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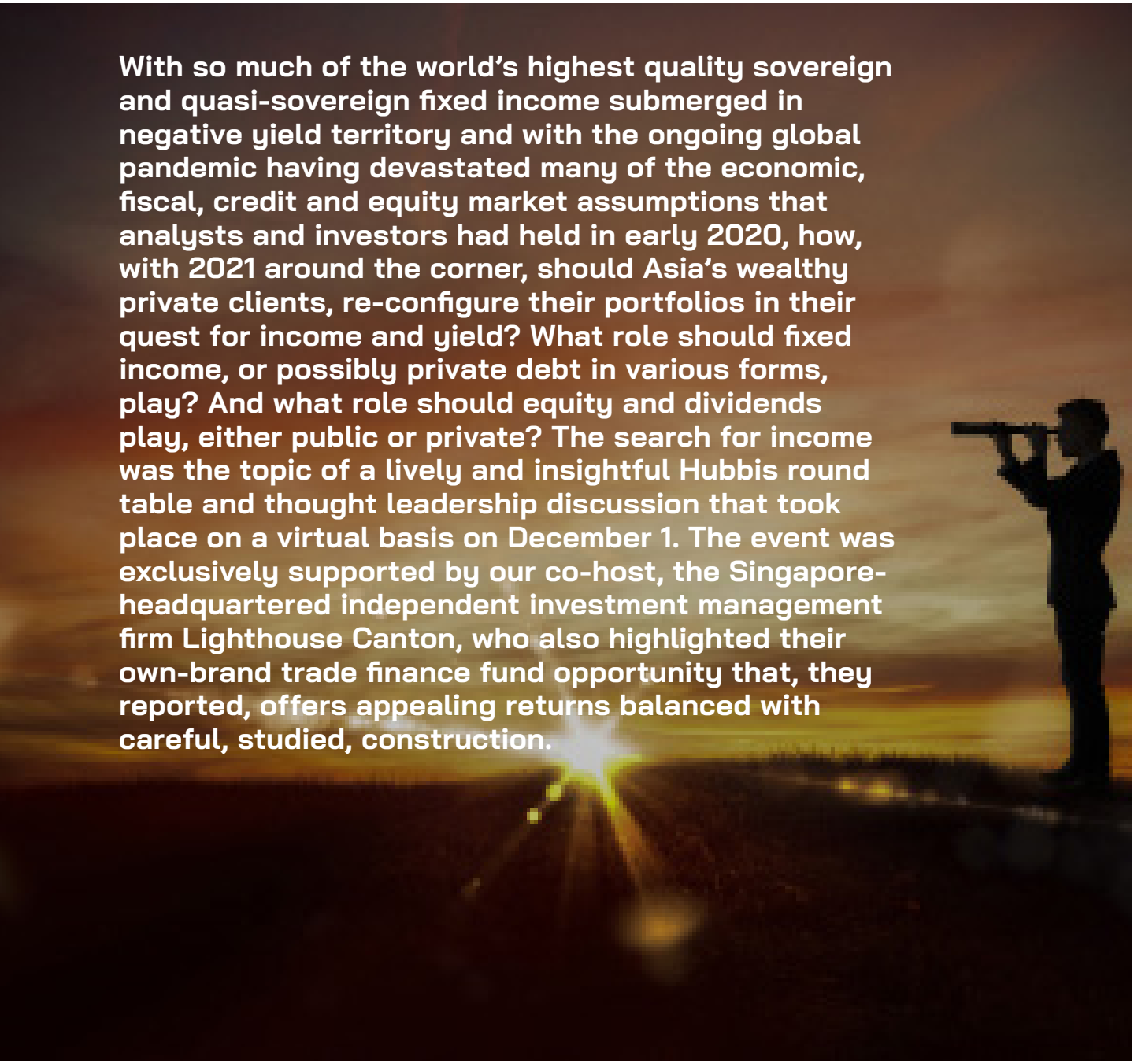
The Global Search for Yield and Income in a World of Uncertainty



With so much of the world's highest quality sovereign and quasi-sovereign fixed income submerged in negative yield territory and with the ongoing global pandemic having devastated many of the economic, fiscal, credit and equity market assumptions that analysts and investors had held in early 2020, how, with 2021 around the corner, should Asia's wealthy private clients, re-configure their portfolios in their quest for income and yield? What role should fixed income, or possibly private debt in various forms, play? And what role should equity and dividends play, either public or private? The search for income was the topic of a lively and insightful Hubbis round table and thought leadership discussion that took place on a virtual basis on December 1. The event was exclusively supported by our co-host, the Singapore-headquartered independent investment management firm Lighthouse Canton, who also highlighted their own-brand trade finance fund opportunity that, they reported, offers appealing returns balanced with careful, studied, construction.

