



The S&P 500 Index delivered a more volatile ride this quarter. Much of this volatility had to do with new policy directives from the White House, particularly those involving tariffs. It is still unclear how the use of tariffs will evolve in Q2 let alone their impact on economic growth and inflationary pressure. Sensing increased risks, investors pulled back from cyclical stocks as well as high valuation AI-related stocks, notably the Mag 7. A flight to safety and softening growth expectations drove bond prices higher. This was a quarter when diversification mattered.

STRATEGY PERFORMANCE

The top 5 performance contributors were Philip Morris International Inc. (PM), AutoZone Inc. (AZO), RTX Corporation (RTX), Uber Technologies Inc. (UBER), and AbbVie Inc. (ABBV).

Defensive, less cyclical companies performed well this quarter. Major tobacco company Philip Morris operates in over 180 countries. Philip Morris' strong growth is being driven by non-combustible solutions like IQOS and Zyn, a popular tobacco-free nicotine pouch. Smoke-free business hit 40% of revenue in the latest reported quarter. Management expects organic growth to continue into 2025, with margin expansion from strong pricing and a favorable product mix. AbbVie, a global biopharmaceutical company, focuses on therapies in immunology, oncology, neuroscience, and aesthetics. Best known for Humira®, a blockbuster rheumatoid arthritis drug, it's now diversifying with immunology drugs Skyrizi® and Rinvoq®, alongside its Allergan acquisition (including Botox®) bolstering its portfolio. The company exceeded initial revenue and EPS guidance for full-year 2024, driven by Skyrizi® and Rinvoq®'s standout performance. With 20 early-stage deals since early 2024, AbbVie is deepening its pipeline for sustained growth into 2025. AutoZone is a leading retailer and distributor of automotive replacement parts and accessories that operates over 7,000 stores across the United States and internationally. AutoZone caters to both do-it-yourself (DIY) customers and professional mechanics, offering products like batteries, brakes, and fluids, plus diagnostic tools. The company is seeing strong domestic commercial and international sales growth while investing heavily in mega-hub distribution centers. These mega-hubs typically carry over 100,000 SKUs, delivering a wide assortment of goods with fast service and parts availability for commercial customers.

Industrials holdings, RTX and Uber delivered double-digit returns in an otherwise challenging market. RTX is an aerospace and defense powerhouse formed in the 2020 merger of Raytheon and United Technologies. RTX operates through three main segments: Collins Aerospace (avionics and interiors), Pratt & Whitney (jet engines), and Raytheon (missiles and defense systems). Serving commercial aviation, military, and space markets, it's a top player with a presence in over 100 countries. The company reported organic sales growth of +11% in 2024 with a backlog exceeding \$200 billion. Management expects segment profit growth of 10-13% in 2025. Uber offers ridesharing, food delivery, and freight services via an innovative mobile app platform. Uber was a top detractor in Q4 2024 but saw shares rebound sharply in Q1 2025. The company posted strong Q4 2024 earnings, with accelerating growth that topped management's expectations. Uber surpassed its three-year outlook for gross bookings, EBITDA, and free cash flow conversion, fueling optimism. Management expects growth to continue into Q2 2025, supported by heavy investment in autonomous vehicle (AV) technology, positioning Uber as a key go-to-market partner for AV players.

The largest 5 performance detractors were NVIDIA Corporation (NVDA), Broadcom Inc. (AVGO), Apple Inc. (AAPL), Deckers Outdoor Corporation (DECK), and Alphabet Inc. (GOOGL).

NVIDIA is a global leader in AI and graphics processing units (GPUs) and known for its datacenter chips powering AI and gaming GPUs. The company was a top contributor in Q4 2024, but shares stumbled in Q1 2025. Production delays with the Blackwell GPU pushed back shipments. Meanwhile, China's DeepSeek R1, a cheaper, faster AI training rival, gained ground, threatening demand for NVIDIA's premium chips as U.S.-China trade tensions tightened export rules. Proposed Trump tariffs rattled supply chain confidence. Expected revenue growth is slowing year-over-year—still strong but a step down from prior triple-digit surges—signaling a possible maturation phase that unsettled investors. Still, we are buying shares—NVIDIA's AI dominance remains unmatched, Blackwell fixes are underway, and management's Q1 revenue forecast signals resilience. The forward price-to-earnings multiple has compressed, and we believe the company will prove to be a long-term winner.

