LOM | LOM ASSET MANAGEMENT LIMITED

LOM Stable Income Fund Manager's Report Q2 2021

July 2, 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
$51,294,746.11

Management Fee
1.50%

Administration Costs
0.17%

Sales Fee
May be applicable

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During Q2, the LOM Stable Income Fund achieved a total return of 3.77% which compares favorably to the 2.51% on its stated benchmark and is inclusive of its 3.03% annualized dividend yield which is paid out monthly.

Global economic growth prospects brightened over the second quarter as the world continued to slowly reopen. In the U.S., progress has been surprisingly strong with the Atlanta Fed recently forecasting Q2 growth to come in at a very robust +10.0% annualized pace. At June's Federal Open Market Committee (FOMC) meeting, the Fed's updated Summary of Economic Projections placed the median estimate of calendar 2021 real gross domestic product (GDP) at +7.0%, a half point increase from the prior projection. Economic output had nearly achieved pre-pandemic levels this spring and is expected to go higher, but in a more volatile fashion.

Global growth is now expected to be 5.8% this year after a series of sharp upwards revisions from earlier projections. The vaccine rollout in many of the advanced economies has been driving the improvement as has America's massive fiscal stimulus. World GDP growth is expected to be 4.4% next year but total global income could still be about three trillion less by end 2022 than was expected before the crisis hit. In the fixed income markets, the U.S. Treasury yield curve flattened in the second quarter, driven mainly by longer-date issues experiencing falling yields. After reaching its one-year peak at March month end, the ten-year Treasury yield has been on a downward trend, decreasing by about 30 basis points to 1.4% by the end of June. Meanwhile. the 30-year yield declined 40 basis points to 2%.

At both the April and the June FOMC meetings, policymakers unsurprisingly maintained the Fed Funds target rate at the zero to 25 basis points range. Fed Chair, Jerome Powell acknowledged that the latest inflation data is higher than expected, but he still thinks any recent spike in inflation will only be transitory.

As of quarter end the fund was positioned at approximately 61% in dividend-paying equities and 36% in fixed income. The income component of the Fund includes an approximate 30% position in $25 par bonds and preferred stock issues earning relatively high rates of income, paid out quarterly. Approximately 6% of the portfolio is invested in individual higher-yielding bond issues. Despite the current ultra-low interest rate environment, we have not had to cut or reduce the dividend on the Fund.

Stable Income Fund Performance through 7/2/21

Fund	Q2	Annualized Return 1 Year	3 Year	5 Year
LOM Stable Income Fund (with dividends)	3.77%	21.74%	6.72%	5.05%
Stable Income Fund Benchmark Index *	2.51%	29.87%	4.65%	3.64%

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