LOM ASSET MANAGEMENT LIMITED

LOM Fixed Income Fund Manager's Report Q2 2020

July 3, 2020

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
$67,980,292.83
Management Fee
1.00%
Administration Costs
0.30%
Sales Fee
May be applicable

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Over Q2 2020, the LOM USD Fixed Income Fund achieved a net total return of 3.38% while its stated benchmark, the FTSE U.S. Investment Grade Government/Credit Bond Index returned 1.88%. The Fund benefitted from an overweight exposure to corporate versus sovereign credit as spreads compressed during the period. In the second quarter, credit markets recovered modestly from an earlier sell off as risk market sentiment began to improve on the back of massive government support and monetary stimulus. The U.S. alone has plowed at least $3 trillion into the system and has agreed to continue buying both government and corporate securities.

Against this backdrop, corporate spreads continued to tighten in the second quarter since the Federal Reserve announced its Emergency Lending Program in late March. The spread between the BBB rated bonds and the ten-year treasury has narrowed by more than 1% to 1.73% as of end of June. The announcement of the Fed's program alone boosted confidence in investors. Most of the $2.6 trillion available through the Fed's eleven emergency facilities remain untapped, as local governments and businesses were able to secure financing through the debt market.

The Treasury yield curve steepened slightly with medium term yields moved lower while long term yields increased. Central banks around the world have shown commitments to a "whatever-it-takes" approaches to support the economy. Fed Chairman Jerome Powell has indicated the policyholders' plan to maintain the target rate at zero until the economy fully recovers.

Despite the black swan events which have occurred so far in this tumultuous year, we remain optimistic about the future. While credit spreads have narrowed, we continue to find attractively price securities across the curve and remain buyers of investment grade paper on weakness. Some of our more controversial credits are in the travel and leisure sector and we own a few asset-backed securities which have fallen out of favor in the near term. However, we continue to make regular decisions on these and other credits while staying close to our analyst community.

Fixed Income Fund Performance through 7/3/20

Fund	Q2 2020	Annualized Return		
		1 Year	3Year	5 Year
LOM Fixed Income Fund USD	3.38%	-1.35%	1.29%	1.74%
Citi 1-5 Year Corp/Gov't Bond Index	1.88%	5.36%	3.48%	2.64%