The Key Observations

The vast central bank largesse is unprecedented and potentially frightening

As if the incessant QE delivered by the world's leading central banks since the global financial crisis were not enough, the combination of gigantic government support for businesses, individuals and institutions since the onset of the pandemic is even more remarkable and creates even more waves. But will those waves be benign or utterly destructive? Time will tell.

Selectivity appears to be replacing momentum

If the world's investors have been driven mainly by momentum in the past decade as they followed the tsunami of liquidity unleashed by the central banks, perhaps now is the time to abandon that doctrine and focus on selectivity, value and risk management.

Momentum investing could be highly dangerous in an unpredictable world

Nobody knows what 2021 might bring. There is immense hope but perhaps not yet optimism about vaccines against Covid-19. But should they prove effective and the economies gradually return to normality, will central banks turn off the liquidity faucets? And will government at the same time hike taxes? Amidst such uncertainty, momentum investing might prove reckless.

And perhaps the next crisis waiting in the wings...

Looking ahead over the next year, a guest commented that perhaps the next crisis is waiting, hiding in the shadows, and therefore that diversification and a conservative approach are both essential, with low or zero leverage against the asset.

Perhaps the time is right for a longer-term view, even at the expense of liquidity

One expert at the discussion argued for at least a 20% allocation to private debt, trade finance, and other private assets in order to achieve a higher yield than in the public markets. The trade-off is a longer-term exposure and lack of liquidity, but both, he said, are advisable as investors seek yield and income.

Private, non-public assets are not always entirely illiquid

A panellist commented that private assets need to be locked up for a time horizon of five years but that there are often opportunities to trade out of such assets infrequently, offering some prospect of liquidity if required.

Building quality portfolios, refining existing allocations

Fixed income and debt portfolios need to be revised and then regularly reviewed in order to ensure they have the right balance of quality and return.

To build a viable private debt and equity portfolio, build gradually and plan for liquidity

Experts observed that on the road to building a smart portfolio of private assets, it is important to manage committed capital with capital calls and distributions, recycling and reinvesting, but always with a keen eye on vintages of the different types of assets.

China's truly vast but little explored debt markets must be considered

China's truly enormous domestic debt market offers government paper with a current yield pick-up to Western public markets of some 2% or more. Yes, China's fixed income market is as yet little known and little researched, and there are concerns over defaults, but local currency Chinese government also have tailwinds for the Renminbi.

ETFs are a good route to China's fixed income markets

ETFs can offer investors easy access to China's fixed income arena, while the research and analysis community builds its expertise in China's domestic debt markets.

Some, however, believe that China's fixed income market is a bridge too far, for now

There are nevertheless plenty who believe that the default rates in China will rise significantly, so too downgrades and therefore that there are major risks and headwinds ahead.

There are plenty of pundits who see blue skies ahead for the world of equities

A panellist represented the bullish community who believe that there are significant reasons to be optimistic about economies, equity markets and valuations, and therefore argue that greater risk exposures should be taken on board. Moreover, the same views pervade their arguments over fixed income.

Antipodean allure?

There were several panel members who observed that Australia's economy and currency should bounce significantly from the current levels, and who therefore argue that demand will drive the Aussie dollar upwards.

And the US dollar appears to be losing its 10-year sheen

Meanwhile, there are also many who believe the US dollar's best days are over, for the time being, driving an even strong argument for exploring the Chinese domestic currency debt market, amongst others, Indonesia included.

