

LOM Equity Growth Fund Manager's Report Q4 2017

December 31, 2017

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

\$23,737,034

Management Fee

2.00%

Administration Costs

0.30%

Sales Fee

May be applicable

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For the 2017 year, the LOM Equity Growth Fund achieved a net total return of 21.02% compared to the MSCI World Stock Index which advanced by 20.11%, representing outperformance of 0.91%.

Synchronized global growth, rising corporate profits and a surprisingly smooth path to U.S. tax reform conspired to boost stock markets around the world in 2017. Although potentially disruptive geopolitical events such as stalled Brexit negotiations, North Korean missile launches and quirky U.S. government leadership often captured news headlines, the overall economic backdrop continued to shine brightly throughout the year and risk assets responded favorably to what the International Monetary Fund recently declared the most broad-based global acceleration since the start of the decade.

Over the last quarter of the year, the Fund continued to benefit from well-positioned sector weightings and strong security selection as it had all year. Despite some increased volatility in early December, prior to the U.S. tax reform package which finally passed in the last days of the year, our significant overweights to healthcare and information technology ultimately paid off. Overall, both good security selection and advantageous sector weightings were bright spots for our relative performance while currency exposure acted as a modest headwind.

In terms of regional exposure, our tilt to the U.S. was a good bet. Even though the greenback slid throughout the year, strong performance from our American-based technology stalwarts more than compensated for adverse currency movements. At the same time, we did increase our exposure to Europe after the closely-watched French election earlier in the year ostensibly gave further life to the Eurozone project. Election of centrist leader, Emmanuel Macron appears to confirm that populist contagion following on last year's tumultuous Brexit vote has been contained, at least for now. We also stayed with our bet on Japan which turned in a strong year of performance on the back of improving growth rates and structural reform progress in the second half of 2017.

Looking ahead, we see potential for further progress in the global equities markets as the virtuous cycle of low inflation, relatively accommodative world central banks, rising corporate profits and U.S. tax cuts act as powerful tailwinds. Key risks, however, include further geopolitical disruptions such as the North Korea nuclear threat, a tighter Fed, ECB stimulus unwinding and overall high stock market valuations which leave little room for error. We therefore remain very selective across sectors and regions as we continue to use diversification and options strategies to help buffer against what could be a more volatile year than last year's historically calm markets.

Equity Growth Fund Performance through 12/29/17

	Annualized Returns		
	1 Year	3 Year	5 Year
LOM Equity Growth Fund	21.02%	5.61%	8.79%
MSCI World Stock Index	20.11%	6.77%	9.47%

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