LOM ASSET MANAGEMENT LIMITED

LOM Balanced Fund Manager's Report Q1 2021

March 26, 2021

Fund Information

Fund Manager

LOM Asset Management Ltd.

Portfolio Managers

Bryan Dooley, CFA

Domiciled

Bermuda

Exchange

Bermuda Stock Exchange

Inception Date

03/13/2000

Dealing Terms

Friday (5:30 AST)

Settlement Terms

Trade +5

ID ISIN

BMG556251004

Bloomberg Ticker

LOMBALF BH

Fund Size

$2,297,219.35

Management Fee

0.65%

Administration Costs

0.17%

Sales Fee

May be applicable

LOM Asset Management
The LOM Building
27 Reid Street
Hamilton, HM11
Bermuda
(441)295-6999
www.lom.com
asset@lom.com

The Balanced Fund continued its strong performance into 2021. The fund rose 6.07% while the benchmark gained 2.61%. In the past 12 months the Fund returned 53.44%, outperforming the benchmark by 20.00%. Outperformance was largely attributable to our continued overweight in equities and small cap. As markets rise, we are continuing to de-risk by shifting towards our strategic allocation. The Fund's equity to fixed income weighting is currently %/%.

As vaccines start rolling out, the end of the global pandemic appears to be in sight. Global equity markets surged up strongly in the quarter. The S&P 500 gained 6.17% while the broader MSCI World Index returned 5.04%. While we are not fully out of the woods, evidenced by the recent uptick in cases, we are seeing broad effectiveness in vaccinated populations and an increasingly effective vaccine distribution network.

Optimism has expressed itself in the markets through what is being called the reflation or reopening trade. As global growth prospects rise in conjunction with more fiscal spending, we have observed a rise in Treasury yields. This has created downward pressure on fixed income and growth-oriented equities. As investors weigh up their options, we have seen more movement to the unloved value and smaller companies that were largely left behind in the preceding years.

Relative to the fixed income component with the Fund, 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 estimate for re-opening timeline. As a result, long term Treasuries prices have been fluctuating around the Mid-March level. Corporate spreads have mostly remained flat during last quarter.

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 points range. The 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 inflation surge this year will likely be transitory. Based on the latest FOMC dot plot, majority of the policymakers forecast the first rate hike will not happen until 2024.

Balanced Fund Performance through 3/26/2021

		Annualized Returns		
Fund	**Q1 2021**	**1 Year**	**3Year**	**5 Year**
LOM Balanced Growth Fund	6.07%	53.44%	10.11%	9.41%
Custom Benchmark	1.76%	20.59%	8.33%	6.36%