



DANA LARGE CAP VALUE EQUITY STRATEGY

QUARTERLY
REVIEW

As of June 30, 2024

The S&P 500 Index delivered another strong quarter in Q2 2024, and once again, a handful of large-cap tech stocks with exposure to explosive AI tailwinds continued to lead the way. Meanwhile, the median stock performance of the Index actually delivered a negative return for Q2. Small-cap stocks, notably the Russell 2000 Index, declined in Q2 as well. Interest rates surprised investors again, this time for their lack of change. Indeed, by the end of the second quarter, yields rose just a bit higher across the curve and finished almost exactly where they had started the quarter. This is in stark contrast to the surprisingly strong move up in interest rates during the first quarter.

STRATEGY PERFORMANCE

Value investors were not rewarded this quarter while growth stocks continued to enjoy strong momentum. There is no shortage of value stocks trading at single-digit PEs or double-digit free cash flow yields, however discounted valuations did not necessarily provide downside protection. What to do? We are focusing on active management and staying patient in certain parts of the market where current valuations look to have priced in too much bad news. We also believe that the value factor may gain in favor should the Fed lower rates, or corporate earnings growth broadens out, helping investors to appreciate what we see and like even more – namely growth within and beyond AI with attractive relative valuations!

The top 5 performance contributors were Vertiv Holdings Company (VRT), Apple Inc. (AAPL), Alphabet Inc. (GOOGL), Boston Scientific Corporation (BSX), and NextEra Energy Inc. (NEE).

Investor enthusiasm over all things AI did not slow in Q2. Vertiv's products build the backbone and critical structure of data centers. Backlogs and growth continued to surprise positively with guidance exceeding high expectations. The company's medium-term growth targets could prove conservative in light of data center power requirements that could double from this year through 2030. Apple's shares also fared well despite challenges surrounding slowing iPhone sales, weak China demand and muted expected near-term growth. The company's services segment continued to experience strong sales growth and management announced a material share buyback. Importantly, the company's World Wide Developers Conference (WWDC) highlighted Apple Intelligence (AI) offering capabilities such as image generation and text summarization while prioritizing privacy and security. Apple Intelligence is limited to newer devices, particularly the iPhone 15 Pro and Pro Max. This exclusivity is expected to encourage Apple's loyal customer base to upgrade their devices, potentially accelerating iPhone sales, and bolstering AAPL's leadership in consumer technology.

GOOGL is currently one of the world's largest investors in LLM (large language model) computing infrastructure. The company reported strong financial results, exceeding expectations for both earnings and revenue. GOOGL saw robust growth in its Cloud unit and advertising business while improved operating efficiency led to an increase in margins. The announcement of GOOGL's first-ever dividend was also well-received by investors. Optimism around Alphabet's AI initiatives contributed to the stock's rise as well.

Beyond technology, top contributors included medical device company, Boston Scientific, and utility, NextEra. Boston's management has consistently served up upside surprises to revenue and earnings estimates while posting organic

Top 5 Performance Contributors ^a as of 06/30/2024 Quarter Return (%) (gross of fees)

Apple Inc (AAPL)	23.0
Alphabet Inc (GOOGL)	20.8
Boston Scientific Corporation (BSX)	12.4
NextEra Energy Inc (NEE)	11.5
Vertiv Holdings Company (VRT)	6.0

Bottom 5 Performance Detractors ^a as of 06/30/2024 Quarter Return (%) (gross of fees)

Intel Corporation (INTC)	-29.6
CVS Health Corporation (CVS)	-25.2
Fortune Brands Innovations Inc (FBIN)	-23.0
Bristol-Myers Squibb Company (BMY)	-22.5
Marathon Petroleum Corporation (MPC)	-13.5

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.

growth greater than their peer group. The company has an attractive suite of existing products with a pipeline of innovative technologies that are developed internally and through acquisitions. The Utilities sector was a standout in the R1000V Index during the quarter, posting a healthy positive return while the benchmark was down. Investors favored Utilities with attractive long-term growth prospects driven by secular drivers including datacenters exposure and clean energy. NEE is a clean energy bellwether with sector leading long-term growth prospects operating in regulatory friendly Florida.

The largest 5 performance detractors were Fortune Brands Innovations Inc. (FBIN), Marathon Petroleum Corporation (MPC), Intel Corporation (INTC), CVS Health Corporation (CVS), and Bristol-Myers Squibb Company (BMY).

Fortune Brands experienced a combination of customer inventory destocking along with a slowdown in consumer activity towards the end of the quarter and these factors weighed on shares. Management described the macro environment as “dynamic” with a “choppy consumer” that left questions on the likelihood of meeting full year revenue and EPS guidance.

Marathon has historically been a strong performer for the Strategy, yet shares took a timeout during the quarter. Buybacks were lighter than expected although still totaled \$2B, with management authorizing an additional \$5B in repurchases. MPC also reported its largest quarterly maintenance and upgrade period in company history resulting in capacity coming offline temporarily. Intel, after performing well in 2023, saw many of the issues investors hoped to put behind them resurface. Revenue guidance was disappointing on top of first half trends that were weaker than originally anticipated. Inventory headwinds negatively impacted the top line and performance of the company's newest AI chipset lagged competitors.

In the Health Care sector, CVS is not immune to rising medical cost trends and revised guidance for the full year was worse than expected. The stock reacted negatively to a Medicare Advantage rate update that revealed lower payment increases. A heavily discounted stock multiple did not provide downside support as estimate revisions and sentiment deteriorated. Bristol-Myers suffers from a perceived lack of near-term catalysts and investors are seeking out more exciting near-term or secular growth opportunities within the sector. The stock is trading at a deep value level that includes a single-digit price/earnings multiple and a dividend yield of nearly 6%. We believe the company's challenges are well understood and a period of moderately good news or no bad news is likely to propel the stock.

STRATEGY ACTIVITY

There were no additions or deletions to the Strategy this quarter.

OUTLOOK

Growth and particularly AI storied stocks should continue to capture investors' imagination and investment dollars. The anticipated Fed rate cuts are still on pause, with the market beginning to accept the possibility of fewer and more delayed cuts ahead. Our expectations for rate cuts have been pushed out along with others. Investors may need to see rate cuts to spur market breadth and confidence in earnings growth across sectors. We remain committed to our disciplined stock selection process.

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