



## Lincoln Capital Equity Commentary Issue #58 – October 2022

### October Changes:

Tax Deferred					Taxable				
New Additions	Complete Sales	Partial Sales	Additional Buys	% of Account Traded	New Additions	Complete Sales	Partial Sales	Additional Buys	% of Account Traded
AMD				1%	AMD				1%

### Summary of Month's Action:

Equities performed well in October, with the S&P 500 gaining 8.1%, bringing its year-to-date losses to -17.7%. For the month, value outperformed growth, while momentum and quality stocks outperformed the market. Energy, industrials, and financials outperformed in October, while communication services, consumer discretionary, and utilities lagged.

Lincoln Capital's tax-exempt model slightly lagged the S&P 500 for the month due entirely to sector selection, while stock selection added to performance. We don't own any energy stocks directly (we do indirectly through ETFs), which was a major contributor to our underperformance in October. Stock selection in information technology also hurt results, as our technology shares were up 4.5% versus the S&P 500's technology sector gaining 7.8%. From a single stock perspective, our overweight positions in Amazon and Microsoft were the biggest detractors. The largest positive contributors to our results were JP Morgan, AmerisourceBergen, and Textron.

Amazon declined 9.3% during the month after reporting disappointing guidance for the December quarter. The decline that began in October continued month-to-date, with an additional decline of 10.1%. The e-commerce business has begun to slow, especially in Europe, which is facing a difficult macroeconomic environment. Additionally, the company is expecting AWS – Amazon Web Services, the company's cloud infrastructure division – sales to slow to the mid-20% range, which would be the slowest growth rate since the segment started reporting results in Q1 2016 (lowest previously was 28% in Q4 2020). Offsetting a weak outlook for AWS sales was strong growth in the backlog, which was up 57% from the prior year. Despite a softening business and declining profitability, we believe Amazon represents an attractive investment from here. The company overbuilt its infrastructure on the retail and logistics side, and given the slowing global economy, it will take longer to grow their way out of it. However, we expect e-commerce's share to be higher over the intermediate term, while cloud computing is likely to continue to gain share of total workloads as well. Given the secular growth of these end markets, we believe it's only a matter of time before Amazon grows into its footprint, driving profits and the stock higher.

### Security Specific Comments:

**Advanced Micro Devices, Inc. – (AMD)** - After the quarter ended, we added a small position in AMD. The company was reporting earnings the night of purchase, and we decided to not buy the full position



ahead of that event. For most of AMD's modern existence, the company has been an afterthought in the Central Processing Unit (CPU) industry. AMD's peer, Intel, has dominated the business since its inception. However, execution missteps at Intel created an opening for AMD to grab the technological lead and its market share is now expanding rapidly. AMD's share of CPUs for notebooks has increased to 27% in Q2 2022 from 11% in Q2 2020; in desktops, CPU share has held steady, while in server CPUs, AMD has increased its share to 23% of sales from 6% of sales in Q2 2020. Given the product roadmap of AMD and Intel, it is very likely these share gains will persist for the next few years.

