LOM Stable Income Fund Manager's Report | Q3 2024

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
Daily (5:00 AST)

Settlement Terms
Trade +1

ID ISIN
BMG556251830

Bloomberg Ticker
LOMSTAB BH

Fund Size
$62,189,000

Management Fee
1.25%

Administration Costs
0.31%

Sales Fee
May be applicable

The Stable Income Fund provided a net total return of 10.67% on a year-to-date basis through the end of Q3 as global equity and fixed income markets continued to respond positively to America's economic resilience and the potential for more accommodative monetary policies from the world's central banks. Over the past year, the Fund provided a total return of 15.48%.

The global economic outlook continued to stabilize in Q3 despite increased uncertainty in the geopolitical landscape. Most economists expect the global economy to grow modestly over the next year while anticipating lower inflation levels which will allow the Federal Reserve to reduce the federal funds rate and support an ongoing economic expansion of around two percent for both the second half of 2024 and for 2025.

In fixed income markets, the US Treasury yield curve shifted downward significantly over Q3. The move was most notable on the one and two-year maturities, which decreased by more than 110 basis points. The risk premium for investment-grade bonds ended the quarter at around the same level as the beginning of the quarter.

In the Federal Open Market Committee (FOMC)'s September meeting, policymakers voted for a 50 basis point rate cut, bringing the Fed Fund target rate to a range of 4.75% - 5.00%. An easing of inflation and a slightly higher unemployment rate drove Fed Reserve members to reduce rates for the first time since 2020. According to the FOMC dot plot, a survey of policymakers' rate projections, most FOMC members expect the Fed Funds rate to end the year at 4.37%. The Fed funds future market predicts the rate will end the year at 4.32%.

In equities, the outperformance of traditionally higher yielding sectors drove the previously shunned Dow Jones Dividend Select Index up 13.13% across the quarter. Information Technology (+1.44%) was a laggard across the period but remains the top sector year-to-date, returning 29.63% against a market up 20.81%. Global markets were softer than the US in local currencies but weakness in the greenback meant they outperformed when rebased into local currencies. Stronger non-US markets included Japan's Nikkei 225 (+7.66%), the UK's FTSE100 (+6.96%) and the Eurostoxx 50 (+6.29%).

At quarter end, the Fund was allocated approximately 46% to hybrid securities (including preferred stock and baby bonds), 42% dividend-paying equities and 9% fixed income. The current dividend yield on the Fund was 3.57% at quarter-end based on the Fund unit payout of $0.035 per month.

Stable Income Fund Performance through 27 September 2024

	Annualized Returns			
	YTD	1 Year	3 Year	5 Year
LOM Stable Income Fund	+10.67%	+15.48%	+3.07%	+4.42%
Stable Fund Index (40% Dow Jones Global Dividend Select / 60% S&P Preferred Index)	+8.75%	+14.88%	-2.44%	+0.25%