



## Lincoln Capital Equity Commentary Issue #79 – July 2024

### July Changes:

| Tax-Deferred  |                |               |                 |                     |
|---------------|----------------|---------------|-----------------|---------------------|
| New Additions | Complete Sales | Partial Sales | Additional Buys | % Of Account Traded |
| DTE           |                |               |                 | 2.6%                |
| MAA           |                |               |                 | 1.8%                |
| NVDA          |                |               |                 | 1.7%                |
|               | MDLZ           |               |                 | 1.9%                |
|               | D              |               |                 | 2.5%                |
|               |                | AMD           |                 | 2.2%                |

| Taxable       |                |               |                 |                     |
|---------------|----------------|---------------|-----------------|---------------------|
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|               | D              |               |                 | 2.5%                |
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### Summary of Month's Action:

The S&P 500 rose 1.2% during July, but this benign result masked a sharp intra-month pullback of close to 5%. From a sector perspective, information technology, communication services and consumer staples were the laggards, while real estate, utilities, and financials were the leaders. All figures sourced from Koyfin.

Looking at Lincoln Capital's model, Stanley Black and Decker, Smith Douglas Homes, and UnitedHealth were the top contributors. Model detractors for July were Charles Schwab, Advanced Micro Devices, and Microsoft. Most of these securities were influenced by earnings releases—save Smith Douglas, which benefited from a sharp reduction in long-term rates and the expectation that would feed into improving home affordability.

UnitedHealth reported an inline quarter, but this was a relief as investors have had to deal with profitability concerns at Medicare Advantage and new trends suggesting strains moving into Medicaid. However, UNH's July performance was more impacted by the Presidential election, rallying on improved odds of a Trump victory and slumping as those odds receded. Given the tough environment the Centers for Medicare and Medicaid Services has created for managed care companies, a Trump victory is viewed as a more hospitable landscape for insurers.

Charles Schwab had a particularly bad earnings report, which saw cash sorting (investors moving money out of bank sweep and into other investment products) persist. This trend, coupled with an increase in margin balances, saw the firm's supplemental funding grow from the first quarter. While it has gone on longer than expected, we continue to believe that cash sorting will not persist forever, as there is some level of transactional cash that will sit in investor accounts no matter the interest rate offered by short-term, fixed-income investments. Once sorting eases, supplemental funding (with interest costs >5%) will be paid down, and the securities book can then expand – securities today earn around 2% versus market rates above 4% – causing revenue to grow rapidly from today's levels.

### Security Specific Comments:

Mondelez International, Inc. (MDLZ) / Mid-America Apartment Communities, Inc. (MAA) – We moved money from MDLZ into MAA. MDLZ has been a good holding, but we fear results will be muted for the next handful of quarters. The company has raised prices dramatically and faced relatively little pushback from consumers—a rarity in consumer staples. However, this cannot persist forever, and we believe the



increasing signs of consumer strain will soon impact MDLZ and higher quality staples peers. Mid-America represents an attractive place for these funds in our opinion. This Real Estate Investment Trust focuses on multi-family apartments in Sunbelt markets. It is no secret that Sunbelt supply is currently outpacing demand, leading to soft rents at MAA in recent quarters. However, MAA's share price adequately reflects this difficult environment. We also believe there will be better times ahead for MAA. While new unit completions in MAA's markets are peaking now, new starts have plummeted given the oversupply situation, weak rent growth, and much higher costs of capital and construction. We see demand continuing to remain strong for MAA's markets, while the supply situation should improve from here, resulting in above average results over the coming 24 to 36 months.

NVIDIA Corporation (NVDA) / Advanced Micro Devices, Inc. (AMD) – We purchased NVDA shares during July and reduced our holdings in AMD. The last few weeks of July saw the artificial intelligence (AI) trade lose steam. The scrutiny focused on the returns generated from capital investment spending occurring in the industry—a reasonable concern. Ultimately, we believe it's likely AI generates new revenue streams and/or cost savings as well as productivity opportunities to justify the costs; when that occurs, is still very much an open question. An easier question to answer is will the hyperscale cloud providers (Amazon, Google, Microsoft, etc.), large corporations, and governments continue to add capacity to build better AI capabilities? For now, we believe the answer is yes. If incoming data refutes this position, we will change our mind on hardware providers. Despite a growing GPU business, we have yet to find convincing evidence that AMD will be able to steal material share from NVDA. Given this and the pullback in NVDA shares, we established a small position.

