

### September 2021

Quarter in review



**Tim Lincoln**  
Co-Founder and Chief Investment Officer

September saw the market's 12-month streak of gains end as volatility, fiscal policy uncertainty, ongoing lock-downs, and investor nervousness took hold. Returns however, remained positive for the quarter for both our Lincoln Australian Growth Fund and Lincoln Australian Income Fund. Overall, we're pleased with the quality of results in the August reporting period, despite the economic challenges caused by extended Delta outbreaks predominantly across NSW and Victoria.

And, despite mixed economic signals and highly volatile bond yields, the results are also positive for our U.S. Growth Fund.

We know the the path of economic recovery remains highly volatile and, as always, it's crucial to avoid complacency and conduct due diligence. We believe our approach of privileging strong financial health, cash flows, and capital efficiency helps protect investors from uncertainty.

#### Lincoln Wholesale Australian Growth Fund

The Lincoln Wholesale Australian Growth Fund posted a modest return of +0.23%\*. Overall, we're pleased with the quality of results in the August reporting period.

We're excited to announce that, following an extensive period of testing and development, the Growth Fund's stock selection approach now incorporates a new quantitative ranking model. It builds on our approach to assess financial health and quality factor thresholds, but now also includes a proprietary ranking model to concentrate the Fund's holdings. Backtested results indicate significantly improved risk-adjusted returns, and, as a result, there are changes to the Growth Portfolio constituents.

Despite the economic challenges, there were some quality results in the August reporting period, including Smartgroup Corp (+28%), a recent addition to the portfolio. While there were some detractors from Fund returns, we remain confident the portfolio is uniquely positioned to accelerate earnings when lockdowns are faded out.

#### Lincoln Wholesale Australian Income Fund

The Lincoln Wholesale Australian Income Fund posted a solid return of +2.64%\*, outperforming the S&P/ASX 200 Accumulation Index, which returned +2.25%.

The Energy and Utilities sectors were the strongest of the market over the quarter, while a major fall in iron-ore prices – caused primarily by a combination of factors related to China – left the bulk of the Materials sector materially weaker over the quarter.

From an income generation perspective, the Fund team were particularly pleased with the quality of earnings results from the portfolio, which led to the delivery of the largest cash distribution to our unitholders since the onset of the pandemic. The strong capital positions of many of our stocks, particularly in the Mining and Financial sector, allowed companies to payout substantial dividends.

Looking ahead, the Fund team remain optimistic that the distribution for the December period should be significantly better than the previous corresponding period.

#### Lincoln U.S. Growth Funds

The Lincoln U.S. Growth Fund (Hedged) finished the period +1.24%\*, outperforming the S&P500 Total Return Index by 0.66%. It was an even better period for investors in the Lincoln U.S. Growth Fund (Unhedged), where a big rally in the US dollar led to a total return of +5.17%\*.

The Fund team is pleased with the results during the reporting period, including better than expected, high-quality results from Monolithic Power Systems (+30%), Gartner Inc (+30%), HCA Healthcare (+22%), CarGurus (+20%), The Joint Corp (+17%), and Novo Nordisk (+15%).

Tim Lincoln  
Co-Founder and Chief Investment Officer

## Performance to 30 September 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 <sup>1</sup>	ASX All Ordinaries Accumulation Index	S&P/ASX Small Ordinaries (XSOAI)		Fund return <sup>1</sup>	ASX All Ordinaries Accumulation Index	S&P/ASX Small Ordinaries (XSOAI)
3-months	0.23%	2.05%	3.44%	3-months	0.06%	2.05%	3.44%
6-months	11.87%	10.88%	12.23%	6-months	11.50%	10.88%	12.23%
1-year	13.60%	31.46%	30.41%	1-year	12.84%	31.46%	30.41%
3-years p.a.	9.05%	10.37%	9.43%	3-years p.a.	8.47%	10.37%	9.43%
5-years p.a.	9.49%	10.84%	10.18%	5-years p.a.	8.80%	10.84%	10.18%
Financial year to date	0.23%	2.05%	3.44%	Financial Year to Date	0.06%	2.05%	3.44%
Since inception p.a. (11/01/2005)	8.03%	8.23%	5.77%	Since inception p.a. (01/06/2007)	4.56%	5.58%	2.15%

<sup>1</sup> 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 September 2021 (continued)

