

Fund Review

Lincoln Managed Investments

Lincoln Indicators
Invest in the numbers

August 2020

Month in review



Tim Lincoln

Co-Founder and Chief Investment Officer

The August reporting season was unlike any season we have witnessed. The COVID-related lockdowns have had an adverse impact on many company financials. Pandemics occur seldomly; hence most companies were not prepared. If the concentrated efforts of global fiscal and monetary responses had been absent, then the financial headwinds would have been much more severe.

Fortunately, market expectations were low heading into the FY20 season; hence, in aggregate most company results were able to meet or beat consensus. Buoyed by positive momentum in the U.S. market, the Australian profit season propelled the All Ordinaries Accumulation Index 3.71% higher and the ASX200 Accumulation Index 2.83% higher in August. However, it was U.S. equities that really delivered the outsized performance when compared to other developed markets. The S&P 500 Total Return Index pushed through its pre-COVID February highs and increased a staggering +7.19% during August. This marks a trough to peak rally in excess of 50%.

Lincoln Wholesale Australian Growth Fund

The Lincoln Wholesale Australian Growth Fund managed to outperform its benchmark again and produce a monthly return of 4.02%. The Fund also received a 5 Crown Rating in the Money Management FE FundInfo AMI-Equity Managed Fund sector^{***}. Awarded to the top 10% of the 380+ funds in the sector, the rating recognises outstanding achievement in our Fund's ability to add long-term value, whilst managing risk via our Financial Health Methodology

Lincoln Wholesale Australian Income Fund

The Lincoln Wholesale Australian Income Fund performed precisely in line with its benchmark, delivering a Total Fund Return of 3.07%. Whilst we anticipate corporate cash flows to remain disrupted for at least the remainder of the year, we are pleased to advise that distributions for the September quarter will be much stronger than the previous quarter. We expect cash returns to be approximately 1.25 cents per unit.

Lincoln U.S. Growth Funds

Although the Lincoln U.S. Growth Fund Hedged produced another solid month of returns of 3.12%, the combination of its underweight exposure to mega-cap tech, elevated cash holdings and small-cap exposure, led to its underperformance relative to its benchmark. We believe our elevated cash holding will provide some downside protection whilst providing firepower when opportunities present.

Kind regards,

Tim Lincoln
Co-Founder and Chief Investment Officer

Performance to 31 August 2020

Lincoln Australian Growth Fund							
For investors seeking	Investors seeking growth						
Distribution frequency	Half-yearly						
	Wholesale				Retail		
	Fund return ¹	ASX All Ordinaries Accumulation Index ⁴	S&P/ASX Small Ordinaries (XSOAI)		Fund return ¹	ASX All Ordinaries Accumulation Index ⁴	S&P/ASX Small Ordinaries (XSOAI)
1-month	4.02%	3.71%	7.24%	1-month	3.96%	3.71%	7.24%
3-months	7.79%	7.14%	6.61%	3-months	7.64%	7.14%	6.61%
1-year	5.03%	-3.51%	2.07%	1-year	4.63%	-3.51%	2.07%
3-years p.a.	16.55%	6.71%	8.02%	3-years p.a.	15.89%	6.71%	8.02%
5-years p.a.	12.82%	7.94%	10.48%	5-years p.a.	12.09%	7.94%	10.48%
Financial year to date	5.49%	4.69%	8.73%	Financial Year to Date	5.49%	4.69%	8.73%
Since inception p.a. ⁽²⁾	7.95%	7.18%	4.58%	Since inception p.a. ⁽³⁾	4.25%	4.15%	0.52%

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.

Performance to 31 August 2020 (continued)

Lincoln Australian Growth Fund

Performance highlights

Performance contributors this month:

- ARB Corporation (ARB) rose 37% over the month following a strong financial result which was supported by Government stimulus measures. Although the company was reluctant to provide guidance for FY21, their order book remains robust, and a strong AUD will strengthen operating margins.
- Codan Limited (CDA) market cap accelerated further over the month, with the stock price up 31%. The company delivered an underlying profit growth of 57% on the back of higher demand for gold detectors from artisanal prospectors who want to capitalise on the strong gold price. Underlying earnings momentum continued into early FY21, and although management was not confident enough to provide guidance, analysts have upgraded their expectations.
- Jumbo Interactive (JIN) continued its climb higher (+24%) in August following the significant correction experienced earlier in the year. The underlying result was slightly ahead of expectations, and long-term growth ambitions have been reaffirmed. As we expected following the company's renewal of their reseller agreement with Tabcorp, the increased earnings certainty has reduced short-seller appeal, seeing equity value accelerate again.

