Dana Catholic Small Cap Equity Strategy

Quarterly Review

As of June 30, 2026

The second quarter of 2026 was defined by a powerful early rally, which was followed by a sharp reversal. High beta stocks, including semis and quantum companies, rallied in April. The Q1 earnings were exceptionally strong, with the S&P 500 Index posting the highest blended earnings growth since Q4 2021. Also noteworthy in the quarter, the U.S.-Iran conflict reached a ceasefire agreement in June, leading to an abrupt decline in oil prices, and the SpaceX IPO hit the markets. AI remained the dominant investment theme throughout the quarter, though concerns around ROI and monetization began to erode the AI narrative by June. The Fed leadership of Chairman Warsh began in June with a succinct statement and the removal of forward guidance that was initially viewed hawkishly, though the creation of task forces to investigate policy structures indicates a dovish lean.

Strategy Performance

The 5 largest contributors to performance in the second quarter were Ultra Clean Holdings Inc. (UCTT), PDF Solutions Inc. (PDFS), JFrog Limited (FROG), DigitalOcean Holdings Inc. (DOCN), and MYR Group Inc. (MYRG).

Small-cap stocks rallied as measured by the Russell 2000 Index. Strategy performance in the quarter was largely 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 beat and raised guidance materially for a successive quarter, with management citing accelerating AI-driven semiconductor tool demand. PDF Solutions is re-rating higher as core products Exensio and eProbe fired on all cylinders. JFrog's results reversed the "software-mageddon" narrative for the firm. Revenue and EPS beat consensus, with cloud revenue more than half of total revenue for the first time. DigitalOcean delivered a transformational earnings report; revenue and adjusted EPS crushed expectations, and simultaneously launched the DigitalOcean AI-Native Cloud, added data center capacity, and raised revenue growth guidance while setting a 2027 growth target. MYR Group reported record results supported by data center electrification and grid modernization projects. Management raised full-year organic revenue growth guidance and lifted operating margin guidance for both segments.

The 5 largest detractors from performance in the second quarter were TransMedics Group Inc. (TMDX), Chord Energy Corporation (CHRD), Ensign Group Inc. (ENSG), SM Energy Company (SM), and Weatherford International plc (WFRD).

TransMedics reported revenue growth but delivered a surprising EPS miss driven by collapsing margins as SG&A surged and R&D jumped. Investors are losing patience with management despite what appear to be solid transplant volumes. Chord reported a strong quarter as oil production exceeded guidance, adjusted free cash flow was strong, and management raised production guidance, but the crude oil collapse directly eroded the present value of future production. Ensign had reported strong results, but a short seller published a report alleging chronic understaffing. SM Energy closed its transformative Civitas merger in January that dramatically boosted reported revenue but also increased the stock's commodity sensitivity. With crude prices falling rapidly, SM's cash flow expectations were affected. Weatherford reported a decent quarter, but the Iran conflict disrupted operations across the Middle East and management guided revenues lower as a result.

Top 5 Performance Contributors [a] as of 06/30/2026	Quarter Return (%) (gross of fees)
Ultra Clean Holdings Inc (UCTT)	129.3
PDF Solutions Inc (PDFS)	116.4
JFrog Ltd (FROG)	93.7
DigitalOcean Holdings Inc (DOCN)	83.1
MYR Group Inc (MYRG)	77.2

Bottom 5 Performance Detractors [a] as of 06/30/2026	Quarter Return (%) (gross of fees)
TransMedics Group Inc (TMDX)	-33.2
Ensign Group Inc (ENSG)	-20.4
Chord Energy Corporation (CHRD)	-18.9
SM Energy Company (SM)	-15.7
Weatherford International plc (WFRD)	-13.6

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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STRATEGY ACTIVITY

The Strategy added Chefs' Warehouse, Inc. (CHEF) and Fabrinet (FN).

Chefs' Warehouse is a supplier of high-end restaurants and offers diverse, niche SKUs. Chefs' is growing share in a fragmented market, a clear beneficiary of resilient upscale restaurant and hospitality spending, even as other consumer-facing sectors encounter macro risk from tighter consumer spending and margin pressures. Margin expansion is likely as operating leverage boosts EBITDA. Fabrinet is a contract manufacturer of optical components, benefiting from supply shortages and massive demand. Revenue growth is driven by a surge in Telecom/DCI modules, making it a direct play on the AI data center optical infrastructure buildout with multiple demand vectors.

The Strategy exited e.l.f. Beauty Inc. (ELF), SPS Commerce Inc. (SPSC), Mirion Technologies Inc. (MIR), and ExlService Holdings Inc. (EXLS).

After 27 consecutive quarters of topline growth, e.l.f.'s organic sales declined YoY, and tariff impacts continued to pressure gross margin. SPS's rough retail end markets are pressuring sales growth, and growth guidance decelerated for FY2026. Lengthening sales cycles, sequential customer declines, and AI disruption concerns in supply chain SaaS, with some activist pressure adding governance overhang.

We removed two stocks to help address a dramatic annual Russell rebalancing. Mirion revenue and EPS missed expectations, FY2026 adjusted EPS guidance came in below consensus, and the prior-year acquisition of Paragon Energy Solutions required a dilutive capital raise. ExlService has been swimming against the current in business outsourcing. Revenue growth and raised guidance failed to reverse sentiment, suggesting the stock's re-rating required a more compelling AI monetization narrative.

OUTLOOK

While macroeconomics can often be unpredictable, the global economy has managed to absorb a meaningful shock to oil prices better than many had expected. Recent trends in manufacturing, inflation, employment, and corporate earnings also suggest a backdrop that remains constructive enough to support continued revenue and earnings growth. At the same time, new leadership at the Federal Reserve has already shifted both the tone and potential process of policy, which may reduce the risk of an unnecessarily anti-growth response even as markets adjust to a less-scripted Fed. Dana's investment discipline is maintained by focusing on company-specific news flow, underlying business fundamentals, and a disciplined, risk-managed portfolio construction process.

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

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