

LOM Equity Growth Fund Manager's Report Q2 2018

June 30, 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

\$25,135,315.98

Management Fee

2.00%

Administration Costs

0.30%

Sales Fee

May be applicable

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Despite the Fed's ongoing tightening of monetary policy and investor concerns over escalating trade tensions, global equity markets managed a modest bounce during Q2 2018. The LOM Equity Growth Fund once again outperformed its stated benchmark, the MSCI World Stock index, helped by our well-positioned sector, regional, and country weightings. For Q2, the Fund achieved a net total return of +1.92% which exceeded the MSCI index return of +1.15%. Over the course of the past year, the Fund produced a net total return of +10.63% which outpaced the benchmark return of 9.02%.

During the second quarter, the Fund continued to benefit from well-positioned sector weightings and strong security selection. Another positive tail wind for the portfolio was our overweight to the U.S. equity market and the greenback. For example, during the quarter, the U.S.-based S&P 500 stock index outperformed the global MSCI World stock index by over 200 basis points. This outperformance became even more pronounced from late May and through the end of June as Trump's trade war began to take its toll more directly on non-U.S. markets. Emerging markets were particularly hard hit as demonstrated by the MSCI Emerging Markets index plunging by 8.53% over the three-month period. Some of the U.S. outperformance was due to the rising U.S. dollar as the DXY index increased by 5.0% during Q2.

Overall, our tilt to the U.S. remains a good bet and this has been assisted by our overweights to key sectors such as information technology and strong security selection. For example, some of our top performers during the quarter included Facebook Inc. (+21.6%), Andeavor (+22.2%), TJX Companies (+17.2%), Chevron Corp (+11.8%) and Lowe's Cos. Inc. (+14.8%).

Looking ahead, we see the investment environment as generally positive for risk assets but expect lower returns than in 2017 and we anticipate greater volatility. The U.S. tax overhaul and public spending plans have stoked earnings growth for a large swath of American companies, but the fiscal policies have also added uncertainty to our economic outlook. Two major risks to the global expansion including the ongoing trade war and steadily rising short term interest rates. Our top-down investment process continues to favor growing companies trading at reasonable valuations. Of the so-called "FAANG" companies, we own Apple Inc., Facebook and Google parent company, Alphabet. Recently purchased positions have been in the financial services and basic industry sectors where we have been finding relative value opportunities. Maintaining a high level of sector and regional diversification has helped us protect portfolio principal value during these more volatile times.

Equity Growth Fund Performance through 6/30/18

	Annualized Returns			
	Q2 2018	1 Year	3 Year	5 Year
LOM Equity Growth Fund	1.92%	10.63%	6.12%	7.70%
MSCI World Stock Index	1.15%	9.02%	6.15%	7.82%

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