



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 top five contributors to performance were Vertiv Holdings Company (VRT), SLB Limited (SLB), Diamondback Energy Inc. (FANG), Lam Research Corporation (LRCX), and Analog Devices Inc. (ADI).

Performance across key holdings was driven by a combination of structural growth themes and shifting macro dynamics. Vertiv continued to benefit from its strong positioning in AI infrastructure—spanning liquid cooling, power management, and data center design—delivering exceptional results as backlog doubled and drove meaningful upward revisions to 2026 sales and earnings. This visibility, combined with its addition to the S&P 500 Index which triggered mandatory buying from passive funds, further supported valuation expansion. In the Energy sector, SLB saw sentiment improve alongside oil prices, as shifting supply dynamics following the Iran conflict underscored the need for increased global exploration and production. Like SLB, Diamondback Energy also directly benefited from higher crude prices, with excess cash flow expected to be returned to shareholders through dividends and buybacks. Within semiconductors, Lam Research Corporation extended its streak of earnings outperformance to five consecutive quarters, driven by robust AI-related demand and the increasing complexity of advanced chip architectures, which has supported both revenue growth and significant margin expansion. Similarly, Analog Devices capitalized on accelerating AI infrastructure investment, boosting demand across its test equipment, power management, and optical solutions, while also benefiting from a cyclical recovery in industrial and communications end markets, leading to higher sales and earnings expectations and corresponding strength in the shares.

The five largest detractors were ServiceNow Inc. (NOW), IQVIA Holdings Inc. (IQV), Microsoft Corporation (MSFT), Alphabet Inc. (GOOGL), and NVIDIA Corporation (NVDA).

Software holdings were broadly pressured by rising concerns around AI-driven disruption. ServiceNow declined despite strong fundamentals and a positive earnings surprise, as investors questioned whether AI could reduce users, bypass platforms, or create a more deflationary environment for software vendors. Clinical research company IQVIA Holdings faced similar concerns, though we view these as overdone given the company's valuable proprietary datasets, which should become increasingly important in an AI-driven landscape. Microsoft Corporation was not immune to these fears, but continued to see strong AI-driven growth, particularly in Azure, and remains well positioned given its access to unique enterprise data. Alphabet, which had benefited from improving sentiment in previous quarters as AI drove increased search activity, saw its stock pause after a strong run. Finally, NVIDIA Corporation delivered exceptional growth and continued to see robust demand for its latest AI platforms; while the stock has paused as investors assess long-term durability, we believe the outlook remains favorable and valuation compelling.

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

Vertiv Holdings Company (VRT)	54.7
SLB Limited (SLB)	34.7
Diamondback Energy Inc (FANG)	32.3
Lam Research Corporation (LRCX)	25.0
Analog Devices Inc (ADI)	17.7

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

ServiceNow Inc (NOW)	-31.8
IQVIA Holdings Inc (IQV)	-24.3
Microsoft Corporation (MSFT)	-23.3
Alphabet Inc (GOOGL)	-8.1
NVIDIA Corporation (NVDA)	-6.5

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 Boston Scientific Corporation (BSX), Cisco Systems Inc. (CSCO), Oracle Corporation (ORCL), Proctor & Gamble Company (PG), Philip Morris International Inc. (PM), and J.M. Smucker Company (SJM).

Purchases during the quarter reflected a balance between AI-enabled growth and a rotation toward more defensive, cash-generative businesses as volatility increased. We initiated a position in Cisco Systems Inc, the largest supplier of networking switches and routers, which is benefiting from both a global upgrade cycle and accelerating AI-related order momentum, supported by a growing revenue base, durable 30%+ operating margins, and strong free cash flow. Within Consumer Staples, Proctor & Gamble remains an exceptionally reliable compounder with decades of dividend growth and improving efficiency through AI integration. Philip Morris continued to see strong volume growth in smoke-free products with revenue and earnings growth above peers, and J.M. Smucker is benefiting from solid brand performance—particularly Uncrustables and coffee—along with a potential catalyst from activist involvement. We also added Boston Scientific Corporation, where strong procedural volumes and innovation support durable growth, and Oracle Corporation, which is seeing accelerating demand for its cloud infrastructure and database offerings tied to AI workloads, positioning it well despite broader software sector concerns.

The Strategy sold Adobe Inc. (ADBE), Keurig Dr Pepper Inc. (KDP), Kimberly-Clark Corporation (KMB), Kroger Company (KR), STERIS plc (STE), and Workday Inc. (WDAY).

Workday was sold as growth continued to decelerate amid market saturation and intensifying competition from larger players, with AI-related disruption concerns further weighing on the long-term outlook. Within Consumer Staples, we exited Kroger following strong stock performance which resulted in a more than fair valuation. The sale of Kimberly-Clark Corporation was due to ongoing earnings pressure and a lack of meaningful catalysts for valuation expansion. We view Keurig Dr Pepper's acquisition of JDE Peet's with increased uncertainty due to its planned corporate split and elevated pro forma leverage. We sold Adobe Inc, where generative AI introduces potential long-term disruption to its core creative tools, and STERIS plc, where more modest growth and limited near-term catalysts led us to reallocate capital toward higher-conviction opportunities.

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.