



The S&P 500 Index had a strong start to the second quarter of 2026, following a negative return in the first quarter. Artificial Intelligence remained the all-important market theme, with narrow leadership driven by the perceived AI winners. In this vein, the Philadelphia Semiconductor Index (SOX) was up significantly in Q2. Conversely, perceived AI losers continued to show considerable underperformance. Economic growth remained positive, though overall expectations were revised lower as the labor market continued to cool and inflation concerns persisted. The Federal Reserve maintained a cautious stance, balancing softer employment trends against pressures related to tariffs and energy that could keep prices elevated.

STRATEGY PERFORMANCE

The top five contributors to performance were Lam Research Corporation (LRCX), Cisco Systems Inc. (CSCO), Alphabet Inc. (GOOGL), NVIDIA Corporation (NVDA), and Apple Inc. (AAPL).

Semiconductors and the physical build-out of AI infrastructure were the quarter's most productive areas, with Lam Research and NVIDIA benefiting directly from strong AI-related capital spending. Lam Research posted revenue and earnings ahead of expectations, supported by demand for advanced NAND, DRAM, and gate-all-around process technologies, while also raising its 2026 wafer fabrication equipment outlook and issuing upbeat guidance. NVIDIA continued to outperform on exceptional financial results, surging AI infrastructure demand, strategic capital returns, and constructive guidance, reinforcing its leadership position in one of the market's most important growth areas.

Outside of semiconductors, Cisco Systems, Alphabet, and Apple also contributed meaningfully as AI adoption, resilient demand, and strong execution supported results. Cisco delivered earnings and revenue above expectations and raised fiscal 2026 guidance, helped by AI-related networking demand, hyperscaler capital spending, and the integration of Splunk into its security and automation offerings. Alphabet reported strong revenue growth led by Search and Google Cloud, with AI demand and infrastructure investment supporting margins, while paid subscriptions benefited from continued adoption of YouTube, Google One, and Gemini Enterprise. Apple also added to returns after reporting broad-based double-digit revenue growth, stronger-than-expected EPS, solid iPhone 17 demand, continued Services growth, better-than-expected guidance, a dividend increase, and a new \$100 billion repurchase authorization.

The top 5 detractors from performance were Accenture plc (ACN), ServiceNow Inc. (NOW), Zoetis Inc. (ZTS), AT&T Inc. (T), and PepsiCo Inc. (PEP).

The top detractors in the quarter were led by Accenture and ServiceNow, two Information Technology holdings perceived to face pressure from AI. Accenture was impacted by delayed deals, geopolitical disruption, and customer budget shifts toward AI priorities, which weighed on near-term revenue and bookings despite the company's strong cash flow and sound long-term positioning in transformation work. ServiceNow declined despite quarterly results that beat guidance and showed continued strength in subscription revenue, current remaining performance obligations (cRPO), and large enterprise deals. Investors focused instead on margin pressure from the Armis acquisition, delayed Middle East deal closings, and concerns that AI could disrupt SaaS pricing models.

Other detractors reflected company-specific issues, demand concerns, and competitive pressures. Zoetis declined after missing expectations and lowering full-year guidance, as flat organic revenue, weaker U.S. and companion animal sales, and significant competitive pressure in dermatology and parasiticides outweighed longer-term animal health franchise strengths. AT&T reported better-than-expected results, including strong fiber and wireless customer additions and double-digit earnings growth, but shares were hurt by competitive concerns in wireless and wireline connectivity, including investor focus on Starlink. PepsiCo declined as investors remained concerned about soft North American demand, especially in snacks, with weaker volumes across key brands and continued pressure from consumer price sensitivity, inflation, and delayed recovery in PepsiCo Foods North America.

Top 5 Performance Contributors ^a as of 06/30/2026 Quarter Return (%) (gross of fees)

Lam Research Corporation (LRCX)	103.0
Cisco Systems Inc (CSCO)	52.2
Alphabet Inc (GOOGL)	24.4
NVIDIA Corporation (NVDA)	14.9
Apple Inc (AAPL)	14.1

Bottom 5 Performance Detractors ^a as of 06/30/2026 Quarter Return (%) (gross of fees)

Accenture Plc (ACN)	-36.7
Zoetis Inc (ZTS) ‡	-35.4
AT&T Inc (T)	-27.8
PepsiCo Inc (PEP)	-11.9
ServiceNow Inc (NOW)	-5.0

‡ Return is from the beginning of the quarter through date stock was sold.

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

The Strategy purchased Amphenol Corporation (APH), Micron Technology Inc. (MU), CVS Health Corporation (CVS), General Motors Company (GM), and Toll Brothers Inc. (TOL).

The quarter's purchases included several companies with strong secular growth drivers and improving earnings visibility. Amphenol brings leadership in interconnect, sensor, antenna, and cable solutions across diversified markets, with record orders, a strong book-to-bill, and accelerating AI datacenter and aerospace demand supporting its premium valuation. Micron adds direct exposure to undersupplied memory markets and AI-driven demand for DRAM, NAND, and high-bandwidth memory (HBM), where industry supply discipline, long-term customer agreements, and scarce capacity should raise through-cycle earnings power and support meaningful estimate upside.

The Strategy added CVS Health, a diversified healthcare business with earnings upside and an attractive valuation. CVS is showing signs of recovery in Aetna margins, particularly Medicare Advantage, while continued execution across insurance, pharmacy benefit management, health services, and retail pharmacy should drive earnings growth from a modest valuation.

General Motors and Toll Brothers were added as value-oriented cyclical where the market appears to underappreciate durable competitive strengths. GM's leading U.S. truck franchise, scale, cash generation, disciplined capital spending, and large shareholder returns provide upside if free cash flow proves more resilient than reflected in the stock's low multiple. Toll Brothers offers exposure to an undersupplied housing market through a leading luxury homebuilding platform, supported by affluent customers, design-center customization, land discipline, strong margins, repurchases, and a balance sheet that could help it outperform more rate-sensitive peers who court more price sensitive customers.

The Strategy sold Genuine Parts Company (GPC), PulteGroup Inc. (PHM), and Zoetis Inc. (ZTS).

The Strategy exited Genuine Parts and PulteGroup where business transitions and cyclical pressures reduced the relative attractiveness of the holdings. Genuine Parts delivered results in line with expectations and reiterated guidance, but comparable sales remained modest across both automotive and industrial, and the planned separation introduces execution risk, cost dis-synergies, and renewed scrutiny on underinvestment in technology and automation within automotive. PulteGroup remains a good-quality builder, but lower home closings and higher incentives increase risks that elevated profitability will compress, as competition and affordability headwinds are a greater challenge for builders serving a broader population of buyers. The proceeds were redeployed into Toll Brothers, which offered a similar valuation with exposure to a less price-sensitive luxury buyer.

The Strategy also sold Zoetis due to diminished near-term upside and lower visibility. Zoetis remains a global animal health leader, but an earnings miss and reasons discussed above create near-term earnings risks even though the longer-term pipeline holds promise.

OUTLOOK:

Equity markets entered Q3 with strong momentum, supported by continued AI investment, resilient corporate earnings, and a healthy macroeconomic backdrop. While Middle East tensions may create periodic volatility, recent developments suggest policymakers continue to favor diplomatic solutions to further limit broader economic disruption. Investors are now focused on second-quarter earnings, where strong AI spending and supportive economic conditions could drive results above expectations. Although elevated valuations and evolving Federal Reserve policy may lead to short-term volatility, improving earnings breadth and favorable seasonal trends support a constructive outlook for equities in the coming quarter.

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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.