

December 2020

Month in review



Tim Lincoln
Co-Founder and Chief Investment Officer

Equity markets closed this unforgettable year in the same fashion as they started; buoyant and optimistic. What occurred in between however was a story of wild volatility as well as extreme bearishness, followed by an unprecedented monetary and fiscal intervention which propelled the sharpest market rally in modern history.

Lincoln Wholesale Australian Growth Fund

The Lincoln Australian Growth Fund closed the year +10.98% higher, outperforming its benchmark index by +7.34%.

The All-Ordinaries Index continued from its November rally, producing a monthly gain of 1.75%. The broader themes moving the Australian market were related to commodity prices and continued strong momentum in the Australian Dollar. Supply constraints have led to a soaring iron ore price which has propelled Australia's biggest miners (BHP, Rio Tinto, Fortescue Metals) towards record highs. Whereas, stocks with significant offshore operations or sensitivity to the weakening U.S. Dollar tended to underperform over the month.

Lincoln Wholesale Australian Income Fund

The Lincoln Australian Income Fund closed the year 5.42% higher, outperforming its benchmark index by 3.1%.

Over the month, the Fund rose 0.78% which represented a small underperformance of its benchmark by 0.5%. The materials sector played an important role in the market over the month and did a lot of the heavy lifting.

Lincoln U.S. Growth Funds

Fueled by the aforementioned positive sentiment and some exceptionally strong individual stock contributions, the Lincoln U.S. Growth Fund Hedged produced another strong monthly return of 6.02%, outperforming the S&P 500 by 2.18%. Once again though, the surging Australian Dollar acted as a headwind for the Lincoln U.S. Growth Fund Unhedged which ended the month a modest 1.56% higher.

Kind regards,

Tim Lincoln
Co-Founder and Chief Investment Officer

Performance to 31 December 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	0.06%	1.75%	2.76%	1-month	0.01%	1.75%	2.76%
3-months	4.05%	14.43%	13.83%	3-months	3.87%	14.43%	13.83%
1-year	10.98%	3.64%	9.21%	1-year	10.55%	3.64%	9.21%
3-years p.a.	11.05%	7.44%	6.57%	3-years p.a.	10.43%	7.44%	6.57%
5-years p.a.	8.41%	9.26%	10.46%	5-years p.a.	7.70%	9.26%	10.46%
Financial year to date	6.41%	15.69%	20.28%	Financial Year to Date	6.08%	15.69%	20.28%
Since inception p.a. ⁽²⁾	7.83%	7.69%	5.14%	Since inception p.a. ⁽³⁾	4.18%	4.82%	1.25%

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 December 2020 (continued)

Lincoln Australian Growth Fund

Performance highlights

Performance contributors this month:

- **Nanosonics Ltd (NAN)** - (+21%) Was this month's top performer, featuring in the top five for the second month in a row. Good price momentum has continued from November's trading update reporting the company's sale of Trophon units, and strong revenue from consumables.
- **BHP Group Ltd (BHP)** - (+11.5%) Had a good month off the back of continued strength in iron ore (+17.5%). Broker price target upgrades across the board reflect strength in the company and sector.
- **Appen Ltd (APX)** - (-21.7%) Downgraded FY guidance more than expected, saying that California's lockdown had changed the spending behaviour of technology giants, who are its major customers. This equates to a ~19% drop but was ahead of FY19. Australian dollar strength was also mentioned as a contributing factor. In the long term, contributions from previous acquisitions, a more extensive client base, increased automation of its services, and expansion into China will help drive earnings growth.
- **a2 Milk Co Ltd (A2M)** - Dropped 23% on the 18th of the month after reporting a lower FY Earnings Forecast; the COVID related Daigou sales disruption has been more significant and more protracted than anticipated. The stock went on to claw back 10%, closing 17% down for the month.

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	0.91%	0.15%	0.78%	1.22%	1-month	0.91%	0.15%	0.71%	1.22%
3-months	1.11%	0.55%	9.07%	13.81%	3-months	1.11%	0.55%	8.86%	13.81%
1-year	6.02%	3.77%	5.42%	2.32%	1-year	6.02%	3.77%	4.59%	2.32%
3-years p.a.	8.21%	5.24%	8.23%	8.03%	3-years p.a.	8.21%	5.24%	7.38%	8.03%
5-years p.a.	8.62%	5.69%	8.63%	10.15%	5-years p.a.	8.62%	5.69%	7.78%	10.15%
Financial year to date	3.02%	2.01%	12.23%	13.69%	Financial Year to Date	3.02%	2.01%	11.79%	13.69%
Since inception p.a. ^(c)	9.89%	5.99%	10.77%	10.90%	Since inception p.a. ^(c)	9.89%	5.99%	9.91%	10.90%

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:

- **Fortescue Metals Group Ltd (FMG)** - (+28.5%) Was the best performing stock in the portfolio. Iron ore had another strong month (+17.5%) meaning that Rio Tinto and BHP were also strong performers for the Fund (+12.3% and +11.5% respectively). China's coal ban in mid-December pulled the sector back somewhat, but FMG, being a pure play on iron ore, was left unperturbed and rallied into the end of the year.
- **Nick Scali Ltd (NCK)** - Showed strong price action (+10.5%) leading into its January result. Back in October, the company reported a 45% increase in 1Q21 sales, and momentum increased up as the year came to a close.
- **AGL Ltd (AGL)** - Finished down 11.3% after a very challenging month. On the 17th of the month a fire occurred in the generator at Unit 3 of Liddell Power Station (NSW), which saw the transformer damaged and unit shutdown. Unfortunately, the estimated financial impact of this outage is c\$25m (after tax) and is not recoverable via insurance in future years. The company expects the unit to return to service in early March '21.

