



The S&P 500 Index retrenched in the first quarter of 2026, reflecting a more cautious market tone amid rising uncertainty. Geopolitical risk escalated following U.S. and Israeli strikes on Iran and subsequent Iranian retaliation that included actions against several Gulf Cooperation Council (GCC) members. Iran’s further disruptions to the shipping lanes off the Strait of Hormuz, along with the heightened risk of a much broader conflict across the region, placed significant upward pressure on oil prices that prompted the market to reassess both its inflation and global growth expectations. Against this backdrop, the Federal Reserve held the federal funds rate steady.

STRATEGY PERFORMANCE

The 5 largest contributors to performance in the first quarter were Ultra Clean Holdings Inc. (UCTT), Lumentum Holdings Inc. (LITE), DigitalOcean Holdings Inc. (DOCN), Modine Manufacturing Company (MOD), and Powell Industries Inc. (POWL).

Small cap stocks rallied as measured by the Russell 2000 Index and performance in the quarter was driven by a concentrated group of high-conviction holdings exposed to cyclical recovery and structural growth themes across semiconductors, AI infrastructure, energy, and electrical equipment. Ultra Clean delivered outsized gains as a rebound in semiconductor capital expenditures and stronger OEM demand translated into significant operating leverage. Lumentum similarly benefited from accelerating AI-driven demand in optical and photonics markets, with investors rewarding its positioning in high-speed data center and telecom upgrades through a sharp valuation re-rating. DigitalOcean contributed meaningfully as sentiment improved toward profitable, SMB-focused cloud platforms, supported by stabilizing churn and consistent ARPU expansion. Modine Manufacturing benefited from accelerating data center capital expenditures, and Powell Industries rounded out the top contributors, supported by sustained strength in grid and electrical infrastructure investment, where robust backlog growth and margin expansion highlighted the durability of underlying demand.

The 5 largest detractors from performance in the first quarter were Magnite Inc. (MGNI), ExlService Holdings Inc. (EXLS), Braze Inc. (BRZE), SPS Commerce Inc. (SPSC), and Agilysys Inc. (AGYS).

Performance was pressured by a concentrated group of software and services holdings that experienced sharp multiple compression despite largely intact fundamentals. Investors were underwhelmed by Magnite’s performance, as results fell short of elevated expectations for the digital advertising platform. ExlService also reacted to fears that AI could disrupt legacy analytics and outsourcing models. Braze came under pressure as investors questioned the durability of marketing spend and enterprise seat expansion, particularly within technology and consumer verticals. SPS Commerce detracted as part of a broader derating in high-quality but slower-growth software, where its modest top-line profile left it exposed in a factor-driven selloff. Agilysys rounded out the detractors, as investors reset expectations following a strong multi-year run, with volatility in bookings and deal timing compounding a broader pullback in higher-multiple vertical SaaS companies.

**Top 5 Performance Contributors ^a as of 03/31/2026
Quarter Return (%) (gross of fees)**

| | |
|------------------------------------|-------|
| Ultra Clean Holdings Inc (UCTT) | 145.5 |
| Lumentum Holdings Inc (LITE) ‡ | 96.3 |
| DigitalOcean Holdings Inc (DOCN) | 78.3 |
| Powell Industries Inc (POWL) | 69.8 |
| Modine Manufacturing Company (MOD) | 62.3 |

**Bottom 5 Performance Detractors ^a as of 03/31/2026
Quarter Return (%) (gross of fees)**

| | |
|--------------------------------|-------|
| Agilysys Inc (AGYS) | -40.1 |
| SPS Commerce Inc (SPSC) | -37.5 |
| Braze Inc (BRZE) | -31.1 |
| ExlService Holdings Inc (EXLS) | -28.3 |
| Magnite Inc (MGNI) | -26.8 |

‡ 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 initiated positions in Life Time Group Holdings Inc. (LTH), Chord Energy (CHRD), and Mirion Technologies Inc. (MIR).

Life Time Group represents a differentiated play on premium, experience-driven fitness, and wellness, with exposure to affluent, high-density markets that support strong pricing power and retention. Its model is underpinned by durable cash generation, a visible unit expansion pipeline, and steady margin progression. Chord is an Exploration and Production (E&P) company primarily concentrated in the Williston Basin (Bakken/Three Forks) in North Dakota and Montana. Chord management has maintained a conservative balance sheet, giving the company greater flexibility in volatile price environments. We appreciate its operational efficiency, high quality assets, and visibility in cash flow generation. Mirion Technologies adds exposure to the resurging nuclear ecosystem, where demand for safety, measurement, and diagnostic equipment is accelerating alongside renewed global investment in nuclear energy. The company's combination of organic growth, margin expansion potential, and disciplined capital allocation—highlighted by the Paragon acquisition—positions it well to benefit from a multi-year capex cycle.

The Strategy exited Lumentum Holdings Inc. (LITE) and Civitas Resources Inc. (CIVI).

The position in Lumentum was sold following a period of substantial outperformance, driven by strong order momentum and upward revisions to revenue expectations tied to AI-related optical demand. As the stock re-rated to a market capitalization exceeding \$50 billion, valuation reached levels that more fully reflected near-term growth prospects, prompting a disciplined exit as the risk/reward profile became less compelling relative to other opportunities within the Strategy. Civitas is an E&P company focused on the DJ Basin in Colorado. The company was purchased by SM Energy company (SM), a stock already held in the Strategy, so we sold this prior to the close rather than double weight the stock.

OUTLOOK

Despite the significant supply shock that resulted from Iran closing the Strait of Hormuz, the market's reaction to the recent conflict in the Middle East has thus far been rather muted. If a negotiated settlement is reached, and the Strait is reopened in the very near future, the greatest negative economic impacts may yet be avoided. Until then, we remain focused on analyzing underlying stock fundamentals and adhering to our risk managed portfolio construction discipline.

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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.