

LOM Stable Income Fund 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

7/27/2011

Dealing Terms

Daily (5:00 AST)

Settlement Terms

Trade +1

ID ISIN

BMG556251830

Bloomberg Ticker

LOMSTAB BH

Fund Size

\$73,295,880

Management Fee

1.25%

Administration Costs

0.30%

Sales Fee

May be applicable

Despite a challenging summer for higher-yielding equities and preferred securities, the Stable Income Fund posted a positive total return over the past year and has delivered a net annualized total return of 7.07% over the past three years. During the third quarter, both dividend-paying stocks and \$25 par securities declined sharply as longer-term interest rates rose.

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 much-anticipated rate hike 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%.

Dividend-paying stocks struggled in this environment. The Dow Jones Global Dividend Select Index fell 1.83% during the quarter, compared with a 1.60% gain in the MSCI World Index.

At quarter end, the Fund was allocated approximately 40% to hybrid securities (including preferred stock and baby bonds), 49% to dividend-paying equities, and 11% to higher-yielding fixed income. Based on the monthly distribution of \$0.035 per unit, the Fund's current dividend yield was 3.60% at quarter end.

Stable Income Fund Performance through 30 September 2026

	Annualized Returns			
	Q3	1 Year	3 Year	5 Year
LOM Stable Income Fund	-2.68%	+1.68%	+7.07%	+3.96%
Stable Fund Index	+0.16%	+0.68%	+6.81%	+3.68%
(40% Dow Jones Global Dividend Select / 60% S&P Preferred Index)				

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