



Lincoln Capital Equity Commentary

Issue #89 – May 2025

May Changes:

Tax-Deferred				
New Additions	Complete Sales	Partial Sales	Additional Buys	% Of Account Traded
ADSK				2.3%
	UNH			2.3%
	MRVL			2.3%
		AAPL		2.0%

Taxable				
New Additions	Complete Sales	Partial Sales	Additional Buys	% Of Account Traded
ADSK				2.2%
	UNH			2.3%
		AAPL		0.7%

Summary of Month's Action:

U.S. equities had a strong showing in May, with the S&P 500 rising over 6% for the month. Investor sentiment improved notably as it became increasingly clear that the worst of the tariff-related announcements may now be behind us.

We share the market's view that, while recent flare-ups—including threats toward the European Union and concerns about China's commitment to the current standstill—have raised short-term uncertainty, the broader trend appears to be one of easing trade friction. That said, we still expect the final outcome to include a higher overall tariff level than where the year began.

Looking ahead, attention is turning to the administration's proposed "big beautiful bill," targeted for signing on July 4th. If approved and met favorably by the bond market, this legislation could offer meaningful stimulus for both the economy and equity markets.

Top Contributors and Detractors

Key drivers of performance during May included Microsoft, General Electric, and Broadcom, each of which posted monthly gains exceeding 15%. Meanwhile, UnitedHealth, Cencora, and T-Mobile were the primary laggards.

UnitedHealth Group (UNH): Position Sold

We exited most of our position in UnitedHealth Group during May, retaining shares only in accounts with exceptionally low cost bases. The decision followed a difficult Q1 earnings report and news that CEO Andrew Witty would be replaced by Stephen Hemsley, United's current Chair and former CEO. Management also disclosed that Q1 trends had deteriorated further, prompting the suspension of 2025 guidance. Shortly after our sale, *The Wall Street Journal* reported that UNH is under criminal investigation for Medicare fraud, which the company strongly denies.

We believe there is further downside risk to earnings expectations as the new leadership team looks to reset guidance. A fundamental rebound may take until 2026 or 2027, and while we've sold for now, we will continue to monitor UNH for a potential future re-entry.

Autodesk, Inc. (ADSK): A Strategic Holding

Founded in 1982, Autodesk is a leading vertical software company focused on the Architecture, Engineering, and Construction (AEC), Manufacturing, and Media & Entertainment markets. While best known for AutoCAD, the company offers software spanning both the design and make phases of building and engineering workflows.



ADSK is an attractive business with strong recurring revenue, meaningful market share, and a product suite designed to help clients do more with fewer labor inputs. The company is emerging from a billing model transition—from upfront to annual payments—which should support a reacceleration of free cash flow and enable more share repurchases over time.

Autodesk is also shifting from a reseller-heavy sales model to a direct-to-customer model, with resellers acting more as agents. This will enhance customer visibility, improve efficiency, and likely strengthen client relationships.

Finally, activist investor Starboard Value—now holding over \$500 million in shares—recently gained board representation. The company announced a 9% workforce reduction in February, likely influenced by this new pressure to improve cost discipline and margins.

Marvell Technology, Inc. (MRVL): Position Exited

While we had already exited Marvell in most taxable accounts, we completed the sale in tax-exempt accounts in May. There has been substantial uncertainty surrounding whether Marvell secured the next custom chip contract with Amazon. While some analysts believe the contract is in hand, others argue Alchip (Taiwan) may have won it instead. Changes to the company's upcoming analyst day also created confusion about the direction of its AI business.

Ultimately, we've lost confidence in management. We continue to believe the custom ASIC space will grow, and that spending will shift away from Nvidia over time. However, we prefer Broadcom in this category, given its stronger product diversification and visibility.

Apple Inc. (AAPL): Position Trimmed

We reduced our position in Apple, trimming shares in both tax-exempt and select taxable accounts with modest gains. With the stock trading at over 27x next-twelve-month EPS, it already reflects significant growth expectations. As always, Apple's revenue remains heavily reliant on the iPhone, which is expected to account for nearly half of total sales this year. In our view, without a compelling new feature to drive upgrades, replacement cycles are likely to lengthen—putting pressure on overall sales.

