LOM ASSET MANAGEMENT LIMITED

LOM Fixed Income 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
03/13/2000

Dealing Terms
Friday (5:00 AST)

Settlement Terms
Trade +2

ID ISIN
BMG556251343

Bloomberg Ticker
LOMFIXDBH

Fund Size
$73,801,477.73

Management Fee
1.00%

Administration Costs
0.30%

Sales Fee
May be applicable

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Over Q3, the LOM USD Fixed Income Fund achieved a net total return of 1.28%, outperforming its stated benchmark, the FTSE U.S. Investment Grade Government/Credit Bond Index by 41 basis points over the period. On a year-to-date basis the Fund is up a net 5.65%, ahead of its benchmark by 1.20%. Strong security selection combined with well positioned bond durations in the portfolio led to positive results as yields continued to decline throughout the summer months.

Overall, risk markets and corporate credit spreads continue to take their cue from government policy statements and rhetoric around the trade war and interest rate policy - a pattern we have seen throughout most of 2019. The ongoing U.S.-China negotiations represent a major catalyst for market direction this year. In recent months, the growing uncertainty over a clear path forward has been negatively impacting international trade and global manufacturing. Now economists are undecided if America's relatively resilient consumer sector can continue to offset the weakness in its industrial sector.

Because of rising trade war uncertainties and a more accommodate central bank, U.S. Treasury bonds continued their rally into Q3 as the Federal Reserve cut its target Fed Fund rate twice after this summer's FOMC meetings, by 25 basis points each time. With trade escalation and political turmoil, markets are currently predicting a high likelihood of two more rates reductions in the last quarter of the year.

While the Treasury yield curve continued to shift lower, risk premiums have remained tight. Lower interest rates in other developed countries, along with risk averse sentiment among investors have increased demand for US investment grade corporate bonds. The spread between BBB rated bonds and 10-year Treasuries reached its lowest level of the year in July. This risk premium has since rebounded and has been trading at a still relatively low level of just below 1.5%, despite equity market volatility. Security selection has become increasingly important to enhance return where many bonds have become expensive in today's market.

Fixed Income Fund Performance through 9/27/19

		Annualized Return		
Fund	Q3 2019	1 Year	3Year	5 Year
LOM Fixed Income Fund USD	1.28%	5.15%	2.72%	2.42%
FTSE 1-5 Year Corp/Gov't Bond Index	0.87%	5.96%	2.00%	2.01%