Investment Playbook Weekly Update

March 11th – 15th 2024

LIGHTHOUSE CANTON

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

PRIVATE BANKING AWARDS 2023 ASIAMONEY
RISING STAR, SINGAPORE

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

GLOBAL Private Banking INNOVATION AWARDS 2022

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

OUTSTANDING DIGITAL TRANSFORMATION IN COVID 19 BY A FAMILY OFFICE

BEST FAMILY OFFICE – MIDDLE EAST

BEST FAMILY OFFICE – UNITED ARAB EMIRATES

lighthouse-canton.com

Disclaimer

- The contents of this document are confidential and are meant for the intended recipient only. If you are not the intended recipient, please delete all copies of this document and notify the sender immediately.

- This document, provided as a general commentary, is for informational purposes only and is not to be construed as an offer to sell or solicit an offer to buy any financial instruments in any jurisdiction. This does not constitute any form of regulated financial advice, and your independent financial advisor should be consulted prior to taking any investment decision(s).

- This document is based on information from sources which are reliable but has not been independently verified by Lighthouse Canton Pte Ltd and its subsidiaries or affiliates ("LC"). LC has taken the reasonable steps to verify the contents of this document and accept no liability for any loss arising from the use of any information contained herein. Please also note that past performances are not indicative of future performance.

- Information contained herein are those of the author(s) and does not represent the views held by other parties. LC is also under no obligation to update you on any changes made to this document.

- This document is prepared by Lighthouse Canton Pte Ltd and its affiliate company, Lighthouse Canton Capital (DIFC) Pte Ltd, which are regulated by Monetary Authority of Singapore (“MAS”) and Dubai Financial Services Authority (“DFSA”) respectively. MAS and DFSA has no responsibility for reviewing, verifying and approving the contents of this document and/or other associated documents. The contents of this document may not be reproduced or referenced, either in part or in full, without prior written permission from LC.

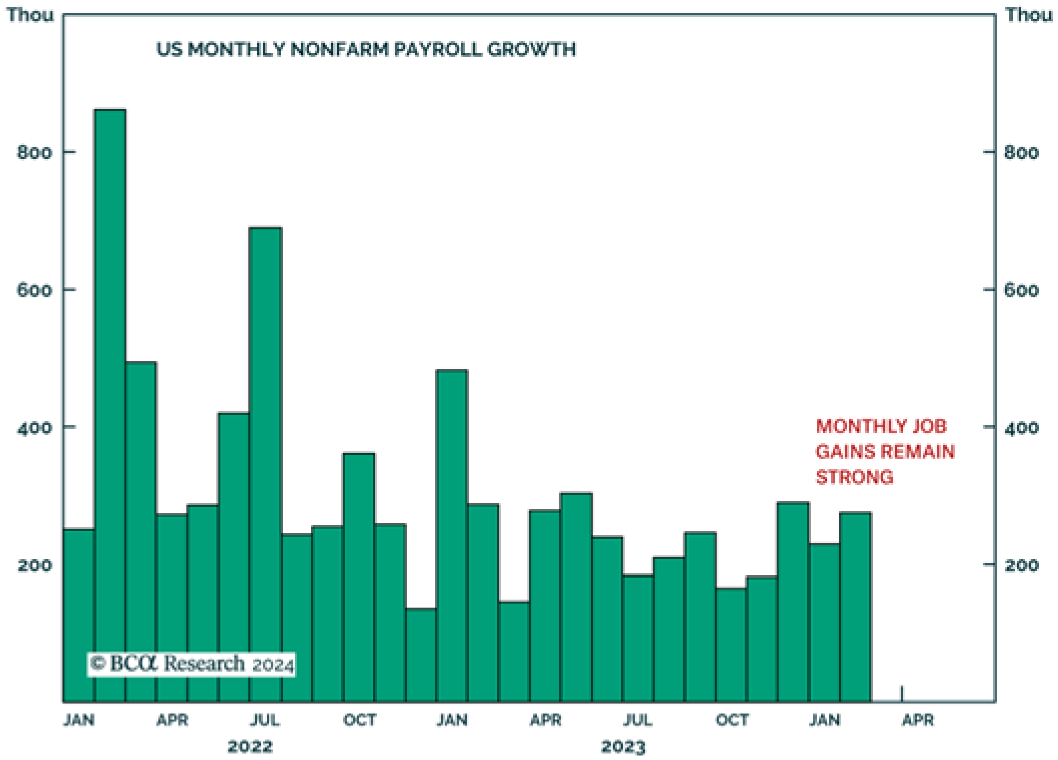
- This document is confidential and is only intended for Accredited Investors and/or Professional Clients, as defined by MAS and DFSA.

