

June 2021 Month in review



Tim Lincoln
Co-Founder and Chief
Investment Officer

The end of the 2021 financial year marked one of the best performing years in decades for equities markets, with the All Ordinaries Index returning 30.24% to cap off its strongest FY performance since 1987, while in the U.S., the S&P 500 Index ended the financial year a massive 40.09% higher.

During the year the global economy suffered through economic shutdowns, closed borders and high unemployment, yet things couldn't get much better for owners of risk assets like equities. It appeared that the further up the risk spectrum you travelled, the better the outcomes.

While our approach lagged this euphoric market over the last 12 months, instead of shifting course and chasing poor-quality, we will continue to stick to our long-term approach by investing in a portfolio of financially healthy, high-quality businesses. While we anticipate ongoing support for equity markets into the new financial year, we don't expect it to be speculative optimism that drives everything higher. Instead, conditions should revert to a more normal environment where companies that deliver good financial results are rewarded and those with poor results underperform.

Lincoln Wholesale Australian Growth Fund

Amid indications that the market's appetite for quality is slowly returning, the Lincoln Australian Growth Fund ended the financial year on a strong note. The Fund generated a total return of 4.00% for the month of June, outperforming its benchmark All Ordinaries Total Return Index's return of 2.56% for the same period. The Fund's outperformance can be attributed mainly to its overweight position in growth and quality.

Lincoln Wholesale Australian Income Fund

The Lincoln Australian Income Fund recorded another positive month with a total return of 2.70% in June to outperform the benchmark S&P/ASX 200 Accumulation Index's 2.26% rise.

The Fund's outperformance can be largely credited to the strength of its holdings in the Health Care, Financials, and Consumer Discretionary sectors. The yield outcomes for the June 2021 quarter marked a 25% improvement on this time a year ago and looking ahead to the September quarter, the Fund team expect the strongest distribution period since the pandemic began.

Lincoln U.S. Growth Funds

The Lincoln U.S. Growth Fund Hedged finished the month 3.78% higher, outperforming its benchmark by 1.45% as money come back into growth sectors that had badly underperformed throughout 2021. Both Funds profited from being overweight IT and from strong outperformance in Health Care and Consumer Discretionary, beating their sector benchmarks thanks to our stock selection methodology. Further benefiting the Lincoln U.S. Growth Fund Unhedged, which finished the month up 6.72%, was the decline in the Australian dollar against the greenback.

Kind regards,

Tim Lincoln
Co-Founder and Chief Investment Officer

P.S. Lincoln's Managed Fund Reviews will be distributed on a quarterly basis from now on.

Performance to 30 June 2021

Lincoln Australian Growth Fund							
Suitable for	Investors seeking growth						
Distribution frequency	Half-yearly						
	Wholesale				Retail		
	Fund return ¹	ASX All Ordinaries Accumulation Index	S&P/ASX Small Ordinaries (XSOAI)		Fund return ¹	ASX All Ordinaries Accumulation Index	S&P/ASX Small Ordinaries (XSOAI)
1-month	4.00%	2.56%	3.08%	1-month	3.95%	2.56%	3.08%
3-months	11.61%	8.66%	8.50%	3-months	11.44%	8.66%	8.50%
1-year	15.90%	30.24%	33.23%	1-year	15.17%	30.24%	33.23%
3-years p.a.	10.26%	10.30%	8.60%	3-years p.a.	9.68%	10.30%	8.60%
5-years p.a.	12.03%	11.54%	11.24%	5-years p.a.	11.32%	11.54%	11.24%
Financial year to date	15.90%	30.24%	33.23%	Financial Year to Date	15.17%	30.24%	33.23%
Since inception p.a. (11/01/2005)	8.14%	8.23%	5.64%	Since inception p.a. (01/06/2007)	4.64%	5.53%	1.95%

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 30 June 2021 (continued)

Lincoln Australian Growth Fund

Performance highlights

Performance contributors this month:

