

**LOM FIXED INCOME FUND LTD.**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

# LOM FIXED INCOME FUND LTD.

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## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
**LOM Fixed Income Fund Ltd.**

We have audited the accompanying statements of assets and liabilities of LOM Fixed Income Fund Ltd., including the schedules of investments, as of December 31, 2010, and the related statements of operations, changes in net assets and cash flows, and the financial highlights for the year then ended. The LOM Fixed Income Fund Ltd. consists of two (2) classes of participating shares, one for the U.S. Dollar and one for the Euro and is referred to collectively as the "Fund." These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of LOM Fixed Income Fund Ltd. as of December 31, 2010, and the results of its operations, changes in its net assets, its cash flows and its financial highlights for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*Marcum (Cayman)*

Grand Cayman, Cayman Islands, B.W.I.  
May 31, 2011



# LOM FIXED INCOME FUND LTD.

## STATEMENTS OF ASSETS AND LIABILITIES

DECEMBER 31, 2010

	Class A U.S. \$	Class B EUR €
<b>Assets</b>		
Investments, at fair value (cost of U.S. \$36,356,758 and EUR €3,114,509 for Class A and B, respectively)	\$ 36,032,283	€ 3,199,401
Cash and cash equivalents	2,144,174	380,979
Accrued interest receivable	259,931	69,927
<b>Total Assets</b>	<u>38,436,388</u>	<u>3,650,307</u>
<b>Liabilities</b>		
Accounts payable and accrued expenses	<u>51,896</u>	<u>5,295</u>
<b>Total Liabilities</b>	<u>51,896</u>	<u>5,295</u>
<b>Net Assets</b>	<u>\$ 38,384,492</u>	<u>€ 3,645,012</u>
Number of Participating Shares in issue Class A and B, respectively	<u>2,783,502</u>	<u>339,364</u>
Net asset value per Participating Share Class A and B, respectively	<u>\$ 13.79</u>	<u>€ 10.74</u>

Approved by the Board of Directors:

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

*The accompanying notes are an integral part of these financial statements.*

# LOM FIXED INCOME FUND LTD.

## SCHEDULE OF INVESTMENTS - U.S. CLASS A (Expressed in United States Dollars)

**DECEMBER 31, 2010**

Principal Amount	Description	Fair Value	Percent of Net Assets
<b>Investments in Securities</b>			
<b>Bonds</b>			
<b>Australia</b>			
Financial			
\$ 450,000	Australia & Nz Banking Group, 3.20%, 12/15/2011 (cost \$453,405)	\$ 460,394	1.20 %
200,000	Australia & Nz Banking Group, 0.589%, 6/18/2012, FRN (cost \$199,942)	200,281	0.52
450,000	Westpac Banking Corp., 1.032%, 12/9/2013, FRN (cost \$450,000)	<u>451,068</u>	<u>1.18</u>
<b>Total Australia (cost \$1,103,347)</b>		<u>1,111,743</u>	<u>2.90</u>
<b>Belgium</b>			
Government			
400,000	Belgium Kingdom, 4.25%, 9/3/2013 (cost \$409,246)	419,824	1.09
<b>United Kingdom</b>			
Energy			
475,000	BP Capital Markets Plc, 5.25%, 11/7/2013 (cost \$515,242)	513,414	1.34
<b>Canada</b>			
Basic Materials			
480,000	Rio Tinto Alcan Inc., 4.875%, 9/15/2012 (cost \$500,523)	509,543	1.33
Government			
500,000	Nova Scotia Province, 2.375%, 7/21/2015 (cost \$497,669)	500,245	1.30
425,000	Ontario (Province Of), 4.10%, 6/16/2014 (cost \$445,754)	<u>459,449</u>	<u>1.20</u>
<b>Total Canada (cost \$1,443,946)</b>		<u>1,469,237</u>	<u>3.83</u>
<b>Cayman Islands</b>			
Energy			
\$ 450,000	Transocean Inc., 4.95%, 11/15/2015 (cost \$455,231)	<u>\$ 464,085</u>	<u>1.21 %</u>

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# LOM FIXED INCOME FUND LTD.

## SCHEDULE OF INVESTMENTS - U.S. CLASS A (CONTINUED) (Expressed in United States Dollars)

**DECEMBER 31, 2010**

Principal Amount	Description	Fair Value	Percent of Net Assets
<b>Investments in Securities (continued)</b>			
<b>Bonds (continued)</b>			
<b>Denmark</b>			
Financial			
\$ 250,000	Finance For Danish Industry, 1.75%, 12/6/2012 (cost \$249,420)	\$ 252,705	0.66 %
225,000	Finance For Danish Industry, 2.45%, 8/17/2012 (cost \$224,778)	230,288	0.60
<b>Total Denmark (cost \$474,198)</b>		<u>482,993</u>	<u>1.26</u>
<b>France</b>			
Financial			
350,000	Dexia Credit Local, 0.784%, 4/29/2014, FRN (cost \$350,000)	346,080	0.90
250,000	Societe Generale, 1.622%, 12/13/2013, FRN (cost \$250,000)	250,513	0.65
Government			
425,000	Sfef, 0.503%, 7/16/2012, FRN (cost \$425,000)	424,342	1.11
<b>Total France (cost \$1,025,000)</b>		<u>1,020,935</u>	<u>2.66</u>
<b>Ireland</b>			
Financial			
500,000	XI Group Plc, 5.25%, 9/15/2014 (cost \$520,490)	515,650	1.34
<b>Netherlands</b>			
Financial			
500,000	ING Bank Nv, 1.623%, 10/18/2013, FRN (cost \$500,000)	500,280	1.30
425,000	Neder Waterschapsbank, 0.692%, 5/27/2014, FRN (cost \$425,000)	425,013	1.11
Industrial			
\$ 400,000	Siemens Financieringsmat, 0.452%, 3/16/2012, FRN (cost \$388,021)	399,288	1.04
<b>Total Netherlands (cost \$1,313,021)</b>		<u>\$ 1,324,581</u>	<u>3.45 %</u>

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# LOM FIXED INCOME FUND LTD.

