LOM Fixed Income Manager's Report | Q2 2026

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
Daily (5:00 AST)

Settlement Terms
Trade +1

ID ISIN
BMG556251343

Bloomberg Ticker
LOMFIXD BH

Fund Size
$64,885,654

Management Fee
0.90%

Administration Costs
0.28%

Sales Fee
May be applicable

In Q2 2026, the Fund increased in value by 1.11% despite heightened interest rate volatility due to the Iran war and inflation concerns. During the quarter, investors reversed positions on rate cuts while credit spreads widened modestly on some longer-dated securities. Over the past three years, the Fund has delivered a net annualized total return of 4.39%, reflecting consistent income generation and disciplined portfolio positioning.

The second quarter of 2026 for U.S. fixed income markets was defined by continued volatility in the Iran conflict alongside a leadership transition at the Federal Reserve. In Q2, investors weighed persistent inflation pressures against a shifting policy communication style under new Chair Kevin Warsh. Treasury yields moved unevenly across the curve: the 2-year yield rose roughly 37 basis points on hawkish Fed signaling, while the 10-year yield rose 15 basis points to 4.47%, but down from 4.27% as a U.S.-Iran framework deal pushed oil sharply lower and eased the long-end inflation premium.

Economic data during the quarter pointed to continued but slowing growth, with the Fed's updated projections showing real GDP growth of 2.2% in 2026, down slightly from March's projections. Inflation proved more persistent than expected, with officials projecting the PCE Price Index to end the year at 3.6%, up from 2.7% in the Fed's prior forecast, and core PCE seen accelerating to 3.3% by year-end. Energy prices were the main driver of this dynamic: West Texas Intermediate oil rose from near $57 per barrel at the start of the year to a peak of $113 in April before falling back to $69 at quarter end as tensions eased.

Nevertheless, investors began pricing in the possibility of a hike, with the median FOMC dot for 2026 rising to 3.8% from 3.4% in March, erasing the previously penciled-in rate cut. Credit markets remained resilient overall in Q2 with credit spreads widening only modestly and stayed near cyclical tights, with high-yield spreads at the 19th percentile of their five-year range, even as concerns about private credit markets persisted.

Against this backdrop, the Federal Reserve held policy rates steady throughout the quarter, maintaining the target range at 3.50%-3.75% through a fourth consecutive hold. The quarter's defining event was a leadership shift. Kevin Warsh was sworn in as Fed chairman on May 22, and his first meeting produced a notably shorter policy statement reflecting his preference for a "less is more" approach to Fed communication. Warsh also declined to submit his own projection in the dot plot, and the Fed announced five task forces to review major Fed operations.

In this environment, we continue to invest selectively and opportunistically within investment-grade credit. We continue to maintain an approximately 11% allocation to hybrid securities which are offering yields exceeding 6%.

Fixed Income Fund Performance through 30 June 2026

		Annualized Returns		
	Q2	1 Year	3 Year	5 Year
LOM Fixed Income Fund	+1.11%	+2.83%	+4.39%	+0.89%
ICE BofA US Corp/Govt 1-5 Year	+0.42%	+3.06%	+4.74%	+1.76%