Seek out assets with little correlation, and for that real economy assets have appeal

With some experts anticipating a default rate on US high yield bonds this year at anywhere between 10% to 12%, and with a recovery rate of 30% to 40%, it appears wise to identify non-correlated assets. And for that, income-producing, low beta opportunities such as trade finance or supply chain finance have significant appeal.

REITs also have strong appeal for reliable income flows

REITs in certain sectors, for example, retail and offices, have clearly suffered, but there are many other property sectors that have strong tailwinds, including any associated with logistics, and also well-diversified REITs.

The Lighthouse Canton supply chain finance fund combines selectivity and careful due diligence

The Lighthouse Canton expert present, Sanket Sinha, detailed how its own-brand supply chain finance fund focuses carefully on receivables financing, but how it sticks well clear of businesses they do not understand like trading, focusing instead on the ultimate buyers of the goods, which are mostly Western economy corporations, and often major names. Careful analysis, due diligence and diversification, he

explained, is essential to minimise risk. Nevertheless, the ultimate borrowers are developed market obligors, usually mid-market investment grade, and there is an insurance wrap.

The returns on trade finance funds can be rather appealing

Sinha reported that the Lighthouse Canton fund has been earning in the region of Libor plus 500-550 basis points, which compared to the typical spread of around 100-200bp on the senior unsecured paper that would be issued by the typical obligors is a large pick-up, albeit for a different structure and different type of credit.

A sensible balance between mainstream public assets and private assets is advisable

Balance is essential for portfolios, another expert maintained, advising a sensible allocation between public and private assets, balancing off the liquidity needs. In selecting the assets, especially the private assets, transparency emanating from the asset or fund managers is also vital.

China in the spotlight, and for many years to come

The final comment went to a China expert who said that no investor could afford to ignore China. Yes, he said, there are some risks, but with strong economic momentum and a capital market that continues to open, there are great opportunities in both the Mainland Chinese debt and equity markets.

The Discussion

There are numerous questions to address with Asia's HNW and UHNW investors as they gradually rebuild portfolios ready for the new world ahead, hopefully post-pandemic if the various much-vaunted vaccines prove effective. How has the current market environment impacted investors' asset allocation plans, both from a tactical and strategic perspective? Which strategies or asset classes are investors in this region most bullish or bearish on? Where do investors find acceptable levels of income/yield aligned with manageable levels of risk, and will they need to sacrifice some liquidity in their quest for income?

The flooding of the world's financial markets with central bank is truly remarkable, some might say frightening for the future generations, so how can advisors and investors assess the world of fixed income risk and reward amidst this unprecedented environment? What strategies, therefore, should investors be adopting for their portfolios in terms of overall allocations to fixed income and credit? And in which currencies should investors be allocating funds, especially bearing in mind recent dollar weakness and the outcome of the US election? With interest rates so incredibly low globally, is leverage back on the table or is there simply too much uncertainty?

Where do you look for yield?

Mining down into fixed income, should wealthy investors be in liquid sovereign or other AAA multi-lateral debt? Or perhaps

highly rated, sometimes state-guaranteed municipal bonds? Or sector-specific high-grade corporate paper? Or perhaps the risk rewards is better today in the world of emerging market debt, and if so, which regions? What about China, as it opens its truly vast debt markets that offer considerably higher yields than Western economy paper? Should investors be taking single bond exposures, or via funds or ETFs? And should they stick to the public arena or the rapidly expanding private debt markets?

And how about particular strategies, such as Fixed Maturity Portfolios, or other more engineered methods to combine return with peace of mind on the credit front? Structured products and more complex instruments?

And what about dividends?

And of course, dividends are on offer in the equity markets. Where then are investors turning for risk exposures, and what markets are they targeting in terms of regions and also how are they dividing their exposure between public and private equity opportunities?

What about property exposure, as the quest for yield or income becomes ever more central? Are wealthy Asian investors targeting property sector debt, or REITs, perhaps baskets of REITs in ETFs to find an income-producing hybrid between real estate, equity and debt? And how does this all tailor to the Asian HNW and UHNW investor psyche and outlook?

Shifting from a decade of momentum?

The discussion opened with a guest offering his take on activity amongst investors in the region in recent years, remarking that for the last 5 to 10 years, people had mostly become momentum players, irrespective of what they might have felt about the value of an asset. He observed that the investors so often simply went with the central bank liquidity, and remarked that he does not foresee any difference in 2021, at least early on in the year.

