LOM ASSET MANAGEMENT LIMITED

LOM Balanced Fund Manager's Report Q4 2020

January 6, 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
$2,233,073,74

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 has been successfully navigating some of the highest market volatility in our lifetimes. Over Q4, the fund gained 15.22%, outperforming the benchmark (+8.32%) by 8.33%. During 2020, the Fund gained 14.13% versus the benchmark's 7.99%. Our success throughout 2020 was a combination of the flexible mandate, our analytical process signaling a buying opportunity just prior to the market bottom, and some fortunate sector positioning.

Consumer behavior shifted dramatically over the course of the year. In February and March we saw people hording consumer staples like toilet paper and hand sanitizer. Localized outbreaks created uncertainty in the food supply chain. Discount retailers like the Dollar Store and Big Lots saw outsized gains as consumers swapped cheaper alternatives for the basics and sought creature comforts during the lockdown. Retail sales of non-essentials shifted online where established players like Amazon were well positioned to meet demand from people unwilling to shop in person.

The urgent need for containment of COVID-19 led to an unprecedented global streamlining of the vaccine research and approval process. This effort led to four vaccines getting approved for distribution (Pfizer, Moderna, AstraZeneca, and Sputnik V) and the first applied vaccine that uses messenger RNA (mRNA). Traditional vaccines (like those produced by AstraZeneca) inject us with a deactivated version of the virus that our bodies identify and produces antibodies to counteract. mRNA bypasses the need for the deactivated virus and instructs our bodies to directly produce antibodies. The biggest benefit of this process is the speed of development since it can be constructed quickly using only the pathogens genetic code.

The K-shaped recovery fed into a surprisingly contentious election year in the United States. President Trump lost the popular and electoral votes by the same margins as his 2016 wins on the back of a record turnout for both candidates. The continued fracturing of where and how Americans get information fed into increased partisanship and mistrust of the other. However, improved certainty on the election results and an unexpected balance of power in Washington stoked markets on the last two months of the year.

Towards the end of 2020, we saw a shift in risk appetite as prospects of a vaccine and heavy monetary/fiscal stimulus propped up the economy. The high-flying technology, health care and communications sectors began levelling off and investors shifted their interest to the traditional value winners in a recovery: small cap, financials, consumer discretionary and industrials.

The bond market remained a challenging environment as central banks slashed their lending rates in March to prop up the economy. The Federal Reserve signaled its intention to keep their rate low for the next three years as it views the recovery as uncertain. The near zero risk free rate prompted several companies to call and refinance bonds and preferred shares under more favorable terms. The Balanced Fund continues to underweight fixed income versus the benchmark as we anticipate moderately rising longer term interest rates which are a net negative for bond prices in the near term.

Balanced Fund Performance through 12/31/2020

		Annualized Returns		
Fund	Q4 2020	1 Year	3Year	5 Year
LOM Balanced Growth Fund	15.22%	14.13%	6.82%	7.78%
Custom Benchmark	8.32%	9.82%	6.60%	7.17%