LOM Innovation and Opportunity Fund Manager’s Report Q2 2022

July 8, 2022

Fund Information

Fund Manager
LOM Asset Management Ltd.

Portfolio Managers
Bryan Dooley, CFA

Domiciled
Bermuda

Exchange
Bermuda Stock Exchange

Inception Date
03/01/21

Dealing Terms
Friday (5:30 AST)

Settlement Terms
Trade +3

ID ISIN
BMG556252333

Bloomberg Ticker
LOMINOV BH

Fund Size
$4,471,468

Management Fee
1.50%

Administration Costs
0.25%

Sales Fee
May be applicable

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Fast growing companies continued to experience a challenging time in Q2 2022 as investors faced the prospect of tighter U.S. monetary policies and higher interest rates. High growth companies are typically more sensitive to changes in longer-term interest rates as their projected earnings streams are more heavily weighted towards future years.

Over Q2, the LOM Innovation and Opportunity Fund fell 20.05%. During the same time period, the widely followed ARK Innovation Fund fell -38.97%. Since inception, on March 19, 2021 the Fund has declined by 32.48% compared to -66.03% for the ARK Fund.

Since January, the U.S. economy and stock market have been hit by the perfect storm. Russia’s invasion of Ukraine began a bloody and disruptive war in Europe, China’s COVID lockdowns added to supply chain disruption woes and hawkish central bank policies all conspired to knock down asset values.

Faced with 40-year high inflation, stoked by record money printing since the beginning of 2020, America’s Federal Reserve embarked on a highly aggressive monetary policy tightening program which has led to plunging securities prices. Analysts are predicting a 33% chance of a recession in the US in the next year.

Russia’s war in Ukraine magnified the slowdown in the global economy and has compounded the damage from the COVID-19 pandemic. Global growth is expected to slump from 5.7 percent in 2021 to 2.9 percent in 2022, significantly lower than 4.1 percent that was anticipated in January, according to a recent World Bank report.

During the period, we tilted the fund more towards small cap opportunity stocks as interest rates continued to rise. On the Innovation side, we exited many of the holdings whose expected earnings are in future years, in favor of companies which are profitable now. For example, we have added to software, semiconductors and medical devices in recent months.

LOM Innovation and Opportunity Fund Performance through 06/30/22

	Q2 2022	Since Inception 06/30/21
LOM Innovation and Opportunity Fund	-20.05%	-32.48%
ARK Innovation Index *	-38.97%	-66.03%

* ARK Innovation Fund