

Fund Review

Lincoln Managed Investments

January 2019 Month in review



Tim Lincoln
Managing
Director and
Chief Investment
Officer

A commitment to disciplined bottom-up stock selection, blocking out the macro noise and conviction in our beliefs saw another solid performance for the Funds in January. This despite the incessant negative commentary we all faced in December, once again re-affirming our long-held stance of focusing on the things we can control, being our stocks on an individual level.

The future direction of markets in the near term remains uncertain, particularly considering the negative commentary not diminishing anytime soon. Markets are increasingly volatile as the influence of a trading mentality and automated trading in the market increases. Considering this, we will continue to manage the portfolios prudently, being disciplined in our profit taking strategy, while seizing opportunities to deploy our capital into quality opportunities as they appear. The reporting season traditionally has been a catalyst for this, and we expect this to remain the case.

Lincoln Australian Growth Fund

The Fund returned 5.44% for January, outperforming its benchmark by 1.45%. Reviewing the performance achieved over the 12-month period makes for better viewing, with the Fund's returns of 11.44% amongst the best in the country and well ahead of all relevant indices, despite its elevated cash holdings over the year.

We did conservatively deploy some of the Fund's cash holdings in January across existing stocks the Fund Team believes have strong earnings momentum leading into the reporting period. However, the

rebound since December has been rapid, and money made its way to the quality Star Stock names we hold as a priority.

Lincoln Australian Income Fund

The Fund performed largely in line with the market in January returning a total return of 3.46%. A good outcome given the Fund's more conservative characteristics. With the likelihood that interest rates will remain lower for longer, our view remains that the share market continues to be one of the very few havens for income-seeking investors to generate a return.

As previously mentioned, the Fund Team have made the tactical decision to increase its cash position to elevated levels as we move into the reporting period. Also, the accrued income for the Fund has been buoyed by recent capital management initiatives in the form of off-market share buybacks. With a continuation of such initiatives expected we have increased our FY19 income guidance to 9-11%.

Kind regards,

Tim Lincoln
Managing Director and Chief Investment Officer

Performance to 31 January 2019

	Lincoln Australian Growth Fund			Lincoln Australian Income Fund			
For investors seeking	Long-term Capital Growth			A reliable income and reduced equity market risk exposure			
Distribution frequency	Half-yearly			Quarterly			
	Wholesale			Wholesale			
	Fund return ¹	ASX All Ordinaries Accumulation Index ⁴	S&P/ASX Small Ordinaries (XSOAI)	Fund income ^(a)	Benchmark income ^(b)	Total Fund return ^(d)	Total Benchmark return ^(b)
1 month	5.44%	3.99%	5.56%	0.16%	0.00%	3.46%	3.87%
3 months	5.01%	1.20%	0.78%	5.54%	1.08%	2.89%	1.70%
1 year	11.44%	0.65%	-3.06%	11.02%	5.64%	6.72%	2.81%
3 years p.a.	8.35%	10.01%	11.34%	9.18%	5.77%	9.24%	11.67%
5 years p.a.	10.98%	7.14%	7.37%	9.17%	5.81%	7.30%	8.61%
Financial Year to Date	0.81%	-3.58%	-7.89%	7.71%	2.89%	-0.54%	-2.53%
Since inception p.a. ^{(2)(c)}	7.40%	7.15%	4.16%	8.71%	5.75%	10.82%	10.73%
	Retail			Retail			
	Fund return ¹	ASX All Ordinaries Accumulation Index ⁴	S&P/ASX Small Ordinaries (XSOAI)	Fund income ^(a)	Benchmark income ^(b)	Total Fund return ^(d)	Total Benchmark return ^(b)
1 month	5.38%	3.99%	5.56%	0.16%	0.00%	3.40%	3.87%
3 months	4.87%	1.20%	0.78%	5.54%	1.08%	2.68%	1.70%
1 year	10.68%	0.65%	-3.06%	11.02%	5.64%	5.88%	2.81%
3 years p.a.	7.53%	10.01%	11.34%	9.18%	5.77%	8.38%	11.67%
5 years p.a.	10.14%	7.14%	7.37%	9.17%	5.81%	6.42%	8.61%
Financial Year to Date	0.44%	-3.58%	-7.89%	7.71%	2.89%	-1.01%	-2.53%
Since inception p.a. ^{(3)(c)}	3.19%	3.73%	-0.50%	8.71%	5.75%	9.96%	10.73%

¹ 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.