## SCHEDULE OF INVESTMENTS - U.S. CLASS A (CONTINUED) (Expressed in United States Dollars)

**DECEMBER 31, 2010**

Principal Amount	Description	Fair Value	Percent of Net Assets
<b>Investments in Securities (continued)</b>			
<b>Bonds (continued)</b>			
<b>Norway</b>			
Government			
\$ 250,000	Kommunalbanken AS, 2.875%, 6/22/2012 (cost \$254,457)	<u>\$ 257,469</u>	<u>0.67 %</u>
<b>Spain</b>			
Financial			
475,000	Santander US Debt S.A. Unipersonal, 2.991%, 10/7/2013 (cost \$475,000)	<u>458,787</u>	<u>1.19</u>
<b>United States</b>			
Basic Materials			
400,000	Freeport-McMoRan Copper & Gold, 8.375%, 4/1/2017 (cost \$443,849)	443,955	1.16
Consumer, Non-cyclical			
325,000	Anheuser-Busch Inbev World, 1.034%, 3/26/2013, FRN (cost \$325,000)	327,961	0.85
500,000	Roche Holdings Inc., 5.00%, 3/1/2014 (cost \$542,658)	543,891	1.42
500,000	Wyeth, 5.50%, 3/15/2013 (cost \$540,335)	544,050	1.42
E-commerce			
275,000	Ebay Inc., 0.875%, 10/15/2013 (cost \$274,501)	271,417	0.71
225,000	Ebay Inc., 1.625%, 10/15/2015 (cost \$224,250)	215,277	0.56
Financial			
225,000	American Honda Finance, 4.625%, 4/2/2013 (cost \$235,374)	238,991	0.62
180,000	General Electric Capital Corp., 0.103%, 11/1/2049, FRN (cost \$171,048)	176,076	0.46
400,000	General Electric Capital Corp., 1.134%, 12/20/2013, FRN (cost \$386,987)	391,280	1.02
\$ 400,000	Goldman Sachs Group Inc., 0.688%, 7/22/2015, FRN (cost \$383,112)	<u>\$ 377,154</u>	<u>0.98 %</u>

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## LOM FIXED INCOME FUND LTD.

### SCHEDULE OF INVESTMENTS - U.S. CLASS A (CONTINUED) (Expressed in United States Dollars)

**DECEMBER 31, 2010**

Principal Amount	Description	Fair Value	Percent of Net Assets
<b>Investments in Securities (continued)</b>			
<b>Bonds (continued)</b>			
<b>United States (continued)</b>			
Financial (continued)			
\$ 425,000	JP Morgan Chase & Co., 0.961%, 2/26/2013, FRN (cost \$426,106)	\$ 426,798	1.11 %
425,000	Monumental Global Funding, 0.473%, 1/25/2013, FRN (cost \$385,202)	409,190	1.07
350,000	Sun Life Financial Global, 0.553%, 10/6/2013, FRN (cost \$341,137)	342,820	0.89
175,000	Wells Fargo & Company, 0.006%, 12/20/2046, FRN (cost \$170,111)	170,625	0.44
Government			
325,000	Applying County Development Authority, 4.40%, 7/1/2016 (cost \$334,646)	325,000	0.85
500,000	City & County of Denver, CO, 5.00%, 9/1/2012 (cost \$533,334)	532,105	1.39
425,000	City of Atlanta, GA, 5.50%, 1/1/2016 (cost \$433,868)	427,550	1.11
450,000	County of Wayne, MI, 2.761%, 9/15/2012 (cost \$450,000)	450,099	1.17
515,000	Delaware Valley Regional Financial, 5.50%, 7/1/2012 (cost \$532,996)	541,780	1.41
450,000	Fannie Mae, 2.00%, 9/30/2015 (cost \$450,148)	442,800	1.15
171,000	Fannie Mae, 3.05%, 8/10/2015 (cost \$171,847)	171,342	0.45
250,000	Florida State Board of Education, 5.00%, 6/1/2014 (cost \$262,775)	256,000	0.67
250,000	Georgia Municipal Gas Authority, 3.071%, 8/1/2011 (cost \$250,000)	250,000	0.65
450,000	Louisiana Local Government Env., 2.350%, 11/1/2014 (cost \$450,000)	443,507	1.16
450,000	New Jersey Economic Development, 1.302%, 6/15/2013 (cost \$450,000)	450,000	1.17
420,000	State of Connecticut, 5.50%, 11/15/2013 (cost \$458,608)	454,961	1.19
\$ 3,000,000	US Treasury Note, 0.375%, 9/30/2012 (cost \$2,997,420)	<u>\$ 2,992,031</u>	<u>7.79 %</u>

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# LOM FIXED INCOME FUND LTD.

## SCHEDULE OF INVESTMENTS - U.S. CLASS A (CONTINUED)

(Expressed in United States Dollars)

**DECEMBER 31, 2010**

Principal Amount	Description	Fair Value	Percent of Net Assets
<b>Investments in Securities (continued)</b>			
<b>Bonds (continued)</b>			
<b>United States (continued)</b>			
Government (continued)			
\$ 500,000	US Treasury Note, 0.50%, 11/30/2012 (cost \$499,848)	\$ 499,219	1.30 %
1,225,000	US Treasury Note, 0.75%, 5/31/2012 (cost \$1,224,482)	1,230,551	3.21
3,745,000	US Treasury Note, 0.75%, 9/15/2013 (cost \$3,755,072)	3,732,712	9.72
750,000	US Treasury Note, 1.25%, 9/30/2015 (cost \$751,515)	727,617	1.90
2,750,000	US Treasury Note, 1.375%, 2/15/2013 (cost \$2,750,684)	2,791,250	7.27
Technology			
425,000	Dell Inc., 5.625%, 4/15/2014 (cost \$464,628)	465,805	1.21
<b>Total United States (cost \$22,071,541)</b>		<u>22,063,814</u>	<u>57.48</u>
<b>Total Bonds (Cost \$30,060,719)</b>		<u>30,102,532</u>	<u>78.42</u>
<b>Asset-Backed Securities</b>			
46,664	BAYV 2006-C 1A1, 6.035%, 11/28/2036 (cost \$46,664)	47,597	0.12
174,222	CWL 2007-5 2A1, 0.35%, 9/25/2047 (cost \$165,486)	168,125	0.44
123,701	CWL 2007-BC2 2A1, 0.34%, 6/25/2037 (cost \$117,712)	121,227	0.31
291,135	EMCM 2002-B A1, 0.90%, 2/25/2041 (cost \$252,178)	256,199	0.67
60,978	GT 1997-4 A7, 7.36%, 2/15/2029 (cost \$63,308)	64,027	0.17
400,000	HDMOT 2007-2 B, 5.23%, 3/15/2014 (cost \$396,528)	417,000	1.09
64,106	POPLR 2005-D A3, 5.34%, 1/25/2036 (cost \$63,800)	63,945	0.16
87,800	RAMC 2006-3 AF2, 5.58%, 11/25/2036 (cost \$82,342)	71,118	0.19
<b>Total Asset-Backed Securities (cost \$1,188,018)</b>		<u>1,209,238</u>	<u>3.15</u>
<b>Mortgage-Backed Securities</b>			
75,031	FHASI 2006-3 1A11, 6.25%, 11/25/2036 (cost \$74,489)	75,031	0.20
68,314	FHLB 4S-2012 1, 4.84%, 1/25/2012 (cost \$70,184)	70,448	0.18
70,132	FHR 1050 HZ, 7.00%, 3/15/2021 (cost \$70,158)	75,743	0.20
\$ 1,114,765	FHR 2625 IO, 5.00%, 12/15/2031 (cost \$145,536)	<u>\$ 66,886</u>	<u>0.17 %</u>

