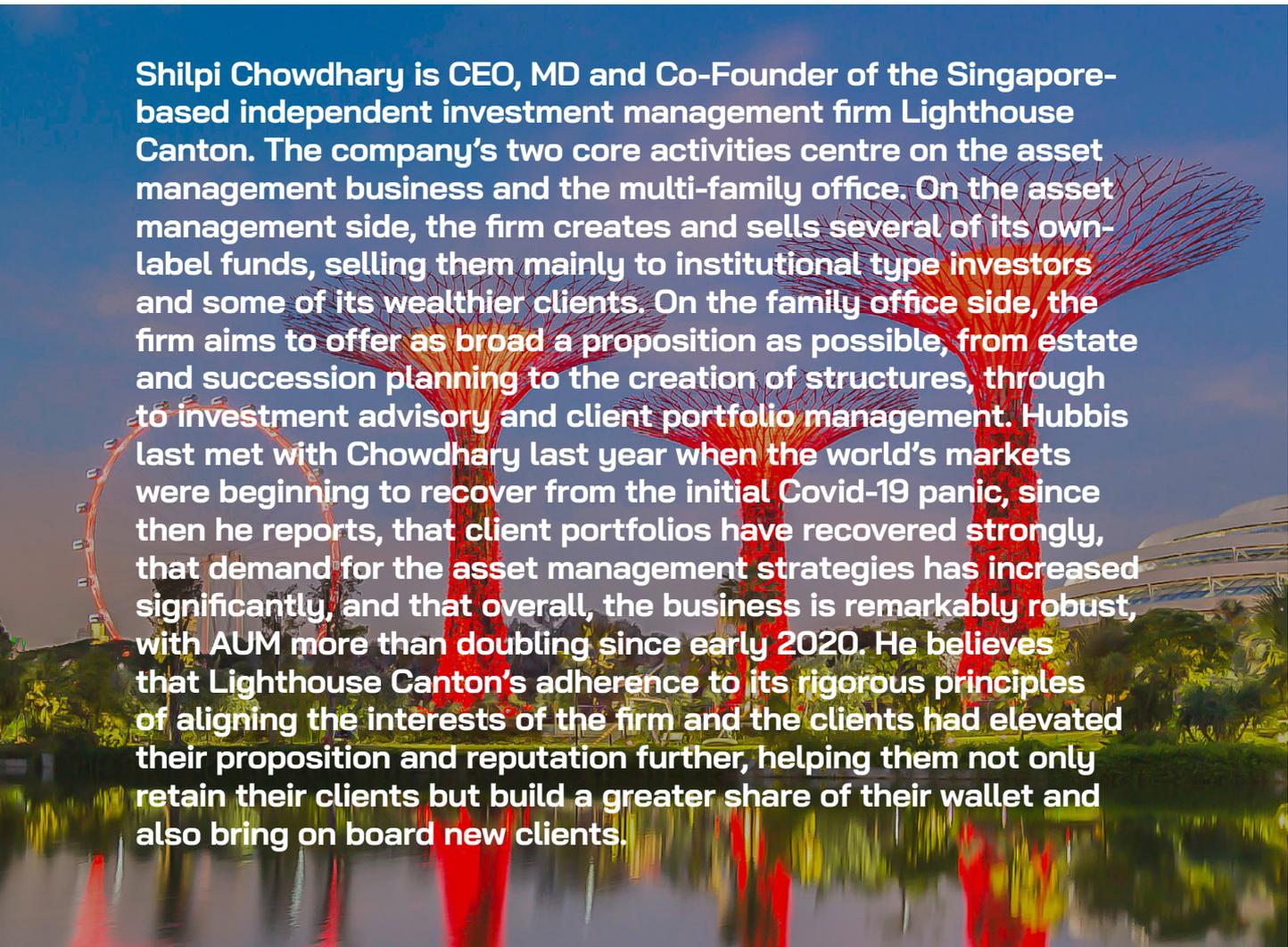


# Lighthouse Canton's CEO on Delivering Institutional-Level Asset Management and MFO Propositions



Shilpi Chowdhary is CEO, MD and Co-Founder of the Singapore-based independent investment management firm Lighthouse Canton. The company's two core activities centre on the asset management business and the multi-family office. On the asset management side, the firm creates and sells several of its own-label funds, selling them mainly to institutional type investors and some of its wealthier clients. On the family office side, the firm aims to offer as broad a proposition as possible, from estate and succession planning to the creation of structures, through to investment advisory and client portfolio management. Hubbis last met with Chowdhary last year when the world's markets were beginning to recover from the initial Covid-19 panic, since then he reports, that client portfolios have recovered strongly, that demand for the asset management strategies has increased significantly, and that overall, the business is remarkably robust, with AUM more than doubling since early 2020. He believes that Lighthouse Canton's adherence to its rigorous principles of aligning the interests of the firm and the clients had elevated their proposition and reputation further, helping them not only retain their clients but build a greater share of their wallet and also bring on board new clients.