- **Pro Medicus Ltd (PME)** - Finished the month of June up 27.4%, continuing its strong run. The leading health imaging company started the month announcing a multi-year research collaboration agreement with Mayo Clinic. This will facilitate AI research and development with the view to product commercialisation. There was also talk from brokers of strength in the stock price coming from the unwinding of short positions into year-end.
- **Jumbo Entertainment (JIN)** - Was the second strongest company in the portfolio in June, closing the month up 23.4%. Towards the end of the month, JIN reported a lift and recovery in the number of high-value jackpots, resulting in better than expected lottery ticket sales.
- **Resmed Inc (RMD)** - Surged 6% higher on 14 June after Philips issued a recall notification related to sound abatement foam in the US. Philips, whose DreamStation sleep apnea product rivals Resmed's Airsense, was down 4% on the news but the longer-term problem is not expected to be fully addressed until next year. Meanwhile, several brokers kept buy ratings on RMD and the stock finished the month up 20.8%.

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

Lincoln Australian Income Fund									
Suitable for	Investors seeking a reliable income and reduced exposure to equity market risk								
Distribution frequency	Quarterly								
	Wholesale					Retail			
	Fund Distribution Yield ¹	Benchmark income ²	Total Fund return ³	Total Benchmark return ²		Fund Distribution Yield ¹	Benchmark income ²	Total Fund return ³	Total Benchmark return ²
1-month	0.96%	0.15%	2.76%	2.26%	1-month	0.96%	0.15%	2.72%	2.26%
3-months	1.15%	0.77%	8.20%	8.46%	3-months	1.15%	0.77%	8.00%	8.46%
1-year	7.07%	5.08%	18.09%	29.08%	1-year	7.07%	5.08%	17.17%	29.08%
3-years p.a.	8.15%	5.20%	8.25%	10.88%	3-years p.a.	8.15%	5.20%	7.40%	10.88%
5-years p.a.	8.53%	5.65%	10.19%	12.57%	5-years p.a.	8.53%	5.65%	9.33%	12.57%
Financial year to date	7.07%	5.08%	18.09%	29.08%	Financial Year to Date	7.07%	5.08%	17.17%	29.08%
Since inception p.a. (02/04/2012)	9.76%	5.98%	10.77%	11.82%	Since inception p.a. (02/04/2012)	9.76%	5.98%	9.91%	11.82%

Past performance is not an indicator of future performance.

¹ Gross income distributed, inclusive of franking credits.
² S&P/ASX 200 Accumulation Index inclusive of franking credits. Source: Macquarie Equities.

³ 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 Entertainment (JIN)** - Was the strongest company in the Lincoln Australian Income Fund in June, closing 23.4% higher. Towards the end of the month, it reported that a lift and recovery in the number of high-value jackpots resulted in better than expected lottery ticket sales.
- **Resmed Inc (RMD)** - Was up 6% on June 14 after Philips issued a recall notification related to sound abatement foam in the US. Philips - whose DreamStation sleep apnea product rivals Resmed's Airsense was down 4% on the news, but the longer-term problem is not expected to be fully addressed until next year. Meanwhile, several brokers kept buy ratings on RMD and the stock finished the month up 20.8%.
- **Pinnacle Investment Management (PNI)** - Added 15.9% over the month of June. The stock started the month strong off the back of a positive update in late May and rallied hard into year-end. Given that PNI has a growth/tech slant, the tech-led rally of late is perceived to be a positive driver of the group.