Despite the buzz around AI, we haven't yet seen evidence that Apple Intelligence—its flagship AI initiative—will drive meaningful near-term hardware upgrades. Multiple delays in its rollout suggest that a new iPhone upgrade cycle driven by AI may not materialize soon. However, we believe a more capable personal assistant—one that not only navigates apps and executes commands, but also understands and leverages personal context—could be a meaningful driver of new device sales. Combined with Apple's extensive distribution network, this remains a key advantage that should continue to support strong long-term earnings growth.

We're more cautious on Apple's services business, which contributes about 40% of gross margins. The outcome of the Google antitrust trial, in which Apple's \$20+ billion annual payment for search placement is under scrutiny, may pose a risk to services revenue. Additionally, regulatory pressure in both the U.S. and EU could challenge the economics of the App Store, a major contributor to Apple's high-margin sales. In sum, we believe Apple's current valuation does not fully reflect these intermediate-term risks.



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All figures sourced from Bloomberg. Please note that due to rounding differences, certain data presented may not sum to 100%.

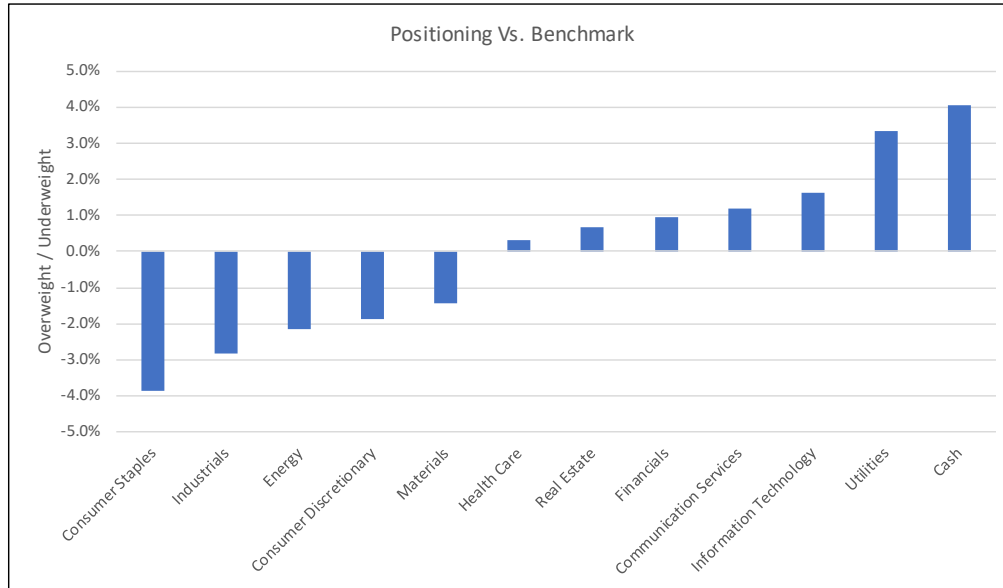
Additional information, including management fees and expenses, is provided on our Form ADV Part 2 available upon request or at the SEC's Investment Adviser Public Disclosure website. <https://adviserinfo.sec.gov/> ***Past performance is not a guarantee of future results.***

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Taxable Models

Sector Weights Relative to the S&P 500:



	Portfolio	S&P 500
Dividend Yield	1.2%	1.5%
Company Market Cap (Billion)	1,185	1,035
P/E - Forecast 12-Month	23	21

Portfolio Holdings (05/31/2025)