Charts of the week

1

US Employment Situation Sent A Mixed Signal

Unemployment Rate Climbs To 2 Year High

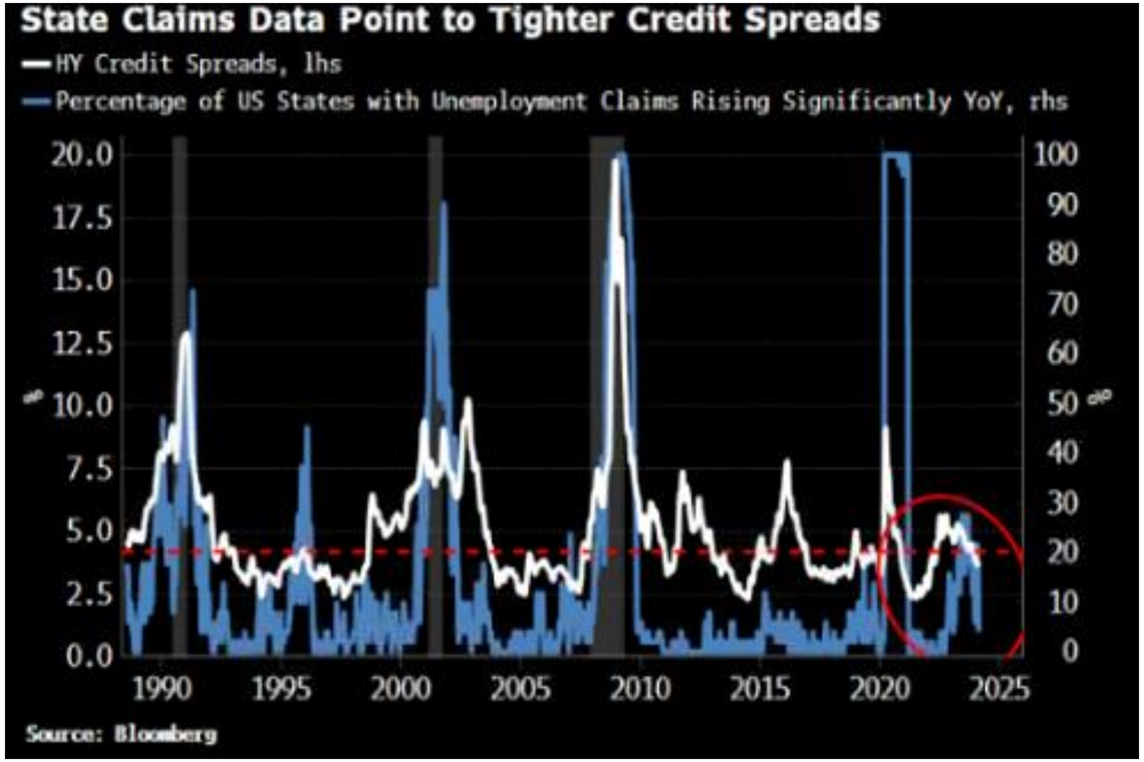


- While total nonfarm payrolls rose by 275 thousand jobs in February, exceeding the 200 thousand expected, the previous two months' numbers were revised lower by 167 thousand jobs.
- Moreover, the unemployment rate unexpectedly increased from 3.7% to 3.9% (the highest is 2 years) against expectations it would remain stable. And average hourly earnings decreased from a downwardly revised 4.4% y/y to 4.3% y/y and suggested decelerating wage growth pressures.
- Ultimately, the February jobs report is consistent with other indicators that the labor market is gradually softening but still overall resilient. Although hiring activity is decreasing, low initial and continuing unemployment claims relative to history suggest that companies are not yet significantly reducing staff and that a recession is not yet imminent.

