LOM ASSET MANAGEMENT LIMITED

LOM Stable Income Fund Manager's Report Q1 2021

March 26, 2021

Fund Information

Fund Manager
LOM Asset Management Ltd.

Portfolio Manager
Bryan Dooley, CFA

Domiciled
Bermuda

Exchange
Bermuda Stock Exchange

Inception Date
07/29/11

Dealing Terms
Friday (5:00 AST)

Settlement Terms
Trade +3

ID ISIN
BMG556251830

Bloomberg Ticker
LOMSTAB BH

Fund Size
$47,962,326.34

Management Fee
1.50%

Administration Costs
0.17%

Sales Fee
May be applicable

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During the first quarter of 2021, global risk markets continued to rebound off last year's recession lows as unprecedented fiscal and monetary stimulus ultimately led to increased business activity and a vast improvement in the overall corporate profit outlook. During Q1, the LOM Stable Income Fund achieved a total return of 4.48% inclusive of its 3.12% annualized dividend yield which is paid monthly.

After vaccines began rolling out in earnest this year, the end of the global pandemic appears to be in sight. Global equity markets moved up in the quarter with the S&P 500 gaining 6.17% while the broader MSCI World Index returned 5.04%. While we are not fully out of the woods, evidenced by the recent uptick in cases, we are seeing positive public health results in vaccinated populations and an increasingly effective vaccine distribution network.

Optimism has expressed itself in the markets through what is being called the reflation or reopening trade. As global growth prospects rise in conjunction with more fiscal spending, we have observed a rise in Treasury yields. This has created downward pressure on fixed income and growth-oriented equities. As investors weigh up their options, we have seen more movement to the previously unloved value and higher dividend paying companies we have been holding in the portfolio.

Relative to the fixed income component with the Fund, the Treasury yield curve steepened further in the first quarter. In February and in early March, long-term Treasuries quickly sold off amid rising inflation expectations. The 30-year Treasury reached the pre-pandemic level of 2.4% before stabilizing in mid-March, while the 10-year Treasury increased 80 bps from end of 2020 to 1.7%. In March, A third wave of the Covid-19 cases in certain regions has triggered extended lockdown measures in a number of European countries, which delayed investors estimate for re-opening timeline. As a result, long term Treasury prices have been fluctuating around their Mid-March levels. Corporate spreads have mostly remained flat during the last quarter.

As of quarter end, the Fund is positioned with approximately 60% dividend-paying equities and 39% fixed income. The income component of the Fund includes an approximate 34% position in $25 par bonds and preferred stock issues earning relatively high rates of income paid out quarterly. Approximately 5% of the portfolio is invested in individual higher-yielding bond issues. In today's challenging interest rate environment, we have been reluctant to pay up for lower grade bond issues which do not offer an attractive risk/reward proposition.

Stable Income Fund Performance through 3/26/21

		Annualized Return		
Fund	Q1	1 Year	3 Year	5 Year
LOM Stable Income Fund (with dividends)	4.48%	33.64%	6.04%	5.08%
Stable Income Fund Benchmark Index *	6.14%	35.51%	3.21%	3.19%

* 50% DJ Global Dividend Select/50% S&P Preferred Index