#### Lincoln Australian Growth Fund

##### Performance highlights

Performance contributors this month:

- **Dominos's Pizza Enterprises (DMP)** – The stock closed the period up 33.94% after reporting well in August. Over FY21, revenue increased 15%, driven by rollouts in Japan and Europe (126 and 129 stores, respectively). EPS was up 24% thanks to supply chain efficiencies and operating leverage, and ROE increased from 41% to 48%.
- **Pinnacle Investment Management (PNI)** – The company reported well and was strong throughout the period finishing up 32.6%. Net profit margins surged to 68% from 55%, which drove EPS growth of 103% and bolstered ROE to 31% from 18%. From an income perspective, dividends grew by 86% to 28.7cps on a 79% payout ratio.
- **SmartGroup Corp Ltd (SIQ)** - SIQ finished the quarter up 21.48%, having received a non-binding and conditional bid from a consortium comprised of TPG Global and Potentia Capital. The bid is for 100% of shares outstanding, and at an attractive price of \$10.35, it represents roughly a 30% premium.

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								
	Wholesale					Retail			
	Fund Distribution Yield <sup>1</sup>	Benchmark income <sup>2</sup>	Total Fund return <sup>3</sup>	Total Benchmark return <sup>2</sup>		Fund Distribution Yield <sup>1</sup>	Benchmark income <sup>2</sup>	Total Fund return <sup>3</sup>	Total Benchmark return <sup>2</sup>
3-months	2.34%	1.99%	2.64%	2.25%	3-months	2.34%	1.99%	2.43%	2.25%
6-months	3.70%	2.93%	11.08%	10.90%	6-months	3.70%	2.93%	10.62%	10.90%
1-year	7.73%	6.05%	17.80%	32.12%	1-year	7.73%	6.05%	16.87%	32.12%
3-years p.a.	8.47%	5.27%	8.79%	10.97%	3-years p.a.	8.47%	5.27%	7.93%	10.97%
5-years p.a.	8.31%	5.68%	9.11%	11.85%	5-years p.a.	8.31%	5.68%	8.25%	11.85%
Financial year to date	2.34%	1.99%	2.64%	2.25%	Financial Year to Date	2.34%	1.99%	2.43%	2.25%
Since inception p.a. (02/04/2012)	9.76%	6.04%	10.77%	11.75%	Since inception p.a. (02/04/2012)	9.76%	6.04%	9.92%	11.75%

Past performance is not an indicator of future performance.

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

<sup>3</sup> 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:

- **AusNet Services Ltd (AST)** – During September, AST received two acquisition bids and finished the period up 44%. Global asset manager Brookfield bid \$2.50 (cash) per share, and APA Group (APA) followed shortly afterwards with a bid for \$2.60 (cash and script). With the AST Board granting Brookfield exclusive 7 week access for due diligence, APA has to wait for the end of this period, or a favourable ruling from the Takeovers Panel, before undertaking its own due diligence.
- **Pinnacle Investment Management (PNI)** – The company reported well and was strong throughout the period finishing up 32.6%. Net profit margins surged to 68% from 55%, which drove EPS growth of 103% and bolstered ROE to 31% from 18%. From an income perspective, dividends grew by 86% to 28.7cps on a 79% payout ratio.
- **Carsales.com Ltd (CAR)** - The stock rallied 29.35% over the quarter and is currently trading close to all-time highs. On September 1, it announced the completion of its 49% stake in Interactive Brokers (announced back in May), funded by a \$600m capital raise. It had a dilutionary impact on the most recent result, with ROE falling from 34% to 24%.

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

### Performance to 30 September 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	Fund return*	S&P500 Total Return Index converted to AUD
3-months	1.24%	0.58%	5.17%	4.54%
6-months	9.09%	9.18%	14.97%	15.12%
1-year	21.01%	30.01%	20.73%	29.00%
Financial Year to Date	1.24%	0.58%	5.17%	4.54%
Since inception p.a. (01/07/2020)	21.53%	31.61%	19.49%	26.53%

\* 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:

