



Lincoln Capital Equity Commentary

Issue #86 – February 2025

February Changes:

There were no changes to the portfolios in February following our last update. However, in March, we made a slight addition to our position in Broadcom (AVGO).

February Market Performance:

The market experienced turbulence in mid-February due to signs of economic weakness. Recent data has been softer than expected, and the Citi Economic Surprise Index has turned firmly negative. Some of this decline may be attributed to seasonality and adverse weather, but it remains a trend worth monitoring. Given the U.S. economy's reliance on consumer spending, we believe the labor market holds the key, and upcoming jobs reports will provide critical signals for the market's direction.

The S&P 500 declined 1.3% last month, and as of this writing, it has turned negative for the year. Defensive sectors led the market, with Consumer Staples, Real Estate, Utilities, and Health Care outperforming. The biggest laggard was Consumer Discretionary, which fell 9.4%, weighed down by Tesla (-27.6%) and Amazon (-10.7%), which together represent 55% of the sector.

Portfolio Highlights and Laggards

Our decision not to own Tesla was the largest contributor to relative outperformance in February. Additionally, T-Mobile, DTE Energy, and NiSource all delivered double-digit gains, contributing positively to portfolio performance. On the downside, Marvell Technology, UnitedHealth, and Amazon were the biggest detractors.

Specific Security Comments:

Marvell Technology (MRVL): Uncertainty Over Amazon Business

Following the end of the month, Marvell reported earnings, and despite beating expectations on sales and earnings while issuing in-line guidance for Q1, the stock dropped sharply.

One major concern revolves around Marvell's custom chip business with Amazon (AWS). Marvell has existing partnerships with Google (CPU only), AWS, and Microsoft for custom silicon programs. AWS's Trainium 2 is currently ramping up at Marvell, with Trainium 3 expected to follow later this year, contributing meaningfully to sales in 2026. However, Alchip, a competitor, claims to have won this business, leading to uncertainty about Marvell's role. Analysts are split on whether Marvell retained the next-generation Trainium contract or lost it. On the company's Q4 earnings call (March 5), management expressed optimism that Amazon's custom silicon sales are expected to grow through 2025, 2026, and beyond.

Outside of AWS, Marvell's Google business is strong, Microsoft's ASIC remains on track for 2026, and the company also won a networking chip contract with Meta. Additionally, management remains confident in reaching \$15 billion in data center revenue by 2028.



Aside from the AWS uncertainty, Marvell was also a widely held favorite among active managers. There was an expectation the company would beat in Q4 and raise guidance for Q1. While Marvell met expectations, it failed to exceed them, leading to an underwhelming outcome for investors.

Our View: At its current valuation, we believe Marvell remains attractive and plan to hold our position, though we may realize losses in taxable accounts. The \$15 billion data center opportunity is substantial, especially relative to the \$1.8 billion AI contributed in 2024 and the company's total \$5.7 billion revenue last year. Additionally, Marvell has an investor day in June, which we believe could be a positive catalyst for the stock.

UnitedHealth (UNH): Regulatory Scrutiny Sparks Sell-Off

UnitedHealth shares fell after The Wall Street Journal reported that the Department of Justice has launched an investigation into its Medicare Advantage (MA) business. The report suggests the company may have overstated diagnoses for MA policyholders, a tactic that could lead to higher reimbursements and regulatory penalties.

UnitedHealth has denied any wrongdoing and stated it is unaware of any new investigation. The Centers for Medicare & Medicaid Services already conducts annual audits on coding practices, and the codes in question have been removed from the current regulatory framework. Historically, cases like these have been backward-looking, and penalties have remained below \$1 billion. Despite this, UnitedHealth lost \$33 billion in market cap on the news, a reaction we believe is excessive. While the company, as the largest MA provider, could face higher penalties than previous cases, we do not see this as a material threat to its long-term fundamentals. For now, we plan to continue holding our position in UNH.

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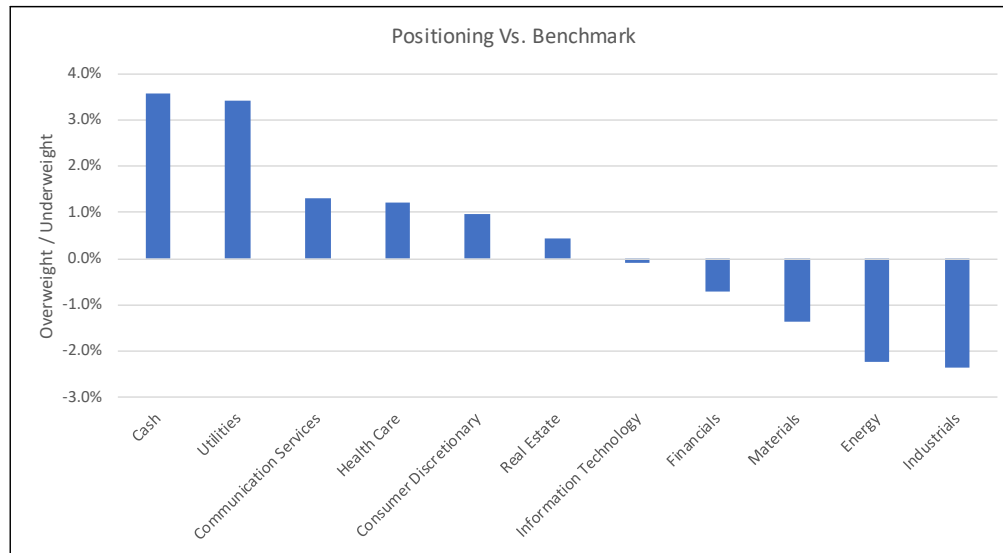
*Additional information, including management fees and expenses, is provided on our Form ADV Part 2 available upon request or at the SEC's Investment Adviser Public Disclosure website. <https://adviserinfo.sec.gov/> **Past performance is not a guarantee of future results.***

