



Lincoln Capital Equity Commentary

Issue #94 – October 2025

No Trades in October

There were no model portfolio changes during the month.

Market Overview

U.S. equities, as measured by the S&P 500, advanced 2.3% in October. Leading sectors included Information Technology, Health Care, and Consumer Discretionary, while Materials, Financials, and Real Estate lagged.

Top contributors to client portfolios during the month were Alphabet, Amazon, and Broadcom, while Rocket Companies, Wise, and DTE Energy were the largest detractors.

AI CapEx Outlook Drives Investor Focus

Amid growing chatter about a potential AI bubble, investor attention in October was firmly fixed on Q3 earnings and capital expenditure forecasts from major players in the space. Among large-cap AI companies, Alphabet delivered the most positive surprise, followed by Amazon, while Microsoft and Meta underwhelmed.

Despite some earnings dispersion, infrastructure providers across the board reported demand that exceeds their current capacity to deliver AI infrastructure services. These firms also signaled that capital expenditures are expected to remain elevated well into 2026.

AI-related CapEx Estimates:

- Revised 2026 forecast: \$470 billion (up from \$410 billion a month ago)
- 2025 estimate: Approximately \$370 billion

These figures underscore the continued investment momentum fueling the AI ecosystem.

Spotlight: Mid-America Apartment Communities (MAA)

MAA has underperformed in recent months, deviating from our original thesis. We initially viewed the investment as a play on a temporary glut of apartment supply. As interest rates rose in 2022 and rents softened in MAA's core markets, new apartment development fell sharply. Given typical construction timelines, we expected supply to normalize in 2024 and beyond.

That thesis still holds, but two concerns are currently weighing on the share price:

1. **Rising Supply Forecasts:** Analysts now expect a longer runway for elevated apartment supply, pushing out the anticipated recovery
2. **Labor Market Risks:** A weakening employment environment may slow household formation, as more individuals delay moving out on their own or choose to live with roommates

Despite these headwinds, the relative affordability of renting vs. owning in MAA's markets remains highly attractive (see charts on the next two pages).



Source: Goldman Sachs

Looking Ahead on MAA

We continue to believe that falling supply will eventually favor MAA's fundamentals. The stock currently reflects no material rent growth until 2027, which we see as overly pessimistic.

Key metrics:

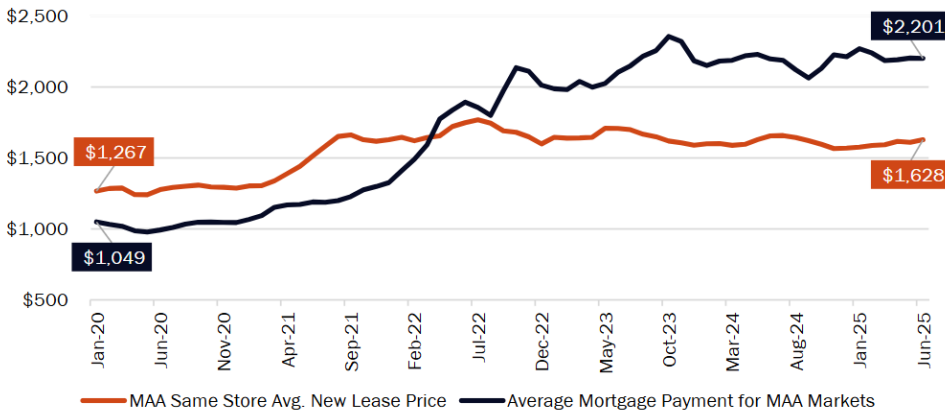
- Dividend yield: ~5%
- Cap rate: 6.7% (vs. ~5% for comparable private-market deals)

We plan to realize the loss in taxable portfolios and re-enter the position after the required 30-day wash-sale window, as we continue to believe in the long-term investment case.



Mortgage Payments ¹ in MAA Markets vs. MAA Rents

Median House Price in MAA Markets is **\$435K** AT 6/30/2025



Source: Company Filings

Disclosures

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

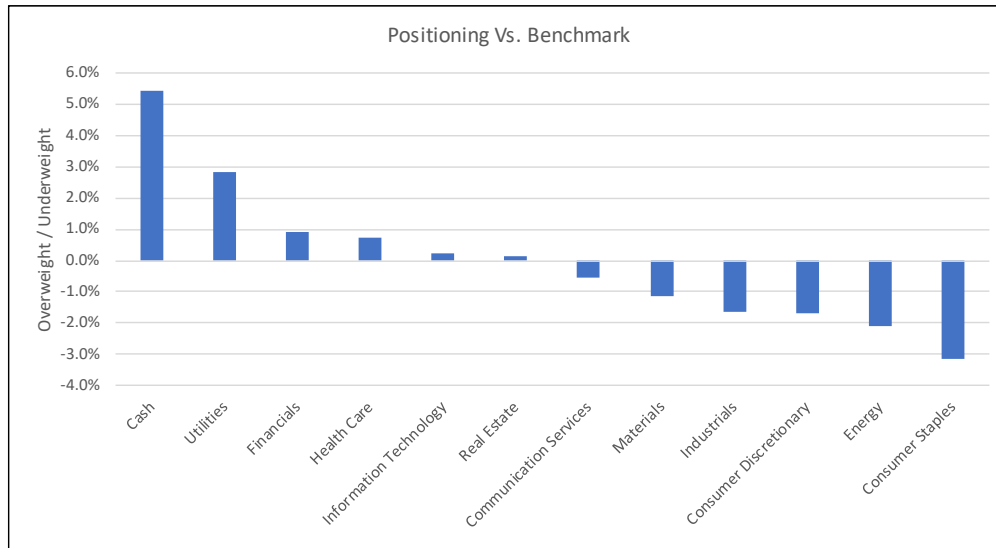
Additional information, including management fees and expenses, is provided on our Form ADV Part 2 available upon request or at the SEC's Investment Adviser Public Disclosure website. <https://adviserinfo.sec.gov/> **Past performance is not a guarantee of future results.**