However, he predicted that the year progresses, the fiscal stimulus might dry up, and tax increases in some markets are more likely, reducing returns ahead while at the same time, the world economy will still be in considerable trouble. He noted that the biggest lesson from 2020 is that things can, and do, go wrong. 2020 had, for example, seen some of the higher dividend sectors and companies hit hard, as well as many of the professionally managed income funds themselves.

Private assets and their appeals

"So, when we think about income at the moment, we're still trying to encourage investors to use what I call the illiquidity premium of things like private debt funds, some of the trade finance funds and other sources of income because we believe that actually feels like a safer source of income than just diving into the high yield market hoping the Fed is still there standing there. I do not think you can rely on central banks to provide you with total support in the bond markets. And therefore, we would say for a standard portfolio now, we are prepared to go into illiquid instruments for up to 20% of the portfolio to offset the challenge the lack of income from other segments."

Illiquid, yes, but not entirely

He noted, however, that the lack of liquidity is of concern to some investors. He advised discussions with the clients as to when they need the money, and also noted that the time horizon to be locked up should be five or more years, but that the money need not necessarily be closed off for that time, as generally, the investments involve funds that often have a window of trading once a month or once a quarter.

Another expert commented that not much is likely to change from 2020 to 2021. He noted that the world had lived with low interest rates for rather a long time, and that it now appears rates will stay lower, maybe for longer than we had expected. "I think we need to resist the temptation in light of this to go down the capital structure, hunting for higher returns from weaker credit. Most of our clients are fairly conservative, and they prefer a liquid portfolio, even though they could afford some illiquid investments."

Refining portfolios

He explained that over the last 12 to 18 months his firm had helped clients improve the quality of their fixed income portfolios, building the senior loans, while reducing high yield substantially, also focusing on preferred securities and hybrids.

"And we are still looking at emerging market hard currency, predominantly in Asia," he reported, "and for the first time, we bought Chinese government bonds in the local currency, offering a yield pick-up of about 2% or so and as the Chinese currency has tailwinds, we believe, for the next couple of years. We executed that through the ETF route. And as we are conservative, we tell clients to resist leverage mostly."

A different view was proffered by a guest who said their firm comes at income from a completely different perspective, using income in the portfolio more to bring down beta as defensive qualities as opposed to generating income for their clients because they do not require it.

Opening up pockets of opportunity

"We are a second-generation family office, and as we reduce beta, we have space to play in other areas where we can be a little bit punchier, more in the growth section of the portfolio. When you're talking to a Chinese family and when you're managing that money, you can pick up a family-owned, listed stock, for example, that is trading at a 50% discount to book and paying a 9% yield, so we invest where we know and understand. And trade finance is another area."

A north Asia expert commented that contrary to a lot of views, he felt that Chinese fixed income has a lot of negatives and expects many more defaults and downgrades, and more negative news on Chinese issuers.

"Even the SOEs will see more defaults and more problems arising," he commented. "Accordingly, I am more interested in the equity market opportunities, and using ETFs, in which I am a firm believer. ETFs today offer many permutations, as there are so many to choose from, you can use your imagination. My clients mostly do not expect me

to generate income for them, but they are actually expecting capital preservation or better."

Another view came from an expert who spans both Australia and Asia. He explained that tax is such a driver in Australia that portfolios are constructed with a perspective on after-tax outcomes.

Blue skies ahead?

"We had entered 2020 in a defensive mode as we felt that the risk of recession was real, but of course we did not predict the pandemic," he reported. "We remain somewhat defensive, we like sovereign debt, and we use that as a tail risk hedge in a way to protect client portfolios more so than to deliver income. But today we feel like we can dial the risk back up in the portfolio and to do so we like global equities, and actually think that the recovery is underway and is a sustainable recovery, so we also like investment-grade credit. We're naturally really selective in how we allocate within our portfolio, we like active managers, and we like managed accounts for that matter where we can go in and be very selective in the allocations that we have within our portfolios."