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Tax-Exempt Models

Sector Weights Relative to the S&P 500:



	Portfolio	S&P 500
Dividend Yield	1.2%	1.5%
Company Market Cap (Billion)	1,169	1,023
P/E - Forecast 12-Month	22.8	21.6

Portfolio Holdings (02/28/2025)

Name	Weight	Forward P/E	Sector
Fidelity Enhanced Large Cap Co	11.5%		
Goldman Sachs ActiveBeta U.S.	8.6%		
Microsoft Corp	8.6%	27.7	Information Technology
iShares MSCI USA Quality Facto	8.2%		
Apple Inc	7.7%	30.6	Information Technology
Amazon.com Inc	6.9%	28.8	Consumer Discretionary
UnitedHealth Group Inc	4.5%	15.7	Health Care
Charles Schwab Corp/The	4.3%	17.6	Financials
Alphabet Inc	4.1%	18.4	Communication Services
Cencora Inc	4.1%	15.7	Health Care
Vanguard US Momentum Factor ET	4.0%		
T-Mobile US Inc	3.5%	23.7	Communication Services
Marvell Technology Inc	3.3%	31.2	Information Technology
General Electric Co	2.9%	36.1	Industrials
iShares 0-3 Month Treasury Bon	2.8%		
DTE Energy Co	2.7%	18.0	Utilities
NiSource Inc	2.5%	21.0	Utilities
Mastercard Inc	2.2%	34.2	Financials
Mid-America Apartment Communit	2.1%	41.3	Real Estate
Rocket Cos Inc	2.0%	24.8	Financials
Broadcom Inc	1.9%	28.5	Information Technology
Smith Douglas Homes Corp	1.0%	11.4	Consumer Discretionary
Cash	0.6%		

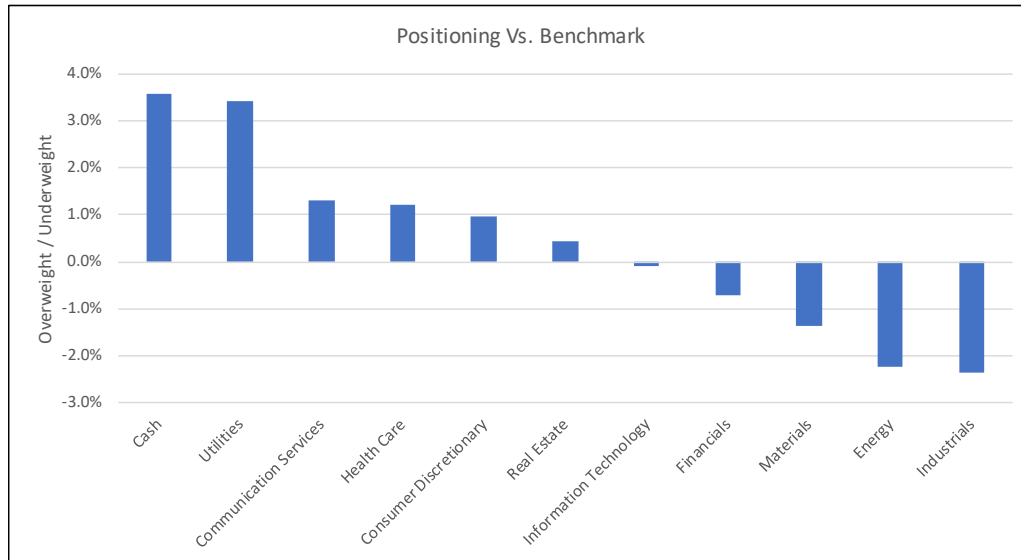
Total	100.0%
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(Source Bloomberg)



Taxable Models

Sector Weights Relative to the S&P 500:



	Portfolio	S&P 500
Dividend Yield	1.3%	1.5%
Company Market Cap (Billion)	1,119	1,023
P/E - Forecast 12-Month	22.8	21.6

Portfolio Holdings (02/28/2025)

Name	Weight	Forward P/E	Sector
Goldman Sachs ActiveBeta U.S.	18.3%		
Microsoft Corp	11.4%	27.7	Information Technology
Apple Inc	7.3%	30.6	Information Technology
iShares MSCI USA Quality Facto	6.4%		
Amazon.com Inc	5.8%	28.8	Consumer Discretionary
T-Mobile US Inc	5.7%	23.7	Communication Services
Vanguard US Momentum Factor ET	5.1%		
UnitedHealth Group Inc	4.6%	15.7	Health Care
Cencora Inc	4.4%	15.7	Health Care
Charles Schwab Corp/The	4.3%	17.6	Financials
Marvell Technology Inc	3.4%	31.2	Information Technology
Alphabet Inc	3.0%	18.4	Communication Services
DTE Energy Co	2.7%	18.0	Utilities
General Electric Co	2.7%	36.1	Industrials
Mid-America Apartment Communit	2.5%	41.3	Real Estate
NiSource Inc	2.5%	21.0	Utilities
Mastercard Inc	2.3%	34.2	Financials
QUALCOMM Inc	2.2%	13.3	Information Technology
Rocket Cos Inc	2.0%	24.8	Financials
Broadcom Inc	1.9%	28.5	Information Technology
Smith Douglas Homes Corp	0.9%	11.4	Consumer Discretionary
Cash	0.6%		

Total	100.0%
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(Source Bloomberg)