LOM ASSET MANAGEMENT LIMITED

LOM Equity Growth Fund Manager's Report Q1 2018

March 31, 2018

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 +3

ID ISIN
BMG556251186

Bloomberg Ticker
LOMEQGA BH

Fund Size
$25,161,790

Management Fee
2.00%

Administration Costs
0.30%

Sales Fee
May be applicable

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Concerns over rising interest rates, geopolitical tensions and fears of an escalating global trade war caused risk markets to retreat in February and March of this year after a strong January. However, throughout Q1, the LOM Equity Growth Fund managed to stay ahead of its stated benchmark, the MSCI World Stock index. For the period as a whole, the Fund experienced a net total return of -0.65% which outpaced the MSCI index return of -1.80% by a margin of 1.16%. Over the course of the past year, the Equity Growth Fund produced a net total return of +13.06 which exceeded the benchmark by 1.63%.

The global equity market's flattish return for the latest quarter belies an historically high level of volatility. The CBOE VIX index, a standard measure of market volatility, spiked dramatically in 2018. From an average reading of just 11.09 in 2017, the VIX has so far averaged 17.35 in 2018, representing an increase of over 50%. Investors seem encouraged by what should be a healthy improvement in corporate profits this year, bolstered by much lower U.S. tax rates. But on the other hand, rising interest rates, fears of a trade war and a recent whiff of inflation are keeping some investors at bay.

In Q1, the Fund continued to benefit from well-positioned sector weightings and strong security selection as it had for most of 2017. For example, despite a pullback in technology stocks in March, our largest overweight proved to be a successful bet over the quarter as a whole. Led by key software, internet and fintech companies, technology was our best performing sector and continues to hold many of our biggest winners.

In terms of regional exposure, our tilt to the U.S. remains a good bet even though we have initiated some tactical moves towards other countries and regions - emerging markets in particular. The U.S. market outperformed the MSCI EAFE index by 82 basis points in Q1 confirming our overweight position. However, Emerging Markets as a group, our second largest bet against the index, also fared well on both an absolute and relative sense, outperforming the MSCI World stock index by 2.45% over the period.

Looking ahead, we see the markets mostly rangebound as investors struggle between the opposing forces of increased fiscal stimulus in the form of tax cuts versus the drag of monetary stimulus withdrawal in the form of higher interest rates and quantitative tightening. In this environment, we continue to look for bargains in individual securities which meet our quality, growth and earnings momentum criteria.

Equity Growth Fund Performance through 03/31/2018

		Annualized Returns		
Fund	Q1 2018	1 Year	3Year	5 Year
LOM Equity Growth Fund	-0.65%	13.06%	5.31%	7.17%
MSCI World Stock Index	-1.80%	11.50%	5.94%	7.67%