LOM Equity Growth Fund Manager's Report | Q2 2023

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
$60,896,031

Management Fee
2.00%

Administration Costs
0.26%

Sales Fee
May be applicable

During the second quarter of 2023, the LOM Equity Growth Fund rose 6.65% as markets continued to recover from last year's sell off with the global economy managing to avoid recession despite elevated inflation and rising interest rates.

US gross domestic product (GDP) continued to decelerate in the first half of 2023 as interest rate increases and inflation took hold on the economy. America's GDP rose 1.8% in Q1 and is forecast to grow at just 1.3% for the 2023 year as a whole. While the economy remains weak, fears of an imminent recession have subsided since the beginning of the year as the housing market remains relatively firm and pent up demand for many goods and services continues to recover from the pandemic lows.

In May, the purchasing managers index (PMI) came in at 46.9, which was below the 47.1 in the prior month and the expected 47.0. Any reading below 50.0 is consistent with a slowdown in economic growth. On the other and, the U.S. labor market has remained relatively strong despite the unemployment rate climbing to 3.7% in May, up from a 53-year low of 3.4% as nonfarm payrolls increased 339,000 – well above forecasts - after an upwardly revised 294,000 advance in April.

Global equity markets fared well in the second quarter, buoyed by declining inflation, better-than-feared corporate earnings, and optimism over the potential for AI-induced productivity gains. The S&P 500 and Nasdaq indexes rose by 8.74% and 13.05% respectively. Those increases were largely due to rallies in the IT (+17.20%), Consumer Discretionary (+14.58%), and Communication Services (+13.07%) sectors. In fact, all of this year's rally through the end of May can be attributed to a mere handful of mega cap stocks. Without the so-called magnificent seven, the broader US averages would have been flat for most of 2023.

However, in June, the Materials (+11.05%) and Industrials (+11.29%) sectors also joined the rally as did smaller cap stocks. In Europe, equity markets managed to gain 4.25% despite concerns about persistent inflation and surprise rate hikes by the European Central Bank and Bank of England. Meanwhile, Asian markets presented a mixed picture; Japan enjoyed an 18.48% surge due to a surprisingly strong economy, a weak currency and ultra-low interest rates, but China experienced a 6.06% drop due to its stalled post-COVID recovery and their increasingly strained relationship with the US.

The LOM Equity Growth Fund benefitted from its exposure to some key mega cap stocks such as Apple and Microsoft which have driven index returns for most of this year. Looking forward, we hope to see the market broaden out with lagging stock and sectors playing catch up as the Fed begins to ease off monetary policy pressure later in the year.

Equity Growth Fund Performance through 30 June 2023

		Annualized Returns		
	QTD	1 Year	3 Year	5 Year
LOM Equity Growth Fund	6.65%	15.21%	10.36%	7.04%
MSCI World Stock Index	6.28%	15.89%	11.39%	8.02%