Dominion Energy (D) / DTE Energy Company (DTE) – We sold our position in Dominion and moved the funds into DTE, a regulated utility that we feel offers a more attractive risk/reward. DTE provides gas and electricity to residential and commercial customers in Michigan. Michigan is considered to be a friendly regulatory environment for utilities. As the company continues to modernize its grid, invest in infrastructure, and transitions its generation fleet from coal to a cleaner portfolio, DTE expects to generate EPS growth of 6-8% while paying a 3.4% dividend yield.

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#### Disclosures:

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Additional information, including management fees and expenses, is provided on our Form ADV Part 2 available upon request or at the SEC's Investment Adviser Public Disclosure website. <https://adviserinfo.sec.gov/> Past performance is not a guarantee of future results.



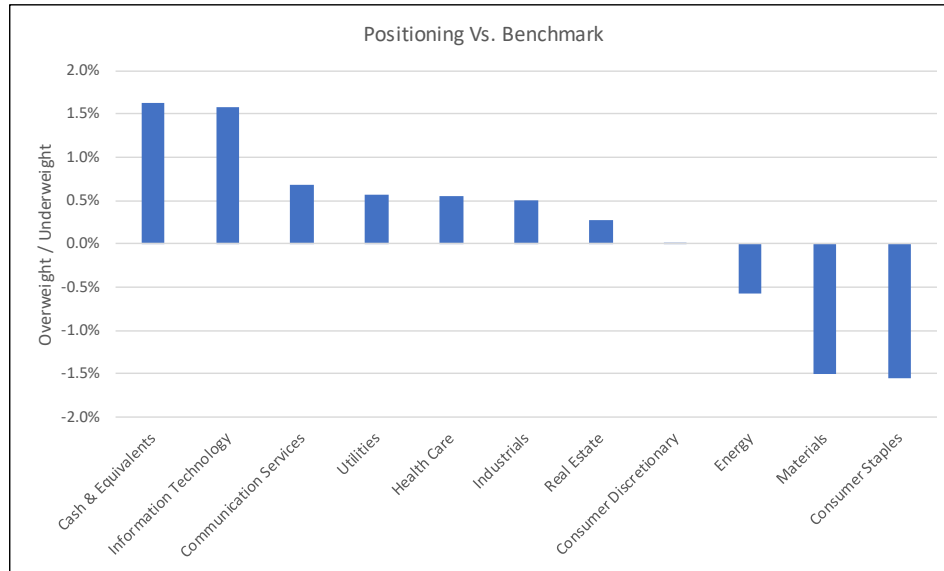
The investments presented are examples of the securities held, bought and/or sold in Lincoln Capital Corporation strategies during the last 12 months. These investments may not be representative of the current or future investments of those strategies. You should not assume that investments in the securities identified in this presentation were or will be profitable. We will furnish, upon your request, a list of all securities purchased, sold or held in the strategies during the 12 months preceding the date of this presentation. It should not be assumed that recommendations made in the future will be profitable or will equal the performance of securities identified in this presentation. Lincoln Capital Corporation or one or more of its officers or employees, may have a position in the securities presented, and may purchase or sell such securities from time to time.

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## Taxable Models

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



|                              | Portfolio | S&P 500 |
|------------------------------|-----------|---------|
| Position Count               | 23        |         |
| Company Market Cap (Billion) | 1,115     | 962     |
| P/E - Forecast 12-Month      | 20.6      | 21.1    |

