

# Fund Review

## Lincoln Managed Investments

### August 2019 Month in review



Tim Lincoln  
Executive  
Chairman and  
Chief Investment  
Officer

Reporting season is the most important part of the investing year as companies step up and meet the fundamental grade to deliver us new opportunities.

But this year there was some nervousness as lingering concerns over a sluggish global economy and escalating trade war rhetoric hit sentiment. It was, therefore, no surprise that through August the All Ordinaries Accumulation Index saw a -2.22% retrace.

From a broader market sense, despite a tempering of analyst expectations following this season, pleasingly, earnings growth and strong dividends are still expected. And with interest rates expected to be lower for longer, there is no place for investment funds to go other than the compelling asset class which is shares.

#### Lincoln Australian Growth Fund

The Lincoln Australian Growth Fund (Fund) underperformed over the period for no reason other than a number of the stocks we held have performed strongly and upon their result, were involved in some profit-taking despite still exhibiting quality fundamentals. Pleasingly the majority of the portfolio continued to exhibit the quality factors we require.

This strong outcome though did not stop the price of some stocks having a pullback, so we took the opportunity to seize on the volatility and deploy more of our cash into these great businesses as our conviction remains strong given the solid numbers delivered. We are also currently adding new Star Growth and Borderline Star

Growth Stocks to the portfolio as the Research Team complete their analysis of the numbers and the business' active risks.

#### Lincoln Australian Income Fund

The Lincoln Australian Income Fund (Fund) however performed strongly given the circumstances and achieved a total grossed-up return of -0.94%, reflecting the more stable nature of the stock selection process. Most pleasing was that the portfolio experienced little churn with our Star Income Stocks retaining their fundamental qualities whilst also delivering solid dividend returns that we continue to believe are sustainable.

The current cycle is well suited to Income seeking investors. The nervousness by companies in the current economic outlook has seen a reluctance to invest profits heavily into new ambitions, preferring rather to maintain high payout ratios that should support strong yields moving forward.

Kind regards

Tim Lincoln  
Executive Chairman  
Chief Investment Officer

## Performance to 31 August 2019

	Lincoln Australian Growth Fund			Lincoln Australian Income Fund			
For investors seeking	Growth			A reliable income and reduced equity market risk exposure			
Distribution frequency	Half-yearly			Quarterly			
	Wholesale			Wholesale			
	Fund return <sup>1</sup>	ASX All Ordinaries Accumulation Index <sup>4</sup>	S&P/ASX Small Ordinaries (XSOAI)	Fund income <sup>(a)</sup>	Benchmark income <sup>(b)</sup>	Total Fund return <sup>(d)</sup>	Total Benchmark return <sup>(b)</sup>
1 month	-3.16%	-2.22%	-3.85%	1.08%	0.97%	-0.94%	-2.09%
3 months	4.04%	4.13%	1.41%	1.49%	1.22%	6.01%	4.52%
1-year	11.40%	8.58%	0.95%	11.21%	5.67%	12.47%	10.57%
3 years p.a.	11.24%	11.10%	8.41%	8.68%	5.70%	11.43%	12.94%
5 years p.a.	11.79%	8.05%	7.82%	9.13%	5.79%	8.21%	9.42%
Financial Year to Date	0.16%	0.68%	0.49%	1.08%	0.98%	1.53%	0.79%
Since inception p.a. <sup>(2)(c)</sup>	8.15%	7.95%	4.75%	8.60%	5.82%	12.25%	12.20%
	Retail			Retail			
	Fund return <sup>1</sup>	ASX All Ordinaries Accumulation Index <sup>4</sup>	S&P/ASX Small Ordinaries (XSOAI)	Fund income <sup>(a)</sup>	Benchmark income <sup>(b)</sup>	Total Fund return <sup>(d)</sup>	Total Benchmark return <sup>(b)</sup>
1 month	-3.22%	-2.22%	-3.85%	1.08%	0.97%	-1.01%	-2.09%
3 months	3.89%	4.13%	1.41%	1.49%	1.22%	5.80%	4.52%
1-year	10.79%	8.58%	0.95%	11.21%	5.67%	11.58%	10.57%
3 years p.a.	10.46%	11.10%	8.41%	8.68%	5.70%	10.55%	12.94%
5 years p.a.	10.98%	8.05%	7.82%	9.13%	5.79%	7.33%	9.42%
Financial Year to Date	0.05%	0.68%	0.49%	1.08%	0.98%	1.39%	0.79%
Since inception p.a. <sup>(3)(c)</sup>	4.21%	4.81%	0.39%	8.60%	5.82%	11.39%	12.20%

