

March 2021

Month in review



Tim Lincoln

Co-Founder and Chief Investment Officer

Global markets were largely buoyant throughout March, shrugging off inflation led jitters in bond markets and focusing predominately on the ensuing economic recovery. Whilst the market rotation into value cyclicals remained a strong theme in most developed markets, in Australia, the rotation appeared to lose some momentum as the quality growth stocks we invest in began to move higher.

In the U.S. the economic recovery narrative was significantly bolstered by congressional approval of the Biden administration's \$1.9 trillion Coronavirus relief package. The bill, dubbed the 'American Rescue Plan', includes payments of \$1,400 USD for eligible individuals, extends enhanced unemployment aid to millions still out of work and makes major tax code changes to benefit families.

Lincoln Wholesale Australian Growth Fund

The Lincoln Wholesale Australian Growth Fund ended the month largely in line with the broader market, moving +1.46%. The Fund Team were pleased to observe stronger returns from stocks in the portfolio which have lagged since the shift to value cyclicals, with contributions from JB Hi-Fi (JBH) +19%, Aristocrat Leisure (ALL) +13%, James Hardie (JHX) +9%, Collins Food (CKF) +9%, Fisher & Paykel (FPH) +8%, Xero (XRO) +7% and Macquarie Group (MQG) +7%. However, the LAGF's resources exposure and weaker months from Pro Medicus (PME) -7%, Jumbo (JIN) -6%, Nanosonics (NAN) -5% and Carsales (CAR) -5% kept returns only modest for the month.

Lincoln Wholesale Australian Income Fund

The Lincoln Wholesale Australian Income Fund ended the month +2.13% (inc. Franking Credits). The Fund Team were pleased to observe stronger returns from stocks in the portfolio which have lagged the market in recent months, with contributions from Premier Investment (PMV) +23%, JB Hi-Fi (JBH) +19%, AusNet Services (AST) +11%, Fisher & Paykel (FPH) +8%, APA Group (APA) +8% and Macquarie Group (MQG) +7%. However, the LAIFs exposure to iron ore kept returns only modest for the month, with Fortescue Metals (FMG) -17%, Rio Tinto (RIO) -13% and BHP Group (BHP) -8% all falling from their recent share price highs.

Lincoln U.S. Growth Funds

With an overweight exposure to both IT & small cap growth, the Lincoln U.S. Growth Fund Hedged closed -0.63%. Though in better news for Lincoln investors, the Lincoln U.S. Growth Fund Unhedged, closed the month in positive territory (+1.18%) after the US Dollar rose against the Aussie.

Kind regards,

Tim Lincoln
Co-Founder and Chief Investment Officer

Performance to 31 March 2021

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	1.46%	1.84%	0.79%	1-month	1.40%	1.84%	0.79%
3-months	-2.41%	3.61%	2.09%	3-months	-2.57%	3.61%	2.09%
1-year	26.19%	41.14%	52.15%	1-year	25.38%	41.14%	52.15%
3-years p.a.	10.33%	10.09%	8.33%	3-years p.a.	9.72%	10.09%	8.33%
5-years p.a.	9.92%	10.57%	10.69%	5-years p.a.	9.22%	10.57%	10.69%
Financial year to date	3.84%	19.86%	22.79%	Financial Year to Date	3.35%	19.86%	22.79%
Since inception p.a. ⁽²⁾	7.54%	7.81%	5.20%	Since inception p.a. ⁽³⁾	3.91%	5.00%	1.38%

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 March 2021 (continued)

Lincoln Australian Growth Fund

Performance highlights

Performance contributors this month:

- **JB Hi-Fi Ltd (JBH)** - Was the best performing stock in the portfolio for the month, closing out the period +19.3% and nearing record highs. Following a six-month period of underperformance, the electronics retailer found broad investor support after a strong financial result in February where the company near doubled its dividend payment to investors.
- **Aristocrat Leisure (ALL) & James Hardie Industries (JHX)** - The stronger USD appeared to be the catalyst for the predominately U.S. based Aristocrat Leisure (ALL) +13.4% & James Hardie Industries (JHX) +9.1% to outperform the market for the month. On top of the currency impact, Aristocrat was also buoyed by a positive broker report, whilst James Hardie benefited from soaring U.S. housing activity.
- **Fisher & Paykel Healthcare's (FPH)** - Despite an enormous year of earnings growth and multiple upgrades during the pandemic, it is startling to observe that Fisher & Paykel Healthcare's (FPH) share price is effectively flat since March 2020. However, the stock managed to rally +8.4% in March following another strong trading update in late February.

