

December 2021

Quarter in review



Tim Lincoln
Co-Founder and Chief Investment Officer

The December quarter delivered a mixed bag of signals for investors. Just as the Australian economy emerged from the delta-covid lockdowns, the new Omicron strain entered our shores, and case numbers exploded. However, Australia's exceptionally high vaccination rates kept hospital admissions within control, and investors remained confident that the community would avoid any further lockdowns during the latest wave of infection.

Despite the endless bouts of covid disruptions, investors had plenty to cheer about. Essentially, the economy finished the year in a good position. While inflation increased, it remained low in 'underlying terms', and unemployment recovered from the pandemic's peak in 2020 to reach 10-year lows. On top of this, corporate financial results and operating updates have mainly been positive as investors can expect earnings and dividends to grow in the year ahead.

Overall, it was a positive quarter for our Lincoln Australian Growth Fund and Lincoln Australian Income Fund. Despite the ongoing challenges, both funds beat their respective benchmarks. And our U.S. Growth Fund delivered solid results despite the markets' reaction to The Feds announcement of forthcoming changes to monetary policy.

The market appears poised for significant volatility in the opening quarter of 2022. We will always embrace this as an opportunity and remain focused on fundamentals, not distracted by short-term themes.

The Fund team will continue to position our portfolio in financially healthy, high-quality stocks experiencing underlying solid growth.

Lincoln Wholesale Australian Growth Fund

The Lincoln Australian Growth Fund posted a solid return of 3.38%*, outperforming both the All-Ordinaries Accumulation Index (2.48%) and the Small Ordinaries Index (2.03%).

Investors benefited from The Fund's focus on momentum and profitability stocks, which broadly performed strongly over the period. Following upgrades to earnings expectations, Nick Scali (+38.2%) was a solid contributor to The Fund, while other consumer stocks, including Jumbo Interactive (+20.33%),

Collins Food (+10.36%), and ARB Corp (+8.19%), also outperformed the market. The Fund also benefited from its exposure to recently introduced resources firms – Lynas Rare Earths (+51.56%) and South32 (+13.60%).

Lincoln Wholesale Australian Income Fund

The Lincoln Wholesale Australian Income Fund posted an excellent return of 5.28%*, outperforming its benchmark S&P/ASX 200 Accumulation Index for the period, which returned 2.09%.

The Fund's resources holdings, including Fortescue Metals Group and BHP Group Ltd, delivered 31.94% and 10.34%, respectively. Defensive yielders in the Property and Infrastructure sector also performed strongly, including Rural Funds (+20.2%), Arena REIT (+17.7%), APA Group (+18.2%), Charter Hall Social (+16.6%), and Waypoint (+14.1%).

Lincoln U.S. Growth Funds

The Lincoln U.S. Growth Fund Hedged produced a return of 8.57%*, underperforming its benchmark S&P500 Total Return Index, which was 11.03%. Although the foreign exchange rate oscillated throughout the quarter, the overall return outcomes were similar for the Lincoln U.S. Growth Fund Unhedged, which returned 8.60%* for the period.

There were solid contributions from the likes of Arista Networks (+67.3%), Kinsale Capital (+47.2%), Qualcomm (+42.3%), and Costco (+26.5%), who all had outstanding financial results.

Tim Lincoln
Co-Founder and Chief Investment Officer

Performance to 31 December 2021

Lincoln Australian Growth Fund							
Suitable for	Investors seeking growth						
Investment objective	To outperform the All Ordinaries Accumulation Index over the medium to long term, after fees and expenses						
Distribution frequency	Half-yearly						
	Wholesale				Retail		
	Fund return ¹	ASX All Ordinaries Accumulation Index	S&P/ASX Small Ordinaries		Fund return ¹	ASX All Ordinaries Accumulation Index	S&P/ASX Small Ordinaries
3-months	3.38%	2.48%	2.03%	3-months	3.22%	2.48%	2.03%
1-year	12.86%	17.74%	16.90%	1-year	12.13%	17.74%	16.90%
3-years p.a.	13.26%	14.82%	15.71%	3-years p.a.	12.65%	14.82%	15.71%
5-years p.a.	12.53%	10.43%	11.17%	5-years p.a.	11.83%	10.43%	11.17%
10-years p.a.	11.68%	11.01%	7.98%	10-years p.a.	10.89%	11.01%	7.98%
Financial year to date	3.62%	4.58%	5.54%	Financial Year to Date	3.28%	4.58%	5.54%
Since inception p.a. (11/01/2005)	8.12%	8.26%	5.80%	Since inception p.a. (01/06/2007)	4.71%	5.66%	2.26%

¹ Growth Fund returns are calculated using exit prices and include 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.