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## In Brief

Singaporean MFO and asset management firm, Lighthouse Canton, has more than doubled its assets under management and advisory to SGD2.8 billion (As of 31 Mar 2021) since early 2020 on the back of robust demand for its institutional-style funds and broad-based MFO offerings.

The firm positions itself as offering an institutional-level infrastructure and approach across all its operations and business lines.

With enhanced efficiencies and a major acceleration of digitisation resulting in greater productivity, Lighthouse Canton has achieved its rapid growth with barely any expansion of its client-facing RM headcount.

The next phase of growth will see the firm seeking out more high-quality talent across all its teams, at the same time as expanding its proposition. For example, they have recently hired a team of experts to transform their private/alternative assets offerings, and boost the firm's asset management activities in the VC/private equity space.

Such has been the success of the asset management strategies the firm now offers that more and more institutional level money has flowed into those funds.

The combination of a fee-based approach to the investment advisory and portfolio business combined with a remuneration protocol that is centred on boosting AUM and avoiding 'product-pushing' means that the aims of the firm and the clients are tidily aligned.

Rapid digitisation is central to the vision of the founders and top management, with the CEO stating that his three core priorities ahead are digitisation, more digitisation, and yet more digitisation.

If there is a limiting factor to slow the growth potential, it is the difficulty of hiring real talent. Part of this is down to the limited number of experienced and skilled RMs in particular, and part of this relates to the difficulty of the IAMs/MFOs in prising the experts out of the relative security of the private banks.

Consolidation in the independent wealth sector is not only inevitable, but also a necessity, as scale is required to deliver investment and advisory expertise, the necessary infrastructure and compliance standards, and in order to invest in the digital solutions of the future.



### Lighthouse Canton is

a Singapore headquartered employee-owned investment management firm with offices in Dubai and India, providing both asset management and multi-family office services and capabilities.

### Building the proposition on the original pillars

Chowdhary explains that when he and his co-founders set out to create Lighthouse Canton in 2014, the concept of the MFO was only in its early stages in Asia. He reports that even today, the MFO is nowhere near as prevalent in the region as seen in Europe and the US, and that Asia therefore offers great room for growth ahead. With the firm's asset management activity being institutional in nature and focus, he explains how this neatly aligns and complements the MFO operations.

The firm emphasises its independence and stresses its robust product capabilities across multiple asset classes, as well as the ability to customise solutions to meet client needs, and its institutional class infrastructure and a strong set of counterparties.

### Fast-forwarding the business

Chowdhary reports that, in some respects, the pandemic has reinforced the key messages the firm has been delivering since its inception. "Actually," he reports, "it has helped us to grow much faster, with our AUM more than doubling since early 2020, and as we now stand at over SGD2.8 billion under management (as of 31 March 2021), and without adding any new RMs during the same time frame, it has all been driven by increased efficiency and productivity."

He comments further on this rapid expansion, explaining that it had been made possible by the institutional structure of the firm. "We have invested significantly in our infrastructure," he reports. "The result is that we are more similar to a significant financial institution which does wealth management business, with all

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the additional elements such as succession planning, structuring, advisory, trusts and so forth. And to complement this we have our asset management business, which is very institutional in nature.

He reports the firm is now staffed by some 60 people across its businesses, with some 10 relationship managers. "We have really concentrated on delivering the right resources, with a rigorous selection of and then due diligence on portfolio assets for our clients, a dedicated team focusing on all the external funds, a risk management team, which is looking at the liquidity issues, a compliance team, and finally a very strong operations team."

### Asset management – an institutional focus

The asset management operation includes a fund management business, with Lighthouse Canton currently offering four of its own-brand funds, some housing public assets and other

private, non-liquid assets. The strategies include funds focusing on India growth opportunities, a global macro fund, a trade finance receivables strategy, and specialised funds centred on life sciences in India.

Chowdhary explains that while so many funds in the market have

been benchmark-driven, the firm considers its in-house funds as absolute returns funds that target investors looking for differentiated strategies which are lowly-correlated to the more traditional asset classes or even among its peers. A case in point would be the trade receivables strategy.

As to the particular strategies for the public markets, Chowdhary explains that the global macro fund has as its premise that they should not at any stage lose money for clients.

"That," he elucidates, "means we might not produce the uplift some other global macro funds achieve, but we will also not produce the losses either. So, we might make 3% or 4% over cash, instead of perhaps 8% to 10%, but we protect the capital. It has worked really well for the past five years, with not a single negative month."