### Portfolio Holdings (07/31/2024)

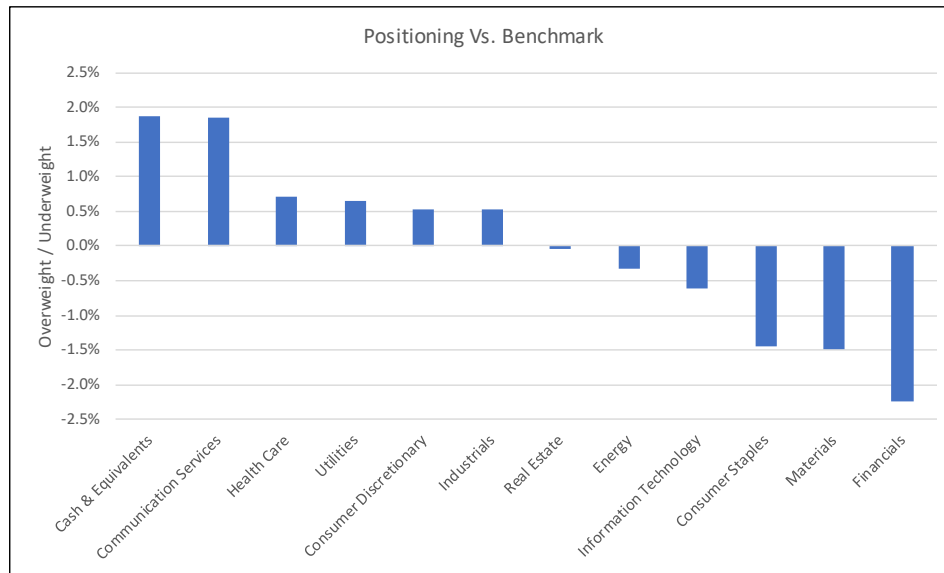
| Name                                             | Weight | Forward P/E | Sector                 |
|--------------------------------------------------|--------|-------------|------------------------|
| Goldman Sachs ActiveBeta US Large Cap Equity ETF | 18.6%  | N/A         |                        |
| Microsoft Ord Shs                                | 12.5%  | 31.4        | Information Technology |
| iShares MSCI USA Quality Factor ETF              | 6.3%   | N/A         |                        |
| Apple Ord                                        | 6.1%   | 30.8        | Information Technology |
| UnitedHealth Group Ord Shs                       | 5.0%   | 19.4        | Health Care            |
| Amazon Com Ord Shs                               | 5.0%   | 35.2        | Consumer Discretionary |
| Vanguard US Momentum Factor ETF                  | 4.9%   | N/A         | NULL                   |
| T Mobile US Ord Shs                              | 4.0%   | 17.8        | Communication Services |
| Cencora Ord Shs                                  | 3.8%   | 16.3        | Health Care            |
| Charles Schwab Ord Shs                           | 3.7%   | 18.0        | Financials             |
| JPMorgan Chase Ord Shs                           | 3.2%   | 12.1        | Financials             |
| Alphabet Ord Shs Class A                         | 3.1%   | 20.8        | Communication Services |
| Textron Ord Shs                                  | 2.9%   | 13.7        | Industrials            |
| QUALCOMM Ord Shs                                 | 2.6%   | 16.4        | Information Technology |
| Stanley Black & Decker Ord Shs                   | 2.6%   | 21.2        | Industrials            |
| DTE Energy Ord Shs                               | 2.5%   | 17.3        | Utilities              |
| Tyson Foods Ord Shs Class A                      | 2.5%   | 17.1        | Consumer Staples       |
| Mid America Apartment Communities REIT Ord Shs   | 2.2%   | 32.9        | Real Estate            |
| Canadian Natural Resources Ord Shs               | 2.0%   | 11.8        | Energy                 |
| Smith Douglas Homes Ord Shs Class A              | 1.7%   | 16.4        | Consumer Discretionary |
| NVIDIA Ord Shs                                   | 1.7%   | 36.2        | Information Technology |
| U S Dollar                                       | 1.6%   | N/A         |                        |
| Advanced Micro Devices Ord Shs                   | 1.5%   | 31.5        | Information Technology |
| Total                                            | 100%   |             |                        |

(Source LSEG)



## Tax Exempt Models

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



|                              | Portfolio | S&P 500 |
|------------------------------|-----------|---------|
| Position Count               | 23        |         |
| Company Market Cap (Billion) | 1,101     | 962     |
| P/E - Forecast 12-Month      | 20.6      | 21.1    |

### Portfolio Holdings (07/31/2024)

| Name                                             | Weight | Forward P/E | Sector                 |
|--------------------------------------------------|--------|-------------|------------------------|
| Goldman Sachs ActiveBeta US Large Cap Equity ETF | 19.0%  | N/A         |                        |
| Microsoft Ord Shs                                | 9.4%   | 31.4        | Information Technology |
| iShares MSCI USA Quality Factor ETF              | 8.0%   | N/A         |                        |
| Apple Ord                                        | 7.3%   | 30.8        | Information Technology |
| Amazon Com Ord Shs                               | 5.4%   | 35.2        | Consumer Discretionary |
| UnitedHealth Group Ord Shs                       | 4.9%   | 19.4        | Health Care            |
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| Vanguard US Momentum Factor ETF                  | 3.9%   | N/A         |                        |
| Alphabet Ord Shs Class A                         | 3.9%   | 20.8        | Communication Services |
| Charles Schwab Ord Shs                           | 3.6%   | 18.0        | Financials             |
| JPMorgan Chase Ord Shs                           | 3.1%   | 12.1        | Financials             |
| Textron Ord Shs                                  | 2.8%   | 13.7        | Industrials            |
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Total 100%

(Source LSEG)