LOM Equity Growth Fund Manager's Report | Q4 2022

Fund Information

Fund Manager
LOM Asset Management Ltd.

Portfolio Managers
Bryan Dooley, CFA

Domiciled
Bermuda

Exchange
Bermuda Stock Exchange

Inception Date
03/13/2000

Dealing Terms
Friday (5:30 AST)

Settlement Terms
Trade +3

ID ISIN
BMG556251186

Bloomberg Ticker
LOMEQGA BH

Fund Size
$52,781,484.20

Management Fee
2.00%

Administration Costs
0.26%

Sales Fee
May be applicable

Over the fourth quarter of 2022, the LOM Equity Growth Fund rose 10.64% as markets rebounded from their October lows on hopes of a soft landing for the global economy. By comparison, the MSCI World Stock Index rose 9.42% while the technology-heavy Nasdaq continued its decent, falling 1.03% per cent during the quarter.

Reacting to the Federal Reserve's almost unprecedented barrage of restrictive monetary policies during the course of 2022, stock and bond prices mostly slid throughout the year, notwithstanding the recent rebound in Q4. Fed policy initiatives included seven large interest rate hikes, quantitative tightening and an historic shrinking of the money supply as defined by M2. Fed Reserve chairman, Jerome Powell has clearly pivoted from being overly dovish to being very hawkish. Now operating in damage control mode, he is attempting to rescue his reputation following one of the worst monetary policy errors in central banking history.

Currently, a recession appears likely in 2023 as key economic indicators continue to head south. For example, the leading economic indicators (LEI's) in the US have been printing lower since March of this year. In fact, with the exception of February, month-over-month LEI's have been running negative all year long.

As the economy continues to downshift, equity markets have been exhibiting classic signs of defensiveness below the surface. For example, the best performing sectors on a year-to-date basis have been energy, electric utilities, healthcare and consumer staples. Demand in these sectors tends to be resilient against economic weakness. Consumers need healthcare and food regardless of economic conditions.

The good news for the markets is that at least some of the recession scenario may already baked into asset prices. Indeed, the recession expected sometime this year will be one of the most widely anticipated ones in modern history. Asset prices tend to react more dramatically to unexpected rather than expected events. While markets have the potential to retest their June and October lows, buyers may emerge at more distressed levels.

Equity Growth Fund Performance through 30 December 2022

		Annualized Returns		
	Q4 2022	1 Year	3 Year	5 Year
LOM Equity Growth Fund	10.64%	-19.04%	3.67%	4.97%
MSCI World Stock Index	9.42%	-19.46%	3.33%	4.35%