Source: BCA Research, March 2024

US Jobs Resilience Supports Improved Credit Outlook

Signals High Yield Credits Spreads Might Continue To Tighten

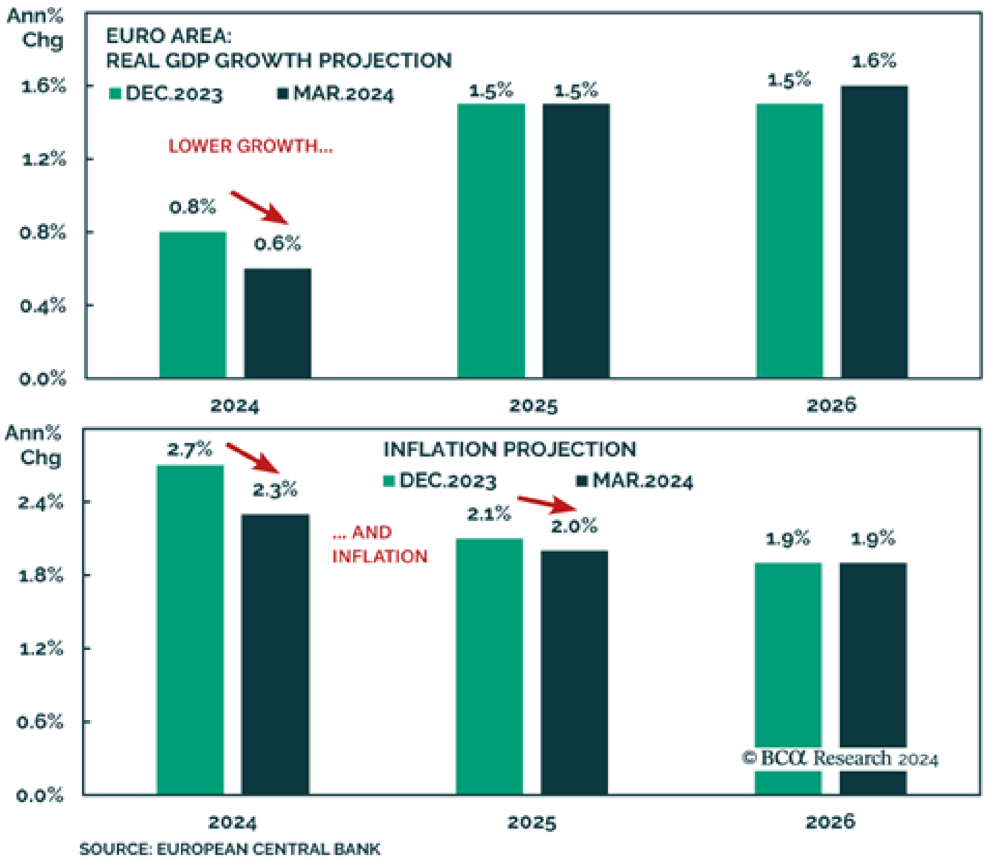


- US jobless claims data by state continues to support tighter credit spreads. The numbers 2 weeks ago show that the count of states showing a large annual change in unemployment claims has fallen all the way back to under four (on a four-week smoothed basis). As the chart shows, this is a good proxy for credit spreads, and points to further tightening.

Source: Bloomberg, March 2024

ECB: On Track For A June Rate Cut

Economy Is Soft And Underlying Inflationary Pressures and Labor Market Continue To Cool