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

Lincoln Australian Income Fund									
For investors seeking	A reliable income and reduced equity market risk exposure								
Distribution frequency	Quarterly								
	Wholesale					Retail			
	Fund Distribution Yield ^(a)	Benchmark income ^(b)	Total Fund return ^(d)	Total Benchmark return ^(b)		Fund Distribution Yield ^(a)	Benchmark income ^(b)	Total Fund return ^(d)	Total Benchmark return ^(b)
1-month	0.24%	0.83%	3.07%	3.07%	1-month	0.24%	0.83%	3.00%	3.07%
3-months	1.16%	0.99%	7.38%	6.28%	3-months	1.16%	0.99%	7.17%	6.28%
1-year	5.83%	4.18%	-2.62%	-4.06%	1-year	5.83%	4.18%	-3.39%	-4.06%
3-years p.a.	8.81%	5.50%	8.80%	7.48%	3-years p.a.	8.81%	5.50%	7.94%	7.48%
5-years p.a.	8.94%	5.84%	8.01%	8.92%	5-years p.a.	8.94%	5.84%	7.16%	8.92%
Financial year to date	0.25%	0.83%	5.25%	3.58%	Financial Year to Date	0.25%	0.83%	5.11%	3.58%
Since inception p.a. ^(c)	9.93%	6.06%	10.37%	10.13%	Since inception p.a. ^(c)	9.93%	6.06%	9.52%	10.13%

Past performance is not an indicator of future performance.

(a) Gross income distributed, 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.

Lincoln Australian Income Fund

Performance highlights

Performance contributors this month included:

- Jumbo Interactive (JIN) continued its climb higher (+24%) in August following the significant correction experienced earlier in the year. The underlying result was slightly ahead of expectations, and long-term growth ambitions have been reaffirmed. As we expected following the company's renewal of their reseller agreement with Tabcorp, the increased earnings certainty has reduced short-seller appeal, seeing equity value accelerate again.
- Charter Hall Group (CHC) delivered yet another reliable operating result, well ahead of market expectations. Underlying earnings grew by 54%, and despite increasing anxiety about the sustainability of future income, dividends rose 6%.
- The Fund benefitted from its healthy exposure to the Australian retail sector, with the bulk of the Australian retail stocks producing earnings results that were well ahead of expectations. All contributed to the Fund's positive monthly performance.
- Unfortunately, traditional defensive stocks like Telstra (TLS), AGL Energy (AGL), and APA Group (APA) underperformed after the companies provided weaker than expected outlook statements.

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

Performance to 31 August 2020 (continued)

Lincoln U.S. Growth Fund				
For investors seeking	Investors seeking diversity			
Distribution frequency	Annually			
	Hedged		Unhedged	
	Fund return*	S&P500 Total Return Index**	Fund return*	S&P500 Total Return Index converted to AUD**
1-month	3.12%	7.19%	0.97%	3.94%
Financial year to date	8.44%	12.66%	3.21%	5.35%
Since inception p.a. ^(^)	8.44%	12.66%	3.21%	5.35%

* 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. Past performance is not an indicator of future performance.

** Benchmark S&P500 Total Return Index
(^) 1 July 2020.

Lincoln U.S. Growth Funds

Performance highlights

Performance contributors this month included:

- The graphic-chip making behemoth, Nvidia Corporation (NVDA), continued its run of strong financial performance during the pandemic. The company posted record quarterly sales that were propelled by gaming and cloud demand. Earnings guidance for the upcoming quarter also exceeded expectations, leading to +26% share price returns over the month.
- The insatiable investor appetite for the world's largest company Apple Inc. (+22%), pushed the company's market capitalisation through the eye-watering mark of USD \$2 trillion. Despite the lack of a fundamental catalyst for the strong month, the company's announcement of a 4 for 1 stock split created this rather unusual trend of retail investor buying.
- Fintech payments powerhouse Mastercard Inc. rounded out the list of top-performing stocks in the portfolio, rising 16% for the month. The company reported earnings at the end of July, which was ahead of expectations while positive broker ratings continued the underlying share price momentum.

