LOM Stable Income 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
7/27/2011

Dealing Terms
Friday (5:30 AST)

Settlement Terms
Trade +3

ID ISIN
BMG556251830

Bloomberg Ticker
LOMSTAB BH

Fund Size
$51,860,106.35

Management Fee
1.50%

Administration Costs
0.21%

Sales Fee
May be applicable

Over the fourth quarter of 2022, the LOM Stable Income Fund rose 6.07% despite a selloff in hybrid securities as equity markets rebounded and investors continued to favor higher dividend-paying stocks.

Responding 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. Fed policy initiatives included seven large interest rate hikes, quantitative tightening and an historic shrinking of the money supply as defined by M2.

In 2002, Fed Reserve chairman, Jerome Powell clearly pivoted from being overly dovish to extremely hawkish in his approach. Now operating in damage control mode, Powell is attempting to rescue his reputation following one of the worst monetary policy errors in central banking history.

In Q4, the Treasury yield curve has become increasingly inverted as investors forecast rates to peak soon. Short-term Treasuries below two years have risen higher, while longer term rates as measured by the ten-year bond remained essentially unchanged throughout the quarter. Credit spreads tightened somewhat on investment grade bonds, with the spread between US BBB corporates and the 10-year Treasury narrowing by about 40 basis points.

The FOMC committee increased its policy rate by 0.75% in the November meeting, then 0.5% in the December meeting. In December, Powell indicated that the Fed Fund terminal rate will likely be around 5.1%, up from the 4.6% estimate back in September. According to the FOMC dot plot, which is a survey of FOMC members' dot projections, rates will keep moving higher next year, but will shift lower in 2024. On the other hand, the futures market has priced in a slight rate cut later this year.

Closing out the end of the year, the Fund was allocated 63% in high dividend paying equities, 4% fixed income and 29% hybrid securities, including preferred stock and $25 par notes. We continue to use our investment discipline to uncover value and yield against the backdrop of a highly volatile market and weakening economic conditions.

Stable Income Fund Performance through 30 December 2022

		Annualized Returns		
	QTD	1 Year	3 Year	5 Year
LOM Stable Income Fund	6.07%	-11.93%	3.45%	2.51%
Stable Income Index (50% Dow Jones Global Dividend Select / 50% S&P Preferred Index)	7.61%	-15.87%	-8.58%	-1.42%