Dana Large Cap Growth 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), Microsoft Corporation (MSFT), Amazon.com Inc. (AMZN), and Uber Technologies Inc. (UBER).

Artificial Intelligence themed stocks certainly felt the wind beneath their wings. Earnings growth expectations continued to rise especially for key players NVIDIA, Meta Platforms, Microsoft, and Amazon. Next generation AI products are in high demand and this is fueling the development race. NVIDIA, a bellwether stock for AI, soared. 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. We believe that Meta's core content and advertising business is an ideal AI use case. Amazon is following technology peers in its own efficiency drive, which looks set to accelerate free cash flow growth. Uber benefited from an earnings report showing excellent bookings and revenue growth along with solid cash flow and margin expansion. The stock has recovered significantly since its pullback in 2022.

The largest 5 performance detractors were lululemon athletica inc. (LULU), Adobe Inc. (ADBE), Apple Inc. (AAPL), UnitedHealth Group Inc. (UNH), and Zoetis Inc. (ZTS).

Not all tech stocks performed well. Apple has experienced a slowdown in sales in large part due to its exposure to China. The Strategy has a relatively small position in Apple and we appreciate its robust ecosystem, although we have greater conviction in many other technology holdings. One such holding is Adobe, where shares fell after disappointing high investor expectations. We believe that Adobe is an innovation leader with strong management in a fast-growing content creation category. Strong free cash flow generation supports a recently announced $25 billion buyback. Lululemon retreated when topline growth decelerated in the latest earnings report. We continue to monitor brand and fashion durability and appreciate the company's efforts to expand its product assortment and grow internationally. UnitedHealth was weak during the quarter following a competitor's disappointing earnings guidance. Management affirmed its 2024 guidance although there are new variables to evaluate, including a major cyberattack. Zoetis' new pain drug for canines received some negative press and the stock declined. Reports from veterinarians that have administered the drug have been overwhelmingly positive, allaying our concerns.

Top 5 Performance Contributors [a] as of 03/31/2024 Quarter Return (%) (gross of fees)	
NVIDIA Corporation (NVDA)	82.4
Meta Platforms Inc (META)	37.3
Uber Technologies Inc (UBER)	25.0
Amazon.com Inc (AMZN)	18.7
Microsoft Corporation (MSFT)	12.0

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
Zoetis Inc (ZTS)	-14.0
Apple Inc (AAPL)	-10.8
UnitedHealth Group Inc (UNH)	-5.6

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. Total return is truncated to one decimal.

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Strategy Activity

We purchased two stocks this quarter, JP Morgan Chase & Company (JPM), and Synopsys Inc. (SNPS).

JPMorgan is the relatively rare mega-bank that has shown consistent and meaningful earnings growth since the financial crisis, and we like the extended tenure (18 years) of CEO Jamie Dimon. Large banks have been challenged by legacy liabilities, restrictive regulation, higher capital requirements, digital competition, and unusual interest rate regimes. Throughout, JPMorgan has grown market share in its core franchises while maintaining a reputation for risk management. This reputation was furthered during last year's Silicon Valley Bank crisis, where JPMorgan's balance sheet was best positioned among large banks to both take advantage of higher interest rates and absorb business from faltering rivals.

We've long watched and appreciated Synopsys' stellar execution history. Recently, that execution includes double-digit revenue growth and substantial margin expansion. We believe that Synopsys has articulated (and begun to execute upon) a credible growth roadmap supported by rapidly increasing semiconductor design complexity. This complexity is catalyzed by the proliferation of AI, constraints on manufacturing smaller transistors, and the growing desire of technology customers to design integrated chip packages and systems. The company may be one of a handful of software companies capable of accelerating revenue growth at scale.

We sold Palo Alto Networks (PANW) in the first quarter.

Palo Alto was one of our strongest contributors in 2023. In addition to valuation, we had become somewhat concerned about momentum in its core firewall franchise. This quarter's earnings report was lackluster especially for a stock with a double-digit year-to-date return prior to the report. Fortunately, we had been trimming the position. We'll continue to monitor the company and appreciate Palo Alto's exposure to a fast-growing cybersecurity category.

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.

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

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