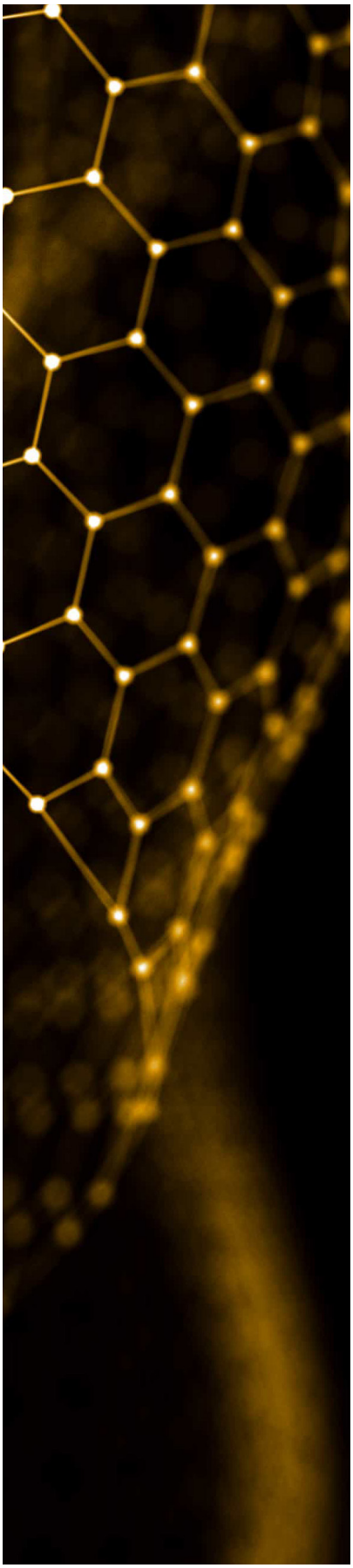
Work from risk outwards

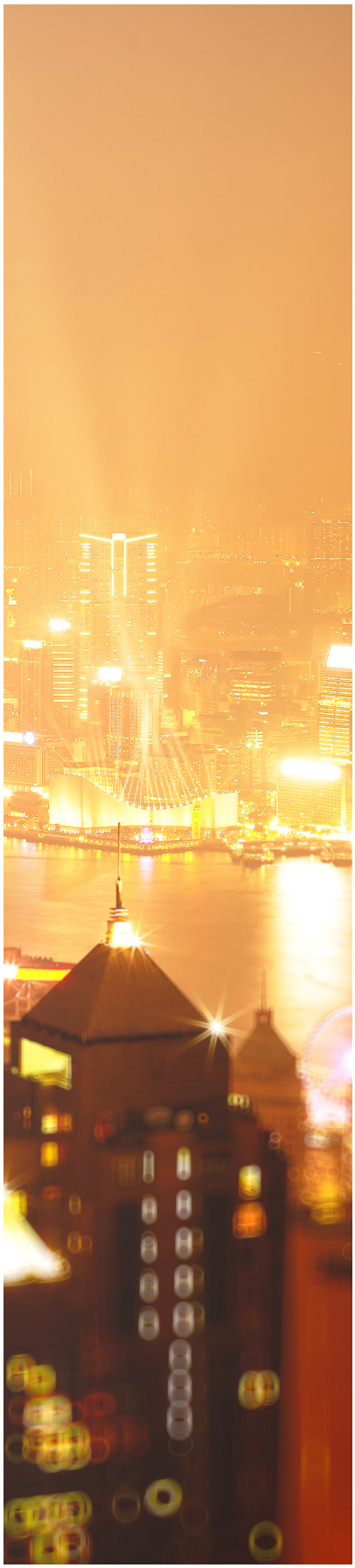
He explained that his firm thinks about risk-adjusted returns more than delivering income for clients. "In short, as we sit here today, we're overweight global equities, we're overweight investment-grade credit, and we're in those positions because we think that the recovery is sustainable. And as to valuations, we form a view on the relative attractiveness of a particular asset class over a long-term view, so, a five-year view usually. So, we think that over the coming five years, global equities still look attractive. Yes, they've been rallying at their highs, but we still see value in global equities relative to other asset classes. We think that the recovery is sustainable, and the tailwinds from monetary and fiscal support will continue to support equity prices."

