Dana Large Cap Value Equity Strategy

Quarterly Review

As of March 31, 2025

The S&P 500 Index delivered a more volatile ride this quarter. Much of this volatility had to do with new policy directives from the White House, particularly those involving tariffs. It is still unclear how the use of tariffs will evolve in Q2 let alone their impact on economic growth and inflationary pressure. Sensing increased risks, investors pulled back from cyclical stocks as well as high valuation AI-related stocks, notably the Mag 7. A flight to safety and softening growth expectations drove bond prices higher. This was a quarter when diversification mattered.

Strategy Performance

The top 5 performance contributors were AutoZone Inc. (AZO), RTX Corporation (RTX), Boston Scientific Corporation (BSX), Berkshire Hathaway Inc. (BRK.B), and Altria Group Inc. (MO).

AutoZone is a leading retailer and distributor of automotive replacement parts and accessories that operates over 7,000 stores across the United States and internationally. AutoZone caters to both do-it-yourself (DIY) customers and professional mechanics, offering products like batteries, brakes, and fluids, plus diagnostic tools. The company is seeing strong domestic commercial and international sales growth while investing heavily in mega-hub distribution centers. These mega-hubs typically carry over 100,000 SKUs, delivering a wide assortment of goods with fast service and parts availability for commercial customers. RTX is an aerospace and defense powerhouse formed in the 2020 merger of Raytheon and United Technologies. RTX operates through three main segments: Collins Aerospace (avionics and interiors), Pratt & Whitney (jet engines), and Raytheon (missiles and defense systems). Serving commercial aviation, military, and space markets, it's a top player with a presence in over 100 countries. The company reported organic sales growth of +11% in 2024 with a backlog exceeding $200 billion. Management expects segment profit growth of 10-13% in 2025.

Boston Scientific Corporation is a medical device leader. BSX delivers innovative solutions in cardiology, endoscopy, urology, and neuromodulation. In 2024, the company posted strong 16% organic growth, exceeding financial targets. Guidance for 2025 shines—management projects 10-12% organic growth, 12-14% EPS gains, and year-over-year margin improvement. Boston Scientific's M&A strategy targets high-quality tuck-ins and cutting-edge acquisitions. Altria Group is a leading U.S. tobacco manufacturer and posted strong 2024 results, with income growth and margin expansion in its core tobacco business, alongside promising volume and share gains in smoke-free products. The company returned $10B to shareholders in 2024, underscoring its cash flow strength. Lastly, Berkshire Hathaway, Inc., the major conglomerate that spans insurance, railroads, and energy was a top contributor on a mix of strong fundamentals and market dynamics. EPS soared 39% in the most recent reported quarter, well above estimates, driven by stellar P&C insurance underwriting and improved margins. Investment income jumped and cash swelled to $321B, arming Buffett for deals.

The largest 5 performance detractors were Vertiv Holdings Company (VRT), Caesars Entertainment Inc. (CZR), PayPal Holdings Inc. (PYPL), Microchip Technology Inc. (MCHP), and Alphabet Inc. (GOOGL).

Vertiv Holdings is a datacenter infrastructure player. VRT powers AI and tech, riding a surge in energy and infrastructure demand. Q4 2024 sales climbed 27%, and EPS topped estimates, but flat orders and a soft Q1 2025 guide rattled investors. Order growth trends do not align with datacenter capital expenditure build out but appear to be localized in overseas markets. Shares faced selling pressure amid a broader AI trade slump, leaving investors in 'show-me' mode. Vertiv's long-term trends—backed by a $7B backlog—may outpace current negativity. Other AI-related stocks also experienced weakness. Microchip Technology is known for its microcontrollers and analog semiconductors serving industries such as automotive, consumer electronics, and aerospace. MCHP is experiencing a revenue slump with weakness across regions and categories. Industrial slowdown and customer inventory cuts fueled a difficult

ca ✓ LS 04/17/2025

downcycle. Closing its Arizona plant, trimming inventory, reorganizing units, and prioritizing top clients signal a 2025 pivot. CEO Steve Sanghi steps back into the role he held from 1991 to 2021, where he famously turned around the struggling company. Alphabet Inc., the tech giant in Search, Cloud, and AI, reported Q4 revenue up 12% and EPS up 31%. Search and YouTube ads excelled with Cloud surging 30% yet concerns linger—investors fret AI rivals like ChatGPT and DeepSeek could erode Search share with low-cost, conversational answers, while $75B in 2025 CapEx raises cost pressure and ROI scrutiny. Again, we're bullish: market-leading Search and Cloud, AI-driven growth, strong YouTube ads, and Waymo's 150,000 weekly trips fuel optimism. At a reasonable valuation, GOOGL offers a compelling upside.

