

Fund Review

Lincoln Managed Investments

Lincoln Indicators
Invest in the numbers

September 2020

Month in review



Tim Lincoln

Co-Founder and Chief Investment Officer

After five consecutive months of positive returns, the Australian equity market retreated over September. What began as a sharp sell-off in U.S. tech stocks became more broad-based with most sectors ending the month in the red.

In the U.S. the recent surge in equities lost steam in September, as the S&P500 Total Return Index retreated 3.8% over the month. With the tech sector having blasted through record highs in August on heavy market speculation, it was not unexpected to see a technical retracement as traders locked in profits. However by month's end, most sectors were well in the red as a surging second wave of COVID-19 around the globe dampened sentiment of an economic recovery.

Lincoln Wholesale Australian Growth Fund

Despite the market being down -8.8% over 12 months, the Lincoln Australian Growth Fund (Fund) has delivered a positive +3.4% return for unitholders over the same timeframe. This represents an outperformance of +12.16% above its benchmark. Pleasingly, the Fund maintained its 5-crown FE fundinfo Money Management rating*, having achieved strong outperformance over all significant periods.

Lincoln Wholesale Australian Income Fund

The ASX 200 Accumulation Index (Gross) fell -3.56%, but the Lincoln Australian Income Fund (Fund) fared much better than the market, retreating only -2.23% and outperforming its benchmark by 1.33%.

Relative to the market, we have navigated the market volatility exceptionally well. The Fund has outperformed the market over 12 months by +5.10%, and has delivered on its core objectives over the long term, despite conditions being less favourable for yield strategies.

Lincoln U.S. Growth Funds

The Lincoln U.S. Growth Fund Hedged fared better than the market in September, falling -2.74% and outperforming its benchmark by 1.06%. As risk-off sentiment gathered pace, the U.S. Dollar strengthened over the month, creating a tailwind effect for the Lincoln U.S. Growth Fund Unhedged, which closed the month flat (+0.02%).

Kind regards,

Tim Lincoln
Co-Founder and Chief Investment Officer

Performance to 30 September 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	-3.15%	-3.43%	-2.82%	1-month	-3.19%	-3.43%	-2.82%
3-months	2.26%	1.10%	5.67%	3-months	2.12%	1.10%	5.67%
1-year	3.79%	-8.76%	-3.33%	1-year	3.40%	-8.76%	-3.33%
3-years p.a.	14.53%	5.46%	6.53%	3-years p.a.	13.88%	5.46%	6.53%
5-years p.a.	11.79%	7.73%	9.97%	5-years p.a.	11.06%	7.73%	9.97%
Financial year to date	2.26%	1.10%	5.67%	Financial Year to Date	2.12%	1.10%	5.67%
Since inception p.a. ⁽²⁾	7.69%	6.90%	4.36%	Since inception p.a. ⁽³⁾	3.97%	3.86%	0.30%

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 30 September 2020 (continued)

Lincoln Australian Growth Fund

Performance highlights

Performance contributors this month:

- **Service Stream Ltd (SSM)** - The stock finished the month nearly 10% stronger, post the recent announcement of further fibre upgrades to the NBN network. As a contractor for the NBN, the announcement will likely expand the Group's near-term earnings potential.
- **Netwealth Group Ltd (NWL)** - (+8.4% for September) Has been rallying since its fourth-quarter FUM update (July 9 2020) and the subsequent FY20 result on August 18. The latter was ahead of expectations, driven by ancillary fees revenue from financial market volatility. The Group is well-positioned to retain its leading fund flow position in the sector, especially given the ongoing disruptive developments with incumbent operators (e.g. MLC/IFL merger, AMP divestment).
- **ARB Corp Ltd (ARB)** - The share price increased 5.1% during September, despite no change in fundamentals or news during the period. A positive trading update in early October confirmed that company sales in 1Q21 were stronger than expectations, and this underscored further momentum in the share price.

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	1.42%	0.48%	-2.23%	-3.56%	1-month	1.42%	0.48%	-2.30%	-3.56%
3-months	1.74%	1.29%	2.90%	-0.10%	3-months	1.74%	1.29%	2.70%	-0.10%
1-year	5.78%	3.73%	-4.21%	-9.31%	1-year	5.78%	3.73%	-4.97%	-9.31%
3-years p.a.	8.49%	5.12%	7.94%	6.13%	3-years p.a.	8.49%	5.12%	7.09%	6.13%
5-years p.a.	8.76%	5.35%	8.31%	8.76%	5-years p.a.	8.76%	5.35%	7.45%	8.76%
Financial year to date	1.74%	1.29%	2.90%	-0.10%	Financial Year to Date	1.74%	1.29%	2.70%	-0.10%
Since inception p.a. ^(c)	9.98%	6.03%	9.97%	9.56%	Since inception p.a. ^(c)	9.98%	6.03%	9.12%	9.56%

