



25 April 2016

To our Shareholders:

LOM remains focused on growing our discretionary asset management division. Over 2015 our asset management revenues rose 15% and I am pleased to again report that the performance of all of our mutual funds has been very good. In 2015 our USD Fixed Income Fund, Euro Fixed Income Fund and Stable Income Fund each achieved exceptional rankings of 4 stars each by Morningstar Inc., an independent rating agency. Over the past five years, our LOM Global Equity Fund has returned a total 25.99% for our investors, or an average of 4.73% annually while the Bloomberg Global Equity Offshore Universe of our peer group competitors returned 11.37%, or just 2.18% annually for the same period. Likewise, our LOM Balanced Fund has returned 4.49% versus a negative 3.26% for our peer group competitors

The group continues its transition to a more revenue stable business. Though we have strict controls on costs, we have continued to invest in our staff, our IT systems and processes to give customers the best possible service and security while increasing efficiencies. As a result our operations have become very scalable without significant marginal costs. Additionally we have concentrated resources on expanding and deepening our corporate governance, internal audit and compliance regimes in order to meet and exceed the best practice regulatory environment in our jurisdictions.

In 2015 we showed a profit of \$141,528 or 2.3 cents per share, a reduction from the \$306,891 reported in 2014. This was mainly due to a 14% drop in our brokerage revenues and a write down of our level three securities totalling \$147,000. Without the write down of these long term investments, our net profit would have declined about 6%.

Our exposure to securities brokerage activity has continued to mean our revenues are highly volatile. Though we are finding it very difficult to recruit or train successful new financial advisors, we continue to invest in head hunters in order to identify and propose suitable candidates.

#### The Financial Market Environment

As outlined in my letter last year, our concerns about 2015 proved well founded. Challenged by the prospect of a normalization of interest rates in the US and concerns about growth in Europe and China, with the former struggling to avoid deflation, and the latter trying to engineer a transition in their economy from an export-led industrial base to a consumer and services base, 2015 brought volatility and little to no return in the major stock markets.

In 2015 the US market as measured by the S&P 500 slipped 1%, the UK as measured by the FTSE 100 declined 5%, the Eurozone as measured by the EURO STOXX 50 advanced 3.8%, and Japan rose 9.1%. The Hang Seng index declined 7.2%, however the Shanghai Composite rose 9.4% over the year.

For LOM, these are the highlights during 2015.

Revenues had the following year-on-year changes:

- Management and advisory fee revenues rose 15% to \$2.895 million (39% of revenues).
- Broking fees fell 14.2% to \$2.260 million (31% of revenues).
- Fees from corporate finance work fell 43% to \$76,244 (1% of revenues).
- Foreign Exchange revenues fell 2% to \$210,444 (2.8% of revenues).
- Net interest earnings slipped 5% to \$680,858 (9.2% of revenues).
- Gain on securities held in inventory swung to a loss of \$50,536
- Total revenues fell 0.2% to \$7,365,188.

Costs for the group had the following year-on-year changes:

- Operating costs, ex commission payments, rose 1%
- Employee expenses rose 2.4% as staff were increased in compliance.
- Total operating expenses rose 2%.

On other financial measures:

- LOM's assets under administration were \$635 million as of 31st December 2015 as compared to \$615 million in assets at the end of 2014.
- LOM remains in a strong financial position with net equity of \$16.52 million and no debt.
- LOM increased its cash and equivalents to \$4.48 million, representing 27% of shareholder equity.
- LOM's book value as at 31st December 2015 was \$2.74 per share.

As business activity remains subdued, the Board of Directors of LOM have decided not to pay a dividend.

Our current share price on the Bermuda Stock Exchange is \$2.30, which equates to 84% of LOM's book value as at 31st December 2015.

The Board has given approval for LOM to continue to buy back shares for cancellation for a total not to exceed 200,000 shares. Over the whole of 2015, the Company purchased for cancellation 38,120 shares.

As always, I would like to express appreciation and thanks to our customers for their business and the employees at LOM for their dedication and professionalism.



Scott GS Lines  
Chairman & CEO