Australian dollar appeals

He added that his firm also recommends the clients overweight Aussie dollars, again looking on a five-year basis. "Here I am in sunny Melbourne coming off months of lockdown, and we are actually fairly bullish on the economy down here. There are obviously some issues, but there are some bright points, and we're seeing pent up demand and really sort of early stages that we are witnessing as the economy comes out of lockdown, that demand is really starting to come through. So, we are relatively favourable towards the Aussie Dollar."

Another guest agreed with many of the views expressed thus far and said that the environment was encouraging them to move more to illiquid, private assets, mostly asset-backed in the form of private equity, real estate lending, senior lending, and other assets. In particular, he reported a liking for Australia, Spain, and affordable housing in the US. "We've been in those markets for almost ten years, especially in the last couple of years, in the senior lending space. Australia is very interesting in that regard, and we really achieved nice returns in the last three years. The US always has a juicy capital structure where you can make money in that sense."





Building partnerships and relationships

But he said deal access was essential. "Therefore, you have to build relationships with partners, and the gap between committed capital and deployed capital is something you have to manage. You need a decent deal flow to always keep your capital deployed and not have too much sitting spare around."

US dollar on the wane?

He advised diversifying somewhat out of the US Dollar, with a preference for the Australian and Canadian dollar, as well as local currency Chinese bonds, offering a roughly 2% yield pick-up as well as currency tailwinds. "We took some profits in CNY bonds, but we kept some and it's clearly one of the pockets in the fixed income space which remains interesting. We also like Indonesia local currency paper as well."

Adding further insight into the private assets, he noted that in order to build a portfolio over a number of years in the direct investment space, it is important to manage your committed capital with your capital calls and your distributions. In the lending space, normally we have two- to three-year horizons," he explained, "and in venture capital and private equity then it's longer, but the more diversified the portfolio, the less of an issue liquidity becomes, because you can recycle, reinvest distributions into new vintages, into new capital calls. So, once you have a proper portfolio, the illiquidity becomes more relative, and it's more about managing the vintages."

The good old days are gone

Sanket Sinha of Lighthouse Canton then took the microphone to offer his perspectives. "Over the course of the last nine months or so, the valuations of risk assets have reached unprecedented levels, which is posing a lot of challenge for portfolio allocation. The days of the 60/40 allocation are long gone. As money managers, one of the most important things that we look at is risk-adjusted returns, and it's particularly unattractive, I would say when it comes to the fixed income space. On the equity side, of course, there has been a rally, but I completely agree there's still some value. The returns may be a little suppressed going forward, yet there's still return to be taken."

He then shared some more data points to back up his views. "When we look at the US high yield index option-adjusted spread, it's at approximately 400 basis point yield, and from various sources, the expected default rate on US high yield bonds this year is anywhere between 10% to 12%, and with a recovery rate of 30% to 40%, which is what it has been in the past. So, we're are instead looking at a lot of non-correlated investments, a lot of non-correlated opportunities, which are income-producing, but at the same time with very little beta associated with those opportunities. Trade finance or supply chain finance is one such opportunity that we are looking at very closely."

Also for income, he explained that REITs are currently of interest, especially the mortgage REITs or office REITs with very high-quality assets, some of which are looking particularly attractive.

"So, trade finance, supply chain finance, REITs, these are key areas for us for income generation, and

in a nutshell, we like to overweight equities, underweight conventional fixed income, and add a variety of non-correlated investment opportunities into the portfolios."

The Lighthouse Canton Supply Chain Credit fund

He then offered more detail on the Lighthouse Canton own-brand supply chain credit fund, which he explained is a supply-chain credit fund, focusing on receivables financing.

"We do not understand trading businesses and therefore we try to have minimal exposure to the traders and focus only on suppliers or sellers from emerging markets, in particular Asian countries like Singapore, Malaysia, India, those who are providing goods or services to obligors and buyers in developed markets," he reported. "The obligor risk that we are taking is therefore developed market risk, and we get paid a premium for that. As an example, a pharmaceutical company from India might be selling to a Walmart in the US, so we have confirmed obligation from Walmart. If we go and buy senior unsecured bonds of Walmart, we're talking about approximately a 100 handle. But for these invoices, we get paid Libor plus 500 to 550, a yield pick-up that is extremely interesting for us."

