Lincoln Capital Equity Commentary
Issue #80 – August 2024

August Changes:

Tax-Deferred

New Additions	Complete Sales	Partial Sales	Additional Buys	% Of Account Traded
	JPM			3.1%
		SDHC		0.5%

Taxable

New Additions	Complete Sales	Partial Sales	Additional Buys	% Of Account Traded
	JPM			3.2%

Summary of Month's Action:

The S&P 500 delivered a 2.4% return in August, a remarkable achievement given the 6% decline it faced through August 5th. Among sectors, Consumer Staples, Real Estate, and Health Care led the way as top performers for the month, while Energy, Consumer Discretionary, and Communication Services lagged behind. All data is from Refinitiv.

T-Mobile, Mid America Apartments, and Smith Douglas Homes were the top performers for the month, while Amazon, Stanley Black & Decker, and Textron were the biggest detractors from performance.

The market regained stability after a weak start to the month. Recession concerns, a plunge in Japanese markets, and a spike in the volatility index (VIX) triggered a sharp pullback at the beginning of August. To provide some context, the VIX reached 65 on August 5th—a level previously seen only during the financial crisis and in March 2020. A similar, though less severe, volatility spike occurred in February 2018, which resulted in a 10% market decline and took six months for the market to recover its previous highs.

Many hedge funds hold 'short volatility' positions, and a spike of this magnitude would typically lead to losses and a period of deleveraging. However, there appears to have been no significant collateral damage. The drop in the Nikkei Index also had the potential to create ripple effects across banking and financial markets, but once again, the impact has been minimal. It seems we have moved past the point of concern regarding these events, which may have helped to reduce excess risk in the market.

As September begins, the market has once again stumbled out of the gate. Despite some attributing the 2% drop in the S&P 500 to the ISM manufacturing index, we believe the report wasn't severe enough to justify such a decline. Economic data will be crucial as we head into the fall, with this month's payroll report taking on added significance for its potential impact on the Federal Reserve's rate decision in September. Given current valuations and an uncertain macroeconomic outlook, a defensive stance remains prudent.

Security Specific Comments:

JPMorgan Chase & Co. – (JPM) – We decided to sell our position in JPM, helping to shift our portfolios into a more defensive stance. Banks are often viewed as leveraged bets on the global economy, and JPMorgan, in particular, is currently over-earning. The bank's strong performance is largely due to a favorable, though still rising, credit loss environment and deposit costs that have not yet aligned with elevated short-term rates. While we hold both the bank and its management in high regard, we believe our capital can be better allocated elsewhere as we approach a slowing economy.

Smith Douglas Homes Corp – (SDHC) – In August, we sold some shares of SDHC from tax sheltered accounts. While we remain positive on homebuilders generally, we chose to capitalize on SDHC's unique ownership structure. Despite a market cap close to $2 billion, SDHC has a limited number of publicly traded shares, with 80% still owned by the founders. This structure fosters strong alignment between management and minority shareholders but can also contribute to higher volatility for SDHC shares. The stock's reaction to Q2 earnings was more favorable than we felt was warranted, providing an opportunity to sell part of our position, with plans to repurchase at a lower price.

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.

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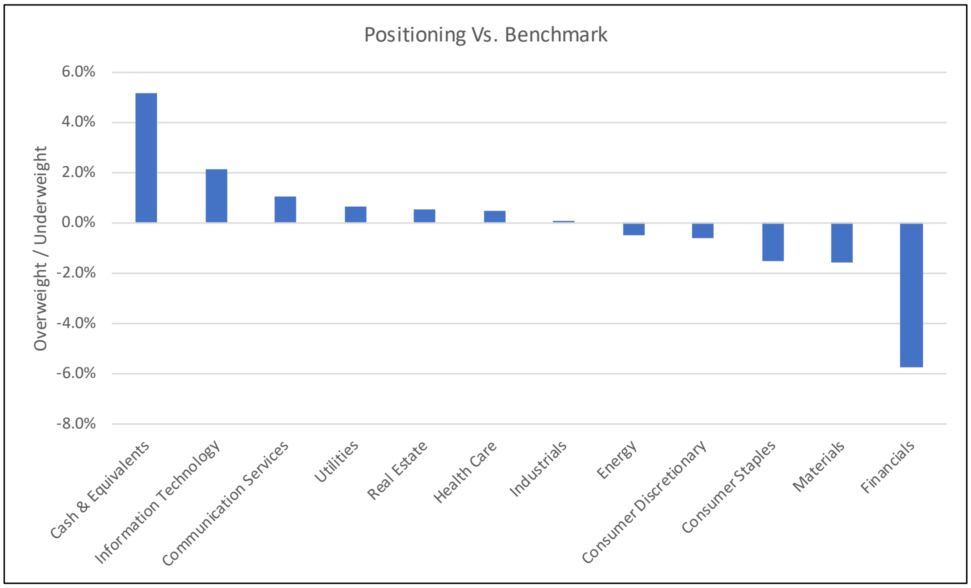
Taxable Models

Sector Weights Relative to the S&P 500:



	Portfolio	S&P 500
Position Count	22	
Company Market Cap (Billion)	1,131	963
P/E - Forecast 12-Month	21.3	21.3