Data referred to in this performance commentary relates to the Lincoln U.S. Growth Funds unless otherwise stated.

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 2020

Code	Company	Portfolio Holding
FPH	Fisher & Paykel Healthcare Corporation Limited	3.76%
JIN	Jumbo Interactive Limited	3.72%
SAR	Saracen Mineral Holdings Limited	3.52%
CSL	CSL Limited	3.37%
IDX	Integral Diagnostics Limited	3.35%
CAR	Carsales.com Limited	3.12%
RMD	ResMed Inc.	3.02%
BHP	BHP Group Limited	3.01%
XRO	Xero Limited	2.95%
WES	Wesfarmers Limited	2.89%
Total		32.71%

Lincoln Australian Income Fund - Top 10 holdings

as at 31 August 2020

Code	Company	Portfolio Holding
FPH	Fisher & Paykel Healthcare Corporation Limited	3.80%
CSL	CSL Limited	2.98%
RMD	ResMed Inc.	2.93%
CAR	Carsales.com Limited	2.75%
CHC	Charter Hall Group	2.67%
WES	Wesfarmers Limited	2.54%
JIN	Jumbo Interactive Limited	2.52%
PMV	Premier Investments Limited	2.50%
CQE	Charter Hall Social Infrastructure REIT	2.50%
MQG	Macquarie Group Limited	2.49%
Total		27.68%

Lincoln U.S. Growth Funds - Top 10 holdings

as at 31 August 2020

Code	Company	Portfolio Holding
AAPL	Apple Inc	5.82%
MA	Mastercard Incorporated	5.50%
CDNS	Cadence Design Systems Inc	5.20%
NVDA	NVIDIA Corporation	4.24%
SPGI	S&P Global Inc	3.17%
MKTX	MarketAxess Holdings Inc	3.08%
AMZN	Amazon com	2.76%
ANET	Arista Networks	2.51%
VEEV	Veeva Systems Inc	2.22%
NBIX	Neurocrine Biosciences Inc	2.19%
Total		36.69%

Key Data

	Lincoln Wholesale Australian Growth Fund	Lincoln Retail Australian Growth Fund	Lincoln Wholesale Australian Income Fund	Lincoln Retail Australian Income Fund	Lincoln U.S. Growth Fund Hedged	Lincoln U.S. Growth Fund Unhedged
APIR code	ETL0043AU	ETL0089AU	ETL0324AU	ETL0323AU	ETL6283AU	ETL1491AU
Fund inception	11 January 2005	1 June 2007	2 April 2012	2 April 2012	1 July 2020	1 July 2020
Minimum initial investment	\$250,000	\$20,000	\$250,000	\$20,000	\$100,000	\$100,000
Management costs	0.76% p.a.	1.40% p.a.	0.95% p.a.	1.75% p.a.	1.0% p.a.	1.0% p.a.
Performance Fee	20% of the amount by which the Fund's performance exceeds the All Ordinaries Accumulation Index				20% of outperformance of the S&P 500 Total Return Index.	20% of outperformance of the S&P 500 Total Return Index converted to Australian Dollars.
Entry/exit fees	Nil	Nil	Nil	Nil	Nil	Nil
Distribution frequency	Half-yearly	Half-yearly	Quarterly	Quarterly	Annual	Annual
Entry/exit unit price¹	\$1.8049/\$1.7923	\$1.2800/\$1.2710	\$1.0449/\$1.0377	\$0.9922/\$0.9852	\$1.0898/\$1.0844	\$1.0373/\$1.0321
Fund size¹	\$292.84m		\$391.07m		\$20.64m	
Responsible entity	Equity Trustees Ltd		Equity Trustees Ltd		Equity Trustees Ltd	

¹ As at 31 August 2020.

