LOM Emerging Market Fund 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
1/29/2016

Dealing Terms
Friday (5:30 AST)

Settlement Terms
Trade +1

ID ISIN
BMG556252176

Bloomberg Ticker
LOMEMEF BH

Fund Size
$3,343,016

Management Fee
1.00%

Administration Costs
0.27%

Sales Fee
May be applicable

Emerging markets delivered an exceptional second quarter, recovering sharply from the geopolitical shock that closed the first three months of the year. The MSCI Emerging Markets Index returned 24.1% in US dollar terms, taking the year-to-date return to 24.01% and the trailing twelve-month return to 44.2%. EM led every major region, outpacing developed international equities (MSCI World Index) by roughly 10.25% and US large caps (SPX Index) by around 8.95%. The scale of that gain, however, masks an unusually narrow set of drivers.

Two macro developments framed the quarter. The conditional US–Iran ceasefire agreed in April and the phased reopening of the Strait of Hormuz removed a substantial geopolitical risk premium. Crude, which had traded above $100 per barrel as traffic through the Strait was effectively halted, retreated to roughly $70 by late June, easing input costs and inflation pressure across EM manufacturing and oil-importing economies. Working the other way, developed-market policy stayed tighter than expected. The June FOMC held rates at 3.50%–3.75% and removed its easing bias, reflecting persistent inflationary pressure and a stronger-than-expected May labour market. With the ECB and Bank of Japan also tightening, the dollar firmed into quarter-end and the MSCI Emerging Market Currency Index gave back its gains for the year, removing the currency tailwind that supported EM returns through 2025.

North Asia accounted for the overwhelming majority of the index's return. South Korea's KOSPI rose 57.62% and Taiwan's TAIEX rose 42.4% (both in USD terms), both driven by memory pricing power and AI infrastructure demand. Korea and Taiwan have each now overtaken China to become the two largest constituents of the MSCI EM Index, and the three largest constituents are all semiconductor names — a structural shift in the composition of the asset class. Sector dispersion was correspondingly extreme: information technology returned 73.3% while every other sector underperformed and consumer discretionary fell 10.0%.

China, as measured by the MSCI China Index, lagged materially, falling 6.9%, weighed down by a still-stagnant property sector and soft consumer spending. India's Nifty 50 Index returned 7.38%, continuing to lag the EM index but representing a welcome broadening away from the AI trade, with domestic financials performing particularly well in June. Latin America reversed its 2025 leadership: Brazil fell 4.29%, pressured by a weaker currency, a reset in rate-cut expectations on firmer inflation, and rising uncertainty ahead of October's presidential election.

Within this backdrop, the LOM Emerging Market Fund returned 18.45% in the second quarter, bringing the year-to-date return to 16.84%. Korea and Taiwan accounted for almost the entire absolute return, contributing 12.2% and 8.6% respectively. Relative performance was nonetheless behind the index, driven almost entirely by country allocation: underweight positions in Taiwan and Korea in a quarter when both rose sharply, and an overweight to Brazil.

Looking into the second half of 2026, the central question is whether AI-linked EM earnings can continue to justify current pricing as global policy turns less accommodative. Three risks warrant monitoring: index concentration, which now means EM beta is substantially a leveraged expression of the memory cycle; a firmer dollar and higher global yields, which historically compress EM risk premiums; and the possibility that Middle East de-escalation proves incomplete. Against this, valuations outside North Asia, notably in India, China and Brazil, are more attractive than at the start of the year, and the structural cases for domestic-demand and reform-driven markets remain intact. We continue to favour selectivity over broad beta exposure at this point in the cycle.

Emerging Market Fund Performance through 30 June 2026

		Annualized Returns		
	Q2	1 Year	3 Year	5 Year
LOM Emerging Market Fund	+18.45%	+27.50%	+18.37%	+2.69%
MSCI Emerging Market Index	+24.15%	+44.16%	+23.55%	+7.65%

LOM Asset Management Ltd., The LOM Building, 27 Reid Street, Hamilton HM 11, Bermuda
Licensed to Conduct Investment Business by the Bermuda Monetary Authority.