Meanwhile, the India long-only equities fund focuses on the mid-



### SHILPI CHOWDHARY

Lighthouse Canton

cap space. "Here," he reports, "we actually run a highly concentrated strategy, it is almost like owning 12 to 15 carefully selected businesses which are listed, we do not aim to produce an index style approach, we take a lot more care and attention over analysis and selection."

He says the result of this careful assembly of the funds means that there is a very considerable and growing diversity of investors coming into those strategies. "They value our expertise in ensuring that the quality of the portfolio construction strategy is second to none, with all investments rigorously tested and selected following a careful due diligence process," he comments. "We base this on research from the many custodian banks we work with, overlaid by our own independent due diligence and valuation processes."

Away from the public space, Chowdhary reports that the firm is also addressing a shortcoming for clients entering the market for private investments. For example, venture-stage companies, explaining that all too often, there is a dearth of information on the progress of such investments.

### Getting Personal with Shilpi Chowdhary

Chowdhary is the CEO and Co-Founder of Lighthouse Canton. He is responsible for driving the company's vision and objectives as well as overall business directions. He oversees the Multi-Family Office, Asset Management and Bespoke Solutions businesses and creates synergy between the verticals.

He was born in a small town named Shimla, in the state of Himachal Pradesh. He originally qualified with a Bachelor of Technology degree in Civil Engineering and then attained a Post Graduate Diploma in Business Management from Symbiosis Centre for Management.

Married with a son of almost 17 and a daughter of 10 years old, Chowdhary enjoys quiet times at home in Singapore, reading and watching cricket on TV. His music tastes are wide-ranging, with favourite bands names such as U2, Metallica and Dire Straits.

On the business front, he had more than 20 years of experience prior to co-founding Lighthouse Canton in 2014. Previously, he was a Managing Director at Credit Suisse Private Bank, where he managed the Ultra High Net Worth portfolio for the bank. Prior to that, he spent more than six years at Citibank in India.

"Citibank was a great start to my career," he recalls, "as I learned much about many different aspects of banking. Credit Suisse was then a great move, and I thoroughly enjoyed my time there. In fact, before I founded this firm, I took them into my confidence in an open manner, and they were very supportive, for which I have great respect."

He also reports that on a personal level, the pandemic has helped in some respects to re-balance his work and life perspectives. "Some travel was simply not really necessary before," he says, "and I say that as a generalisation, not only for me. And the extra time many people have found since the lockdowns has helped them connect more regularly to friends and family digitally, so whilst being remote, they have been able and willing to connect more regularly. Like others, I have been able to also focus more on exercise and health and welfare, all of which have been in very sharp focus since last year."

And his final comment is that the wealth industry even today remains true to its history and values, and with the immense opportunities ahead, is still a good place for younger and ambitious people to develop a career. "Regulation means this industry cannot move as fast as some other industries," he observes. "For those willing to make the commitment to the continuous development of expertise and service, for those with the right attitudes and approaches, with the requisite people skills and empathy, there is great potential ahead."

“All too often the banks tend to leave clients without sufficient information on their investments or and fail to provide any accurate guidance on valuations at time goes on,” he reports. “As such, we have recently hired a team of experts to lead our private equity/venture capital vertical. The capabilities of this team, in particular will address the lifecycle

elements and skills within the firm elevates Lighthouse Canton to a more institutional-style practice, including operations, compliance, and all the various supports functions that are required to build a business. “And we avoid conflicts of interest by limiting clients to 25% of their AUM in our strategies,” he reiterates. “There are very clear disclosures in this regard.”

**“Our focus is not moving towards retail or mass affluent; it is the HNW and UHNW segments that we plan to increasingly digitise. We are thinking ahead to cater to the Millennials and beyond; we need to be ready for that next level of growth, and digitisation provides that opportunity; we truly want to differentiate ourselves in this regard.”**

management of these investments, providing clients a lot more transparency and control over their investments, and in turn, a much clearer sense of what is happening to their assets in the private space.”

### **Delivering on promises and premises**

Chowdhary reports that each of the strategies has indeed demonstrated its ability to deliver superior risk-adjusted returns over different market cycles, showing their resilience over time, especially since the early 2020 sell-off and then performance during the subsequent recovery. “As a result,” he says, “we have experienced an amazing journey on the asset management side, with some major institutional investors coming on board in the past year and with more in the pipeline.”

