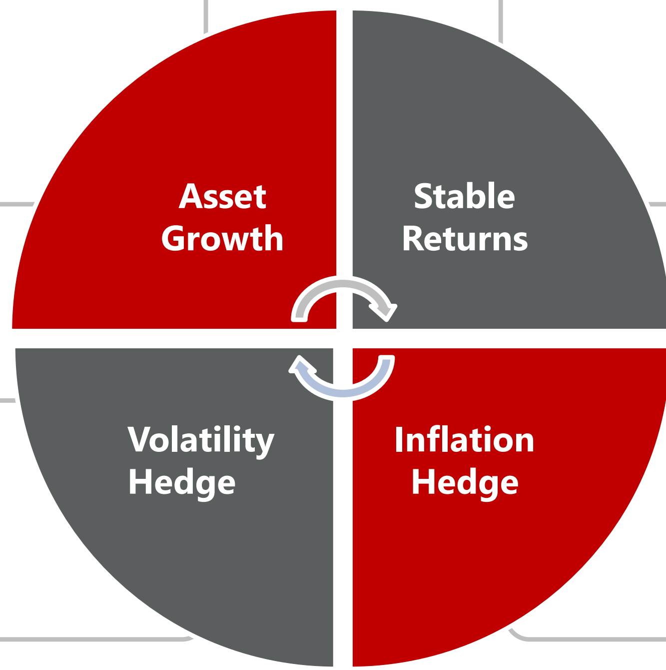
* Data Source – Bloomberg

We recommend PE/VC route as a primary route to enhance long-term portfolio returns. Allocation to gold, commodity and energy could be done in a staggered manner.

Investment Allocation Framework

- Long Only
- Equity Minus
- Overseas Allocation
- PE/VC

- Structured Credit
- MLDs
- Real Estate Fund
- Debt MFs



- Debt Plus
- Dynamic Asset Allocation Fund

- Gold
- Commodity

Keeping in mind this framework while creating an asset allocation to ensure the realization of capital preservation as well as better risk-adjusted returns

MONTHLY PERFORMANCE UPDATE

Performance Update – Select Absolute Return Funds and Benchmark Indices

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PERFORMANCE UPDATE

Debt Plus Funds

	Apr-21	Mar-21	Feb-21	Jan-21	3M	6M	1 Yr	2 Yrs	3 Yrs
Alpha Alt MSAR	0.9%	1.0%	0.6%	0.6%	2.5%	4.7%	13.8%	10.8%	--
Whitespace Debt Plus	0.9%	1.0%	1.1%	1.9%	3.1%	8.8%	16.9%	--	--
Avendus ARF PMS	0.3%	-0.9%	2.1%	2.3%	1.5%	6.6%	--	--	--
Avendus Abs Return Fund	0.1%	-0.9%	1.9%	2.5%	1.1%	7.3%	12.9%	10.2%	10.5%

Benchmark Indices

	Apr-21	Mar-21	Feb-21	Jan-21	3M	6M	1 Yr	2 Yrs	3 Yrs
Nifty 50	-0.406%	1.1%	6.6%	-2.5%	7.3%	25.7%	48.4%	11.6%	10.9%
BSE500	0.4%	1.2%	5.9%	-1.8%	7.6%	27.1%	52.1%	12.5%	8.7%
BSE Mid Cap	0.649%	1.0%	10.5%	0.8%	12.3%	36.3%	69.1%	16.8%	6.1%
BSE Small Cap	4.9%	2.5%	12.0%	-0.6%	20.5%	45.6%	95.2%	21.7%	5.6%
Nifty 50 Arb Index	0.3%	0.6%	0.6%	-0.6%	1.5%	1.2%	1.7%	3.6%	4.4%
Crisil Liquid Fund Index	0.3%	0.3%	0.3%	0.3%	0.9%	1.7%	3.9%	5.1%	5.9%
Nifty Bank	-1.6%	-4.3%	13.9%	-2.2%	7.3%	37.2%	52.2%	5.0%	8.7%
NIFTY IT	-0.7%	6.4%	-1.4%	1.6%	4.1%	23.6%	96.3%	25.9%	23.2%
MSCI Emerging Markets	2.5%	-1.5%	0.8%	3.1%	1.7%	22.9%	48.7%	14.4%	7.5%

* Performance as of 30th April, 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

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PERFORMANCE UPDATE

Long Only Funds

	Apr-21	Mar-21	Feb-21	Jan-21	3M	6M	1 Yr	2 Yrs	3 Yrs
Vallum India GARP Advantage	7.1%	3.7%	9.1%	-1.4%	21.1%	37.5%	87.9%	24.1%	9.2%
SageOne Small Cap	12.7%	8.9%	8.5%	4.4%	33.2%	60.1%	134.9%	50.5%	--
PGIM Emerging Markets	8.0%	-8.3%	0.6%	6.8%	-0.4%	30.5%	92.8%	41.5%	24.2%
Abakkus Emerging Opportunities	9.1%	0.4%	13.3%	0.5%	24.1%	47.8%	121.7%	--	--
LC SageOne Select	5.3%	9.7%	9.9%	-0.3%	27.0%	52.4%	106.6%	35.6%	15.9%
White Oak India Pioneers	1.2%	4.4%	6.0%	-3.1%	12.0%	31.0%	59.0%	24.7%	--
Alchemy High Growth Select Stock	4.7%	1.3%	6.7%	2.2%	13.2%	39.0%	61.0%	9.9%	6.5%
Marcellus Kings Of Capital	-1.9%	-1.4%	7.6%	-6.1%	4.1%	22.4%	--	--	--