About Lincoln

Lincoln has been helping Australians invest successfully 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 our professionally managed funds, the Lincoln Australian Growth Fund, Lincoln Australian Income, Lincoln U.S. Growth Fund Hedged and Lincoln U.S. Growth Fund Unhedged. 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

Visit lincolnindicators.com.au

Email enquiries@lincolnindicators.com.au

[^] Ending August 2020. Source: Money Management, <https://investmentcentre.moneymanagement.com.au/factsheets/mi/gq5j/lincoln-australian-growth-wholesale>

Important information.

The Investment Manager for the Lincoln Australian Growth Fund, Lincoln Australian Income Fund, Lincoln U.S. Growth Fund Hedged and Lincoln U.S. Growth Fund Unhedged (the Funds) is Lincoln Indicators Pty Limited (Lincoln Indicators) ABN 23 006 715 573 as Corporate Authorised Representative of Lincoln Financial Group Pty Ltd ABN 70 609 751 966, AFSL 483167 (Lincoln Financial). Equity Trustees Limited (Equity Trustees) ABN 46 004 031 298, AFSL 240975 is the Responsible Entity for the Funds. Equity Trustees is a subsidiary of EQT Holdings Limited ABN 22 607 797 615, a publicly listed company on the Australian Securities Exchange (ASX: EQT). This communication has been prepared by Lincoln Indicators, as Corporate Authorised Representative of Lincoln Financial, to provide you with general information only. In preparing this communication we did not take into account the investment objectives, financial situation or particular needs of any particular person. It is not intended to take the place of professional advice and you should not take action on specific issues in reliance on this information. Neither Lincoln Indicators, Lincoln Financial, Equity Trustees nor any of their related parties, their employees or directors, provide any warranty of accuracy or reliability in relation to such information or accepts any liability to any person who relies on it. Past performance should not be taken as an indicator of future performance. You should obtain a copy of the Product Disclosure Statements before making a decision about whether to invest in these products.

All figures, information and illustrations are as at 31 August 2020 unless stated otherwise. Portfolio holdings are subject to change without notice.

This communication may contain forward-looking statements regarding our intent, belief or current expectations with respect to market conditions. Readers are cautioned not to place undue reliance on these forward-looking statements. As a result, you should consider its appropriateness in regard to your particular objectives, financial situation and needs. You should also consider obtaining your own independent advice before making any financial decisions.

© 2020 Morningstar, Inc. All rights reserved. Neither Morningstar, its affiliates, nor the content providers guarantee the data or content contained herein to be accurate, complete or timely nor will they have any liability for its use or distribution. Any general advice or 'class service' have been prepared by Morningstar Australasia Pty Ltd (ABN: 95 090 665 544, AFSL: 240892) (Morningstar) and/or Morningstar Research Ltd, subsidiaries of Morningstar, Inc, without reference to your objectives, financial situation or needs. Refer to our Financial Services Guide (FSG) for more information at www.morningstar.com.au/s/fsg.pdf. You should consider the advice in light of these matters and if applicable, the relevant Product Disclosure Statement before making any decision to invest. Our publications, ratings and products should be viewed as an additional investment resource, not as your sole source of information. Past performance does not necessarily indicate a financial product's future performance. To obtain advice tailored to your situation, contact a professional financial adviser. The Morningstar Rating is an assessment of a fund's past performance – based on both return and risk – which shows how similar investments compare with their competitors. A high rating alone is insufficient basis for an investment decision.

** ©2020 FE. All Rights Reserved. The information, data, analyses, and opinions contained herein (1) include the proprietary information of FE, (2) may not be copied or redistributed, (3) do not constitute investment advice offered by FE, (4) are provided solely for informational purposes and therefore are not an offer to buy or sell a security, and (5) are not warranted to be correct, complete, or accurate. FE shall not be responsible for any trading decisions, damages, or other losses resulting from, or related to, this information, data, analyses, or opinions or their use. FE does not guarantee that a fund will perform in line with its FE Crown Fund Rating as it is a reflection of past performance only. Likewise, the FE Crown Fund Rating should not be seen as any sort of guarantee or assessment of the creditworthiness of a fund or of its underlying securities and should not be used as the sole basis for making any investment decision.