Dana All Cap Equity Strategy

Quarterly Review

As of December 31, 2024

The S&P 500 Index continued its upward trajectory in Q4 and in effect iced the return cake for the full year. GDP and corporate earnings growth both beat beginning-of-year consensus estimates. AI stock leadership, particularly NVIDIA, and multiple expansion further boosted equity returns. While small-cap stocks had their moment during the summer, interest rates moving higher placed pressure on the Russell 2000 Index by quarter end. Market leadership remained concentrated in a handful of large-cap tech-related stocks.

Strategy Performance

The top 5 performance contributors were LPL Financial Holdings Inc. (LPLA), Broadcom Inc. (AVGO), Amazon.com Inc. (AMZN), Alphabet Inc. (GOOGL), and NVIDIA Corporation (NVDA).

LPL Holdings provides a wide range of financial services including wealth management, investment advice and technology support to financial advisors. The company reported record total assets during the quarter along with annualized growth of +7% in net new assets. New affiliation models and large institutional partnerships are driving growth. LPLA remains an active acquiror, adding advisors and institutions, while targeting high retention rates. Technology-related stocks, particularly those with AI initiatives continued to perform well. Broadcom is a designer, developer, and supplier of semiconductor and infrastructure software solutions for data centers, networking, software, wireless, storage, and industrial markets and reported fiscal year revenue growth of +44% and AI revenues up +220% for the fiscal year 2024 (ended October). The integration of VMware is mostly complete with growth and margin targets exceeding expectations. Management guided toward a revenue opportunity from AI between $60B and $90B by fiscal 2027 from three primary hyperscale customers. Technology and e-commerce giant, Amazon.com, reported strong sales, operating income growth, and improved margins. Advertising revenue growth surged and their cloud computing service segment, Amazon Web Services (AWS), grew sales +19% year-over-year with a $100 billion annualized run rate. AMZN also experienced a record-breaking holiday shopping season with strong performance during Black Friday and Cyber Monday.

Search and YouTube powerhouse, Alphabet, continued to advance and invest in AI initiatives that are well-received by investors. These include the deployment of Gemini models and the integration of AI into search and cloud services. Despite significant investments in AI infrastructure, the company's operating margin improved indicating cost management and operating efficiency. GOOGL also announced its first ever quarterly dividend of $0.20/share, signaling confidence in its cash flow generation and future profitability. Lastly, NVIDIA provides GPUs and a platform pivotal for AI and data center applications and the company reported record quarterly revenue of $35 billion, up 17% sequentially and 94% year-over-year. Blackwell, NVDA's new AI infrastructure solution, is in full production and experiencing strong demand. The company expects its AI Enterprise software revenue to double year-over-year. Despite concerns, NVDA's supply chain appears to be managing high demand effectively with production scaling to meet orders.

The largest 5 performance detractors were Microchip Technology Incorporated (MCHP), Caesars Entertainment Inc. (CZR), Uber Technologies Inc. (UBER), Mondelez International Inc. (MDLZ), and Thermo Fisher Scientific Inc. (TMO).

Microchip is known for its microcontrollers and analog semiconductors serving industries such as automotive, consumer electronics, and aerospace. MCHP is experiencing a revenue slump with weakness across regions and categories.

Top 5 Performance Contributors [a] as of 12/31/2024 Quarter Return (%) (gross of fees)	
LPL Financial Holdings Inc (LPLA)	40.5
Broadcom Inc (AVGO)	34.7
Amazon.com Inc (AMZN)	17.7
Alphabet Inc (GOOGL)	14.3
NVIDIA Corporation (NVDA)	10.6

Bottom 5 Performance Detractors [a] as of 12/31/2024 Quarter Return (%) (gross of fees)	
Microchip Technology Inc (MCHP)	-28.1
Caesars Entertainment Inc (CZR)	-19.9
Uber Technologies Inc (UBER)	-19.7
Mondelez International Inc (MDLZ)	-18.3
Thermo Fisher Scientific Inc (TMO)	-15.8

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.

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The causes include challenges from a decrease in industrial demand and an inventory correction where customers are reducing their stock levels. Management characterizes the business environment as uncertain with low visibility, and recently, they cut approximately 500 employees after closing a wafer manufacturing facility in Arizona. The prolonged and challenging downcycle may lead to a potentially strong reversal in 2025.

Casino-entertainment company, Caesars, reported disappointing revenue and earnings results during the quarter on increased competition, construction related disruptions, and unfavorable weather. The digital segment continued to grow but was tempered by a lower-than-expected hold in online sports betting. CZR's balance sheet is leveraged and investor concern regarding managing high debt levels continued. We expect operating trends to improve in 2025, potential asset sales, and lower cap expenditures that may lead to strong free cash generation and deleveraging. UBER is facing market concern about its future in the context of autonomous vehicles (AVs). This was amplified by rumors and news of Tesla potentially launching a competing robotaxi service. UBER's quarterly earnings report was strong with 20% year-over-year growth in bookings and an all-time high in operating income. Bears view UBER as a victim of technological disruption from AVs; however, we believe the company may be a beneficiary. Strategic partnerships are already in place with Alphabet's Waymo being a prime example. The partnership allows UBER to offer Waymo's self-driving cars as an option within its app in markets where Waymo operates, potentially expanding UBER's offerings without the capital-intensive development of AV technology. The company's user base and wealth of data on mapping and ride patterns are attractive to partners. AVs could significantly reduce labor costs for Uber as well, lowering the cost per ride and leading to higher margins or more competitive pricing. AVs may introduce disruption but we feel UBER will be a key player in the future of mobility.

Mondelez is a global snack company known for iconic brands like Oreo, Cadbury, and Ritz. MDLZ reported an earnings miss versus expectations during the quarter driven by volume and mix challenges. Pricing was a positive factor but the volume of products sold was weaker than expected signaling slow consumer demand or market acceptance issues. High cocoa prices were a significant headwind as well, directly impacting the cost of producing chocolate products. Cost inflation negatively impacted margins and profitability. Strong pricing power is a testament to brand strength and we expect some recovery in cocoa prices that could lead to margin improvement. Lastly, Thermo Fisher, a leading provider of scientific research services and equipment as well as software for life sciences and diagnostics, has experienced soft demand in key end markets. The company notes a slowdown in R&D spending due to funding constraints and a shift away from the high of the Covid-19 demand surge. Inventory levels corrected and new drug development slowed plus reduced venture capital for biotech startups directly impacted demand for TMO's products and services. The company has a long-term track record of above market growth along with innovation and strategic acquisitions that have led to market share gains. We remain optimistic on a recovery in biotech and pharmaceutical R&D spending, and as these sectors recover TMO will benefit due to its essential role in these markets.

Strategy Activity

There were no additions or deletions to the Strategy this quarter.

Outlook

In January a new Trump administration will take the helm. Investors are understandably focused on potential changes in tariffs, immigration, taxes, and more. We would not be surprised by greater volatility — all the more reason for us to remain committed to our disciplined, risk-controlled investment process.

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

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