

Fund Review

Lincoln Managed Investments

Lincoln Indicators
Invest in the numbers

October 2020

Month in review



Tim Lincoln

Co-Founder and Chief Investment Officer

Despite a weak second half to the month, the Australian market was one of a small number of global indices to finish the month in positive territory, with the S&P/ASX200 finishing 1.92% higher while the S&P500 finished 2.66% lower.

Performance over the course of October was very volatile, as a first-half surge fizzled out into a late month sell-off. Earlier in the month, investors were buoyed by the Morrison Government's federal budget, which was amongst the most stimulatory in modern history. RBA Governor Philip Lowe added to the positive sentiment by making strong indications that the central bank would be easing policy further in November. However, global news lowered the temperature significantly late in the month, as the U.S. and France recorded their highest number of COVID cases since the pandemic began. Furthermore, European leaders imposed a second round of restrictions. As a result, investors took the opportunity to crystallise profits in the lead up to the U.S. Federal Election on November 3.

Lincoln Wholesale Australian Growth Fund

The Lincoln Australian Growth Fund (Fund) rose by 2.12% during October outperforming the All Ordinaries Accumulation Index by 3 basis points. Pro Medicus closed up nearly 20% on the back of a new A10m contract and strong contributions from ResMed and Fisher & Paykel meant that Health Care was the portfolio's best contributor. The Fund continues to outperform its index over all time periods and has maintained its 5-crown rating from Money Management[^].

Lincoln Wholesale Australian Income Fund

The Lincoln Australian Income Fund (Fund) rose by 0.81% during October, underperforming its benchmark by 1.13%. ResMed Inc produced a quarterly result that was well ahead of analyst expectations as the company benefitted from surging ventilator sales and solid cost controls.

Adairs Ltd was also up strongly, providing the market with another robust trading update with total sales up 22%. The lift in revenues was driven by online sales which skyrocketed 134%. The Fund continues to outperform its index over 1 year, 3 years and since inception and is amongst the best performing funds in its category according to Money Management's^{^^} list of high yield Australian equity funds.

Lincoln U.S. Growth Funds

Cushioned by an elevated cash position and some strong individual quarterly results, the Lincoln U.S. Growth Fund Hedged fared better than its benchmark in October, falling -1.95% and outperforming its benchmark by 0.71%. The risk-off sentiment that hit markets late in the month pushed the U.S. Dollar higher and positively impacted returns for the Unhedged investors – whose monthly returns only declined by -0.22%.

Kind regards,

Tim Lincoln
Co-Founder and Chief Investment Officer

Performance to 31 October 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	2.12%	2.08%	0.46%	1-month	2.08%	2.08%	0.46%
3-months	2.87%	2.24%	4.69%	3-months	2.73%	2.24%	4.69%
1-year	4.92%	-6.51%	-2.40%	1-year	4.55%	-6.51%	-2.40%
3-years p.a.	13.13%	4.78%	4.63%	3-years p.a.	12.51%	4.78%	4.63%
5-years p.a.	10.84%	7.21%	8.56%	5-years p.a.	10.13%	7.21%	8.56%
Financial year to date	4.43%	3.21%	6.15%	Financial Year to Date	4.25%	3.21%	6.15%
Since inception p.a. ⁽²⁾	7.79%	7.00%	4.37%	Since inception p.a. ⁽³⁾	4.10%	3.99%	0.33%

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 October 2020 (continued)

Lincoln Australian Growth Fund

Performance highlights

Performance contributors this month:

- **Pro Medicus Ltd (PME)** - Was the best performing stock in the portfolio finishing the month up 19.7%. On October 15 the company announced an A\$10m, 7-year contract with Munich-based LMU Klinikum, which is one of the largest university hospitals in Germany.
- **ResMed Inc (RMD)** - Finished October up 16.9% off the back of its 1Q21 trading update. Revenue and earnings beat consensus expectations thanks to better cost controls and strong ventilator sales to the US and Europe.
- **Adairs Ltd (ADH)** - Gained 16.6% over the month following a positive trading update, which revealed a 22% increase in total revenue and an acceleration in online sales.