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	2.20%	0.93%	2.13%	2.69%	1-month	2.20%	0.93%	2.04%	2.69%
3-months	2.27%	1.59%	-2.77%	4.68%	3-months	2.27%	1.59%	-2.97%	4.68%
1-year	7.36%	4.92%	26.27%	38.68%	1-year	7.36%	4.92%	25.27%	38.68%
3-years p.a.	8.23%	5.34%	7.84%	10.98%	3-years p.a.	8.23%	5.34%	6.98%	10.98%
5-years p.a.	8.57%	5.72%	8.67%	11.68%	5-years p.a.	8.57%	5.72%	7.81%	11.68%
Financial year to date	5.43%	3.87%	9.13%	19.01%	Financial Year to Date	5.43%	3.87%	8.48%	19.01%
Since inception p.a. ^(c)	9.84%	6.02%	10.11%	11.15%	Since inception p.a. ^(c)	9.84%	6.02%	9.26%	11.15%

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:

- **Premier Investments (PMV)** - Delivered its first half result to market in late-March which exceeded analyst expectations. Buoyed by JobKeeper subsidies and rental concessions, the company aggressively expanded margins, which led to underlying earnings growing an astonishing 50% on the previous comparable period (pcp). The company closed the month +23.3%.
- **JB Hi-Fi Ltd (JBH)** - Was another retailer to experience a strong month, closing out the period +19.3% and nearing record highs. Following a six-month period of underperformance, the electronics retailer found broad investor support following a strong financial result in February where the company near doubled its dividend payment to investors.
- **Fisher & Paykel Healthcare's (FPH)** - Despite an enormous year of earnings growth and multiple upgrades during the pandemic, it is startling to observe that Fisher & Paykel Healthcare's share price is effectively flat since March 2020. However, the stock managed to rally +8.4% in March following another strong trading update in late February.

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

Performance to 31 March 2021 (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	-0.63%	4.38%	1.18%	6.10%
3-months	-1.62%	6.17%	-0.09%	7.57%
Financial Year to Date	16.93%	29.05%	8.63%	17.17%
Since inception p.a. ^(^)	16.93%	29.05%	8.63%	17.17%

* 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:

- **Altria Group Inc (MO)** - New portfolio entrant Altria Group Inc (MO) were one of the few portfolio stocks that benefited from the value rotation which accelerated in March. The tobacco multinational returned +19.3% for the month, cushioning the negative impact of heavy selling in small-cap growth stocks.
- **Lowe's Companies Inc. (LOW)** - Buoyed by a surging housing market, home improvement retailer Lowe's Companies Inc. (LOW) saw strong investor support. Another strong quarterly in February led to continued positive earnings revisions and analyst upgrades. The stock returned +19.05% for the month.
- The vicious selloff in small-cap growth stocks kept portfolio returns relatively flat for the month. Stocks impacted by the selling included **The Trade Desk Inc (TTD)** -19.1%, **Medifast Inc (MED)** -16%, **Betterware De Mexico (BWMX)** -10.3%, **CarGurus Inc (CARG)** -8%, **Enphase Energy Inc (ENPH)** -7.9%, and **Veeva Systems (VEEV)** -6.7%. Importantly, the downside moves were not related to any stock specific news and appear more a function of current trading patterns.

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 March 2021

Code	Company	Portfolio Holding
BBN	Baby Bunting Group Ltd	2.95%
ARB	ARB Corp Ltd	2.85%
SKI	Spark Infrastructure Group	2.79%
IDX	Integral Diagnostics Ltd	2.78%
AX1	Accent Group Ltd	2.76%
NCK	Nick Scali Ltd	2.72%
DMP	Domino's Pizza Enterprises Ltd	2.69%
MGQ	Macquarie Group Ltd	2.68%
WOW	Woolworths Group Ltd	2.63%
WES	Wesfarmers Ltd	2.61%
Total		27.10%

Lincoln Australian Income Fund - Top 10 holdings

as at 31 March 2021

Code	Company	Portfolio Holding
CBA	Commonwealth Bank of Australia	3.09%
JBH	JB Hi-Fi Ltd	2.81%
SKI	Spark Infrastructure Group	2.81%
ARF	Arena REIT	2.81%
WES	Wesfarmers Ltd	2.77%
WOW	Woolworths Group Ltd	2.76%
ASX	ASX Ltd	2.65%
BHP	BHP Group Ltd	2.63%
AX1	Accent Group Ltd	2.62%
FMG	Fortescue Metals Group Ltd	2.59%
Total		27.54%

Lincoln U.S. Growth Funds - Top 10 holdings

as at 31 March 2021

Code	Company	Portfolio Holding
AAPL	Apple Inc	5.26%
ETSY	Etsy Inc	3.79%
ADBE	Adobe Inc	3.59%
SPGI	S&P Global Inc	3.49%
CDNS	Cadence Design Systems Inc	3.40%
INTU	Intuit Inc	3.24%
MKTX	MarketAxess Holdings Inc	2.84%
GOOG	Alphabet Inc	2.82%
ROL	Rollins Inc	2.68%
QLYS	Qualys Inc	2.51%
Total		33.62%

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	\$5,000	\$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	\$1.7658/\$1.7535	\$1.2513/\$1.2426	\$1.0321/\$1.0249	\$0.9755/\$0.9687	\$1.1751/\$1.1693	\$1.0917/\$1.0863
Fund size¹	\$311.48m		\$411.78m		\$37.19m	
Responsible entity	Equity Trustees Ltd		Equity Trustees Ltd		Equity Trustees Ltd	

¹ As at 31 March 2021.

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

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 March 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.