*The accompanying notes are an integral part of these financial statements.*

# LOM FIXED INCOME FUND LTD.

## SCHEDULE OF INVESTMENTS - U.S. CLASS A (CONTINUED) (Expressed in United States Dollars)

DECEMBER 31, 2010

Principal Amount	Description	Fair Value	Percent of Net Assets
<b>Investments in Securities (continued)</b>			
<b>Bonds (continued)</b>			
<b>Mortgage-Backed Securities (continued)</b>			
\$ 306,128	FHR 2808 FT, 0.605%, 4/15/2033 (cost \$304,599)	\$ 304,598	0.79 %
1,118,513	FHR 2882 OI, 5.00%, 2/15/2030 (cost \$125,853)	19,015	0.05
70,378	FHR 2934 HI, 5.00%, 2/15/2020 (cost \$7,808)	8,621	0.02
600,544	FHR 3044 IL, 5.50%, 4/15/2031 (cost \$61,323)	28,526	0.07
818,711	FHR 3044 IN, 5.50%, 4/15/2031 (cost \$63,911)	38,889	0.10
221,509	FHR 3058 JF, 0.555%, 10/15/2035 (cost \$220,892)	221,553	0.58
391,798	FHR 3098 BO, 0.00%, 1/15/2036 (cost \$382,221)	361,678	0.94
1,863,166	FHR 3414 JI, 4.5%, 3/15/2022 (cost \$126,954)	131,586	0.34
1,535,837	FHR 3504 PI, 5.50%, 1/15/2039 (cost \$241,227)	153,584	0.40
3,621,754	FHR 3739 PI, 4.00%, 9/15/2034 (cost \$449,839)	434,611	1.14
32,689	FHRR R001 AE, 4.375%, 4/15/2015 (cost \$32,294)	33,324	0.09
540,004	FHS 117 IO, 7.00%, 7/1/2026 (cost \$97,680)	113,401	0.30
3,173,094	FNR 2003-80 IQ, 5.00%, 8/25/2033 (cost \$432,895)	380,771	0.99
130,318	FNR 2005-38 PO, 0.00%, 8/25/2031 (cost \$126,642)	129,666	0.34
1,373,829	FNR 2008-81 KI, 5.00%, 10/25/2022 (cost \$132,316)	99,465	0.26
1,272,524	FNR 2010-29 LI, 4.50%, 6/25/2019 (cost \$179,105)	111,346	0.29
3,543,125	FNR 2010-60 IO, 4.00%, 6/25/2020 (cost \$438,045)	372,028	0.97
245,941	FNS 355 38, 6.50%, 11/1/2018 (cost \$33,253)	34,124	0.09
248,356	FNS 355 39, 6.50%, 11/1/2018 (cost \$34,588)	36,012	0.09
1,200,963	GNR 2005-74 PI, 5.00%, 9/16/2035 (cost \$139,251)	123,099	0.32
233,687	GSR 2005-3F 1A2, 5.50%, 3/25/2035 (cost \$227,276)	233,687	0.61
245,690	WFMB 2003-6 1A1, 5.00%, 6/25/2018 (cost \$252,204)	246,918	0.64
241,103	WFMB 2005-3 A11, 5.50%, 5/25/2035 (cost \$237,478)	241,103	0.63
	<b>Total Mortgage-Backed Securities (Cost \$4,708,021)</b>	<u>4,145,713</u>	<u>10.80</u>
<b>Mutual Funds</b>			
<b>Luxembourg</b>			
\$ 24,010	Templeton Global Total Return Fund (cost \$400,000)	574,800	1.50
	<b>Total Mutual Funds (Cost \$400,000)</b>	<u>574,800</u>	<u>1.50</u>
	<b>Total Investment in Securities (Cost \$36,356,758)</b>	<u>\$ 36,032,283</u>	<u>93.87 %</u>

**Glossary:**

**FRN - Floating Rate Note. The interest rate disclosed reflects the rate in effect on December 31, 2010.**

*The accompanying notes are an integral part of these financial statements.*

# LOM FIXED INCOME FUND LTD.

## SCHEDULE OF INVESTMENTS - EURO CLASS B

(Expressed in Euros)