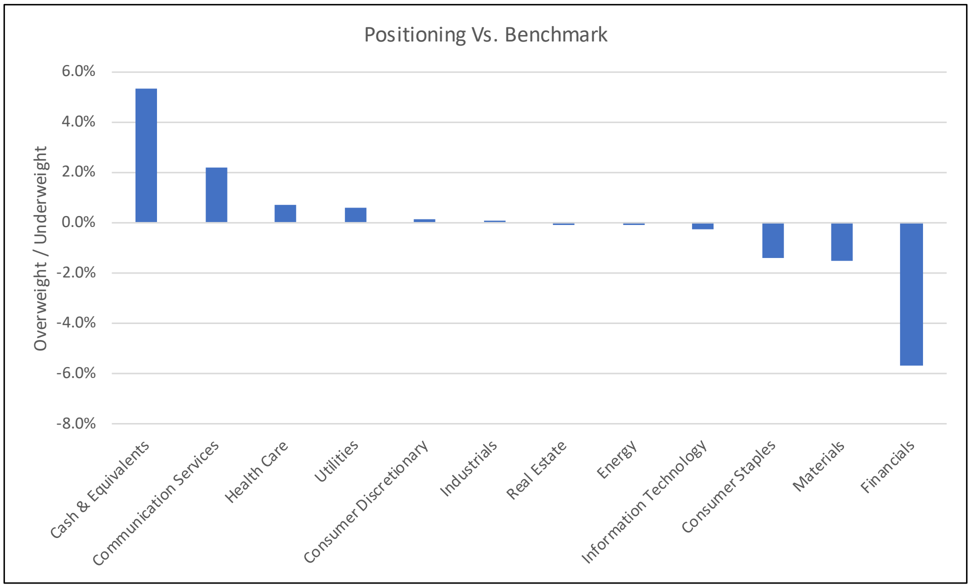
Portfolio Holdings (08/31/2024)

Name	Weight	Forward P/E	Sector
Goldman Sachs ActiveBeta US Large Cap Equity ETF	18.7%	N/A	
Microsoft Ord Shs	12.2%	31.0	Information Technology
iShares MSCI USA Quality Factor ETF	6.4%	N/A	
Apple Ord	6.2%	30.9	Information Technology
U S Dollar	5.1%	N/A	
UnitedHealth Group Ord Shs	5.1%	19.7	Health Care
Vanguard US Momentum Factor ETF	4.9%	N/A	
Amazon Com Ord Shs	4.7%	32.8	Consumer Discretionary
T Mobile US Ord Shs	4.3%	18.8	Communication Services
Cencora Ord Shs	3.8%	16.2	Health Care
Charles Schwab Ord Shs	3.6%	17.7	Financials
Alphabet Ord Shs Class A	3.0%	19.5	Communication Services
Textron Ord Shs	2.8%	13.4	Industrials
Tyson Foods Ord Shs Class A	2.6%	17.3	Consumer Staples
DTE Energy Ord Shs	2.6%	17.8	Utilities
Mid America Apartment Communities REIT Ord Shs	2.5%	39.1	Real Estate
QUALCOMM Ord Shs	2.5%	15.9	Information Technology
Stanley Black & Decker Ord Shs	2.4%	19.8	Industrials
Canadian Natural Resources Ord Shs	2.0%	11.8	Energy
NVIDIA Ord Shs	1.7%	34.2	Information Technology
Advanced Micro Devices Ord Shs	1.5%	31.2	Information Technology
Smith Douglas Homes Ord Shs Class A	1.3%	18.8	Consumer Discretionary
Total	100%		

(Source LSEG)

Tax-Exempt Models

Sector Weights Relative to the S&P 500:



	Portfolio	S&P 500
Position Count	22	
Company Market Cap (Billion)	1,117	963
P/E - Forecast 12-Month	21.2	21.3

Portfolio Holdings (08/31/2024)

Name	Weight	Forward P/E	Sector
Goldman Sachs ActiveBeta US Large Cap Equity ETF	19.2%	N/A	
Microsoft Ord Shs	9.2%	31.0	Information Technology
iShares MSCI USA Quality Factor ETF	8.2%	N/A	
Apple Ord	7.4%	30.9	Information Technology
U S Dollar	5.3%	N/A	
Amazon Com Ord Shs	5.1%	32.8	Consumer Discretionary
UnitedHealth Group Ord Shs	4.9%	19.7	Health Care
T Mobile US Ord Shs	4.6%	18.8	Communication Services
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Alphabet Ord Shs Class A	3.7%	19.5	Communication Services
Charles Schwab Ord Shs	3.6%	17.7	Financials
Textron Ord Shs	2.8%	13.4	Industrials
Tyson Foods Ord Shs Class A	2.6%	17.3	Consumer Staples
DTE Energy Ord Shs	2.6%	17.8	Utilities
Stanley Black & Decker Ord Shs	2.5%	19.8	Industrials
Canadian Natural Resources Ord Shs	2.2%	11.8	Energy
Mid America Apartment Communities REIT Ord Shs	2.1%	39.1	Real Estate
NVIDIA Ord Shs	1.7%	34.2	Information Technology
QUALCOMM Ord Shs	1.7%	15.9	Information Technology
Advanced Micro Devices Ord Shs	1.5%	31.2	Information Technology
Smith Douglas Homes Ord Shs Class A	1.3%	18.8	Consumer Discretionary
Total	100%		

(Source LSEG)