

LOM Equity Growth Fund Manager's Report Q3 2018

September 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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Global equity markets posted positive returns in the latest quarter despite rising interest rates, less accommodative monetary policy and ongoing trade tensions. Over Q3, The LOM Equity Growth Fund once again outperformed its stated benchmark, the MSCI World Stock index, helped by well-positioned sector, currency, and country weightings. For the quarter, the Fund produced a net total return of +4.73% which exceeded the MSCI index return of +4.53%. Over the past year, the Fund has provided a total return of +10.42% which outpaced the benchmark return of 9.17%.

During the third quarter, the Fund benefitted from well-positioned sector weightings. For example, our overweight to the Information Technology industry once again boosted our results and was responsible for almost one-third of the portfolio's total return. However, Q3 also saw strong performance from the Healthcare sector, our second largest overweight. Healthcare and Technology together accounted for two-thirds of the Fund's return. The Consumer Discretionary group also helped performance with our picks rising by 5.36% on average.

On a regional and country-specific basis, our global equity strategy continues to emphasize the US, despite its relatively high valuations. Around the world, government policies are having an increasing amount of influence on financial markets, making it more critical to identify innovative companies which are bucking the trend of policy drag. From a bottom up standpoint, we are finding our best stock ideas among those companies positioned in more innovative industries and our research often points us towards American companies where success is still generally rewarded rather than taxed away into government coffers. Some of our top performers during the quarter include Apple Inc. (+22.4%), Oracle Corp. (+17.5%), TJX Companies (+18.2%), Microsoft Corp. (+16.4%) and CVS Health Corp. (+23.3%).

Looking ahead, we see the potential for further equity price gains, but we also the likelihood of greater market volatility. The US tax cut is largely baked into the market at this point, while trade tensions and interest rates continue to rise. In this environment, we emphasizing selectivity in our security selection process. Also, non-U.S. markets and especially emerging markets have fallen into negative territory this year. As prices come down, we are beginning to find a larger number of attractive investment ideas which meet our strict criteria.

Equity Growth Fund Performance through 9/30/18

	Annualized Returns			
	Q3 2018	1 Year	3 Year	5 Year
LOM Equity Growth Fund	4.73%	10.42%	11.80%	7.42%
MSCI World Stock Index	4.53%	9.17%	12.10%	7.03%

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