LOM ASSET MANAGEMENT LIMITED

LOM Balanced Fund Manager's Report Q2 2020

July 3, 2020

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

$1,853,744.80

Management Fee

0.65%

Administration Costs

0.17%

Sales Fee

May be applicable

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The Balanced Fund gained 21.12% in the second quarter, outperforming the benchmark by 7.12%. Local competitors averaged 12.04% over the same period. Our exposure to technology, sector bets, and decision to increase equity exposure during the depth of the bear market helped position the fund to outperform. Utilities lagged.

Much of the world was able to get the Coronavirus under control through social distancing and advances in medical treatment. The supply constraints affecting ventilators were addressed as production ramped up and hospitals devised a means of splitting a ventilator between two people (effectively doubling the effectiveness of the existing supply). An accelerated approval process for virus treatment saw three companies reaching Phase 3 clinical trials. Historically, around 85% of vaccines that reach Phase 3 are approved for public use. Applying Bayes theorem and assuming the historical relationship holds, we can expect a 99.7% chance that at least one of the vaccines will be approved for public use. Meaning we expect a vaccine to be available to the public by early next year.

Remdesivir, Moderna's broad-spectrum antiviral medication, has proven to be the best treatment available for those actively infected by Coronavirus. Initial reports suggested mortality rates were cut by a third. Moderna has since reported they are seeing a 62% reduction in the deaths that they believe is attributable to the drug. Europe and Asia have the virus largely under control and have begun reopening. The Americas are still suffering from the virus, as the region was affected later. Limitations in US policy have resulted in the rate of infection rising again. While the number of infected in the US is currently peaking, we are seeing lower death rates due to a combination of the improvements discussed earlier and the higher percentage of younger persons, who are less likely to die, infected. Governments have been faced with a Sophie's Choice of remaining closed to curb the infection rate, and the individuals and businesses ability to weather the lockdown.

To help their citizens bridge the gap, many countries implemented large fiscal and monetary stimulus programs. To combat low inflations impact on wages, growth and investment, the Governing Council of the ECB agreed to provide stronger incentives for banks to continue to lend and increased bond purchases by 600 billion euros. The US Federal Reserve took a number of steps to prop up the economy, including cutting the Federal reserve rate, providing guidance on future rates movement, direct lending to state and municipal governments, providing loans to small- and mid-sized companies, buying commercial paper, and making US dollars available to foreign central banks through international swap lines. The US government passed the Paycheck Protection Program and extended unemployment insurance.

The global rally was largely, and perhaps counterintuitively, felt in the US. The NASDAQ was up 12.74% year to date, largely driven by its exposure to technology (e.g., Amazon, Microsoft) and healthcare sectors (e.g., Gilead) which have been direct beneficiaries of the lockdown and nature of this crisis.

Balanced Fund Performance through 07/03/2020

Fund	Q2 2020	Annualized Returns 1 Year	Annualized Returns 3Year	Annualized Returns 5 Year
LOM Balanced Growth Fund	21.12%	1.24%	3.11%	2.14%
Custom Benchmark	14.00%	3.50%	4.45%	3.85%