DECEMBER 31, 2010

Principal Amount	Description	Fair Value	Percent of Net Assets
<b>Investments in Securities (continued)</b>			
<b>Bonds</b>			
<b>Belgium</b>			
	Consumer Staples		
€ 200,000	Anheuser-Busch InBev NV 6.57%, 2/27/2014 (cost €24,544)	€ 223,275	6.13 %
	Government		
300,000	Kingdom of Belgium, 1.02%, 6/22/2011, FRN (cost €300,058)	<u>299,682</u>	<u>8.22</u>
	<b>Total Belgium (cost €524,602)</b>	<u>522,957</u>	<u>14.35</u>
<b>Bermuda</b>			
	Consumer, Non-cyclical		
150,000	Bacardi Ltd 7.75%, 4/9/2014 (cost €150,178)	<u>171,049</u>	<u>4.69</u>
<b>United Kingdom</b>			
	Consumer, Non-cyclical		
200,000	GlaxoSmithKline PLC 5.125%, 12/13/2012 (cost €205,600)	212,534	5.83
	Financial		
200,000	Barclays PLC, 1.288%, 5/30/2017, FRN (cost €182,981)	<u>183,100</u>	<u>5.02</u>
	<b>Total United Kingdom (cost €388,521)</b>	<u>395,634</u>	<u>10.85</u>
<b>Denmark</b>			
	Government		
200,000	Kingdom of Denmark 3.125%, 3/17/2014 (cost €199,374)	<u>208,550</u>	<u>5.72</u>
<b>France</b>			
	Industrials		
100,000	Thales SA 4.375%, 4/2/2013 (cost €104,951)	<u>104,491</u>	<u>2.87</u>
<b>Germany</b>			
	Financial		
€ 28,000	KFW 2.25%, 2/21/2011 (cost €28,029)	<u>€ 28,000</u>	<u>0.77 %</u>

*The accompanying notes are an integral part of these financial statements.*

# LOM FIXED INCOME FUND LTD.

## SCHEDULE OF INVESTMENTS - EURO CLASS B (CONTINUED)

(Expressed in Euros)

DECEMBER 31, 2010

Principal Amount	Description	Fair Value	Percent of Net Assets
<b>Investments in Securities (continued)</b>			
<b>Bonds (continued)</b>			
<b>Ireland</b>			
Financial			
€ 100,000	General Electric Co 5.25%, 1/31/2013 (cost €101,734)	€ 105,576	2.90 %
150,000	General Electric Co., 1.7980%, 9/6/2011,FRN (cost €149,679)	<u>150,465</u>	<u>4.12</u>
<b>Total Ireland (cost €251,413)</b>		<u>256,041</u>	<u>7.02</u>
<b>Jersey</b>			
Financial			
125,000	MetLife Inc 5.75%, 2/16/2011 (cost €124,634)	<u>125,452</u>	<u>3.44</u>
<b>Luxembourg</b>			
Financial			
100,000	AON Corp 6.25%, 7/1/2014 (cost €108,065)	<u>106,532</u>	<u>2.92</u>
<b>Netherlands</b>			
Communications			
100,000	Reed Elsevier NV 6.5%, 4/2/2013 (cost €9,859)	108,759	2.99
Consumer Staples			
200,000	Heineken Holding NV 7.125%, 4/7/2014 (cost €203,907)	<u>225,759</u>	<u>6.19</u>
<b>Total Netherlands (cost €303,766)</b>		<u>334,518</u>	<u>9.18</u>
<b>Sweden</b>			
Telecommunication Services			
100,000	TeliaSonera AB 5.125%, 3/13/2014 (cost €100,029)	<u>108,355</u>	<u>2.97</u>
<b>United States</b>			
Financial			
200,000	Bank of America Corp., 1.229%, 2/16/2012, FRN (cost €96,461)	196,722	5.40
€ 200,000	Goldman Sachs Group Inc., 1.439%, 5/18/2015, FRN (cost €88,465)	<u>€ 187,116</u>	<u>5.13 %</u>

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## LOM FIXED INCOME FUND LTD.

### SCHEDULE OF INVESTMENTS - EURO CLASS B (CONTINUED) (Expressed in Euros)

**DECEMBER 31, 2010**

Principal Amount	Description	Fair Value	Percent of Net Assets
<b>Investments in Securities (continued)</b>			
<b>Bonds (continued)</b>			
<b>United States (continued)</b>			
Financial (continued)			
€ 200,000	Morgan Stanley, 1.312%, 7/20/2012, FRN (cost €195,840)	€ 196,920	5.40 %
Health Care			
150,000	Pfizer Inc 3.625%, 6/3/2013 (cost €149,605)	155,880	4.28
Materials			
€ 100,000	Dow Chemical Co., 4.625%, 5/27/2011 (cost €100,516)	<u>101,184</u>	<u>2.78</u>
<b>Total United States (cost €30,887)</b>		837,822	22.99
<b>Total Bonds (Cost €3,114,509)</b>		<u>€ 3,199,401</u>	<u>87.77 %</u>
<b>Total Investment in Securities (Cost €3,114,509)</b>		<u>€ 3,199,401</u>	<u>87.77 %</u>

**Glossary:**

**FRN - Floating Rate Note. The interest rate disclosed reflects the rate in effect on December 31, 2010.**

*The accompanying notes are an integral part of these financial statements.*

# LOM FIXED INCOME FUND LTD.

## STATEMENTS OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2010

	Class A U.S. \$	Class B EUR €
<b>Investment Income</b>		
Interest	\$ 1,504,778	€ 129,477
<b>Expenses</b>		
Management fees	300,306	47,604
Professional fees	33,568	5,096
Administration fees	21,604	3,321
Custodian fees	14,587	2,318
Miscellaneous	2,966	718
<b>Total Expenses</b>	<u>373,031</u>	<u>59,057</u>
<b>Net Investment Income</b>	1,131,747	70,420
<b>Realized and Unrealized (Loss) Gain on Investments</b>		
Net realized (loss) gain on sale of investments	(288,654)	155,263
Net change in unrealized appreciation/depreciation of investments	<u>(403,589)</u>	<u>(99,163)</u>
<b>Net Realized and Unrealized (Loss) Gain on Investments</b>	<u>(692,243)</u>	<u>56,100</u>
<b>Net Increase in Net Assets Resulting From Operations</b>	<u>\$ 439,504</u>	<u>€ 126,520</u>