Chowdhary observes that the combination of the different wealth and asset management

### **Transparencies, collaboration and client interest alignment**

Chowdhary comments that central to the proposition is open architecture, access to a wide variety of research from other institutions, and collaboration between the firm and the banks it works with for custody of client assets. He adds, that in order to ensure long term alignment with client interests, the firm has put considerable effort into structuring the team’s remuneration such that it moves away from the transactionary behaviour commonly seen within the industry. “Pricing transparency is a key focus for the firm. We charge the clients a fixed fee, which has no relation to how many transactions they make. As such, our RMs have never been driven by product sales and are provided more accountability. When you look at the conflicts in our industry, most are driven by



the ways in which the firms and the teams get incentivised.”

An example, he says, might be a 1% management fee on a USD100 million portfolio, with the RM's incentive to retain and increase those assets. “The fee-based model and remuneration structure we adhere to offers a natural alignment of interest between the RMs and their clients, as compensation is not driven by transactions,” he reports. “The RMs are strongly incentivised to boost AUM, which of course means keeping clients happy and bringing more clients in. We are therefore aligned, internally and externally, to ensure that remuneration is allied to client centricity.”

### Digital adoption & institutional capabilities

And on top of all these positive developments, Chowdhary says the firm is making even more rapid progress than before towards digitisation. “In the next eight to 12 months, you should see us more as a digital player,” he enthuses. “Our focus is not moving towards retail or mass affluent; it is the HNW and UHNW segments that we plan to increasingly digitise. We are thinking ahead to cater to the Millennials and beyond; we need to be ready for that next level of growth, and digitisation provides that opportunity; we truly want to differentiate ourselves in this regard.”

He explains that the firm has made several vital steps forward in the past 18 months or so. They have, for example, developed a systematised, rules-based approach to portfolio construction. “This automation process produces great efficiency in this area,” he explains, “as the RMs don't

### Key priorities

Unsurprisingly, given the ambitious nature of the firm's approach, digitisation is his number one priority currently. “I can go even further,” he quips, “and say that my three priorities are getting digital right, getting digital right and then getting digital right!”

Additionally, the firm is aiming to hire more talent across all facets of the front, middle and back offices. “We have experienced tremendous success over the last six years. For the next phase of the firm's growth, we envision a significant evolution in the journey ahead. To achieve these goals, we want to really boost talent across the firm. This is not just about boosting numbers; we are driven by the need to boost our quality and expertise.”

have to depend upon and wait for somebody else, such as an investment counsellor, to do this; they can do it themselves based on their client's requirements.”

The firm has also built its own order management system, delivering the level of functionalities seen more in the institutional spaces. “We have created a wide range of functionalities similar to what private banks would offer, and the system allows for full audit trails, great order execution efficiency and accuracy, and much better information flows to our clients,” he reports. “It is a major step forward.”

He adds that the firm is taking the next steps to further enhance the client's experience. To do so it is aiming to deliver other innovations, including a tool that will allow clients to place orders on chat apps, such as WhatsApp and WeChat, a capability most banks do not yet have. In addition to this, in-house developers have also created a tool to consolidate client portfolios across 14 banks through

APIs, allowing for real-time reports on client's statements.

“Finally,” he reports, “we have built a full suite of risk management tools, so bringing these all together, we now have solutions to help us to curate and then monitor portfolios better, execute better, and report better. All three of these vital areas have been properly addressed. And our next project is to further develop all this into a tool to allow seamless remote onboarding, account opening, product and portfolio selection, and portfolio information and reporting.”

Away from digitisation, another initiative the firm is pursuing is developing a broader and more defined ecosystem to allow the firm to analyse and report on specific investment sectors and industries.

“This is all about boosting our advisory and investment skills in the expanding world of private assets,” he explains. “For example, should an AI company come to us for funding, we can mine into the ecosystem we're developing to find experts on

AI who can offer us insights into the sector and the company. We think this capability is really lacking amongst the private banks and others promoting such investments. This is simply another initiative we are embarking on to keep adding value to our clients and expanding our capabilities and expertise.”

### Consolidation ahead in the independent wealth sector

He draws the discussion towards a close by commenting on the industry at large, which he says remains highly fragmented.

“Beyond the private banks, the industry needs to consolidate, and that will happen because it is unsustainable as it is with the cost-income ratios and insufficient scale. Within the private banking sector, there is increasing pressure for the wealth industry to become more institutionalised, which is why we are pushing that vision with energy and intent. The limiting factor really is talent, as there are simply not enough high-quality people out there available to us and those who are genuinely skilled often do not want to venture out of the banks.”

His final word is that to build scale, anyone wanting to compete seriously must build both diversity and trust. “That is a never-ending task,” he reports, “and one that demands that we never let our guard down. If we get that right - and we think we are doing that - and we have the right product mix, the right talent, the right approach to digitisation, then we are able to build more diversity amongst our clients and build the brand and reputation. That is what we are aiming to achieve. That is what we hope and believe we are actually achieving.” ■