Equity Minus Funds

	Apr-21	Mar-21	Feb-21	Jan-21	3M	6M	1 Yr	2 Yrs	3 Yrs
Whitespace Equity Plus	0.6%	2.2%	7.1%	-0.6%	10.1%	34.5%	66.9%	--	--
AERF	-1.5%	0.4%	5.0%	0.5%	3.8%	22.8%	40.7%	12.6%	9.7%
Avendus Enh Retrn Fund - II	-1.7%	-0.1%	4.0%	-0.4%	2.2%	18.7%	34.4%	12.6%	--
DSP Satcore	0.0%	-1.1%	3.2%	-0.7%	2.1%	10.4%	11.6%	11.4%	10.2%
Edelweiss Alt Equity	0.4%	4.4%	-0.6%	-3.8%	4.2%	13.4%	28.2%	17.2%	10.2%

* Performance as on 30th April, 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

	Apr-21	Mar-21	Feb-21	Jan-21	3M	6M	1 Yr	2 Yrs	3 Yrs
Canara Robeco Bluechip Equity (L)	-0.3%	1.4%	6.0%	-2.1%	7.2%	24.6%	44.5%	18.7%	14.7%
Axis Bluechip (L)	0.0%	1.2%	4.9%	-5.0%	6.2%	21.2%	37.4%	16.0%	13.7%
Axis Growth Opportunities (LM)	3.9%	0.9%	9.9%	-2.8%	15.2%	32.4%	56.1%	23.6%	--
Mirae Asset Emerging Bluechip (MU)	1.3%	1.4%	9.0%	0.7%	12.0%	33.7%	63.2%	22.3%	16.2%
PGIM India Flexicap Equity (MU)	4.0%	1.4%	7.4%	-1.0%	13.3%	35.0%	73.4%	25.8%	16.0%
PGIM India Mid Cap Opportunities (MC)	4.4%	1.5%	11.5%	1.9%	18.2%	44.9%	95.9%	35.1%	16.4%
Invesco India Mid Cap (MC)	-0.5%	0.5%	9.5%	0.8%	9.4%	29.7%	56.2%	19.6%	11.5%
Axis Small Cap (SC)	4.7%	4.1%	7.7%	-0.6%	17.4%	36.1%	70.4%	28.5%	17.0%
SBI Small Cap (SC)	3.3%	1.9%	10.1%	-0.5%	15.9%	40.5%	81.1%	26.7%	11.5%
Edelweiss Balanced Advantage (BAF)	0.4%	0.3%	4.6%	-0.7%	5.3%	17.5%	31.3%	15.7%	11.3%

- Performance as on 30th April, 2021;
- L – Large Cap, LM – Large & Mid Cap, MU – Multi Cap, MC – Mid Cap, SC – Small Cap, BAF – Balanced Advantage Fund

INVESTMENT OPPORTUNITIES

Long Only Equity : LC SageOne Select Stock Portfolio

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GENERAL INFORMATION

Fund Name	**LC SageOne Select Stock Portfolio**
Fund Management Firm	SageOne Investment Advisors
Fund Managers	Samit Vartak
Ref Index	BSE 500 Index
Category	PMS
Sub-Category	Long Only - Mid/Small Cap
Fee	1.75% - 2.5% fixed
	0.25%-1% + 15% profit share above 10%
	1.75% - 2.5% fixed

TRACK RECORD

Month	Fund**	Index
Apr-21	5.3%	0.4%
Mar-21	9.7%	1.2%
Feb-21	9.9%	5.9%
Jan-21	-0.3%	-1.8%
Dec-20	9.4%	7.7%
Nov-20	9.9%	11.7%

* Fund inception in June 2020
** Returns are for combined SageOne Core & Small/Micro Cap funds from April 2009 till August 2020
Data as of 30th April, 2021

Period	Fund**	Index
3 Months	27.0%	7.6%
6 Months	52.4%	27.1%
1 Year	106.6%	52.1%
2 Years	35.6%	12.5%
3 Years	15.9%	8.7%
5 Years	21.0%	13.2%
10 Years	28.2%	10.0%
Inception*	37.1%	15.1%
Volatility	35.1%	20.7%
Sharpe	0.89	0.44

KEY POINTS

LC SageOne Select Stock Portfolio is an exclusive strategy created for clients of Lighthouse Canton India, based on SageOne's flagship core and small/mid cap portfolios that have delivered significant alpha over the last 11 years. The investment philosophy is based on focused concentrated investing in stocks with high structural growth, profitability and quality management. The target market cap range is INR 500-30,000 Crore (mid/small cap) range. The fund management has a buy and hold investment view with low churn and has a good track record in timely entries and exits of portfolio stocks.