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

Performance to 31 December 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	6.02%	3.84%	1.56%	-0.84%
3-months	12.75%	12.15%	5.10%	4.17%
Since inception p.a. ^(^)	18.85%	21.55%	8.73%	8.93%

* 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:

- **Enphase Energy Inc (ENPH)** – Has had a stellar run since the Fund's inception and now features in the top performers for the third month in a row. The manufacturer of solar power solutions has benefited from positive exposure to a Biden election result and a new partnership with SunCool Energy in South Florida. The stock finished the month up 25.5% and looks to replace Tiffany & Co in the S&P 500 on Jan 7.
- **Qualys Inc (QLYS)** – The provider of IT security risk management solutions rallied mid-month as information came out regarding the SolarWinds cyber hack. The hack is considered one of the largest in history impacting government agencies and large private corporations. Internet security firms across the board benefited and QLYS finished the month up +28.3%.
- **Kinsale Capital Group Inc (KNSL)** – In December, the specialty insurance company was included in the S&P SmallCap 600 index and removed from the S&P 400 MidCap index. The stock opened down 12% on the morning after the effective date and went on to close the month down 16.7%. The move was somewhat unexpected, but according to one broker, the weakness is "entirely technically driven" and is likely to recover. It most likely relates to a difference in value of the Fund Managers tracking the two indices. The fundamentals of the companies remain unchanged.

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 December 2020

Code	Company	Portfolio Holding
APX	Appen Ltd	3.35%
NAN	Nanosonics Ltd	2.91%
AX1	Accent Group Ltd	2.77%
XRO	Xero Ltd	2.73%
PME	Pro Medicus Ltd	2.73%
NCK	Nick Scali Ltd	2.57%
BHP	BHP Group Ltd	2.55%
ARB	ARB Corp Ltd	2.49%
IDX	Integral Diagnostics Ltd	2.49%
SVW	Seven Group Holdings Ltd	2.48%
Total		27.07%

Lincoln Australian Income Fund - Top 10 holdings

as at 31 December 2020

Code	Company	Portfolio Holding
CHC	Charter Hall Group	4.42%
ANZ	Australia & New Zealand Banking Group Ltd	4.08%
NAB	National Australia Bank Ltd	4.04%
CQE	Charter Hall Social Infrastructure REIT	3.52%
BWP	BWP Trust	3.35%
GOZ	Growthpoint Properties Australia	3.19%
AST	AusNet Services	3.13%
WPR	Waypoint REIT Ltd	3.03%
FMG	Fortescue Metals Group Ltd	2.99%
PMV	Premier Investments Ltd	2.94%
Total		34.69%

Lincoln U.S. Growth Funds - Top 10 holdings

as at 31 December 2020

Code	Company	Portfolio Holding
AAPL	Apple Inc	5.89%
CDNS	Cadence Design Systems Inc	4.84%
INTU	Intuit Inc	4.47%
SPGI	S&P Global Inc	4.04%
VRTX	Vertex Pharmaceuticals Inc	4.04%
NVDA	NVIDIA Corp	3.35%
ETSY	Etsy Inc	3.27%
ROL	Rollins Inc	2.52%
MPWR	Monolithic Power Systems Inc	2.48%
TTWO	TakeTwo Interactive Software Inc	2.40%
Total		37.3%

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	\$1.8095/\$1.7968	\$1.2843/\$1.2754	\$1.0868/\$1.0793	\$1.0292/\$1.0221	\$1.1945/\$1.1885	\$1.0927/\$1.0873
Fund size¹	\$316.86m		\$405.82m		\$33.07m	
Responsible entity	Equity Trustees Ltd		Equity Trustees Ltd		Equity Trustees Ltd	

¹ As at 31 December 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

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 December 2020 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.

© 2020 Morningstar, Inc. All rights reserved. Neither Morningstar, its affiliates, nor the content providers guarantee the data or content contained herein to be accurate, complete or timely nor will they have any liability for its use or distribution. Any general advice or 'class service' have been prepared by Morningstar Australasia Pty Ltd (ABN: 95 090 665 544, AFSL: 240892) (Morningstar) and/or Morningstar Research Ltd, subsidiaries of Morningstar, Inc, without reference to your objectives, financial situation or needs. Refer to our Financial Services Guide (FSG) for more information at www.morningstar.com.au/s/fsg.pdf. You should consider the advice in light of these matters and if applicable, the relevant Product Disclosure Statement before making any decision to invest. Our publications, ratings and products should be viewed as an additional investment resource, not as your sole source of information. Past performance does not necessarily indicate a financial product's future performance. To obtain advice tailored to your situation, contact a professional financial adviser. The Morningstar Rating is an assessment of a fund's past performance – based on both return and risk – which shows how similar investments compare with their competitors. A high rating alone is insufficient basis for an investment decision.

©2020 FE. All Rights Reserved. The information, data, analyses, and opinions contained herein (1) include the proprietary information of FE, (2) may not be copied or redistributed, (3) do not constitute investment advice offered by FE, (4) are provided solely for informational purposes and therefore are not an offer to buy or sell a security, and (5) are not warranted to be correct, complete, or accurate. FE shall not be responsible for any trading decisions, damages, or other losses resulting from, or related to, this information, data, analyses, or opinions or their use. FE does not guarantee that a fund will perform in line with its FE Crown Fund Rating as it is a reflection of past performance only. Likewise, the FE Crown Fund Rating should not be seen as any sort of guarantee or assessment of the creditworthiness of a fund or of its underlying securities and should not be used as the sole basis for making any investment decision.