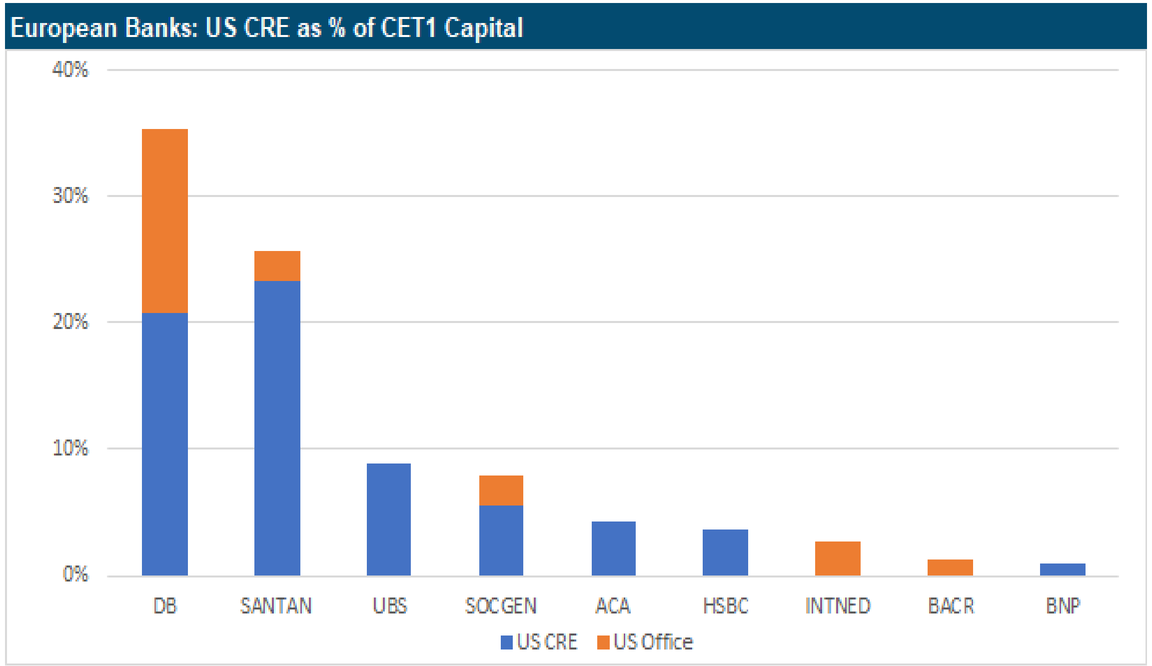


- The ECB continues to acknowledge that the European economy is soft and that underlying inflationary pressures are receding. Its most recent set of forecasts anticipates growth of 0.6% for 2024, down from 0.8% in December. More importantly, the ECB now expects inflation to average 2.3% in 2024 and 2% in 2025, down from 2.7% and 2.1%, respectively.
- Meanwhile, the European labor market is showing early signs of cooling. Already, the growth rate of employment has decelerated, which historically precedes a slowdown in the compensation per employee.
- The decline in households' 12-month ahead inflation expectations is also consistent with weaker underlying wage pressures.

Source: BCA Research, March 2024

Euro Banks & US Commercial Real Estate (CRE)

Low Exposure But Concerns Likely To Persist In The Near Term



- US CRE exposure of major European banks is small with Deutsche Bank and Santander with most exposure (mainly centered around US office spaces.)
- Given the strong capitalization, any loan losses should be absorbed comfortably.
- Near term pressures on spreads likely to continue, like we have witnessed in DB in early Feb.
- Small German banks (e.g., Deutsche Pfandbriefbank or PBB) and specialized property lenders have proportionately higher exposure to US CRE, and we might see some market stress there.
- Key risk is that disclosure of US CRE exposure remains patchy and sparse.

Source: CreditSights, Feb 2024

LC Views - Summary

2

LIGHTHOUSE CANTON

LC Views Summary (1/3)

Sub-Asset	Recommended Positioning
Rates	• On Wednesday, Federal Reserve Chair Jerome Powell in congressional testimony said he expects the bank to cut rates this year. “The committee does not expect that it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably toward 2%,” Powell told the House Financial Services Committee, adding later that officials would approach the decision “carefully and thoughtfully.” Powell reiterated to lawmakers that while the bank is in no rush to cut interest rates until policymakers are convinced they have won their battle over inflation, he expects the Fed to cut rates this year.
Credit	• We continue to favor investment grade bonds to build a strong foundation for the portfolio and seek to compliment the latter with selective high yield bonds for yield enhancement. While we recommend to allocate a larger portion of the portfolio in short duration bonds due to the elevated yields, we are actively extending duration (in IG credits) into the 5-10Y space with the spike in Treasury yields. We advise against increasing duration beyond 10 years for the core portfolio as the risk-reward does not favor ultra-long ends. However, on a tactical play, we recommend allocating a small position <10% of portfolio in iShares 20+ Year Treasury Bond ETF (TLT US) as the Fed is close to reaching (or even might have reached) the peak of its rate hiking cycle. Due to the challenging economic outlook ahead, we see further opportunity in special situations bond funds, which could provide asymmetric returns in a prolonged distressed and disruptive credit market.

