



## Staying True to our Core Pillars

Over the past few weeks, the number of Novel Coronavirus (COVID-19) cases have proliferated and globally, governments are rapidly acting to contain the spread of this disease by enforcing social distancing, border closures, movement restrictions and lockdowns. While such actions will save lives and slow the spread, the adverse impact on business is inevitable. The apprehension of severe impact on the world's economies and the future growth caused panic in the financial markets in the last few weeks as investors scrambled for liquidity and dumped assets across the board.

We built Lighthouse Canton with a strong belief that we should be partners to our clients in their journey to create wealth over a long period, in a sustainable manner. We have been able to achieve this by consistently relying on our core pillars – Prudent Risk Management, building Diversified Portfolios, providing Access to Institutional Class Alternative Assets. We remain committed to this philosophy, and the relative performances of our clients' portfolios, as well as our funds, reflect the same.

We have been in regular communication with our clients in these trying times and are making an earnest effort to support them to endure the pain and anxiety resulting from the volatility in their portfolios. Despite the uncertainty in the markets, we have stuck to our core pillars as we firmly believe that these time-tested principles will help us weather the storm, and we will come out of it strongly. We are carefully listening to the market and observing the actions of its participants, as there still are several unknowns; therefore, at this point, we refrain from taking an aggressive directional view.

As an organization, we will emerge much stronger with many learnings, however, at the half time in this crisis (we hope it turns out to be so, but as we said before there are unknowns so no promises!), we would like to share a few factors that have stood out for us, as we progress on our journey to create a sustainable quality business:

- **Our strong commitment towards “Client first” philosophy makes us stand out as an Independent Asset Manager in this environment.** With unprecedented volatility and dislocation in the market, several market participants who did not witness the 2008 Global Financial Crisis were caught on the wrongfoot; and they lacked the experience to handle clients' portfolios. The speed of market descent was so rapid that many institutions were unable think on their feet and there was a typical fight or flight response to all the situations. We, on the other hand, took a responsible approach, wherein we assessed and dissected the portfolios to determine efficient ways to unwind with minimal impact on our client portfolios. Instead of responding to the sell-off through “fire sale,” we worked hard at finding the most favourable price from our brokers - which in many cases allowed our clients to avoid unfavourable liquidation of their portfolios.



- We have been **advocating creating non-recourse portfolios for our clients**, and this market was a classic case that demonstrated how such actions could insulate the balance sheet of clients from such events.
- In our Investment Memos (released in January and February 2020) we advised vigilance against possible bumps on the road ahead, and implementing a disciplined and well risk-managed approach to investing. We have **emphasised implementing low to moderate levels of leverage across a majority of our clients' portfolios**, even during the bull market at that time, this has helped many of our clients ride this storm in a more orderly manner and with minimal impact. Although the events are still unfolding, and it may take some time before we see stabilization, we think this decision to keep moderate leverage would hold the clients' portfolios in better stead.
- **Intense focus on risk management and having systems to monitor risk on a dynamic basis.** We have been proactive in determining the potential impact of market moves on our client portfolios, actively looking at solutions where we identify possible distress.
- We understand the **importance of communication and being transparent with investors** - more so during these uncertain times. Throughout this period, our team of Client Advisors and Investor Relations have remained available to answer any clients' queries. Additionally, we have been proactively engaging with investors, assuring them that we stand beside them at all times and will act in their best interest.
- We have been strong advocates of alignment of interest through the implementation of a fee-based model for our Wealth Advisory business which encourages our Client Advisors to protect clients' assets and manage it with prudence at all times. Additionally, the firm's proprietary capital is also invested in our in-house funds. In regular times, it is not easy for people to see the benefit of this, but in a more challenging environment, this concept stands out, and the same has been appreciated by many of our clients. This was well evidenced during the past weeks of extreme market stress where, in absence of a clear alignment of interest, clients did not find themselves at the front and center of attention of their advisors/institutions as the fight or flight response became the default course of action.
- Two of our in-house funds, **LC Beacon Global Fund and LCV Trade Finance Fund**, which we offer on our Asset Management platform, **have been resilient in this turmoil and posted positive returns even during this most challenging time.** This reinforces the benefits of diversification. As example, despite the concerns surrounding the impact of these lockdowns on supply-chain financing, especially among SMEs coupled with softening of Singapore's GDP growth, the LCV Trade Finance Fund has in its portfolio, quality borrowers with a majority of their business with Government Linked Entities (GLEs). The portfolio management team has been proactive in managing the exposure of the



portfolio since Q4 2019 and worked closely with the Fund's platform provider Validus Capital in ensuring the quality of partnerships and timely processing of invoices. As for LC Beacon Global Fund, the discipline in implementing the strategy's dual approach to investing through its Treasury and Trading Books and strong Risk management continue to support its ability to generate robust risk-adjusted returns. We continue to hold a firm conviction on the outperformance of these funds going forward and have been recommending them to be part of our client's portfolio for a long time.

As the world works to address the challenges posed by COVID-19, we at Lighthouse Canton remain committed to working tirelessly to address the financial needs of our clients and proactively identifying ways to improve ourselves and further strengthen our processes. While we expect the financial markets to remain volatile in near future and it may take some time before one has clarity on the magnitude of the economic impact, we believe that there are pockets of opportunities that we are closely watching, and, when the dust settles, we hope to form views with conviction and build investment opportunities.

On the Wealth Advisory side, our Investment Consultant team has been proactively assessing and analysing geographies, sectors, companies, and strategies that will be the first to recover from this situation, which could help our investors to consider or better position their portfolio to achieve their investment objectives. On the Asset Management side, our Portfolio Managers remain vigilant while also seeking to capture the opportunities that the market presents.

We will soon release our monthly investment memo that will discuss our assessment and views of the markets in more detail.

Once again, we thank you for your support and faith in Lighthouse Canton. We continue to work towards achieving your goals and would be available for you at all times. Should you be interested in discussing our views and ideas or be included in our Monthly Investment Memo distribution list, please don't hesitate to reach out to your Client Advisors or write to us at [ir@lighthouse-canton.com](mailto:ir@lighthouse-canton.com). Please stay safe and take care of your families and yourself.

Kind Regards,

A handwritten signature in black ink that reads "Shilpi Chowdhary".

Shilpi Chowdhary

CEO, Lighthouse Canton



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