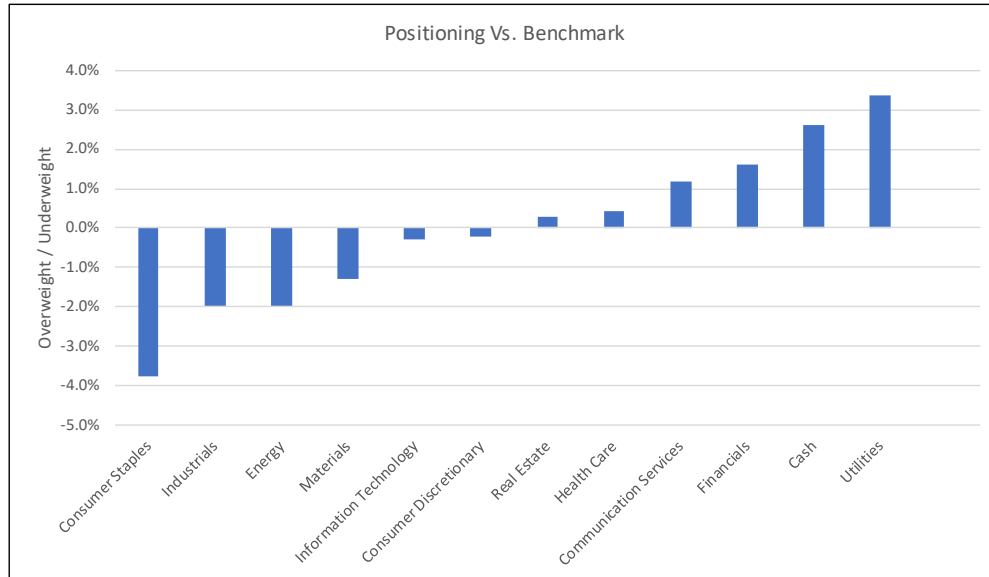
Name	Weight	Forward P/E	Sector
Goldman Sachs ActiveBeta U.S.	18.2%		
Microsoft Corp	13.2%	30.7	Information Technology
iShares MSCI USA Quality Facto	6.1%		
Apple Inc	6.0%	26.9	Information Technology
Amazon.com Inc	5.6%	27.8	Consumer Discretionary
T-Mobile US Inc	5.1%	21.0	Communication Services
Cencora Inc	5.0%	17.3	Health Care
Vanguard US Momentum Factor ET	5.0%		
Charles Schwab Corp/The	4.8%	18.9	Financials
iShares 0-3 Month Treasury Bon	3.5%		
Broadcom Inc	3.4%	33.8	Information Technology
General Electric Co	3.2%	41.6	Industrials
Rocket Cos Inc	3.2%	25.0	Financials
Alphabet Inc	3.0%	16.7	Communication Services
DTE Energy Co	2.8%	18.3	Utilities
NiSource Inc	2.4%	20.4	Utilities
Mid-America Apartment Communit	2.4%	36.0	Real Estate
Mastercard Inc	2.3%	33.9	Financials
Autodesk Inc	2.2%	29.1	Information Technology
Medtronic PLC	1.8%	14.9	Health Care
Cash	0.5%		
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Total	100.0%		

(Source Bloomberg)



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)	1,151	1,035
P/E - Forecast 12-Month	23	21

Portfolio Holdings (05/31/2025)

Name	Weight	Forward P/E	Sector
Goldman Sachs ActiveBeta U.S.	13.0%		
Fidelity Enhanced Large Cap Co	11.5%		
Microsoft Corp	9.9%	30.7	Information Technology
Amazon.com Inc	6.7%	27.8	Consumer Discretionary
Apple Inc	5.1%	26.9	Information Technology
iShares MSCI USA Quality Facto	5.1%		
Charles Schwab Corp/The	4.8%	18.9	Financials
Cencora Inc	4.7%	17.3	Health Care
Alphabet Inc	4.2%	16.7	Communication Services
Vanguard US Momentum Factor ET	4.0%		
Broadcom Inc	3.8%	33.8	Information Technology
General Electric Co	3.4%	41.6	Industrials
T-Mobile US Inc	3.2%	21.0	Communication Services
Rocket Cos Inc	3.2%	25.0	Financials
DTE Energy Co	2.8%	18.3	Utilities
NiSource Inc	2.4%	20.4	Utilities
Autodesk Inc	2.3%	29.1	Information Technology
Mastercard Inc	2.2%	33.9	Financials
iShares 0-3 Month Treasury Bon	2.0%		
Mid-America Apartment Communit	2.0%	36.0	Real Estate
Medtronic PLC	1.8%	14.9	Health Care
SPDR Portfolio S&P 500 ETF	1.7%		
USD Currency	0.5%		
Total	100.0%		

(Source Bloomberg)