LC Views Summary (2/3)

Sub-Asset	Recommended Positioning
Equities	Equities got off to a strong start this week, with the markets shrugging off a hotter than expected CPI print. Q4 earnings season is now behind us with 497 of the 500 companies that are a part of the S&P 500 having reported numbers and on a cumulative basis sales have grown by 3.9% YoY and earnings have delivered 7.9% YoY growth, with the Magnificent 7 making a significant contribution, more than offsetting the degrowth posted by multiple other constituents of the index. We continue to believe that the equity market resurgence seen since October 2023 may be transitory. The S&P 500's ascent to 5,100 points hinges on expectations of a 'soft landing' for the US economy, including an approximate 10% growth in US stock earnings and an 20x forward P/E ratio. Markets may be underestimating both upside risks to inflation and downside recessionary risks. Accordingly, we outline four scenarios for 2024: • Scenario #1: A soft landing materializes, leading to equities moving sideways. • Scenario #2: An increase in investor optimism ('Goldilocks scenario') drives US stocks higher. • Scenario #3: Confirmation of a recession ('Retorquing' of Scenarios 1 & 2) prompts a market correction. • Scenario #4: Inflation picks up and prompts a market correction. Given the current trajectory toward softer global GDP growth, the likelihood of a US recession, now pegged at 50%, may rise as the year progresses. Additionally, equities seem less appealing when compared to bonds and cash. The gap between the 3-month US Treasury yield and the S&P 500's dividend yield has widened to 400 basis points, a differential reminiscent of the years preceding the significant market downturns of 2000 and 2007. Consequently, we lean towards the possibility of a market correction in 2024. Nonetheless, we acknowledge that investor optimism could prevail until a recession becomes evident, potentially by mid-year and therefore believe that investors who want to take equity risk exposure, should do so with adequate hedges in place, to minimize downside risk.

LC Views Summary (3/3)

Sub-Asset	Recommended Positioning
Currencies	• Currencies are expected to remain volatile throughout 2024. Given higher recessionary risks, the USD may strengthen over a short-term tactical horizon but for longer term investors, we continue to hold the view for a bearish USD. Exposure to JPY, EUR and GBP could be increased over time to benefit from the recent lows and a peak in dollar’s strength driven by peak policy rates. We also recommend adding active managers (Macro funds) to monetize opportunities in currencies and rates.
Commodities	• Our long-term view for a bearish USD is likely to be supportive for Gold. We also like the yellow metal for structural reasons: diversification benefit, inflation hedge, geopolitical risk and de-dollarization trend. • Oil is likely to remain highly speculative this year as witnessed in March. On one hand, recessionary fears should temper demand. On the other hand, the production cut by OPEC+ members and already low oil inventories will support prices in the near term.
Real Estate	• Tightening financial conditions have started to cause sharp repricing in property prices globally and threaten rental growth rates. The prospect of rate cuts this year could present opportunities to pick good REITs which are trading cheap. • With the recent banking turmoil, Commercial Real Estate exposure is increasingly at risk given the large exposures the smaller banks have to the sub-sector. Clients holding on to any related exposures should consider removing them.

LIGHTHOUSE CANTON

Singapore

Lighthouse Canton Pte Ltd

16 Collyer Quay #11-02
Collyer Quay Centre
Singapore 049318
Phone: +65 67130570

Dubai

Lighthouse Canton Capital DIFC Pte Ltd

The Exchange
Gate Village 11, Unit 204
Dubai International Financial Centre
PO Box 507026
Dubai, UAE
Phone: +971 45 861500

India

LC Capital India Private Limited

First Floor, Aloft hotel, Asset no. 5B, Hospitality District, Aerocity
New Delhi, 110037 (India)

Balrama Premises Co-Op Society LTD
Office no. 606-607, 6th Floor,
BKC Bandra East
Mumbai 400051

Phone: +91 9650473961

info@lighthouse-canton.com
service@lighthouse-canton.in
Lighthouse Canton