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Taxable

Sector Weights Relative to the S&P 500:



	Portfolio	S&P 500
Dividend Yield	1.1%	1.4%
Company Market Cap (Billion)	1,619	1,499
P/E - Forecast 12-Month	24.9	22.8

Portfolio Holdings (10/31/2025)

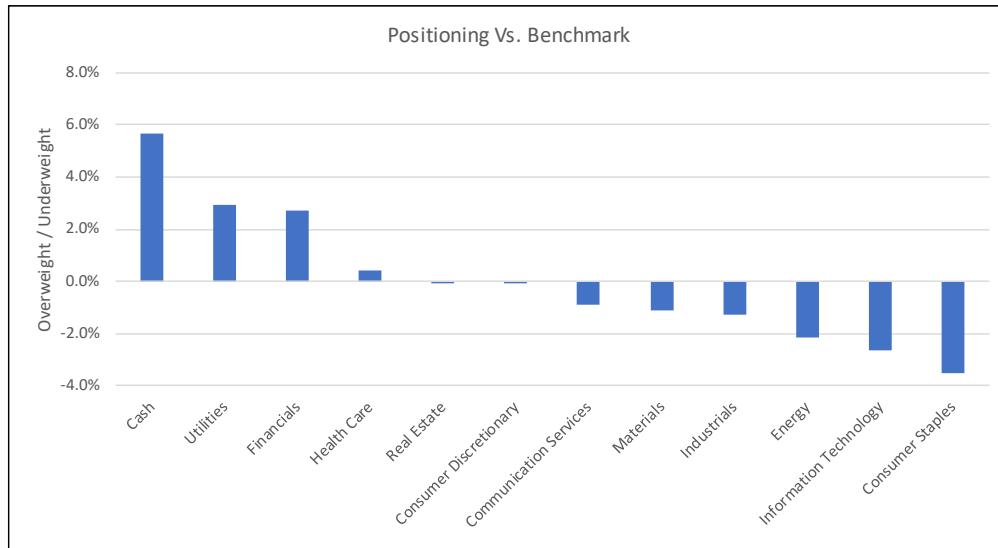
Name	Weight	Forward P/E	Sector
Goldman Sachs ActiveBeta U.S.	18.0%		
Microsoft Corp	12.9%	30.2	Information Technology
Apple Inc	7.0%	32.3	Information Technology
iShares MSCI USA Quality Facto	5.9%		
Amazon.com Inc	5.8%	26.6	Consumer Discretionary
Vanguard US Momentum Factor ET	5.2%		
Cencora Inc	5.0%	19.9	Health Care
iShares 0-3 Month Treasury Bon	4.6%		
Broadcom Inc	4.5%	38.8	Information Technology
Charles Schwab Corp/The	4.5%	17.0	Financials
Alphabet Inc	4.3%	24.2	Communication Services
Rocket Cos Inc	3.6%	23.0	Financials
General Electric Co	3.4%	44.1	Industrials
T-Mobile US Inc	2.4%	17.8	Communication Services
DTE Energy Co	2.4%	17.5	Utilities
NiSource Inc	2.2%	21.3	Utilities
Autodesk Inc	2.0%	27.3	Information Technology
Mastercard Inc	1.9%	29.6	Financials
Medtronic PLC	1.7%	15.4	Health Care
Mid-America Apartment Communit	1.7%	32.7	Real Estate
Cash	1.0%		
Total	100.0%		

(Source Bloomberg)



Tax-Exempt Models

Sector Weights Relative to the S&P 500:



	Portfolio	S&P 500
Dividend Yield	1.0%	1.4%
Company Market Cap (Billion)	1,623	1,499
P/E - Forecast 12-Month	24.6	22.8

Portfolio Holdings (10/31/2025)

Name	Weight	Forward P/E	Sector
Fidelity Enhanced Large Cap Co	12.1%		
Goldman Sachs ActiveBeta U.S.	11.7%		
Microsoft Corp	10.2%	30.2	Information Technology
Amazon.com Inc	7.3%	26.6	Consumer Discretionary
Apple Inc	6.3%	32.3	Information Technology
Alphabet Inc	6.2%	24.1	Communication Services
Broadcom Inc	5.3%	38.6	Information Technology
Cencora Inc	5.0%	20.1	Health Care
Charles Schwab Corp/The	4.6%	17.1	Financials
iShares 0-3 Month Treasury Bon	4.5%		
Vanguard US Momentum Factor ET	4.3%		
General Electric Co	3.9%	44.0	Industrials
Rocket Cos Inc	3.8%	23.1	Financials
DTE Energy Co	2.5%	17.5	Utilities
NiSource Inc	2.4%	21.3	Utilities
Autodesk Inc	2.1%	27.2	Information Technology
Mastercard Inc	1.9%	29.6	Financials
Medtronic PLC	1.8%	15.4	Health Care
Wise PLC	1.6%	25.0	Financials
Mid-America Apartment Communit	1.5%	32.9	Real Estate
Cash	1.1%		
Total	100.0%		

(Source Bloomberg)