LOM ASSET MANAGEMENT LIMITED

LOM Stable Income Fund Manager's Report Q3 2019

September 27, 2019

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
$45,432,184.69

Management Fee
1.50%

Administration Costs
0.25%

Sales Fee
May be applicable

LOM Asset Management
The LOM Building
27 Reid Street
Hamilton, HM11
Bermuda
(441)295-6999
www.lom.com
asset@lom.com

Well-positioned in front of positive market trends, the LOM Stable Income Fund achieved a net total return of 2.04%, including dividends over Q3 2019. This return exceeded that of its stated benchmark by 0.42% as strong stock selection combined with good sector bets helped boost both absolute and relative investment performance. Income-producing assets continued to win favor among investors throughout the period as longer-term interest rates fell and credit spreads remained relatively tight.

Although the broader equity market indices finished the quarter essentially flat, higher dividend-paying stocks fared better as interest rates continued their decline. For example, the traditionally higher yielding Electric Utility and Real Estate Investment Trust (REIT) sectors were among the best performers during the quarter. Overall, equity markets continue to take their cue from government policy statements and rhetoric around the trade war and interest rate policy, a pattern we have seen throughout most of 2019. The ongoing U.S.-China negotiations represent a major catalyst for market direction this year. In recent months, the growing uncertainty over a clear path forward has been negatively impacting international trade and global manufacturing. Now economists are undecided if America's relatively resilient consumer sector can continue to offset the weakness in its industrial sector.

As at the end of Q3, the Fund's asset allocation was approximately 49.2% equity and 49.4% fixed income, with the fixed income component predominantly invested in hybrid securities possessing characteristics of both debt and equity instruments. In terms of longer duration fixed income, hybrid and the credit sectors of market, the Fund saw positive gains in most of our positions on the back of declining interest rates and stable credit spreads. On the equity side, we increased our allocation after the recent weakness in equities.

In the fixed income markets, the Treasury yield curve has continued to shift lower and risk premiums have remained tight. Lower interest rates in other developed countries, along with risk averse sentiment among investors have driven up demand for US investment grade bonds, U.S. dollar-denominated baby bonds, preferred stock and other hybrid securities. For example, the spread between BBB rated bonds and 10-year Treasuries reached its lowest level of the year in July. In this environment, we believe security selection will continue to be increasingly important for driving positive investment returns going forward.

Stable Income Fund Performance through 09/27/19

		Annualized Return		
Fund	**QTD**	**1 Year**	**3 Year**	**5 Year**
LOM Stable Income Fund (with dividends)	**2.04%**	**5.31%**	**3.89%**	**2.70%**
Stable Income Fund Benchmark Index *	**1.62%**	**-0.27%**	**0.92%**	**0.38%**

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