

**Lincoln Variable Insurance Products Trust
President's Letter**

Dear Fellow Investors,

After a particularly challenging 2018, equity markets accelerated throughout 2019 driving the S&P 500 to record its highest annual return since 2013 and global multi asset portfolios to deliver total returns in excess of 20%, the highest index portfolio returns since 1998. In addition, market volatility, as measured by the CBOE SPX Volatility Index ("VIX"), decreased significantly from 25.42 to 13.78 at the end of the year enabling equity markets to deliver nearly four-times the average return with only 80% of the volatility.



As we reflect on the market drivers throughout the year, apprehensions related to escalating trade tensions and widespread global growth concerns, exhibited in late 2018 subsided in January, contributing to the sharp rebound in equity markets. That strength was further supported throughout the year by a reversal in Federal Reserve monetary policy that resulted in three interest rate cuts and in the fourth quarter by modest progress in trade negotiations between the US and China. Positive domestic equity returns were largely driven by price-earnings multiple expansion that resulted from declining interest rates, particularly since S&P 500 Index earnings growth was less than 2% for the year. Although equity markets encountered episodes of modest declines, usually due to negative trade rhetoric between the US and China, 2019 was a strong year for domestic equity markets.

Interest rate reductions by the Federal Reserve in 2019 were largely unexpected heading into 2019. Those reductions, which reduced the target Fed Funds rate from 2.25% - 2.50% to 1.50% – 1.75%, were implemented due to perceived softening in global economic activity. As a result, the yield curve ended 2019 steeper than 2018 as longer-term interest rates declined less than short term rates, evidenced by the fact that the 10-year Treasury yield declined 77 basis points in 2019 to 1.92%, while the 2-year Treasury yield declined 92 basis points to 1.57%. Investment grade and high yield spreads also tightened as perceptions about the economy improved throughout the year. The combination of lower interest rates and tighter credit spreads led to better-than-average fixed income returns for the year.

For the year, there continued to be dispersion in performance across investment styles and market cap. Like 2018, growth stocks continued to outperform value across most asset classes. One difference relative to 2018 was that there were signs that value stocks could potentially assume market leadership at some point, as that style meaningfully outperformed in September. Additionally, large caps continued to outperform small caps. There was also meaningful divergence between the performance of US equities and non-US equities as US equities materially outperformed.

Throughout 2019 we made a series of modifications to our LVIP fund line-up to in order to provide a more robust and cost-effective universe of equity, fixed income, passive, rules based and traditional actively managed investment options.

December 31, 2019

As we move into 2020, it is an important time to evaluate the risks in your portfolio with your financial advisor to ensure you are properly diversified based on your time horizon, financial goals and risk tolerance.

We hope you find the materials included in this annual report helpful as you evaluate your investments with us. Thank you for your continued trust in Lincoln Financial Group, and we wish you a healthy and prosperous 2020.

Sincerely,

A handwritten signature in black ink, appearing to read "Jayson R. Bronchetti". The signature is fluid and cursive, with a large initial "J" and "B".

Jayson R. Bronchetti, CFA, CAIA

President, Lincoln Variable Insurance Products Trust