He conceded that the nature of the credit is different from senior unsecured as far as the capital structure is concerned, but that a recovery analysis of our target obligors even if they were to go into default shows a very high chance of recovery, making the risk worth taking. "In short, those are the kind of opportunities that we are looking at, with developed market obligor risk, usually investment grade, an insurance wrap and mid-market companies from Asia providing services or goods to these obligors."

Another expert commented that this is an area that requires a lot of research and due diligence, but that when there is not complete transparency, then it can be hazardous. "But with enhanced due diligence, as we just heard, there are clearly some rewards out there."

He added that in terms of broader risks, he did not anticipate much inflation even on a five to 10-year view, but felt that when travel and leisure and hospitality sectors reopen, there could be some spike in prices in the shorter term.

Giving up on fundamentals?

On the escalation of government debt, he added that the world seems to have given up on the idea of very getting that repaid, so for example in the US the only significant buyer out there is the Fed. "It is a bit of a Ponzi scheme you might say," he remarked. "You have to keep going with it because the central banks still have and governments still have the confidence of the marginal investor, and I don't think that will change anytime soon. Even though in the developed world, the total amount of debt relative to GDP has gone up by 50% in nine months. However, I don't think we can take another crisis like this pandemic."

Looking ahead over the next year, another guest commented that perhaps the next crisis is waiting, hiding in the shadows.

Diversification essential

"My concern," he warned, "is that the next shock is something

that we don't know about at this point in time, that we cannot see, and that might derail the market again. But for the moment, we have the vaccines arriving, the ongoing fiscal stimulus with the central bank taps wide open, and hopes of economic recovery, so it is quite a good scenario for the next 12 to 18 months. We counsel a well-diversified portfolio and for our clients not to be leveraged, a conservative approach that helped us many times, going right back to the market crises of 1987, the Asian crisis in 1997 and the global financial crisis ten years ago. And as to inflation, I think there is more of a chance that might resurface, but as we speak, it's well hidden still."

Another guest pointed to a certain 'fraternity' that exists across the Chinese family office network.

"We often invest together, and it is actually fundamentally different European or even Southeast Asia mindset. In terms of what their expectations have been, we used to talk about our "stay rich" portfolios, but since March, we're moving into the "get rich" focus. There's an element of cliché to it, but we've still got that eye on protecting capital, and a long timeline. We actually bought into some REITs after March but exited quite a few of those."

They added that they are opportunistic, buying beta-down opportunities because the mindset of the investor is very different from others. "These clients are mainly are entrepreneurs, typically second generation, entrepreneurs that can generate returns out of their own assets and their own business efforts, so they are investing with us as a long-term relationship, and we're moving in places that are probably complementary to their core business and offering them some diversification, including for alternatives in the hedge fund space, again with a long-term timeline."

Due diligence and transparency

Sanket Sinha took the floor again, returning to the topic of the due diligence required with supply chain finance transactions, both from the perspective of the fund manager managing the strategy as well as allocators who are looking at the strategy. "Things have gone wrong in the past with certain trade finance funds, but most of those have focused heavily on traders, and suffered due to fraudulent transactions or fraudulent counterparties. No disrespect to the trading community, but there have been a few problems, and the way to mitigate this risk is to completely stay away from the segment if you do not understand the space and have a zero-tolerance policy."

And due caution...

He explained that the mission for Lighthouse Canton is to have transactions with clear visibility on who the end buyer is and who the seller might be, thereby significantly diminishing the risk of fraud. "And you need a very tight process in terms of understanding when the liabilities are moving or are changing hands, which is something that a lot of trade finance funds do not pay attention to," he added.

He noted that the other important factor for running a successful trade finance strategy is to focus on diversification. "Concentration risk management is extremely important." And he summarised

by saying that it is important to stay away from middlemen, make sure that at all points in time you have title of the underlying receivables or goods, and at no point in time run a naked exposure, and finally ensure that you have sufficient diversification in your portfolio, both from the sellers' perspective as well as from the buyers' perspective. "If these three things are taken care of, I feel that the strategy should be pretty safe."