<sup>1</sup> Growth Fund returns are calculated using exit prices and are net of management fees, ongoing fees and expenses, and assume distributions are reinvested and no tax is deducted.

<sup>2</sup> Growth Fund - 11 January 2005.

<sup>3</sup> Growth Fund - 1 June 2007.

<sup>4</sup> Benchmark All Ordinaries Accumulation Index over the medium to long term.

Past performance is not an indicator of future performance.

(a) Gross income accrued, inclusive of franking credits.

(b) S&P/ASX 200 Accumulation Index inclusive of franking credits.

Source: Macquarie Equities.

(c) Income Fund - 2 April 2012.

(d) Income Fund Total Fund returns are calculated using exit prices and are net of management fees, ongoing fees and expenses, and assume distributions (inclusive of franking credits) are reinvested and that no tax is deducted.

# Fund Review

## Lincoln Managed Investments

August 2019

As part of our transparency of the Fund portfolios, a full list of the portfolio holdings is provided to investors only.

### Lincoln Australian Growth Fund - Top 10 holdings as at 31 August 2019

Code	Company	Portfolio Holding
IEL	IDP Education Limited	6.68%
ALU	Altium Limited	5.04%
CSL	CSL Limited	4.96%
NAN	Nanosonics Limited	4.40%
BRG	Breville Group Limited	4.36%
SAR	Saracen Mineral Holdings Limited	4.34%
BHP	BHP Group Limited	4.25%
RRL	Regis Resources Limited	4.21%
APX	Appen Limited	4.06%
ALQ	ALS Limited	4.04%
Total		46.34%

### Lincoln Australian Income Fund - Top 10 holdings as at 31 August 2019

Code	Company	Portfolio Holding
CHC	Charter Hall Group	6.64%
MFG	Magellan Financial Group Limited	6.30%
CCP	Credit Corp Group Limited	5.00%
MQG	Macquarie Group Limited	4.94%
WES	Wesfarmers Limited	4.57%
CBA	Commonwealth Bank of Australia	4.49%
SUN	Suncorp Group Limited	4.20%
RFF	Rural Funds Group	4.18%
RRL	Regis Resources Limited	4.12%
SPK	Spark New Zealand Limited	3.94%
Total		48.38%

## Key data

	Lincoln Wholesale Australian Growth Fund	Lincoln Retail Australian Growth Fund	Lincoln Wholesale Australian Income Fund	Lincoln Retail Australian Income Fund
APIR code	ETL0043AU	ETL0089AU	ETL0324AU	ETL0323AU
Fund inception	11 January 2005	1 June 2007	2 April 2012	2 April 2012
Minimum initial investment	\$250,000	\$20,000	\$250,000	\$20,000
Management costs	0.76% p.a.	1.40% p.a.	0.95% p.a.	1.75% p.a.
Performance Fee	20% of the amount by which the Fund's performance exceeds the All Ordinaries Accumulation Index			
Entry/exit fees	Nil	Nil	Nil	Nil
Distribution frequency	Half-yearly	Half-yearly	Quarterly	Quarterly
Estimated average yield <sup>1</sup>			8 - 9%	8 - 9%
Entry/exit unit price <sup>2</sup>	\$1.7510/\$1.7388	\$1.2382/\$1.2296	\$1.1415/\$1.1335	\$1.0924/\$1.0848
Fund size <sup>2</sup>	\$256.67m		\$382.63m	
Responsible entity	Equity Trustees Ltd		Equity Trustees Ltd	

<sup>1</sup> These estimated dividend yields are as at 31 August 2019. The Income Fund yield is inclusive of franking credits.

