LOM

LOM ASSET MANAGEMENT LIMITED

LOM Stable Income Fund Manager's Report Q2 2020

July 3, 2020

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

$40,071,225

Management Fee

1.50%

Administration Costs

0.25%

Sales Fee

May be applicable

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Following first quarter's pandemic-related market plunge, high-dividend paying stocks, preferred issues and hybrids recovered modestly in the second quarter as countries began emerging from lockdown and returned to work. Within this more constructive environment, the Fund gained 18.01% over the period.

In terms of the broader macro environment, the global economic resurgence from March's lows has been almost as dramatic as its sharp deterioration in Q1. The widely followed purchasing manager index (PMI) has shown strength in both manufacturing and services on a forward-looking basis. In June it was reported that the manufacturing PMI increased by 22.0% to 52.6 from 43.1 in the prior month after tumbling by over 18% from February to April. Similarly, U.S. single family home sales increased by 16.5% from April to May, although sales remain below levels seen at the beginning of the year.

Progress has also been positive but slower on the employment front. The post-World War II record unemployment rate of just 3.53% suddenly spiked to a new high of 14.7% for the month of June - over four percent higher than the elevated level experienced in the depths of the 2008 Great Recession. At the same time, continuing claims for American unemployment insurance hit at an all-time high of 24.9 million in May. However, that number has been gradually improving as the economy slowly reopens.

As of the end of quarter, the Fund's asset allocation was approximately 50.5% equity and 49.9% fixed income. The fixed income component of the Fund is invested predominately in hybrid securities possessing characteristics of both debt and equity instruments. Over the latest period, our hybrid securities benefitted from tighter credit spreads. On the equity side, we continued to find value in a few overlooked sectors such as pharmaceuticals, financials and electric utilities as investors continue to chase after high growth stocks while ignoring the attractive dividend yields of many high-quality companies in a near-zero interest rate environment.

Stable Income Fund Performance through 07/03/20

		Annualized Return		
Fund	QTD	1 Year	3 Year	5 Year
LOM Stable Income Fund (with dividends)	18.01%	-4.98%	0.36%	1.23%
Stable Income Fund Benchmark Index *	16.38%	-10.02%	-2.13%	1.43%

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