² Growth Fund - 11 January 2005.

³ Growth Fund - 1 June 2007.

⁴ 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

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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 January 2019

Code	Company	Portfolio Holding
CSL	CSL Limited	6.04%
RMD	ResMed Inc.	5.94%
APX	Appen Limited	5.82%
ALU	Altium Limited	5.53%
CCP	Credit Corp Group Limited	5.41%
IEL	IDP Education Limited	5.15%
BVS	Bravura Solutions Limited	4.91%
SAR	Saracen Mineral Holdings Limited	4.37%
COH	Cochlear Limited	3.36%
ORA	Orora Limited	3.09%
Total		49.62%

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

Code	Company	Portfolio Holding
CHC	Charter Hall Group	5.50%
RFF	Rural Funds Group	5.50%
MQG	Macquarie Group Limited	5.25%
RRL	Regis Resources Limited	4.72%
CBA	Commonwealth Bank of Australia	4.37%
MFG	Magellan Financial Group Limited	4.34%
CCP	Credit Corp Group Limited	4.28%
IAG	Insurance Australia Group Limited	4.04%
PMV	Premier Investments Limited	3.95%
BOQ	Bank of Queensland Limited	3.87%
Total		45.82%

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%	1.40%	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 ¹	1.0% - 2.0%	0.5% - 1.5%	9-11%	9-11%
Entry/exit unit price ²	\$1.6287/\$1.6173	\$1.1553/\$1.1473	\$1.0251/\$1.0179	\$0.9855/\$0.9787
Fund size ²	\$194.66m		\$300.28m	
Responsible entity	Equity Trustees Ltd		Equity Trustees Ltd	

¹ These estimated dividend yields are as at 31 January 2019. The Income Fund yield is inclusive of franking credits.

² As at 31 January 2019.

Lincoln Australian Growth Fund

Performance highlights

Performance contributors this month included:

- ▶ The stark shift in investor sentiment that transpired in January was favourable for Star Growth Stocks. We saw strong share price rallies from Appen (+24%), Wisetech (+20%), Nanosonics (+18%), Altium (+15%), IDP Education (+15%), and Bravura Solution (+14%).
- ▶ Integrated Research (IRI) experienced a significant relief rally (+38%) following a trading update which was far better than recent share price sentiment was signalling. Despite the positive update, the trend of senior management resignations is concerning, and the Fund decided to remove the stock following the rally.
- ▶ Credit Corp (CCP) delivered yet another result that exceeded the market's expectation. The company also upgraded its Pental Group (PDL) acquisition guidance and lifted its full-year expectations for net profit. The result solidified our view that the company's management has a strong ability to effectively deploy capital and continue to believe in the long-term prospects of the business.

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 (CCP) delivered yet another result that exceeded the market's expectation. The company also upgraded its Pental Group (PDL) acquisition guidance and lifted its full-year expectations for net profit. The result solidified our view that the company's management has a strong ability to effectively deploy capital and continue to believe in the long-term prospects of the business.
- ▶ Charter Hall (CHC) closed the month +11% higher leading into the February reporting period. The stock was lifted on the back of positive broker reports which expected a strong financial result from the business.
- ▶ Regis Resources (RRL) continued its strong share price despite the 'risk-on' environment we experienced in January. The stock closed the month +8% higher and up 23% over the quarter.

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

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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

Email enquiries@lincolnindicators.com.au

Important information.

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