Performance to 31 December 2021 (continued)

Lincoln Australian Growth Fund

Performance highlights

Performance contributors this month:

- **Lynas Rare Earths Ltd (LYC)** – LYC had three consecutive solid months and an exceptionally strong December due to a surge in investor appeal for rare earth commodities used in smartphones, cameras display screens, and batteries. The company's share price rallied 51.56%, nearly double that of the following strongest stock in the portfolio.
- **Nick Scali Ltd (NCK)** – The stock price finished the period up 38.2% after announcing in October the acquisition of Plush-Think Sofas for \$103m (funded by cash and debt). The deal finalises in 2Q22 and will be earnings accretive, so there will likely be positive revisions to consensus earnings estimates for FY22. The company reported well with its FY21 performance ahead of expectations, indicative of a recovering consumer sector benefiting from the economy reopening and renewed confidence in household spending.
- **Jumbo Interactive (JIN)** – JIN was another example of the strong consumer theme finishing the period up 20.3%. The company's strength is supported by robust cash generation and no debt on the balance sheet. Revenue expanded by 17% despite fewer high-value jackpots. Completion of the Stride acquisition, along with the potential to win the entire Lotterywest digital offering, we feel the consensus FY22 EPS growth rate of ~15% is achievable.

Data referred to in this performance commentary relates to the Lincoln Wholesale and Retail unit classes.

Lincoln Australian Income Fund								
Suitable for	Investors seeking a reliable income and reduced exposure to equity market risk							
Investment objective	Higher yield than the S&P/ASX 200 Accumulation Index inclusive of franking credits and some capital growth over the long-term							
Distribution frequency	Quarterly							
	Income		Total Return (Exc. Franking Credits)			Total Return (Inc. Franking Credits)		
	Fund income ¹	Benchmark income ²	Total Wholesale Fund Return ³	Total Retail Fund Return ³	Total Benchmark Return ⁴	Total Wholesale Fund Return ⁵	Total Retail Fund Return ⁵	Total Benchmark Return ²
3-months	2.01%	0.72%	5.28%	5.06%	2.09%	5.81%	5.58%	2.26%
6-months	4.48%	2.76%	7.42%	6.97%	3.84%	8.59%	8.14%	4.56%
1-year	8.43%	5.69%	12.18%	11.27%	17.23%	14.26%	13.34%	18.71%
3-years p.a.	7.66%	5.30%	11.07%	10.19%	13.62%	12.75%	11.85%	14.95%
5-years p.a.	8.32%	5.55%	7.79%	6.94%	9.76%	9.83%	8.96%	11.16%
Financial year to date	4.48%	2.76%	7.42%	6.97%	3.84%	8.59%	8.14%	4.56%
Since inception p.a. (02/04/2012)	9.75%	5.96%	8.68%	7.83%	10.20%	11.12%	10.26%	11.68%

Past performance is not an indicator of future performance.

1 Gross income accrued, inclusive of franking credits
 2 S&P/ASX 200 Accumulation Index inclusive of franking credits.
 Source: Macquarie Equities
 3 Net of all fees, excluding franking credits

4 S&P/ASX 200 Accumulation Index excluding franking credits.
 5 Net of all fees, inclusive franking credits

Lincoln Australian Income Fund

Performance highlights

Performance contributors this month included:

- **Nick Scali Ltd (NCK)** – The stock price finished the period up 38.2% after announcing in October the acquisition of Plush-Think Sofas for \$103m (funded by cash and debt). The deal finalises in 2Q22 and will be earnings accretive, so there will likely be positive revisions to consensus earnings estimates for FY22. The company reported well with its FY21 performance ahead of expectations, indicative of a recovering consumer sector benefiting from the economy reopening and renewed confidence in household spending.
- **Fortescue Metals Group Ltd (FMG)** – FMG (+31.94%) reported 1Q22 iron ore shipment volumes that were 3% higher compared to the prior quarter and in line with market expectations. The average realised price for iron ore over the quarter was \$118/dry metric tonne, which enabled the company to generate strong cash flow to fund dividends and support its Strong Financial Health rating (GR1).
- **Jumbo Interactive (JIN)** – JIN was another example of the strong consumer theme finishing the period up 20.3%. The company's strength is supported by robust cash generation and not debt on the balance sheet. Revenue expanded by 17% despite fewer high-value jackpots. Completion of the Stride acquisition, along with the potential to win the entire Lotterywest digital offering, we feel the consensus FY22 EPS growth rate of ~15% is achievable.

Data referred to in this performance commentary relates to the Lincoln Wholesale and Retail unit classes.

Performance to 31 December 2021 (continued)

Lincoln U.S. Growth Fund				
Suitable for	Investors seeking diversity			
Investment objective	Hedged: Over the medium to long term, the Fund aims to outperform the return of the S&P 500 Total Return Index (USD) Unhedged: Over the medium to long term, the Fund aims to outperform the Australian Dollar return of the S&P 500 Total Return Index			
Distribution frequency	Annually			
	Hedged (covering currency risk)		Unhedged (exposed to currency risk)	
	Fund return*	S&P500 Total Return Index (in USD)	Fund return*	S&P500 Total Return Index (converted to AUD)
3-months	8.57%	11.03%	8.60%	10.31%
6-months	9.91%	11.67%	14.22%	15.31%
1-year	16.52%	28.71%	24.75%	36.60%
Financial Year to Date	9.91%	11.67%	14.22%	15.31%
Since inception p.a. (01/07/2020)	24.23%	34.75%	22.53%	30.33%

* 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.