Q1 saw other pullbacks in AI-related stocks. Broadcom is a global tech leader in semiconductor and software solutions, and also crafts chips for datacenters and networking. The company was bolstered by its VMware acquisition, which significantly increased software revenue and enhanced margins through subscription growth and cost efficiencies. After experiencing 40% revenue growth over the trailing twelve months, AVGO shares slipped in Q1 2025. The AI trade cooled, and custom ASIC revenue softened, tied to Google's chip transition. We remain buyers—AI revenue continues to grow meaningfully, seven hyperscaler engagements signal a \$75B TAM by 2027, and networking strength offsets ASIC lumps. Broadcom's strong outlook and market dominance make it an attractive holding. Apple stumbled in Q1 2025, with shares down -11%. Q4 2024 revenue hit a record \$124B, services jumped 14%, and 2 billion active devices underscored strength, but a -11% China drop, forex pressures, and rising operating costs squeezed margins. We're bullish long-term on this stock, too—Apple Intelligence is receiving upgrades, revenue records span most regions, and a \$3T market cap reflects resilience. Alphabet Inc., the tech giant in Search, Cloud, and AI, reported Q4 revenue up 12% and EPS up 31%. Search and YouTube ads excelled with Cloud surging 30% yet concerns linger—investors fret AI rivals like ChatGPT and DeepSeek could erode Search share with low-cost, conversational answers, while \$75B in 2025 CapEx raises cost pressure and ROI scrutiny. Again, we're bullish: market-leading Search and Cloud, AI-driven growth, strong YouTube ads, and Waymo's 150,000 weekly trips fuel optimism. At a reasonable valuation, GOOGL offers a compelling upside.

Lastly, Deckers Outdoor Corporation is a footwear leader with brands that include UGG and HOKA. After a strong 2024, shares slumped in Q1 2025. Quarterly revenue rose 17% and EPS climbed 19%, fueled by UGG and HOKA, but management announced flat forward guidance —hit by freight, FX, and tariff risks. Investors worry HOKA's stellar growth is slowing, with tariffs adding pressure. We're patient—FY25 revenue outlook lifted to +15%, full-price sales hold firm, and HOKA's new products are driving momentum. At a compressed multiple, Deckers looks attractive versus peers.

Top 5 Performance Contributors ^a as of 03/31/2025 Quarter Return (%) (gross of fees)

Philip Morris International Inc (PM)	33.1
Uber Technologies Inc (UBER)	20.8
AutoZone Inc (AZO)	19.1
AbbVie Inc (ABBV)	19.0
RTX Corporation (RTX)	15.1

Bottom 5 Performance Detractors ^a as of 03/31/2025 Quarter Return (%) (gross of fees)

Deckers Outdoor Corporation (DECK)	-44.9
Broadcom Inc (AVGO)	-27.6
NVIDIA Corporation (NVDA)	-19.3
Alphabet Inc (GOOGL)	-18.2
Apple Inc (AAPL)	-11.2

As measured by contribution to return, the top contributors and bottom detractors represent the best and worst performing securities held by the Strategy based on the position weight and total return of each Strategy holding. Securities are ranked by each position's Individual Performance impact on the Strategy's return for the analysis period. The contributors and detractors are listed in the order of their non-weighted total return.

STRATEGY ACTIVITY

There were no new additions or deletions for the Strategy in Q1.

OUTLOOK

We continue to see reasonable economic growth, yet we are mindful of slightly widening credit spreads and an uncertain tariff outlook. Investor attention is once again focused on diversification and valuation. A more value-conscious market plays well with Dana's stock selection strengths.

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Strategy characteristics, allocation, contributors, detractors, top 10 holdings, style, and activity are derived from the Dana Strategy model holdings as of each period end and therefore may differ from the same criteria for the actual composite. Strategy performance data such as returns and risk are based on actual composite holdings.

Source: Dana Investment Advisors; (a) FactSet Research Systems; (b) Morningstar Direct.