

LOM Equity Growth Fund Manager's Report Q3 2017

September 29, 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

\$22,291,836.49

Management Fee

2.00%

Administration Costs

0.30%

Sales Fee

May be applicable

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For the third quarter of 2017, the LOM Equity Growth Fund achieved a net total return of 4.93% compared to the MSCI World Stock Index which advanced by 4.39%, representing outperformance of 0.54%. Year-to-date the Fund is up 16.23% outpacing the MSCI World stock index which increased by 14.24% and S&P 500 stock which gained 12.53%.

The Equity Growth Fund once again benefitted from well-positioned sector weightings and strong security selection. Currency movements were a modest headwind during the quarter due to our greenback overweight, however, we have been gradually increasing our non-dollar exposure and opportunistically adding to regions outside of North America since late 2016. Breaking down performance, security selection added approximately 78 basis points of relative total return attribution against the benchmark while sector allocation added another 59 basis points.

Sector weightings remained a key driver of performance over the third quarter as it has throughout the year. Overall, many of the same trends persisted during the summer months as we saw in the first half of 2017: relative strength in Information Technology, Industrials and growth stocks persisted, while non-U.S. markets, and especially emerging countries outperformed developed markets. On the other hand, the beleaguered Energy and Materials sectors, which were bashed in the first half of the year, caught a bid in the latest quarter as oil prices rebounded on renewed concerns over OPEC-enforced supply constraints.

In terms of individual securities, many of our best year-to-date positions continue to forge ahead although we did see some positive price action in several of our long term stalwarts. In Technology, Micron Technology (+31.7%), Paypal Holdings, Inc. (+19.4%) and Mastercard (+16.5%) were strong performers. Meanwhile, Boeing Co (+29.3%) was a leader in the Industrials space and drug-maker, Abbvie Inc. (+23.64%) led the Healthcare sector after the company announced an important agreement with Amgen, a key competitor. This landmark settlement will likely extend the patent life of its blockbuster rheumatoid arthritis drug, Humira.

Also, noteworthy has been our options writing strategy of selling out-of-the money puts against 'fallen angel' stocks which have plummeted to the lower bounds of their intrinsic value as calculated by our intensive quantitative valuation methodology. Selling puts on stocks such as Allergan, Equifax and Priceline during times of market panic has benefitted the Fund though the booking of high option premiums and, on some occasions, has allowed us to purchase the underlying companies at a discounted price.

Equity Growth Fund Performance through 9/29/17

Equity Growth Fund Performance through 3/29/17				
		Annualized Returns		
	Q3	1 Year	3 Year	5 Year
LOM Equity Growth Fund	4.93%	19.57%	4.73%	8.11%
MSCI World Stock Index	4.39%	15.98%	5.39%	8.80%

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