LOM ASSET MANAGEMENT LIMITED

LOM Fixed Income Fund Manager's Report Q1 2021

March 26, 2021

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
LOMFIXDBH

Fund Size
$74,415,291.05

Management Fee
1.00%

Administration Costs
0.15%

Sales Fee
May be applicable

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The Treasury yield curve steepened further in the first quarter. In February and in early March, long-term Treasuries quickly sold off amid rising inflation expectations. The 30-year Treasury reached the pre-pandemic level of 2.4% before stabilizing in mid-March, while the 10-year Treasury increased 80 bps from end of 2020 to 1.7%. In March, A third wave of the Covid-19 cases in certain regions has triggered extended lockdown measures in a number of European countries, which delayed investors' estimates for re-opening timeline. As a result, long term Treasury prices have been fluctuating around the mid-March level. Corporate spreads have mostly remained flat during last quarter.

Over the first quarter of 20201, the LOM USD Fixed Income Fund declined by 1.90% as long-term interest rates jumped sharply during the period, placing downward pressure on fixed income prices across the interest rate curve. However, on a one-year basis, the Fund increased in value by 5.55% as many of our fixed income holdings benefitted from steadily improving credit spreads and the strong relative performance of our hybrid securities.

At both the November and the December FOMC meetings, policymakers once again voted unanimously to maintain the Fed Funds Target rate at the 0 to 25 basis point range. Fed Chairman Jerome Powell also indicated their intention to maintain the current quantitative easing program. On multiple occasions, Powell has reiterated central bankers' commitment to a dovish monetary policy until reaching the dual goal of full employment and 2% inflation on a sustainable basis. Powell has downplayed the risk of inflation overheating, citing any surge this year will likely be transitory. Based on the latest FOMC dot plot, majority of the policymakers forecast that the first rate hike will not happen until 2024.

The Fixed Income Fund continues to maintain substantial exposure to the preferred and $25 par subsectors of the market. These subsectors have held up relatively better during the recent correction in longer duration bond prices. In many cases, our longer-dated issues are trading to short term call dates which provide greater price support in times of moderately rising rates. Meanwhile, we continue to find value in the fixed income market on an issue specific basis.

Fixed Income Fund Performance through 3/26/21

		Annualized Return		
Fund	Q1 2021	1 Year	3Year	5 Year
LOM Fixed Income Fund USD	-1.90%	5.55%	1.79%	2.04%
Citi 1-5 Year Corp/Gov't Bond Index	-0.00%	1.99%	3.06%	2.03%