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

Performance to 30 June 2021 (continued)

Lincoln U.S. Growth Fund				
Suitable for	Investors seeking diversity			
Distribution frequency	Annually			
	Hedged (covering currency risk)		Unhedged (exposed to currency risk)	
	Fund return*	S&P500 Total Return Index	Fund return*	S&P500 Total Return Index converted to AUD
1-month	3.78%	2.33%	6.72%	5.51%
3-months	7.75%	8.55%	9.32%	10.12%
Financial Year to Date	25.99%	40.09%	18.75%	29.04%
Since inception p.a. (01/07/2020)	25.99%	40.09%	18.75%	29.04%

* 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:

- **Generac Holdings Corp (GNRC)** - The global designer and manufacturer of backup power generation products rallied 31.2% in June on continued company growth. GNRC controls about three quarters of the residential generator market. Still, huge potential upside exists as 95% of homes don't currently have standby generators and are mostly unaware the product exists. This is changing following widespread outages in Texas and California and as workers became dependent on home offices during the pandemic. GNRC has plans to open a new plant in South Carolina and will hire 300 more workers than initially planned to keep up with demand for its standby residential generators.
- **DTE Energy (DTE)** - Spun off its non-utility natural gas pipeline into a separate company DT Midstream (DTM) at a ratio of 0.5 shares to every DTE share. DTM is an ESG leader and is one of the first midstream companies with plans to achieve net zero carbon and greenhouse gas emissions by 2050 (with an interim reduction target of 30% by 2030). DTE also views ESG as a great business opportunity and is pushing to improve its energy efficiency and cut carbon emissions by 80% by 2040. This move would save nearly US\$400m on customers' cumulative lifetime energy bills.
- **Etsy Inc (ETSY)** - The eCommerce service provider was the second best performing stock for the Fund in June +25%, having acquired the Brazilian online marketplace Elo7 for US\$217m. The stock rallied for 11 straight days to put on over 21% in the longest winning streak since the company went public in 2015.

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 30 June 2021

Code	Company	Portfolio Holding
ARB	ARB Corp Ltd	3.16%
AX1	Accent Group Ltd	3.02%
PME	Pro Medicus Ltd	2.99%
DMP	Domino's Pizza Enterprises Ltd	2.97%
ALL	Aristocrat Leisure Ltd	2.88%
NCK	Nick Scali Ltd	2.83%
JIN	Jumbo Interactive Ltd	2.82%
IDX	Integral Diagnostics Ltd	2.70%
BBN	Baby Bunting Group Ltd	2.64%
BHP	BHP Group Ltd	2.64%
Total		28.65%

Lincoln Australian Income Fund - Top 10 holdings

as at 30 June 2021

Code	Company	Portfolio Holding
WPR	Waypoint REIT Ltd	3.88%
WBC	Westpac Banking Corporation	3.77%
NAB	National Australia Bank Ltd	3.71%
BWP	BWP Trust	3.69%
MQG	Macquarie Group Ltd	3.57%
PMV	Premier Investments Ltd	3.32%
ARF	Arena REIT	3.19%
CQE	Charter Hall Social Infrastructure REIT	2.88%
ANZ	Australia & New Zealand Banking Group Ltd	2.85%
RFF	Rural Funds Group	2.80%
Total		33.66%

Lincoln U.S. Growth Funds - Top 10 holdings

as at 30 June 2021

Code	Company	Portfolio Holding
AAPL	Apple Inc	5.39%
INTU	Intuit Inc	3.86%
ADSK	Autodesk Inc	3.41%
SPGI	S&P Global Inc	3.39%
ETSY	Etsy Inc	3.16%
GOOG	Alphabet Inc	2.50%
ADBE	Adobe Inc	2.39%
JYNT	The Joint Corp	2.37%
BSY	Bentley Systems Inc	2.28%
VEEV	Veeva Systems Inc	2.22%
Total		30.97%

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	\$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	\$1.9567 / \$1.9430	\$1.3886 / \$1.3790	\$1.1049 / \$1.0972	\$1.0422 / \$1.0349	AU\$1.1833 / AU\$1.1774	AU\$1.1629 / AU\$1.1571
Fund size¹	\$350.03m		\$442.4m		AU\$43.01m	
Responsible entity	Equity Trustees Ltd		Equity Trustees Ltd		Equity Trustees Ltd	

¹ As at 30 June 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 the best 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. All figures, information and illustrations are as at 30 June 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.