*The accompanying notes are an integral part of these financial statements.*

**LOM FIXED INCOME FUND LTD.**

**STATEMENTS OF CHANGES IN NET ASSETS**

**FOR THE YEAR ENDED DECEMBER 31, 2010**

	Class A U.S. \$	Class B EUR €
<b>Increase in Net Assets From Operations</b>		
Net investment income	\$ 1,131,747	€ 70,420
Net realized gain (loss) on sale of investments	(288,654)	155,263
Net change in unrealized appreciation (depreciation) of investments	<u>(403,589)</u>	<u>(99,163)</u>
<b>Net Increase in Net Assets Resulting From Operations</b>	<u>439,504</u>	<u>126,520</u>
<b>Increase (Decrease) in Net Assets From Capital Share Transactions</b>		
Proceeds from issuance of 1,411,247 Class A and 23,690 Class B shares	19,423,640	251,995
Payment on redemption of 371,778 Class A and 301,296 Class B shares	<u>(5,109,636)</u>	<u>(3,211,281)</u>
<b>Net Increase (Decrease) in Net Assets Resulting From Capital Share Transactions</b>	<u>14,314,004</u>	<u>(2,959,286)</u>
<b>Net Increase (Decrease) in Net Assets</b>	14,753,508	(2,832,766)
<b>Net Assets - Beginning</b>	<u>23,630,984</u>	<u>6,477,778</u>
<b>Net Assets - Ending</b>	<u>\$ 38,384,492</u>	<u>€ 3,645,012</u>

*The accompanying notes are an integral part of these financial statements.*

# LOM FIXED INCOME FUND LTD.

## STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2010

	Class A U.S. \$	Class B EUR €
<b>Cash Flows From Operating Activities</b>		
Net increase in net assets resulting from operations	\$ 439,504	€ 126,520
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:		
Purchase of investments	(51,447,036)	(3,426,273)
Proceeds from sale of investments	36,456,058	6,145,989
Net amortization of premiums and discounts	75,131	10,998
Net realized loss (gain) on sale of investments	288,654	(155,263)
Net change in unrealized appreciation/depreciation of investments	403,589	99,163
Changes in operating assets and liabilities:		
Prepaid expenses	--	58
Other assets	(45,844)	69,118
Unsettled trades, net	(402,603)	--
Accounts payable and accrued expenses	5,949	(6,684)
Total Adjustments	(14,666,102)	2,737,106
<b>Net Cash (Used in) Provided by Operating Activities</b>	(14,226,598)	2,863,626
<b>Cash Flows From Financing Activities</b>		
Proceeds from issuance of shares	19,423,640	251,995
Payment on redemption of shares	(5,109,636)	(3,211,281)
<b>Net Cash Provided by (Used in) Financing Activities</b>	14,314,004	(2,959,286)
<b>Net Increase in Cash and Cash Equivalents</b>	87,406	(95,660)
<b>Cash and Cash Equivalents – Beginning</b>	2,056,768	476,639
<b>Cash and Cash Equivalents – Ending</b>	\$ 2,144,174	€ 380,979

*The accompanying notes are an integral part of these financial statements.*



# LOM FIXED INCOME FUND LTD.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2010

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### NOTE 1 - ORGANIZATION AND OPERATIONS

LOM Fixed Income Fund Ltd. (the “Fund”) is an open-ended investment company which was incorporated as an exempt company under the laws of the Cayman Islands on March 13, 2000. The Fund is registered as a regulated mutual fund pursuant to Section 4(3) of the Mutual Funds Law with the Cayman Islands Monetary Authority. The Fund is listed on the Bermuda Stock Exchange.

The Fund's investment objective is to achieve above-average total returns while employing an absolute return mandate. The Fund will seek to achieve its investment objective by selective investments in fixed income securities and open and closed-ended mutual funds. The Fund invests in U.S. government bonds and notes, corporate bonds, asset-backed securities, and foreign bonds. The Fund will focus on U.S. Securities, but may invest up to 30% of total assets in U.S. dollar denominated foreign debt. The average portfolio duration of this Fund normally varies within a two to five year time frame based on the Fund's forecast for interest rates.

BCB Fund Services Limited (the “Administrator”) acts as Administrator, Registrar and Transfer agent for the Fund. LOM Asset Management Ltd. (“LOMAM” or “Investment Manager”) (a related party to the Fund) acts as the Investment Manager and owns 100% of the Management Shares (Note 4). Lines Overseas Management Ltd. (a related party to the Fund) also acts as paying agent and custodian to the Fund (“Custodian”).

Certain directors of the Fund are also principals, directors and officers of companies affiliated with LOMAM and the LOM Money Market Fund.

### NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements. The policies are in conformity with United States (“U.S.”) generally accepted accounting principles, which require management to make estimates and assumptions that affect the reported amounts, contingent assets and liabilities, and disclosures in the financial statements. Actual results could differ from those estimates. Management has considered the circumstances under which the Fund should recognize or make disclosures regarding events or transactions occurring subsequent to the balance sheet date through May 31, 2011, which represents the date the financial statements were available to be issued. Adjustments or additional disclosures, if any, have been included in these financial statements.

# LOM FIXED INCOME FUND LTD.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2010

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### NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *INVESTMENT VALUATION AND REVENUE RECOGNITION*

Investment transactions are accounted for on a trade date basis. The Fund invests in bonds and other fixed income securities that generally trade on national exchanges or are reported on a national market. These investments are valued at the last reported sales price on the day of valuation, or the last quoted bid price if no sales took place on the date of valuation (see Note 3).

Realized and unrealized gains and losses on investments are calculated using the first-in-first-out (FIFO) method, which approximates the average cost method, and are reported in the accompanying statement of operations. Interest income is recognized on an accrual basis based on the effective interest method whereby the discount or premium is amortized over the life of the debt security in such a way as to result in a constant rate of interest when applied to the amount outstanding at the beginning of any given period.

#### *FOREIGN CURRENCY TRANSLATION*

The Fund's functional currency is U.S. Dollars for the Class A participating shares and Euros for the Class B participating shares. Investment securities denominated in foreign currencies are translated into U.S. Dollar or Euro amounts at the date of valuation. Purchases and sales of investment securities and income and expense items denominated in foreign currencies are translated into U.S. Dollar or Euro amounts on the respective dates of such transactions.

The Fund does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized gain or loss on sale of investments, and the net change in unrealized appreciation on investments.

#### *CASH AND CASH EQUIVALENTS*

Cash consists of non interest bearing accounts temporarily held by the Custodian, a related party. The Fund considers all short-term investments with original maturities of three months or less to be cash equivalents, including an investment in LOM Money Market Fund Ltd., a related party investment company by virtue of a common investment manager and directors. As of December 31, 2010, cash equivalents consist of \$1,601,522 (or 12,848 shares) of the Class A shares of the LOM Money Market Fund Ltd., a related party and €80,562 (or 29,790 shares) of the Class C shares of the LOM Money Market Fund Ltd., a related party.

