LOM ASSET MANAGEMENT LIMITED

LOM Fixed Income Fund Manager's Report Q1 2018

March 31, 2018

Fund Information

Fund Manager

LOM Asset Management Ltd.

Portfolio Manager

Bryan Dooley, CFA

Domiciled

Bermuda

Exchange

Bermuda Stock Exchange

Inception Date

03/13/2000

Dealing Terms

Friday (5:00 AST)

Settlement Terms

Trade +2

ID ISIN

BMG556251343

Bloomberg Ticker

LOMFIXD BH

Fund Size

$65,993,769

Management Fee

1.00%

Administration Costs

0.25%

Sales Fee

May be applicable

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LOM Fixed Income Fund outperformed its benchmark over Q1 2018 by falling less than the Citigroup 1-5 Government/Corporate bond index as short-term interest rates rose and credit spreads widened in February and March. For the period, the Fund returned -0.26% compared to a return of -0.50% for the benchmark. Over the past one-year period, the Fund provided a net total return of +1.99% which exceeded the benchmark return of +0.20% by 1.78%.

Coming into 2018, the Fixed Income Fund maintained its overweight to the corporate bond sector, thereby benefitting from higher coupons and overall better yields even as credit spreads (the yield differential between corporate issues and those of similar maturity Treasury bonds) modestly widened. Recent purchases in the Fund have been focused on lower duration securities and in particular LIBOR-based floating-rate notes. While short term rates have been steadily climbing, three-month LIBOR has been rising at an even faster pace. This trend has benefitted the portfolio as coupons continue to be reset at progressively higher levels. Approximately forty percent of the portfolio is invested in floating rate notes as of the end of Q1.

Besides traditional corporate debt, we have also been actively participating in asset-backed securities (ABS). While corporate debt continues to trade at relatively tight credit spreads, have been successfully sourcing select ABS issues which offer superior spreads relative to corporate bonds of similar credit quality. Several of our fixed income dealers specialize in ABS paper and we are often able to participate in attractive deals either on the issuance or in the secondary market.

Looking forward to the end of this year, we anticipate two more Federal Reserve rate hikes following the March increase, for a projected total of three increases of 0.25% each in 2018. With the long end of the curve holding firmly under three percent, we expect the yield curve to continue to flatten. Ongoing low interest rates in the non-U.S. developed world, a relative dearth of inflation, a global and heightened geopolitical volatility have conspired to keep a lid on longer duration yields even as the Fed pushes short rates higher. In this environment, we continue to emphasize floating-rate notes, short duration corporates, ABS and select emerging market bonds.

Fixed Income Fund Performance through 03/31/2018

		Annualized Returns		
Fund	**Q1 2018**	**1 Year**	**3Year**	**5 Year**
LOM Fixed Income Fund USD	**-0.26%**	**1.99%**	**1.78%**	**1.61%**
Citi 1-5 Year Corp/Gov't Bond Index	**-0.50%**	**0.19%**	**0.75%**	**0.94%**