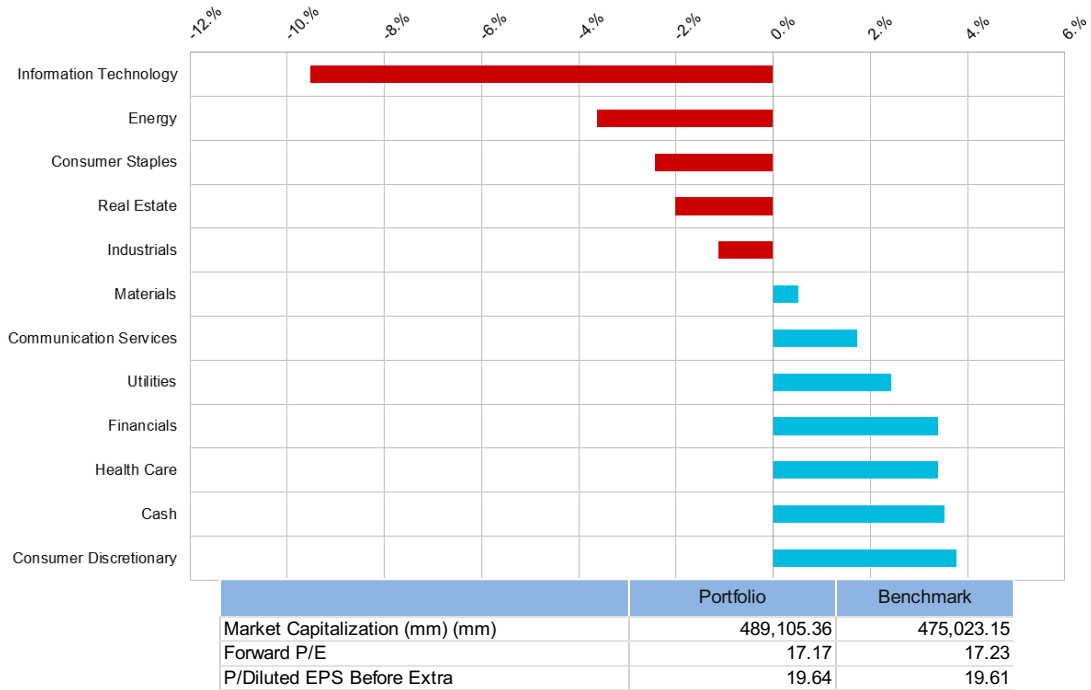
Semiconductors are a cyclical business. Strong demand leads to tight industry conditions, leading to over-ordering, over-inventorying and, when demand begins to shift, a massive reversal ensues. We are currently in the midst of an aggressive inventory correction for PCs. Server sales have held up better, primarily due to growth at major cloud providers. Eventually, this too shall pass and semiconductor sales will return to their longstanding upward trend. We think AMD is well positioned for this eventual rebound and we'll be looking to add to our position over the coming weeks and months.





### Tax-Exempt Models

Sector Weights Relative to the S&P 500:



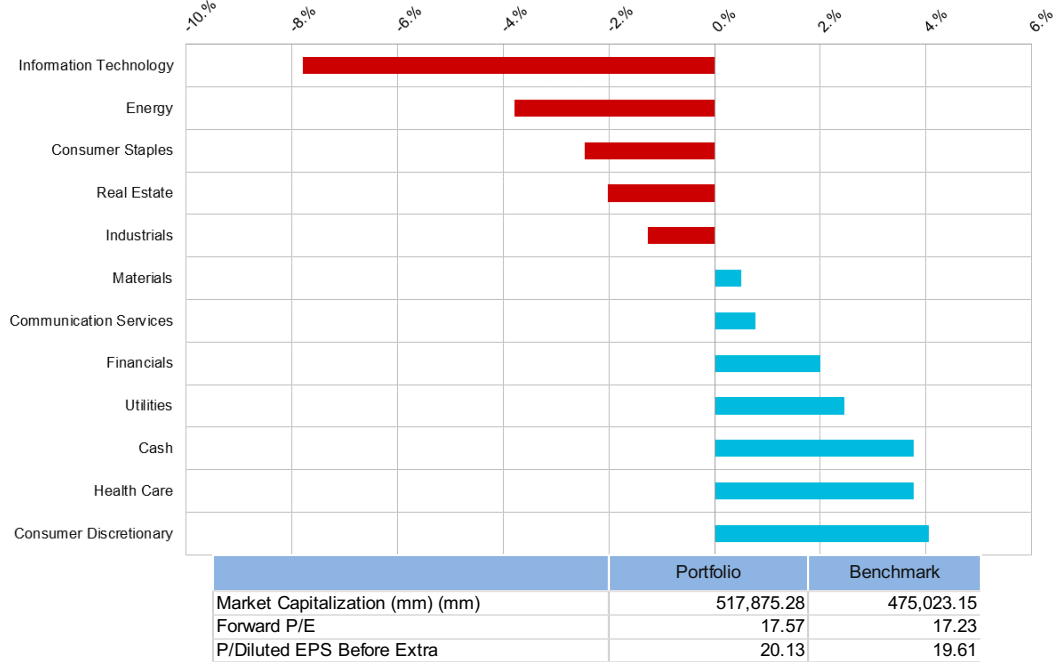
Portfolio Holdings (10/31/2022)

