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LOM Balanced Fund Manager's Report | Q1 2026

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 +1

ID ISIN
BMG556251004

Bloomberg Ticker
LOMBALF BH

Fund Size
$6,875,115

Management Fee
0.50%

Administration Costs
0.31%

Sales Fee
May be applicable

Over the first quarter of 2026, the Fund declined by -2.70% as investors began to price in the negative impacts of the Iran war, including rising energy prices, supply chain disruptions, and higher inflation. Despite the modest Q1 risk market correction, the Balanced Fund has increased in value by 10.21% over the past year and has delivered average annual returns in excess of ten percent over the past three years.

Global economic performance in Q1 2026 was characterized by a sharp shift from cautious optimism to heightened uncertainty, driven largely by the outbreak of the war in late February. Prior to the conflict, economic growth expectations were modest but stable. However, the war quickly triggered a significant energy shock, with oil prices rising into the $110–$120 range amid disruptions to the Strait of Hormuz, a critical artery for approximately 20% of global oil supply. This increase fed directly into inflation expectations, tightened financial conditions, and weakened consumer and business confidence.

The primary transmission channels from the Iran war to the broader economy have been energy and supply chains, with higher fuel costs cascading into transportation, manufacturing, and food prices, thereby reinforcing global inflationary pressures. This has complicated central bank policy by delaying anticipated rate cuts and increasing the likelihood of a prolonged higher interest rate environment, while also exposing vulnerabilities in emerging markets dependent on imported energy. At the same time, the impact has been uneven: the United States has remained relatively insulated, whereas Europe and parts of Asia have experienced greater economic strain due to higher energy dependence.

Against a slower growth, higher inflation backdrop, the Federal Reserve held policy rates steady throughout the quarter, maintaining a cautious stance as it balanced moderating growth against persistent inflationary pressures. Chair Jerome Powell emphasized data dependency and reiterated that while the policy rate was within a broadly neutral range, the Committee remained vigilant to upside inflation risks. The Treasury yield curve continued its gradual normalization, with modest steepening driven primarily by upward pressure on longer-dated yields.

In this environment, we continue to favor an equal weight allocation to equities while maintaining our strategy of continuing to diversify across attractive regions and sectors. For example, we recently added a position in Canadian equities due the to country's meaningful exposure to energy and basic materials. At quarter-end, the Fund was allocated approximately 59.6% to equities, 34.4% to fixed income, 5.2% to cash reserves and 1.0% to alternative investments.

Balanced Fund Performance through 27 March 2026

	Annualized Returns			
	Q1	1 Year	3 Year	5 Year
LOM Balanced Fund (through 3/27/26)	-2.70%	+10.21%	+10.01%	+4.63%
Balanced Fund Index*	-2.01%	+12.87%	+12.15%	+6.89%
*(60% MSCI World Stock Index / 40% BofA ICE 1-5 Year Govt/Corp)				

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