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	0.03%	0.02%	0.81%	1.94%	1-month	0.03%	0.02%	0.74%	1.94%
3-months	1.73%	1.33%	1.58%	1.33%	3-months	1.73%	1.33%	1.38%	1.33%
1-year	5.88%	3.81%	-2.44%	-7.23%	1-year	5.88%	3.81%	-3.21%	-7.23%
3-years p.a.	8.39%	5.31%	6.76%	5.42%	3-years p.a.	8.39%	5.31%	5.92%	5.42%
5-years p.a.	8.71%	5.74%	7.83%	8.24%	5-years p.a.	8.71%	5.74%	6.98%	8.24%
Financial year to date	1.78%	1.33%	3.73%	1.83%	Financial Year to Date	1.78%	1.33%	3.46%	1.83%
Since inception p.a. ^(c)	9.89%	5.98%	9.98%	9.71%	Since inception p.a. ^(c)	9.89%	5.98%	9.13%	9.71%

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:

- **ResMed Inc (RMD)** - Finished October up 16.9% off the back of its 1Q21 trading update. Revenue and earnings beat consensus expectations thanks to better cost controls and strong ventilator sales to the U.S. and Europe.
- **Adairs Ltd (ADH)** - Gained 16.6% over the month following a positive trading update, which revealed a 22% increase in total revenue and an acceleration in online sales.
- **Australia & New Zealand Banking Group Ltd** - The stock traded off three-month lows in the lead up to the 2H20 result in late October. The bank reported the most substantial loan growth compared to its peers for the first time in two years, to finish the month up 9.2%. The environment remains challenging, with the bank declaring a 35cps final dividend and taking full-year payments to 60cps (~5% grossed-up yield).

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

Performance to 31 October 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	-1.95%	-2.66%	-0.22%	-0.65%
Financial year to date	-1.72%	0.37%	0.98%	2.50%
Since inception p.a. ^(^)	3.35%	5.50%	3.22%	3.89%

* 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:

- **SVB Financial Group** – The banker for Silicon Valley is trading close to all-time highs after closing the month +20.81% and outperforming its peers. The company reported a quarterly result which smashed the market's expectations, supported by solid investment gains, reserve released and a large increase in new clients.
- **Monolithic Power Systems Inc** - The power circuits business had a strong month (+14.3%) after producing an upbeat quarterly result. The company reported an adjusted EPS which was marginally ahead of consensus, but it also upgraded its full-year guidance which pleased investors.
- **MarketAxess Holdings Inc** – The e-trading platform business produced a quarterly result that beat estimates; reporting a Q3 revenue of \$164.0m (+25% year-on-year) vs estimates of \$161.3m. The stock finished the month up 11.9% for the month which marked a +44% increase on a rolling 12-month basis.

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 October 2020

Code	Company	Portfolio Holding
RMD	ResMed Inc	3.07%
IDX	Integral Diagnostics Ltd	3.07%
FPH	Fisher & Paykel Healthcare Corp Ltd	2.90%
PME	Pro Medicus Ltd	2.87%
RHP	Rhipe Ltd	2.86%
CDA	Codan Ltd	2.82%
NWL	Netwealth Group Ltd	2.79%
ALU	Altium Ltd	2.77%
XRO	Xero Ltd	2.73%
SAR	Saracen Mineral Holdings Ltd	2.71%
Total		28.59%

Lincoln Australian Income Fund - Top 10 holdings

as at 31 October 2020

Code	Company	Portfolio Holding
ANZ	Australia & New Zealand Banking Group Ltd	5.42%
NAB	National Australia Bank Ltd	5.34%
FPH	Fisher & Paykel Healthcare Corp Ltd	3.31%
PMV	Premier Investments Ltd	2.92%
RMD	ResMed Inc	2.89%
CAR	Carsales.com Ltd	2.84%
CQE	Charter Hall Social Infrastructure REIT	2.74%
CHC	Charter Hall Group	2.72%
RFF	Rural Funds Group	2.62%
AST	AusNet Services	2.59%
Total		33.39%

Lincoln U.S. Growth Funds - Top 10 holdings

as at 31 October 2020

Code	Company	Portfolio Holding
AAPL	Apple Inc	6.44%
CDNS	Cadence Design Systems Inc	4.57%
MA	Mastercard Inc	3.95%
NVDA	NVIDIA Corp	3.55%
MKTX	MarketAxess Holdings Inc	3.04%
SPGI	S&P Global Inc	2.49%
ENPH	Enphase Energy Inc	2.48%
MPWR	Monolithic Power Systems Inc	2.28%
AMZN	Amazon.com Inc	2.16%
ANET	Arista Networks	2.10%
Total		33.06%

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	\$1.7850/\$1.7726	\$1.2648/\$1.2560	\$1.0147/\$1.0076	\$0.9622/\$0.9555	\$1.0408/\$1.0335	\$1.0358/\$1.0322
Fund size¹	\$300.42m		\$378.31m		\$25.79m	
Responsible entity	Equity Trustees Ltd		Equity Trustees Ltd		Equity Trustees Ltd	

¹ As at 31 October 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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Email enquiries@lincolnindicators.com.au

[^] <https://investmentcentre.moneymanagement.com.au/factsheets/mi/gq5j/lincoln-australian-growth-wholesale>

^{^^} <https://investmentcentre.moneymanagement.com.au/factsheets/mi/gq5m/lincoln-australian-income-wholesale>

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 October 2020 unless stated otherwise. Portfolio holdings are subject to change without notice.

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