Dana Large Cap Equity Strategy

Quarterly Review

As of March 31, 2024

We are pleased with the strong equity market returns for the first quarter of 2024 that followed an already terrific Q4 2023 return. The market performed well despite a backup in interest rates and waning expectations for rate cuts. While the majority of the "Magnificent 7" stocks once again propelled the S&P 500 Index returns, not all of these companies were quite so magnificent this quarter. Growth stocks outshone value stocks, large-cap stocks outperformed small-cap stocks and earnings growth overall was solid.

Strategy Performance

The top 5 performance contributors were NVIDIA Corporation (NVDA), Meta Platforms Inc. (META), Dell Technologies Inc. (DELL), Amazon.com Inc. (AMZN) and Interactive Brokers Group Inc. (IBRK).

Artificial Intelligence themed stocks certainly felt the wind beneath their wings. Earnings growth expectations continued to rise especially for key players NVIDIA, Meta Platforms, Dell, and Amazon. Next generation AI products are in high demand and this is fueling the development race. NVIDIA, a bellwether stock for AI, continued to rise. Meta is enjoying a strong sentiment rebound as the company proves out the monetization of its Reels and Messenger products and harvests earnings gains from its well-publicized "year of efficiency" in 2023. Dell caught investors' attention for its extensive AI product offerings that included critical optimization and storage infrastructure for AI growth. Lastly, capital markets company, Interactive Brokers Group, benefited from strong customer activity.

The largest 5 performance detractors were lululemon athletica inc. (LULU), Adobe Inc. (ADBE), Apple Inc. (AAPL), UnitedHealth Group Inc. (UNH), and Gaming and Leisure Properties Inc. (GLPI).

Apple has experienced a slowdown in sales in large part due to its exposure to China. Adobe's shares fell following a disappointing quarterly report. We remain confident in Adobe's leadership positioning and appreciate the announcement of a $25B share buyback authorization.

Lululemon's stock retreated when topline growth decelerated in the latest earnings report. We remain enthusiastic and believe the company's efforts to expand its product lineup are considerable. Managed care stocks were weak during the quarter following a competitor's significantly disappointing earnings guidance. The Strategy holding, UNH, was not immune to this announcement although the UNH management team continues to affirm its 2024 guidance. Gaming and Leisure, an owner of casino real estate, lagged as the company issued equity and debt in preparation for future acquisitions.

Top 5 Performance Contributors [a] as of 03/31/2024 Quarter Return (%) (gross of fees)	
NVIDIA Corporation (NVDA)	82.4
Dell Technologies Inc (DELL)	49.8
Meta Platforms Inc (META)	37.3
Interactive Brokers Group Inc (IBKR)	34.8
Amazon.com Inc (AMZN)	18.7

Bottom 5 Performance Detractors [a] as of 03/31/2024 Quarter Return (%) (gross of fees)	
lululemon athletica Inc (LULU)	-23.5
Adobe Inc (ADBE)	-15.4
Apple Inc (AAPL)	-10.8
UnitedHealth Group Inc (UNH)	-5.6
Gaming and Leisure Properties Inc (GLPI)	-5.0

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. Total return is truncated to one decimal.

STRATEGY ACTIVITY

We purchased two stocks this quarter, Diamondback Energy Inc. (FANG) and Synopsys Inc. (SNPS).

Diamondback is a low-cost oil producer that enables them to keep growth flat and pay their dividend even if oil goes to $40/barrel. This low-cost structure, combined with a drilling inventory of ~25 years provides much more visibility than most other oil companies. The company also has a very shareholder-friendly capital allocation policy, returning most of its FCF to shareholders through dividends and buybacks.

Synopsys provides pre-designed circuits used as components of larger chips and design software supporting the creation of leading edge chips and electronic systems often used by semiconductor startups, particularly those focused on AI. As more companies look to bring chip designs in-house to meet their particular needs, the demand for Synopsys' products should remain in high demand.

The Strategy sold Baker Hughes Company (BKR), ConocoPhillips (COP), and Palo Alto Networks Inc. (PANW).

Baker Hughes is one of the largest oil field services companies. It is a leader in compression technology which is utilized in LNG plants. The combination of low natural gas prices and the White House delays in LNG approvals creates more uncertainty regarding order growth. These overhangs led to the sale of the stock. We sold a second Energy position, ConocoPhillips, an exploration and production energy company. COP has done a good job executing and has a favorable capital allocation discipline; however the company does not have the flexibility to adjust their capital budget as quickly as the shale producers, like FANG. In a more uncertain oil price environment, this flexibility could be a strong asset, thus the decision to sell COP in favor of FANG.

Palo Alto is a cybersecurity company, an industry that we favor. The company is trying to convince their customers to consolidate vendors and choose Palo Alto for their cybersecurity needs. Their strategy is to give away their services until a current incumbent's contract is up. As a result, the company has now missed revenue targets for two straight quarters, and their mid-term guidance range also seems out of reach. We question their competitive position given the lengths taken to win new accounts.

OUTLOOK

Investors are responding to a steady earnings outlook over a stickier core inflation report. AI-themed stocks have moved considerably, yet the buildout continues at a fast pace. The anticipated Fed rate cuts are on pause for now and we expect a rate cut in late spring or summer. Market breadth retreated from levels seen in the prior quarter and we see opportunity for breadth to improve. This backdrop is supportive of our disciplined stock selection process.

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.

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