<sup>2</sup> As at 31 August 2019.

## Lincoln Australian Growth Fund

### Performance highlights

Performance contributors this month included:

- ▶ Nanosonics Limited (NAN) was our highest performing stock in August following an impressive report, delivering a return of 21.05%. Outperforming market expectations with revenue up +39% to \$84.3m and NPAT up ~92% to \$13.6m – compared to expectations of \$81.7m and \$10.3m respectively. Positive commentary around the launch of a new product in FY20 also contributed to the bullish share price sentiment.
- ▶ Jumbo Interactive Limited (JIN) achieved a return of 16.40% due to their reports beating market expectations, having delivered revenue growth of 64% to \$65.4m (vs expectation of \$64.4m), and NPAT growth of 124% to \$26.4m (vs expectation of \$25.9m).
- ▶ Both IDP Education Limited (IEL) and Breville Group Limited (BRG) were sold off following their full year results, down -13.5% and -15.4% respectively. Although a disappointing outcome, both companies continue to demonstrate sound fundamentals and each company remains well placed to continue to grow their earnings significantly into the future.

Data referred to in this performance commentary relates to the Lincoln Wholesale Australian Growth Fund unless otherwise stated.

## Lincoln Australian Income Fund

### Performance highlights

Performance contributors this month included:

- ▶ Credit Corp Group Limited (CCP) was our highest performing stock in the Income Fund in August delivering a return of 15.94%. The stock rallied following its announcement that it would acquire competitor Baycorp. The acquisition is positive for the company as it helps to further cement its market position within the Australia and New Zealand (ANZ) debt collection sector. In addition to the acquisition, the company also announced an upward revision to its FY20 guidance NPAT from \$75-\$77m to \$81-\$83m.
- ▶ Charter Hall Group (CHC) (+11.75) had another very strong operating result, achieving post-tax operating earnings growth of 25.5%, driven largely by its strong funds management segment. The company's outlook was equally upbeat, and the Fund Team remains very confident about its prospects.
- ▶ Suncorp Group Limited (SUN) delivered a solid operating result as well as pleasing investors with an additional distribution from a release of surplus capital. The solid yield outcome saw its share price increase +5.5% for the month.

Data referred to in this performance commentary relates to the Lincoln Wholesale Australian Income Fund unless otherwise stated.

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August 2019

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## About Lincoln

Lincoln has been helping Australians invest successfully in the Australian Securities Exchange (ASX) for over 30 years. We believe investing in a concentration of financially healthy and fundamentally sound stocks will deliver the best performance outcome to investors over the long-term.

Lincoln Managed Investments provides investors with flexibility via the choice of two professionally managed funds, the Lincoln Australian Growth Fund and the Lincoln Australian Income Fund. Each managed fund is backed by Lincoln's academically-proven Financial Health analysis and proprietary investment methodology – the Lincoln Golden Rules. Our experienced and dedicated Managed Investments team use our stock analysis program, Stock Doctor, as the core research tool for each managed fund. The team apply additional qualitative and valuation analysis to identify stocks that meet our stringent investment criteria.

Lincoln's unique investment Methodology has consistently identified the best performing companies on the ASX and is substantiated by Lincoln Managed Investments' stellar performance track-record.

## Like more information?

Talk to us today to:

- ▶ Invest
- ▶ Learn more about Lincoln Managed Investments and Stock Doctor
- ▶ Receive regular market news and updates

Call [1300 676 333](tel:1300676333)

Visit [lincolnindicators.com.au](http://lincolnindicators.com.au)

Email [enquiries@lincolnindicators.com.au](mailto:enquiries@lincolnindicators.com.au)

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