LOM Stable Income Fund Manager's Report | Q1 2023

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
$52,076,543

Management Fee
1.50%

Administration Costs
0.26%

Sales Fee
May be applicable

Over the first quarter of 2023, the LOM Stable Income Fund rose 0.22% as modestly rising equity markets offset a decline in securities backed by financial institutions, including many hybrid securities.

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. The Bloomberg consensus for Q1 growth is 1.6%, but that is expect to decelerate to less than one percent through the end of the year.

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.

The fallout in banking stocks had a knock effect to hybrid securities as many issues in the $25 par market are backed by banks and other financial companies. During the last month of the quarter, the iShares Preferred and Income Securities ETF (ticker PFF) declined by 4.53%.
At the end of the quarter, the Fund was allocated 65% 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 31 March 2023

		Annualized Returns		
	QTD	1 Year	3 Year	5 Year
LOM Stable Income Fund	1.05%	-7.06%	10.08%	3.60%
Stable Income Index* (50% Dow Jones Global Dividend Select / 50% S&P Preferred Index)	1.83%	-10.70%	9.50%	-0.37%