Name	Weight	Forward P/E	Sector
Goldman Sachs ETF Trust - Goldman Sachs ActiveBeta U.S. Large Cap Equity ETF (ARCA:GSLC)	10.61%	-	Financials
UnitedHealth Group Incorporated (NYSE:UNH)	9.04%	23.0	Health Care
Microsoft Corporation (NasdaqGS:MSFT)	8.11%	23.5	Information Technology
iShares Trust - iShares MSCI USA Quality Factor ETF (BATS:QUAL)	6.84%	-	Financials
Dollar General Corporation (NYSE:DG)	5.37%	20.6	Consumer Discretionary
T-Mobile US, Inc. (NasdaqGS:TMUS)	5.00%	20.9	Communication Services
The Charles Schwab Corporation (NYSE:SCHW)	4.84%	17.1	Financials
The Select Sector SPDR Trust - The Utilities Select Sector SPDR Fund (ARCA:XLU)	4.67%	-	Financials
JPMorgan Chase & Co. (NYSE:JPM)	4.45%	9.8	Financials
Amazon.com, Inc. (NasdaqGS:AMZN)	4.15%	71.7	Consumer Discretionary
Apple Inc. (NasdaqGS:AAPL)	3.84%	24.4	Information Technology
AmerisourceBergen Corporation (NYSE:ABC)	3.68%	14.0	Health Care
NMI Holdings, Inc. (NasdaqGM:NMIH)	3.53%	6.4	Financials
iShares Trust - iShares MSCI USA Momentum Factor ETF (BATS:MTUM)	3.46%	-	Financials
Textron Inc. (NYSE:TXT)	3.13%	15.8	Industrials
Alphabet Inc. (NasdaqGS:GOOGL)	3.00%	19.0	Communication Services
Ross Stores, Inc. (NasdaqGS:ROST)	2.96%	21.9	Consumer Discretionary
iShares Trust - iShares 0-3 Month Treasury Bond ETF (ARCA:SGOV)	2.87%	-	Financials
Valvoline Inc. (NYSE:VVV)	2.61%	21.3	Materials
Mondelez International, Inc. (NasdaqGS:MDLZ)	2.49%	21.4	Consumer Staples
Emerson Electric Co. (NYSE:EMR)	2.48%	16.1	Industrials
CVS Health Corporation (NYSE:CVS)	2.22%	10.9	Health Care
US Dollar (USD)	0.65%	-	Cash
<b>Total</b>	<b>100.00%</b>		



## Taxable Models

### Sector Weights Relative to the S&P 500:



### Portfolio Holdings (10/31/2022)

Name	Weight	Forward P/E	Sector
Goldman Sachs ETF Trust - Goldman Sachs ActiveBeta U.S. Large Cap Equity ETF (ARCA:GSLC)	12.94%	-	Financials
UnitedHealth Group Incorporated (NYSE:UNH)	9.16%	23.0	Health Care
Microsoft Corporation (NasdaqGS:MSFT)	8.98%	23.5	Information Technology
Dollar General Corporation (NYSE:DG)	5.50%	20.6	Consumer Discretionary
iShares Trust - iShares MSCI USA Quality Factor ETF (BATS:QUAL)	5.36%	-	Financials
The Select Sector SPDR Trust - The Utilities Select Sector SPDR Fund (ARCA:XLU)	4.70%	-	Financials
The Charles Schwab Corporation (NYSE:SCHW)	4.70%	17.1	Financials
T-Mobile US, Inc. (NasdaqGS:TMUS)	4.62%	20.9	Communication Services
Apple Inc. (NasdaqGS:AAPL)	4.57%	24.4	Information Technology
JPMorgan Chase & Co. (NYSE:JPM)	4.47%	9.8	Financials
Amazon.com, Inc. (NasdaqGS:AMZN)	4.16%	71.7	Consumer Discretionary
AmerisourceBergen Corporation (NYSE:ABC)	3.19%	14.0	Health Care
Textron Inc. (NYSE:TXT)	3.08%	15.8	Industrials
CVS Health Corporation (NYSE:CVS)	3.06%	10.9	Health Care
iShares Trust - iShares 0-3 Month Treasury Bond ETF (ARCA:SGOV)	3.06%	-	Financials
Ross Stores, Inc. (NasdaqGS:ROST)	2.98%	21.9	Consumer Discretionary
Valvoline Inc. (NYSE:VVV)	2.63%	21.3	Materials
iShares Trust - iShares MSCI USA Momentum Factor ETF (BATS:MTUM)	2.62%	-	Financials
Mondelez International, Inc. (NasdaqGS:MDLZ)	2.50%	21.4	Consumer Staples
Alphabet Inc. (NasdaqGS:GOOGL)	2.40%	19.0	Communication Services
Emerson Electric Co. (NYSE:EMR)	2.36%	16.1	Industrials
NMI Holdings, Inc. (NasdaqGM:NMIH)	2.25%	6.4	Financials
US Dollar (USD)	0.70%	-	Cash
<b>Total</b>	<b>100.00%</b>		