LOM ASSET MANAGEMENT LIMITED

LOM Balanced Fund Manager's Report Q2 2021

July 2, 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
$3,152,739.27
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 Balance Fund continued its strong performance into the second quarter of 2021 as markets hit all time highs. The fund rose 6.53% while the benchmark and competitors average both rose 5.14%. In the past 12 months the Fund returned 39.62%, outperforming the benchmark by 17.36%. The outperformance is attributable to our overweight in equities and smaller companies. We have continued to execute on our strategy of reducing the overall equity exposure as markets hit all time highs.

While the Delta variant of COVID is still making headlines, the hospitalization and mortality risks of the virus has dropped significantly for vaccinated and recovered individuals. Barring a more deadly strain emerging, the markets have shifted focus to the economic recovery.

The Federal Reserve is trying to walk the tight rope between avoiding the pitfalls of runaway inflation and derailing the jobs recovery. Despite unemployment and inflation running outside of their desired levels, the Fed appears to be effectively managing the risk. We are seeing the jobs market continue to strengthen and there is evidence that many participants are using the current hiring spree to switch their job. Inflation came in at 5.7% before the last FOMC meeting but almost half of it is expected to be transitory.

On the topic of transitory inflation, we're seeing little bubbles rise sharply and pop. Lumber prices more than doubled from the pandemic lows as new homes and renovations created a sharp increase in demand. This briefly increased the cost of a new home by upwards of $36,000. By June, lumber futures tanked 40%, suffering their worst month since 1978.

Shipping routes continue to be a large driver of cost. Container production is heavily consolidated in China. The companies were facing record low prices and incorrectly expected demand to drop during the recession. Last year, China was receiving 1 container of imports for every 3 containers exported. As a result, the supply chain is out of whack and container prices have risen over 346%. That cost has been passed through in shipping costs, which account for 80-90% of global freight.

Balanced Fund Performance through 7/2/2021

Fund	Q2 2021	Annualized Returns 1 Year	3Year	5 Year
LOM Balanced Growth Fund	6.53%	35.07%	11.63%	10.58%
Custom Benchmark	3.42%	15.88%	7.78%	6.22%