LOM Stable Income Fund Manager's Report Q1 2022

April 7, 2022

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 (5:30 AST)

Settlement Terms
Trade +3

ID ISIN
BMG556251830

Bloomberg Ticker
LOMSTAB BH

Fund Size
$55,690,299

Management Fee
1.50%

Administration Costs
0.25%

Sales Fee
May be applicable

After an exceptional 2021, the first quarter of 2022 was difficult for markets. Concerns over the economic implications of the Russian invasion of Ukraine and the potential need for a faster pace of interest rate hikes to combat higher inflation weighed on both equities and bonds. Over the first quarter, the LOM Stable Income Fund fell -1.68%. However, that exceeded its benchmark and the Fund has increased in value by 6.95% (inclusive of dividends) over the past year.

Economic growth remained strong over Q1 2022 as the world continued to reopen while still benefiting from last year's massive fiscal and monetary stimulus. US GDP grew 6.4% on an annualized basis, narrowly missing expectations of 6.7%, but the trade deficit widened. On the employment front, America continued to add jobs and wages rose. The U.S. unemployment rate fell to 3.6% in March, close to its low of 3.5% reached in early 2020, just prior to the onset of the pandemic.

The narrative that inflation was transitory began to change at the end of last year. During the first quarter, central banks gradually turned more hawkish. Adding to the inflation concern, Russia invaded Ukraine in late February, prompting a raft of sanctions against the oil-rich country. The start of the war between Russia and Ukraine and the resulting commodity supply shock now poses a dilemma for central banks who are forced to choose between attempting to tame inflation while avoiding a recession.

In Q1, higher dividend-paying stocks fared better than most other market sectors. The Dow Jones Global Dividend Select Index rose by 1.63% compared to a -5.40% decline in the MSCI World Stock Index. However, preferred stock and hybrid securities fell as interest rates rose along the curve as fears of inflation and more aggressive Fed policies pushed rates higher. For example, an index of preferred stock fell -9.55% over the period. As of the end of the March, the portfolio was allocated 64% dividend-paying equities, 30% hybrids and 5% high yield debt.

Stable Income Fund Performance through 04/07/2022

		Annualized Returns		
Fund	YTD	1 Year	3 Year	5 Year
LOM Stable Income Fund (with dividends)	-1.68%	6.95%	6.80%	5.24%
Stable Income Fund Benchmark Index*	-3.97%	-0.87%	3.93%	2.48%

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

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