LOM ASSET MANAGEMENT LIMITED

LOM Balanced Fund Manager's Report Q3 2019

September 27, 2019

Fund Information

Fund Manager

LOM Asset Management Ltd.

Portfolio Manager

Bryan Dooley, CFA

Domiciled

Bermuda

Exchange

Bermuda Stock Exchange

Inception Date

03/13/00

Dealing Terms

Friday (5:00 AST)

Settlement Terms

Trade +5

ID ISIN

BMG556251004

Bloomberg Ticker

LOMSTAB BH

Fund Size

$2,529,454

Management Fee

0.65%

Administration Costs

0.28%

Sales Fee

May be applicable

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The Balanced Fund has remained broadly in line with the benchmark. Net of fees, the fund returned 11.53% while the benchmark returned 11.59% for the year. The Fund outperformed all local competitors, which returned an average 10.15% over the same period. Gains were largely attributable to fixed income positions, as the benchmark showed 0.88% returns on the fixed income positions while equities remained largely flat at 0.08% gains over the quarter.

Price volatility was on the rise during the summer months with global equity markets trading up and down largely in response to developments in America's ongoing trade wars and hopes for a constructive resolution. Meanwhile, the U.S. Federal Reserve maintained this year's more dovish tone by cutting interest rates 0.25% in both July and August. Also, on the positive side Q2 corporate earnings generally surprised to the upside.

As we have seen throughout 2019, risk markets have been taking their cue from government policy statements and rhetoric around the trade war and interest rate policies. The on again, off again U.S.-China negotiations have clearly been a significant catalyst for market action this year. In recent months, the growing uncertainty for a clear path forward has been negatively impacting trade and global manufacturing. Economists are undecided if America's relatively resilient consumer can continue to offset the weakness in its industrial sector.

Gold continued to benefit from falling interest rates and broader uncertainty in other asset classes. The metal gained 4.26% over the quarter. The gold position represents approximately 4.29% of the Fund. Meanwhile, our allocation to Europe underperformed the benchmark this quarter as the region continued to struggle with Brexit uncertainty and a slowing German economy. China also showed continued weakness as their economy slowed under the pressure of raised global political economic barriers.

Even the US has started showing signs of a slowdown. The Federal Reserve needed to step into the repo market to keep liquidity flowing, and US manufacturing hit the lowest point since 2010. These political factors have increased the likelihood of to step up to resolve some of the issues that they have been contributing to. We saw some of this come to fruition on October 11th, when a tentative Brexit deal and partial trade agreement between China and the US were both announced. While markets are now rallying sharply, the terms of the deals have yet to be announced.

Balanced Fund Performance through 9/27/19

Fund	Q3	Annualized Return 1 Year	3 Year	5 Year
LOM Balanced Fund (with dividends)	-0.04%	0.22%	5.52%	2.53%
Balanced Fund Benchmark Index *	0.47%	3.36%	4.23%	3.16%

* 60% MSCI World Stock Index/40% Citigroup 1-5 Year Govt/Corp Bond Index