Lincoln U.S. Growth Funds

Performance highlights

Performance contributors this month included:

- **Arista Networks Inc (ANET)** – The provider of cloud networking solutions for data-centres and computer environments finished the period up 67.33%. In October, the company, a leader in data-driven networking, announced the expansion of its cognitive campus edge portfolio with a new Wi-Fi 6E access point. This will give customers a greater capacity, higher bandwidth and lower Wi-Fi 6E latency.
- **Kinsale Capital (KNSL)** – The specialty insurance company finished the period up 47.2% after reporting well at the end of October. Third-quarter EPS and sales were above estimates, with earnings 60% ahead of expectations. The company has beaten consensus EP four times over the last four quarters. Trading volumes were also topical in the name as the stock switched its stock listing from NAS to NYSE.
- **Qualcomm Inc (QCOM)** – In November, Apple lost a bid to challenge the settlement of a patent dispute with Qualcomm. Apple had endeavoured to have certain patents cancelled, which the Patent Trial and Appeal Board ruled in favour of Qualcomm, efforts to appeal were denied by a U.S. appeals court. The company had already reported positively at the start of November, and the stock continued to close the quarter up 42.33%.

Data referred to in this performance commentary relates to the Lincoln U.S. Growth Funds (Hedged and Unhedged) 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 December 2021

Code	Company	Portfolio Holding
NWL	Netwealth Group Ltd	3.95%
LYC	Lynas Rare Earths Ltd	3.84%
JIN	Jumbo Interactive Ltd	3.78%
PME	Pro Medicus Ltd	3.77%
S32	South32 Ltd	3.76%
ALU	Altuium Ltd	3.73%
NCK	Nick Scali Ltd	3.70%
ASX	ASX Ltd	3.69%
AUB	AUB Group Ltd	3.68%
PRU	Perseus Mining Ltd	3.67%
Total		37.57%

Lincoln Australian Income Fund - Top 10 holdings

as at 31 December 2021

Code	Company	Portfolio Holding
FMG	Fortescue Metals Group Ltd	3.21%
MQG	Macquarie Group Ltd	3.10%
JIN	Jumbo Interactive Ltd	2.80%
NAB	National Australia Bank Ltd	2.70%
ANZ	Australia & New Zealand Banking Group Ltd	2.65%
NCK	Nick Scali Ltd	2.65%
RFF	Rural Funds Group	2.61%
ASX	ASX Ltd	2.60%
BHP	BHP Group Ltd	2.59%
ARF	Arena REIT	2.58%
Total		27.49%

Lincoln U.S. Growth Funds - Top 10 holdings

as at 31 December 2021

Code	Company	Portfolio Holding
ANET	Arista Networks Inc	5.10%
ADBE	Adobe Inc	4.10%
SPGI	S&P Global Inc	3.76%
ETSY	Etsy Inc	3.47%
GOOG	Alphabet Inc	3.42%
KNSL	Kinsale Capital Group Inc	2.77%
MA	Mastercard Inc	2.76%
V	Visa Inc	2.69%
ADSK	Autodesk Inc	2.65%
DAVA	Endava Plc	2.60%
Total		33.32%

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	ETLO043AU	ETLO089AU	ETLO324AU	ETLO323AU	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	\$5,000	\$250,000	\$5,000	AU\$5,000	AU\$5,000
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	\$2.0086 / \$1.9946	\$1.4253 / \$1.4154	\$1.1503 / \$1.1423	\$1.0805 / \$1.0730	AU\$1.3006 / AU\$1.2941	AU\$1.3283 / AU\$1.3216
Fund size¹	\$358.4m		\$477.44m		AU\$53.84m	
Responsible entity	Equity Trustees Ltd		Equity Trustees Ltd		Equity Trustees Ltd	

¹ As at 31 December 2021.

About Lincoln Indicators

Lincoln Indicators has been helping Australians invest successfully with control, confidence and peace of mind for over 30 years. We believe investing in a concentration of financially healthy and high quality stocks will deliver the best performance outcome to investors over the long-term.

Lincoln Managed Funds provides investors with flexibility via our professionally managed funds: the Lincoln Australian Growth Fund, Lincoln Australian Income Fund, 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 quantitative investment methodology. Our experienced and dedicated Managed Funds team, led by Tim Lincoln, use our very own and Australia's premier DIY investment platform, Stock Doctor, as the core research tool for each managed fund. The team apply additional quantitative analysis and portfolio construction techniques to identify stocks that meet our stringent investment criteria.

Lincoln's unique investment methodology has consistently identified high quality outstanding performing companies on both the ASX and U.S. exchanges and is substantiated by Lincoln Managed Funds' stellar performance track-record.

Like more information?

Talk to us today to:

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

Call 1300 676 333

Visit lincolnindicators.com.au

Email enquiries@lincolnindicators.com.au

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 Ltd (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. The Fund's Target Market Determination is available [here](#). A Target Market Determination is a document which is required to be made available from 5 October 2021. It describes who this financial product is likely to be appropriate for (i.e. the target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where the Target Market Determination for this financial product may need to be reviewed.

All figures, information and illustrations are as at 31 December 2021 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.