LOM Balanced Fund Manager's Report | Q1 2023

Fund Information

Fund Manager
LOM Asset Management Ltd.

Portfolio Managers
Team Managed

Domiciled
Bermuda

Exchange
Bermuda Stock Exchange

Inception Date
3/13/2000

Dealing Terms
Friday (5:00 AST)

Settlement Terms
Trade +4

ID ISIN
BMG556251004

Bloomberg Ticker
LOMBALF BH

Fund Size
$3,463,256

Management Fee
0.65%

Administration Costs
0.26%

Sales Fee
May be applicable

Over the first quarter of 2023, the LOM Balanced Fund rose 4.15% as risk markets rebounded from the sharp 2022 sell off on hopes of a soft landing for the global economy.

Ongoing central bank interest rate increases combined with aggressive credit tightening through government programs such as quantitative tightening (QT) continued to pressure economic growth over the first quarter of 2023.

History shows the Federal Reserve typically tightens credit conditions until something breaks. In this case, Silicon Valley Bank and Signature Bank in New York were abruptly declared insolvent last month, representing the second and third largest bank failures in American history. Meanwhile in Europe, banking stalwart Credit Suisse was forced into a shot gun merger with competitor UBS as the 166-year old bank teetered on the edge of bankruptcy.

In the last weeks of the quarter, financial regulators and other lenders stepped in with measures to stem a fallout from the worst banking crisis in fourteen and a half years. The government response helped investors regain their risk-on appetite going into quarter as markets rallied in the last week of the quarter. The Senate Banking Committee also held a hearing on the recent bank closures, which shone a spotlight on failures in the overall regulatory system.

Despite setbacks in the banking sector, global equity markets rallied over Q1 as inflation fears steadily eased. The Bureau of Labor Statistics Consumer Price Index, showed U.S. inflation fell from 7.1% to 6.0% (November to February). Global inflation, while varied by country, followed similar trends.

Reversing last year's "flight to safety" trend, in Q1 we saw risk aversion abate and riskier assets disproportionately benefiting so far this year. Information Technology (+21.82%), Communication Services (+20.50%) and Consumer Discretionary (+16.05%) sectors saw the largest gains.

Financials (-5.56%), Energy (-4.71%) and Health Care (-4.31%) were the weakest sectors. The Euro Stoxx gained 14.32%, Japan's Nikkei index was in line with the broader market at 8.45%, while China's Hang Seng lagged at +3.51%.

As of quarter-end the Balanced Fund asset allocation was approximately 72% equities, 26% fixed income and 2% cash reserves. Strategic positions in the Fund include exposure to healthcare, semiconductors, high yield and Europe.

Balanced Fund Performance through 31 March 2023

	Annualized Returns			
	QTD	1 Year	3 Year	5 Year
LOM Balanced Fund	4.15%	-8.21%	13.06%	4.36%
Balanced Fund Index* (60% MSCI Stock Index / 40% BofA ICE Bond Index)	5.44%	-7.70%	9.16%	4.62%