# LOM FIXED INCOME FUND LTD.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2010

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### NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *SCHEDULES OF INVESTMENTS*

The accompanying schedule of investments presents the investments by country. The industry classifications included in the schedule of investments represent management's belief as to the most meaningful presentation of the classification of the Fund's investments.

#### *RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS*

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2010-06, "Fair Value Measurements and Disclosures (Topic 920): Improving Disclosures about Fair Value Measurements". This ASU required some new disclosures and clarified some existing disclosure requirements about fair value measurement as set forth in Codification Subtopic 820-10. ASU 2010-06 amended Codification Subtopic 820-10 and now requires a reporting entity to use judgment in determining the appropriate classes of assets and liabilities and to provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements. ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009. The adoption of ASU No. 2010-06 did not have a material impact on the Fund's financial position, results of operations or cash flows.

### NOTE 3 - FAIR VALUE MEASUREMENTS

The Fund follows a fair value hierarchy that distinguishes between market data obtained from independent sources (observable inputs) and the Fund's own market assumptions (unobservable inputs). These inputs are used in determining the value of the Fund's investments and are summarized in the following fair value hierarchy:

- Level 1 - Valuations based on quoted prices for investments in active markets that the Fund has the ability to access at the measurement date. Valuation adjustments and block discounts are not applied to Level 1 investments.
- Level 2 - Valuations based on other significant observable inputs (including quoted prices for similar securities, quoted prices in markets that are not active, interest rates, prepayment speeds, credit risks, etc.).
- Level 3 - Valuations based on significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments).

# LOM FIXED INCOME FUND LTD.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2010

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### NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

Securities for which market quotations are not readily available are fair valued as determined by the Investment Manager. Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Fund's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Fund uses prices and inputs that are current as of the measurement date, including periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many securities. This condition could cause a security to be reclassified to a lower level within the fair value hierarchy.

Fair value pricing may be used where: (i) a security is illiquid (restricted securities and repurchase agreements maturing in more than seven days); (ii) the market or exchange for a security is closed on an ordinary trading day and no other market prices are available; (iii) the security is so thinly traded that there have been no transactions in the stock over an extended period; or (iv) the validity of a market quotation received is questionable. In addition, fair value pricing will be used if emergency or unusual situations have occurred, such as when trading of a security on an exchange is suspended; or when an event occurs after the close of the exchange on which the security is principally traded that is likely to have changed the value of the security.

The use of valuation techniques and the availability of observable inputs can vary from security to security and is affected by a wide variety of factors and other characteristics particular to the transaction. Factors that may be considered when fair valuing a security are: fundamental analytical data relating to the investment in the security; evaluation of the forces that influence the market in which the security is purchased and sold; type of security or asset; financial statements of issuer; special reports prepared by analysts or the Investment Manager; information as to any transactions or offers with respect to the security; and the historical tendency of the security's price to track or respond to general and specific market movements (in terms of indices, sectors, or other market measurements). To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Fund in determining fair value is greatest for securities categorized in Level 3.

The inputs or methodology used for valuing securities are not an indication of the risk associated with investing in those securities.

# LOM FIXED INCOME FUND LTD.

## NOTES TO FINANCIAL STATEMENTS

**FOR THE YEAR ENDED DECEMBER 31, 2010**

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### NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following are the Fund's major classes of assets measured at fair value on a recurring basis at December 31, 2010:

Description	Level 1	Level 2	Level 3	Total
<b>U.S. Class A:</b>				
<b>Assets:</b>				
Cash equivalents (see Note 2)	\$1,601,522	\$ --	\$ --	\$1,601,522
Investment in mutual funds	574,800	--	--	574,800
Investment in bonds: <sup>(a)</sup>				
Bonds issued by U.S. Treasury and other U.S. government corporations and agencies	--	12,587,525	--	12,587,525
Municipal Bonds issued by states of the U.S.	--	4,131,001	--	4,131,001
Bonds issued by foreign governments	--	2,061,330	--	2,061,330
U.S. Corporate bonds	--	5,345,288	--	5,345,288
Foreign corporate bonds	--	5,977,388	--	5,977,388
Asset-backed securities	--	--	1,209,238	1,209,238
Mortgage-backed securities	--	--	4,145,713	4,145,713
<b>Total Assets</b>	<u>\$2,176,322</u>	<u>\$30,102,532</u>	<u>\$5,354,951</u>	<u>\$37,633,805</u>
<b>Euro Class B:</b>				
<b>Assets:</b>				
Cash equivalents (see Note 2)	€380,562	€ --	€ --	€ 380,562
Investment in bonds: <sup>(a)</sup>				
Bonds issued by foreign governments	--	508,232	--	508,232
U.S. Corporate bonds	--	837,822	--	837,822
Foreign corporate bonds	--	1,853,347	--	1,853,347
<b>Total Assets</b>	<u>€380,562</u>	<u>€3,199,401</u>	<u>€ --</u>	<u>€3,579,963</u>

(a) Additional information regarding the industry classifications and/or geographical location of these investments is disclosed in the schedule of investments..

During the year ended December 31, 2010, the Fund did not have any significant transfers between Level 1 or 2. The Fund's policy is to recognize transfers in and transfers out for all Levels as of the beginning of the period.

# LOM FIXED INCOME FUND LTD.

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2010

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#### NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following is a reconciliation of Level 3 investments for which significant unobservable inputs were used to determine fair value during the year ended December 31, 2010:

Description	Asset-backed Securities	Mortgage-backed Securities	Total
<b>Assets:</b>			
<b>Balance - January 1, 2010</b>	\$ --	\$ 1,696,069	\$ 1,696,069
Purchases	786,530	3,933,728	4,720,258
Sales	(372,225)	(1,315,119)	(1,687,344)
Total realized and unrealized losses, net included in earnings	24,463	(908,765)	(884,302)
Transfers into Level 3 <sup>(2)</sup>	<u>770,470</u>	<u>739,800</u>	<u>1,510,270</u>
<b>Balance - December 31, 2010</b>	<u>\$1,209,238</u>	<u>\$ 4,145,713</u>	<u>\$ 5,354,951</u>
<b>Changes in Unrealized Gains Relating to Investments Still Held at December 31, 2010 <sup>(1)</sup></b>			
	<u>\$23,681</u>	<u>\$(261,980)</u>	<u>\$238,299</u>

(1) The unrealized loss included in the net change in unrealized appreciation/depreciation of investments is in the statement of operations.