Casino-entertainment company, Caesar Entertainment, reported disappointing revenue and earnings results during the quarter on regional competition, customer friendly betting outcomes in digital, and flat results in Las Vegas on a difficult year-over-year comparison against 2023's inaugural F1 event. CZR's balance sheet is leveraged and there continues to be investor concern regarding managing high debt levels. We expect potential asset sales and lower capital expenditures to lead to strong free cash generation and deleveraging in 2025. Lastly, digital payments pioneer PayPal Holdings reported quarterly earnings results that exceeded expectations. The stock had been a strong performer in the back half of 2024 and the expectations bar was raised going into the quarterly report. Payment volumes disappointed and investors are ultimately concerned about share loss to the likes of Apple Pay. A $15B buyback plan offers material cash return to shareholders while the stock's multiple is in value territory.

Top 5 Performance Contributors [a] as of 03/31/2025 Quarter Return (%) (gross of fees)	
AutoZone Inc (AZO)	19.1
Berkshire Hathaway Inc (BRK.B)	17.5
Altria Group Inc (MO)	16.8
RTX Corporation (RTX)	15.1
Boston Scientific Corporation (BSX)	12.9

Bottom 5 Performance Detractors [a] as of 03/31/2025 Quarter Return (%) (gross of fees)	
Vertiv Holdings Company (VRT)	-36.4
Caesars Entertainment Inc (CZR)	-25.2
Alphabet Inc (GOOGL)	-18.2
PayPal Holdings Inc (PYPL) †	-15.9
Microchip Technology Inc (MCHP)	-15.0

† Return is from the date stock was purchased to end of quarter.

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

We added PayPal Holdings Inc. (PYPL) to the Strategy in Q1.

PayPal Holdings, Inc. powers seamless digital and in-person transactions. With 400M+ active accounts, it commands a hefty share of branded checkout, runs Venmo's social payment ecosystem, and drives enterprise payments via Braintree for giants like Uber and Airbnb. Beyond its $125B online payments total addressable market (TAM), PayPal targets a $200B offline TAM and launched PayPal Ads in 2024. Led by an ex-Uber ad exec, Ads leverages vast purchase data, diversifying revenue past transaction fees. PYPL's model generates strong free cash flow, with management eyeing FCF growth in line with net income and pledging 70-80% annual shareholder returns via a $15B buyback. Shares surged in late 2024, but stumbled after mixed quarterly results as investors balked at flat payment volumes. February 2025's Investor Day countered with a roadmap: low-teens+ EPS growth in the near term and 20%+ long-term EPS ambitions. Skeptics question execution and rivals like Apple Pay, but we see an attractive absolute and relative valuation. Economic swings may lead to volatility, but PayPal's cash generation, shareholder focus, and undervalued growth make it an attractive investment.

ca ✓ LS 04/17/2025

We sold one holding, Allstate Corporation (ALL), during the quarter.

Allstate is a property-casualty insurance leader delivering auto, home, and specialty coverage across the U.S. and Canada, managing 160M+ policies. During the pandemic, surging used car prices (Manheim Index up 50%+ in 2021) and repair cost spikes negatively impacted margins, with auto claims ballooning as replacement costs soared. By 2023, ALL countered with premium hikes, while used car prices eased (down ~20% from peak) and expenses steadied. Margins rebounded and shares climbed. Lately, ALL has ramped up marketing to grow policies, but Q4 retention slipped as higher rates pushed some customers away. Our catalysts—price hikes, expense normalization and margin repair – drove strong gains while slowing growth signaled our exit.

Outlook

We continue to see reasonable economic growth, yet we are mindful of slightly widening credit spreads and an uncertain tariff outlook. Investor attention is once again focused on diversification and valuation. A more value-conscious market plays well with Dana's stock selection strengths.

ca ✓ LS 04/17/2025

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

Dana Investment Advisors, Inc. • 20700 Swenson Drive • Suite 400 • Waukesha, Wisconsin 53186 • P.O. Box 1067 • Brookfield, WI 53008-1067
e-mail: Info@DanaInvestment.com • website: www.DanaInvestment.com • (800) 765-0157