Shifting in the sands of time

A guest offered his views. "We have not only looked at trade finance opportunities, but we have been investing for some seven or eight years already. It has gone well for most of the time, but recently, not so well, resulting in the need to unwind from positions and then reassess again potentially afterwards. It was almost like fixed income before, straight line in terms of return, but things changed in the last 12 months, so frankly we need to review whether we want to stay in that asset class or not."

He elaborated on the issues, noting that some large investors had withdrawn from the fund, shrinking it to the level where the expense ratio and diversification no longer worked. "The result is they're winding down the fund."

Another guest said they had also been involved in some trade finance funds, but their current CIO had downscaled commitments, not because he did not like the asset class, but for transparency, and counterparty risk. "It is something that I'm sure would be reviewed again within our portfolio, but probably in more modest allocations than before."

Balance is vital

The discussion closed with some words of advice. A guest pointed to the need to balance rising allocations to illiquid or less liquid assets with making sure that they as a firm fully understand the forward liquidity needs of their clients. "And ensuring that we have a high level of transparency on the underlying positions is essential and not always easy, as a lot of managers are not able or not willing to give that level of transparency, so we screen them out on that basis. However, where we find those managers who are good at what they do, who are transparent in their communications, in their positions, we really like those managers."

Another guest remarked that while the central banks print money, the reality will soon dawn that we have very low nominal growth around the world. "Asia and the emerging markets offer your long-term growth," he stated, "that is why more and more money is moving towards Asia. Meanwhile, the world is in trouble still with the low nominal rates of growth not discounted yet in the equity markets."

China, China and China again

An expert added that China must not be ignored in any assets class. "We are quite bullish on China in the equity space, and we've also deployed in the local fixed income segments. Of course, there have been defaults in Chinese bond issues, so we have to manage that carefully and watch it carefully. Ray Dalio from Bridgewater a few weeks back made a very strong point - you can't not invest in China, being the second-largest economy, and at some point, the largest economy in the world."

And he added that in his view, almost every investor still under-invests in China today. "Of course, there are risks, but if you have a diversified portfolio and take a long-term view, then China beckons," he concluded.

Sanket Sinha closed the discussion with a note of thanks to all those present and hoping that the world might before long return to some normality and that all those present on a virtual basis might again soon gather for a physical event.

Lighthouse Canton – A Snapshot

Our co-host for the event, Lighthouse Canton Pte. Ltd. (LCPL) is a Singapore headquartered employee-owned investment management firm which holds a Capital Markets Services License. The firm has extensive experience in wealth advisory and asset management. With three offices globally, LCPL has Asset Management capabilities across public and private markets with a strong track record of generating superior returns across strategies and asset classes.

LCPL is an MAS regulated investment management firm and in 2019 opened a new operation in Dubai. Some of the firm's middle-office and back-office operations are located in India to capitalise on the talent there, as well as cost efficiencies.

The firm's website emphasises independence and stresses its robust product capabilities across the asset classes, as well as the ability to customise solutions to meet client needs, an institutional class infrastructure and counterparties, and reports that there is now a team of more than 50 professionals looking after over USD1 billion of total assets under management and advisory.

The LC Supply Chain Credit Fund

Lighthouse Canton currently offers investors four in-house strategies. The LC Supply Chain Credit Fund, which Sanket Sinha spoke during the event is an open-ended fund launched in December 2020 and focuses on the supply chain credit primarily for Asian linked mid-market corporates with significant revenue from developed markets. After a successful track record of managing LCV Trade Finance Fund between May 2018 and November 2020, where the Fund annualised close to 5% rate of return at a volatility of less than 1%, the team expanded this mandate to include a more global exposure and high quality mid-market corporates in the region, on the back of attractive opportunity in the supply-chain financing space, through the offering of the recently launched LC Supply Chain Credit Fund. The portfolio of LCV Trade Finance Fund was merged with LC Supply Chain Credit Fund. The objective is to generate competitive risk-adjusted returns with low correlation to traditional markets and asset classes. The Fund aims to provide investors with an effective alternative to their fixed income investments or diversifier to their overall portfolio. The LC Supply Chain Credit Fund targets an annual net return of 3M SOFR + 4-5% in USD terms. ■