(2) Transferred from Level 2 to Level 3 because of lack of observable market data.

#### *VALUATION TECHNIQUES*

##### *Foreign Government Bonds*

The fair value of foreign government bonds is generally based on quoted prices in active markets. When quoted prices are not available, fair value is determined based on a valuation model that uses inputs that include interest rate yield curves, cross-currency basis index spreads, and country credit spreads similar to the bond in terms of issuer, maturity and seniority. Foreign government bonds are generally categorized in Levels 1 or 2 of the fair value hierarchy depending on the inputs used and market activity levels for specific securities based upon independent pricing from known pricing services.

##### *U.S. Government Securities (U.S. Treasury and Other U.S. Governmental Agencies)*

U.S. government securities are normally valued using a model that incorporates market observable data such as reported sales of similar securities, broker quotes, yields, bids, offers, and reference data. Certain securities are valued principally using dealer quotations. To the extent that these inputs are observable, the values of U.S. government securities are categorized at Level 2. To the extent that these inputs are unobservable the values are categorized as Level 3.

# LOM FIXED INCOME FUND LTD.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2010

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### NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

#### *VALUATION TECHNIQUES (CONTINUED)*

##### ***Municipal Bonds***

The fair value of municipal bonds is estimated using recently executed transactions, market price quotations and pricing models that factor in, where applicable, interest rates, bond or credit default swap spreads and volatility. Municipal bonds are generally categorized in Level 2 of the fair value hierarchy.

##### ***Corporate Bonds (U.S. and Foreign)***

The fair value of corporate bonds is estimated using recently executed transactions, market price quotations (where observable), bond spreads or credit default swap spreads. The spread data used is for the same maturity as the bond. If the spread data does not reference the issuer, then data that references a comparable issuer is used. When observable price quotations are not available, fair value is determined based on cash flow models with yield curves, bond or single name credit default swap spreads and recovery rates based on collateral values as key inputs. To the extent that these inputs are observable, the values of corporate bonds are categorized as Level 2. To the extent that these values are unobservable, the values are categorized as Level 3.

##### ***Mortgage-Backed Securities***

Mortgage-backed securities are fair valued using pricing models based on a security's average life volatility. The models take into account tranche characteristics such as average life of the underlying mortgages, including assumptions regarding pre-payments and default rates, loan to value ratios, ratings, the issuer and tranche type, geographic characteristics, and discount margin for certain floating rate issues. Mortgage-backed securities are categorized in Level 3 of the fair value hierarchy when external pricing inputs are unobservable.

##### ***Asset-Backed Securities (ABS)***

Asset-backed securities are interests in pools of loans or other receivables. ABS are created from many types of assets, including auto loans, home equity loans and other receivables. ABS are fair valued using estimated expected future cash flows of each security by estimating the expected future cash flows of the underlying collateral and applying those collateral cash flows, together with any credit enhancements such as subordinating interests owned by third parties, to the security. The expected future cash flows of the underlying collateral are determined using the remaining contractual cash flows adjusted for future expected credit losses (including current delinquencies and nonperforming assets, future expected default rates and collateral value by vintage and geographic region) and prepayments. The expected cash flows of the security are then discounted at the interest rate used to recognize interest income on the security to arrive at a present value amount. ABS are categorized in Level 3 when external pricing inputs are unobservable.

# LOM FIXED INCOME FUND LTD.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2010

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### NOTE 4 - CAPITAL STOCK

The Fund has an authorized share capital stock of \$50,000 (Class A U.S. \$) and €50,000 (Class B EUR €) divided into 49,999,000 non-voting redeemable Class A Participating Shares and 1,000 Management Shares and 50,000,000 non-voting redeemable Class B Participating Shares of a par value of \$0.001 (Class A Participating and Management Shares) and €0.001 (Class B Participating Shares) each. Participating Shares are offered for sale to investors with rights to participate in the profits of the Fund but have no voting rights.

Management Shares have voting rights but no right to participate in the profits of the Fund, and no dividends may be declared or paid on the Management Shares. Except for repayment of amounts paid in for the Management Shares, LOMAM may not receive any distribution of assets of the Fund in liquidation or dissolution of the Fund.

The Investment Manager owns 100% of the Management Shares which consists of 1,000 shares of voting, non-participating, non-redeemable Class A shares. There are no management shares for Class B shares.

Shares are subscribed for and redeemed on each Dealing Day at a value as calculated at close of business on each Dealing Day. The Dealing Day is the last business day of each week, or such other days as the Directors may determine. The minimum initial subscription is \$50,000 for Class A shares and the Euro equivalent of \$50,000 for Class B shares.

At December 31, 2010, LOM Nominees Limited (“LOM Nominees”) held all of the shares of the Fund. LOM nominee is the registered holder of all the shares of the Fund. During the year ended December 31, 2010, LOM Nominees bought 1,411,247 and sold 371,778 Class A shares and bought 23,690 and sold 301,296 Class B shares of the Fund.

Transactions in shares of the Fund for the year ended December 31, 2010 were as follows:

	Balance January 1, 2010	Shares Issued	Shares Redeemed	Balance December 31, 2010
<b>Participating Shares:</b>				
Class A US \$	1,744,033	1,411,247	371,778	2,783,502
Class B EUR €	616,970	23,690	301,296	339,364



# LOM FIXED INCOME FUND LTD.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2010

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### NOTE 5 - RELATED PARTY TRANSACTIONS

#### *MANAGEMENT FEE*

The Investment Manager receives a fee of 1% of the Fund's net asset value for Class A and Class B shares, accrued weekly and payable monthly.

Management fees incurred and paid during the year ended December 31, 2010 amounted to \$300,306 and €47,604, for the Class A and Class B shares, respectively.