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:

- **Service Stream Ltd (SSM)** - The stock finished the month nearly 10% stronger, post the recent announcement of further fibre upgrades to the NBN network. As a contractor for the NBN, the announcement will likely expand the Group's near-term earnings potential.
- **Premier Investments Ltd (PMV)** - (+8.7% for the month) Gained momentum following a strong result and a better than expected dividend. A rise in online sales, global wage subsidies and effective rental negotiations allowed the company to pay a 70cps dividend instead of the expected 52cps.
- **Arena REIT (ARF)** - The company has alluded to a recovery in vacancy ratings, and is well-capitalised following the equity raise in June. We believe the ARF is well-positioned as the economy reopens.
- **Rural Funds Group (RFF)** - Has added another 5.3% despite weakening over the last few days of the month. It offers greater certainty of future dividends relative to other REIT subsectors. Additionally, short interest has subsided since the Bonitas short report in 2019.

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

Performance to 30 September 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	-2.79%	-3.80%	0.02%	-0.74%
Financial year to date	5.41%	8.38%	3.45%	4.57%
Since inception p.a. ^(^)	5.41%	8.38%	3.45%	4.57%

* 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:

- **Corcept Therapeutics Inc (CORT)** - On September 2 the stock surged 58% (up 87% at one point) following the disclosure that the Director of the company had bought 47k shares. Around one week later, the company announced FDA approval and the commencement of phase 2 trials of miricorilant in obese patients with schizophrenia and long-standing antipsychotic-induced weight gain. The stock mostly held this level to finish the month up 37.1%.
- **Eastman Chemical Co (EMN)** - The share price rose 7.7% during September following the announcement at a competitor conference that it expects Q3 volume/mix to be down ~5% YOY (previously expected ~10%). Performance is being driven by improving demand in building/construction, durables and transportation end markets. Eastman sees North American demand nearly restored to pre-COVID levels.
- **Enphase Energy Inc (ENPH)** - Manufactures solar power solutions. The company has positive exposure to former Vice-President Biden's Green New Deal, and the stock rallied hard toward the end of September after the Presidential Debate, adding 6.9% for its investors.

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 30 September 2020

Code	Company	Portfolio Holding
IDX	Integral Diagnostics Ltd	3.19%
FPH	Fisher & Paykel Healthcare Corp Ltd	3.14%
CSL	CSL Ltd	3.10%
XRO	Xero Ltd	2.99%
CAR	Carsales.com Ltd	2.98%
PME	Pro Medicus Ltd	2.97%
JIN	Jumbo Interactive Ltd	2.92%
NWL	Netwealth Group Ltd	2.84%
CKF	Collins Foods Ltd	2.82%
ALU	Altium Ltd	2.79%
Total		29.74%

Lincoln Australian Income Fund - Top 10 holdings

as at 30 September 2020

Code	Company	Portfolio Holding
FPH	Fisher & Paykel Healthcare Corp Ltd	3.53%
CSL	CSL Ltd	3.05%
RMD	ResMed Inc	2.93%
CAR	Carsales.com Ltd	2.79%
PMV	Premier Investments Ltd	2.77%
CHC	Charter Hall Group	2.70%
CQE	Charter Hall Social Infrastructure REIT	2.64%
AX1	Accent Group Ltd	2.53%
ARF	Arena REIT	2.48%
RFF	Rural Funds Group	2.48%
Total		27.90%

Lincoln U.S. Growth Funds - Top 10 holdings

as at 30 September 2020

Code	Company	Portfolio Holding
AAPL	Apple Inc	7.36%
MA	Mastercard Inc	4.98%
CDNS	Cadence Design Systems Inc	4.79%
NVDA	NVIDIA Corp	4.12%
SPGI	S&P Global Inc	2.99%
MKTX	MarketAxess Holdings Inc	2.92%
AMZN	Amazon.com Inc	2.41%
ENPH	Enphase Energy Inc	2.24%
CORT	Corcept Therapeutics Inc	2.24%
ANET	Arista Networks	2.23%
Total		36.28%

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	\$1.7481/\$1.7359	\$1.2392/\$1.2306	\$1.0068/\$0.9998	\$0.9553/\$0.9487	\$1.0593/\$1.0541	\$1.0397/\$1.0345
Fund size¹	\$287.87m		\$380.59m		\$23.84m	
Responsible entity	Equity Trustees Ltd		Equity Trustees Ltd		Equity Trustees Ltd	

¹ As at 30 September 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

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Important information.

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All figures, information and illustrations are as at 30 September 2020 unless stated otherwise. Portfolio holdings are subject to change without notice.

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