Long Only Equity : Vallum India GARP Advantage

GENERAL INFORMATION

Fund Name	**Vallum India GARP Advantage**
Fund Management Firm	Vallum Capital
Fund Managers	Manish Bhandari/Madhusudan Sarda
Ref Index	BSE 500 Index
Category	PMS
Sub-Category	Long Only - Mid/Small Cap Equities
Fee	1.5% + 15% above hurdle rate of 10% annualized after 3 years
	1.5% + 20% of performance over BSE Midcap annually

TRACK RECORD

Month	Fund	Index
Apr-21	7.1%	0.4%
Mar-21	3.7%	1.2%
Feb-21	9.1%	5.9%
Jan-21	-1.4%	-1.8%
Dec-20	6.5%	7.7%
Nov-20	8.1%	11.7%

Period	Fund	Index
3 Months	21.1%	7.6%
6 Months	37.5%	27.1%
1 Year	87.9%	52.1%
2 Years	24.1%	12.5%
3 Years	9.2%	8.7%
5 Years	19.4%	13.2%
Inception	26.8%	12.3%
Volatility	23.7%	18.0%
Sharpe	0.88	0.35

* Data as of 30th April, 2021

* Inception is in October 2011

** Returns are for Vallum India Discovery Fund till June 2020

KEY POINTS

This fund focus on thematic play over the next 3-4 years. The team has extensive experience having returned a staggering 27% over the last ~9 years and have been able to make selective picks across the market cap horizon, focusing on concentrated value bets that play out in the longer run. The combination of a bottom-up stock picking along with a strong macroeconomic background brings to fore themes and ideas that turn out multi-baggers over a period of time. They key point is that despite a strong mid and small cap focus on individual stocks, a strong grip on risk management and positioning meant a volatility that is quite comfortable for long-term equity investors.

High Yield : Northern Arc Impact Fund

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.

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.

TACTICAL CALLS

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

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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
Apr-21	0.6%	-0.4%
Mar-21	2.2%	1.1%
Feb-21	7.1%	6.6%
Jan-21	-0.6%	-2.5%
Dec-20	9.7%	7.8%
Nov-20	12.0%	11.4%

Period	Fund	Index
3 Months	10.1%	7.3%
6 Months	34.5%	25.7%
1 Year	66.9%	48.4%
Inception	30.9%	16.6%

Volatility	27.9%	27.7%
Sharpe	0.89	0.38

- Data as of 30th April, 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

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
Apr-21	8.0%	2.5%
Mar-21	-8.3%	-1.5%
Feb-21	0.6%	0.8%
Jan-21	6.8%	3.1%
Dec-20	13.9%	7.4%
Nov-20	7.7%	9.2%

Period	Fund	Index
1 Year	92.8%	48.7%
3 Years	24.2%	7.5%
5 Years	22.2%	12.5%
Inception	14.1%	6.9%

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 30th April, 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 – Debt MF

As highlighted in our recent note – "Standing Man", we believe rates in India are going to be volatile because of global macro factors and the level of uncertainty we see due to domestic factors.

We prefer to invest in high quality roll down/target maturity funds across 2-7 years segment.

Investors should match their holding period with duration of the roll down strategies to protect from market volatility and to get reasonable return.

We expect the steepness of the yield curve to reduce over a period of time

TRACK RECORD

		Returns				
Fund	**AUM**	**1M**	**3M**	**6M**	**1Y**	**3Y**
DSP Corporate Bond Fund	2,649	0.4%	1.1%	1.9%	8.0%	--
Axis Banking and PSU Debt Fund	16,363	0.6%	1.2%	2.0%	8.0%	8.9%
Nippon India Floating Rate Fund	14,207	0.8%	1.3%	2.4%	9.2%	8.6%
DSP Floater Fund	1,321	0.8%	--	--	--	--
IDFC Banking and PSU Debt Fund	18,412	0.6%	1.2%	2.1%	8.7%	9.6%
IDFC Corporate Bond Fund	22,565	0.9%	1.1%	2.1%	9.7%	8.5%
Bharat Bond FOF – April 2025	1,937	0.9%	0.9%	2.1%	--	--
IDFC Gilt 2027 Index Fund	207	0.9%	--	--	--	--
IDFC Gilt 2028 Index Fund	81	1.1%	--	--	--	--
L&T Triple Ace Bond Fund	7,532	0.7%	0.0%	0.9%	8.4%	10.0%
Axis Dynamic Bond Fund	1,924	1.0%	0.3%	1.1%	8.6%	9.8%
Bharat Bond FOF – April 2031	1,600	0.9%	0.6%	1.5%	--	--

- Data Source – ACE MF
- AUM Data is INR Cr
- Performance is shown on absolute basis for less than 1 year and annualized beyond 1 year
- Data as of 30th April, 2021

We believe that roll down strategy would help to tick the boxes of fixed income investment – high predictability, low volatility, high liquidity and reasonable returns

Notes