# LOM Stable Income Fund Manager's Report Q3 2021

October 1, 2021

## Fund Information

Fund Manager

LOM Asset Management Ltd.

Portfolio Manager

Bryan Dooley, CFA

Domiciled

Bermuda

Exchange

Bermuda Stock Exchange

Inception Date

07/29/11

Dealing Terms

Friday (5:00 AST)

Settlement Terms

Trade +3

ID ISIN

BMG556251830

Bloomberg Ticker

LOMSTAB BH

Fund Size

$51,786,674.64

Management Fee

1.50%

Administration Costs

0.17%

Sales Fee

May be applicable

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The long and strong investment performance of the LOM Stable Income Fund took a breather in the third quarter of 2021 as risk markets slumped in late September. The Fund fell by 1.12% during the period. However, over the past 12 months, the Fund has provided a return of +17.10%.

Higher dividend-paying equities have been a bright spot this year as the Fed kept its QE policies in place and value stocks began to outperform growth stock. For example, the Dow Jones Dividend Select stock index has outperformed the broader S&P 500 by over 600 basis point so far this year.

The global economic recovery from the COVID-19 pandemic remained relatively robust over Q3, but progress was uneven as policymakers struggled with the highly contagious delta variant, elevated unemployment and higher consumer and producer product prices. Rising commodity prices in addition to stretched supply chains challenged the corporate sector as economies reopened across the globe. Reopening progress varied considerably by region and sector.

In the U.S., Washington moved to the forefront for investors. During the final days of the quarter, the U.S. Congress passed a stopgap spending bill permitting the government to stay open until Dec. 3. The extension allowed politicians to focus on raising the debt ceiling and passing President Biden's stimulus initiatives – a $1.2 trillion infrastructure (PAVE) plan and a
$3.5 trillion "soft" infrastructure plan. The $1.2 trillion infrastructure bill had bipartisan support and has already passed the Senate; however, full passage has been delayed as moderate and progressive Democrats negotiate over terms of the "soft" bill.

Third quarter equity market gains were muted as an early rally was given up in the September correction. Global equity benchmarks were down across the board in September in what is seasonally the worst-performing month for equities. The MSCI World Index fell by 0.76% between July 2nd and October 1st, our weekly cut off points for the latest quarterly NAV's. Within the major equity indices, Financials (+2.72%), Utilities (+1.78%), and Communication Services (+1.60%) saw the strongest gains in the quarter. Industrials (-4.22%), Materials (-3.51%) and the Energy sectors (-1.72%) were the worst hit.

In fixed income markets, the Treasury yield curve largely remained the same as during the previous quarter, with the belly of the curve moving up a few basis points. Credit spreads were stable during the second quarter; the spread between BBB corporate bonds and the ten-year Treasury has remained at around 1%., which is the lowest in the last 20 years. During the July and the September FOMC meetings, policymakers unanimously voted to maintain the Fed Fund Target Rate at the zero to 25 basis point range. According to the latest FOMC dot plot, officials are now evenly split on whether the central bank should raise rate next year. The median projection indicates that the first interest rate hike will be in 2023. Fed chairman Jerome Powell has changed his narrative on the quantitative easing program this summer, opening doors to start tapering as soon as the end of this year, subject to economic conditions.

### Stable Income Fund Performance through 10/1/21

| | | Annualized Return | | |
|---|---|---|---|---|
| Fund | Q3 | 1 Year | 3 Year | 5 Year |
| LOM Stable Income Fund (with dividends) | -1.12% | 17.10% | 5.87% | 4.80% |
| Stable Income Fund Benchmark Index * | 0.12% | 0.40% | 2.89% | 1.91% |

* 50% DJ Global Dividend Select/50% S&P Preferred Index