#### *CUSTODIAN FEE*

Under the Custody Agreement dated March 31, 2000, the Custodian is entitled to receive a fee of 0.05% per annum of the net asset value of each class of shares, calculated and payable on a weekly basis, subject to a minimum fee of \$3,000 per year. During 2010, the Custodian charged and was paid by the Fund fees totaling \$14,587 and €2,318, respectively.

### NOTE 6 - ADMINISTRATION FEES

In accordance with the terms of the contract with the Administrator, the Fund is charged administrative fees equal to the greater of 0.05% of the combined net asset value of the Fund and the Fund's related party investment companies or a minimum of \$110,000, allocated to the Fund and the Fund's related party investment companies pro-rata based on the net asset value of each investment company in relation to the combined net asset value. During 2010, Administration fees amounted to \$21,604 and €3,321 for Class A and Class B, respectively.

### NOTE 7 - TAXATION

Under current Cayman Islands law the Fund is not required to pay income taxes in the Cayman Islands on income, profits or capital gains. The Fund obtained an exemption from the Cayman Islands authorities from such taxes for a period of 20 years from the date of incorporation of the Fund. The Fund is also not subject to income taxes under current Bermuda law or any other jurisdiction.

It is Management's belief that the Fund is not engaged in United States trade or business and is not subject to United States income or withholding taxes in respect of the profits and losses of the Fund.

# **LOM FIXED INCOME FUND LTD.**

## **NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2010**

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### **NOTE 7 - TAXATION (CONTINUED)**

Foreign securities held by the Fund may be subject to foreign taxation on gains, dividends and interest income received. Foreign taxes, if any, are recorded based on the tax laws in the applicable foreign jurisdictions. In addition, Management believes the Fund is not subject to income taxes in any other jurisdiction and that there are no uncertain tax positions that would require recognition in the financial statements. As a result, Management has made no provision for income taxes in the accompanying financial statements.

For all open tax years and for all major taxing jurisdictions, the Investment Manager has concluded that the entity is exempt from income taxes and there are no uncertain tax positions that would require recognition in the financial statements. If the Fund were to incur an income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax liability would be reported as income taxes. No interest expense or penalties have been recognized as of or for the period ended December 31, 2010. The Investment Manager's conclusions regarding uncertain tax positions may be subject to review and adjustment at a later date based upon ongoing analyses of tax laws, regulations and interpretations thereof as well as other factors. The Fund is subject to income tax examinations by major taxing authorities for all tax years since its inception.

### **NOTE 8 - DERIVATIVE FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Fund does not buy or hold derivative financial instruments. Some of the other companies/funds in which the Fund invests are dealing or trading in these instruments as their principal investment activity or use these instruments as part of their investment strategy. This may result in market or credit risk to the investments held in other investment companies in excess of the amount invested in these instruments. However, the Fund's risk is limited to their initial net investment in these companies/funds.

### **NOTE 9 - GUARANTEES**

In the normal course of its operations, the Fund enters into contracts or agreements that contain indemnifications and warranties. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. However, the Fund has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

# LOM FIXED INCOME FUND LTD.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2010

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### NOTE 10 - FINANCIAL HIGHLIGHTS

Financial highlights for the year ended December 31, 2010 are as follows:

	Class A U.S. \$	Class B EUR €
<b>Per Share Operating Performance:</b>		
<b>Net Asset Value Per Share - Beginning</b>	\$13.55	€10.50
Net investment income	0.53	0.16
Net realized and unrealized (loss)/gain on investments	<u>(0.29)</u>	<u>0.08</u>
<b>Net Asset Value Per Share - Ending</b>	<u>\$13.79</u>	<u>€10.74</u>
<b>Total Return</b>	1.77%	2.30%
<b>Ratio to Average Net Assets:</b>		
Total expenses	1.23%	1.26%
Net investment income	3.83%	1.50%

Financial highlights are calculated for the class of shares taken as a whole. An individual shareholder's return and ratios may vary based on the timing of capital transactions.

Total return is calculated based on the change in net asset value of shares indicated above during the year. The ratios are computed using a weighted-average of the net assets for the year ended December 31, 2010. Interest and dividend income from underlying funds, if any, is included in the net realized and unrealized gain on investments in the accompanying statement of operations and is not included in the net investment loss.

### NOTE 11 - FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

#### *CREDIT RISK*

The Fund is potentially subject to credit risk, principally with its investments in the LOM Money Market Fund and its investments in securities. The Fund's credit risk is equal to the replacement cost at the then estimated fair value of the instrument. Credit risk arises because the possibility that promised cash flows on securities held by the fund (such as other funds, deposits and bonds) will not be paid in full. Credit risk is risk due to uncertainty in a counterparty's (also called an obligor's or creditor's) ability to meet its obligations. As the Fund places a portion of its cash with LOM Money Market Fund, management believes that the risk of incurring losses with LOM Money Market Fund is mitigated.

# LOM FIXED INCOME FUND LTD.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2010

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### NOTE 11 - FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

#### *LIQUIDITY RISK*

Liquidity risk arises in the general funding of the Fund's trading activities. It includes the risks of not being able to fund trading activities at settlement dates and liquidate positions in a timely manner at a reasonable price. Generally, the financial instruments can be closed out at the discretion of the Investment Manager. An illiquid or closed market, however, could prevent the closeout of positions.

#### *MARKET RISK*

Market risk arises primarily from uncertainty around the future prices of financial instruments held by the Fund and represents the loss the Fund might incur through holding such instruments in the face of price movements. The Investment Manager allocates the Fund's portfolio of investments with a view to minimizing the risk associated with particular countries and industry sectors.

#### *CURRENCY RISK*

The investments of each Fund are denominated in the related base-currency thus minimizing currency risk. The investments of each Fund are exposed to changes in foreign exchange rates (currency risk) which gains or losses may exceed the related amounts recorded. The fair value may change based on the fluctuations in the value of these underlying currencies.

#### *INTEREST RATE RISK*

The Fund is exposed to interest rate risk to the extent that the fair value of the Fund's investments may fluctuate with movements in interest rates. The Fund manages interest rate risk through investing in the short duration debt instruments and floating rate notes.

#### *PRE-PAYMENT RISK*

The rate of pre-payments on underlying mortgages will affect the price and volatility of a mortgage-related security, and may have the effect of shortening the effective duration of the security relative to what was anticipated at the time of purchase.