- **Monolithic Power Systems Inc. (MPWR)** – The designer and manufacturer of power management systems was the second-best performer for the period finishing up 29.95%. August began with a strong result, beating on all metrics and setting a new quarterly revenue record for the second consecutive quarter. Reflecting recent share price strength, several insiders have sold about US\$7mn worth of shares, leaving them with an estimated 6% stake in the company. Growth for the company looks promising, and several analyst price target increases followed the result.
- **Gartner Inc. (IT)** – The company provided research and analysis on the computer hardware, software, communications and related IT industries and finished the quarter up 25.47%. The stock jumped 10% in August with earnings of US\$2.24 per share, beating analyst expectations of US\$1.73 per share. In September, the company released findings that a third of technology providers plan to invest US\$1m or more in Artificial Intelligence within the next two years.
- **Devon Energy Corp. (DVN)** – The oil and gas explorer, developer and producer had a solid finish to September. It benefited from strong oil prices and the resolution to allegations that it underpaid royalties on federal leases in Wyoming and New Mexico. The company has disputed claims and did not admit liability but agreed to settle US\$6.5m with the federal government, which the market responded well to, helping the stock finish the period up 23.86%.

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 September 2021

Code	Company	Portfolio Holding
SIQ	Smartgoup Corporation Ltd	3.73%
JIN	Jumbo Interactive Ltd	3.31%
S32	South32 Ltd	3.29%
LOV	Lovisa Holdings Ltd	3.24%
PMV	Premier Investments Ltd	3.18%
CCX	City Chic Collective Ltd	3.15%
AUB	AUB Group Ltd	3.08%
DMP	Domino's Pizza Enterprises Ltd	3.06%
JBH	JB Hi-Fi Ltd	3.04%
REA	REA Group Ltd	3.04%
Total		32.11%

### Lincoln Australian Income Fund - Top 10 holdings

as at 30 September 2021

Code	Company	Portfolio Holding
AST	AusNet Services	3.35%
CBA	Commonwealth Bank of Australia	3.32%
PNI	Pinnacle Investment Management Group Ltd	3.04%
ARF	Arena REIT	2.86%
CAR	Carsales.com Ltd	2.80%
RMD	ResMed Inc	2.80%
PMV	Premier Investments Ltd	2.69%
SUN	Suncorp Group Ltd	2.65%
SKI	Spark Infrastructure Group	2.61%
WPR	Waypoint REIT Ltd	2.60%
Total		28.71%

### Lincoln U.S. Growth Funds - Top 10 holdings

as at 30 September 2021

Code	Company	Portfolio Holding
INTU	Intuit Inc	4.58%
ETSY	Etsy Inc	4.09%
ADBE	Adobe Inc	3.94%
GOOG	Alphabet Inc	3.35%
ENPH	Enphase Energy Inc	3.22%
AXP	American Express Co	2.66%
CARG	CarGurus Inc	2.66%
ADSK	Autodesk Inc	2.64%
LULU	Lululemon Athletica Inc	2.62%
SSTK	Shutterstock Inc	2.50%
Total		32.25%

### 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
<b>APIR code</b>	ETLO043AU	ETLO089AU	ETLO324AU	ETLO323AU	ETL6283AU	ETL1491AU
<b>Fund inception</b>	11 January 2005	1 June 2007	2 April 2012	2 April 2012	1 July 2020	1 July 2020
<b>Minimum initial investment</b>	\$250,000	\$5,000	\$250,000	\$5,000	AU\$5,000	AU\$5,000
<b>Management costs</b>	0.76% p.a.	1.40% p.a.	0.95% p.a.	1.75% p.a.	1.0% p.a.	1.0% p.a.
<b>Performance Fee</b>	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.
<b>Entry/exit fees</b>	Nil	Nil	Nil	Nil	Nil	Nil
<b>Distribution frequency</b>	Half-yearly	Half-yearly	Quarterly	Quarterly	Annual	Annual
<b>Entry/exit unit price<sup>1</sup></b>	\$1.9612 / \$1.9475	\$1.3895 / \$1.3798	\$1.1082 / \$1.1005	\$1.0432 / \$1.0359	AU\$1.1979 / AU\$1.1920	AU\$1.2230 / AU\$1.2169
<b>Fund size<sup>1</sup></b>	\$353.03m		\$446.78m		AU\$48.47m	
<b>Responsible entity</b>	Equity Trustees Ltd		Equity Trustees Ltd		Equity Trustees Ltd	

<sup>1</sup> As at 30 September 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](http://lincolnindicators.com.au)

**Email** [enquiries@lincolnindicators.com.au](mailto: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 30 September 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.