

LOM Fixed Income Manager's Report | Q3 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

LOMFXD BH

Fund Size

\$62,878,081

Management Fee

0.90%

Administration Costs

0.28%

Sales Fee

May be applicable

The Fund declined 1.89% in the third quarter of 2026, as the conflict with Iran and persistent inflation concerns drove heightened interest rate volatility. Since the start of the year, central banks globally have reversed course on rate cuts, while credit spreads have continued to widen on many longer-dated securities. Over the past three years, the Fund has delivered a net annualized total return of 3.71%, reflecting consistent income generation and disciplined portfolio positioning.

The Middle East conflict again defined the quarter as hopes for a lasting U.S.-Iran agreement faded. Shipping through the Strait of Hormuz remained well below pre-conflict levels, and hostilities escalated in September as the United States and Iran exchanged strikes and Iran-aligned militants attacked Saudi energy facilities. West Texas Intermediate crude rebounded from its second-quarter lows to end the quarter above \$90 per barrel, and elevated energy costs kept inflation high, with the PCE price index rising 3.4% over the 12 months to August.

The global economy has nonetheless proven resilient. In its September outlook, the OECD modestly raised its 2026 global growth forecast to 2.9%, with the United States at 2.2% and the eurozone at roughly 1%, reflecting the greater exposure of Europe and much of Asia to imported energy. Inflation, however, is expected to remain elevated, with G20 inflation projected at 4.1% this year, and the OECD cautioned that the buffers absorbing the shock are diminishing.

In fixed income markets, the anticipated rate increase materialized in September. Following a hawkish Jackson Hole address by Fed Chair Kevin Warsh, the Federal Reserve voted unanimously to raise the federal funds rate by 25 bps to a range of 3.75% to 4.00%, its first increase since 2023, with most officials expecting another hike before year-end. Persistent inflation, higher oil prices, large fiscal deficits, and heavy AI-related corporate borrowing pushed the 10-year Treasury yield to nearly 5.3%, its highest level since 2007, and the 30-year yield above 5.6%.

In this environment, we continue to invest selectively and opportunistically within investment-grade credit. Early in the quarter, we reduced our allocation to \$25 par securities from 10% to 6% of the portfolio and lowered overall duration ahead of the sharp rise in longer-term yields. We currently favor less volatile intermediate-term bonds yielding more than 5%, as well as callable bonds, which typically offer an additional 50 bps or more of yield.

Fixed Income Fund Performance through 30 September 2026

	Annualized Returns			
	Q3	1 Year	3 Year	5 Year
LOM Fixed Income Fund	-1.89%	-1.17%	+3.71%	+0.42%
ICE BofA US Corp/Govt 1-5 Year	-0.89%	+0.84%	+4.33%	+1.55%

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