



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 Modine Manufacturing Company (MOD), Masonite International Corporation (DOOR), Installed Building Products Inc. (IBP), Deckers Outdoor Corporation (DECK), and e.l.f. Beauty Inc. (ELF).

Modine continues to lean into higher margin growth vectors and management is executing well. Footwear company, Deckers, reported another strong quarterly result bolstered by their HOKA and UGG brands. The company’s shares also joined the S&P 500 Index during the quarter. Installed Building Products crushed estimates and added a variable annual dividend to its cash return strategy. Consumer company, e.l.f. continued to get rewarded as a pure play growth story in a rather dull Consumer Staples sector.

The largest 5 performance detractors were DocGo Inc. (DCGO), Perion Network Limited (PERI), Simply Good Foods Company (SMPL), Axcelis Technologies Inc. (ACLS), and Teradata Corporation (TDC).

Teradata and DocGo were both punished for providing weak guidance and poor execution. Simply Good reported in-line results but investors are waiting for a key product line to turn growth positive. Perion provides digital advertising and beat expectations for the quarter yet gave timid guidance while discussing increased capex. Axcelis, a semiconductor capital equipment company, gave backend-loaded '24 guidance with a soft view of Q1.

Top 5 Performance Contributors ^a as of 03/31/2024 Quarter Return (%) (gross of fees)

Modine Manufacturing Company (MOD)	59.4
Masonite International Corporation (DOOR)	55.2
Installed Building Products Inc (IBP)	42.6
Deckers Outdoor Corporation (DECK) ‡	36.1
e.l.f. Beauty Inc (ELF)	35.8

‡ Return is from the beginning of the quarter through date stock was sold.

Bottom 5 Performance Detractors ^a as of 03/31/2024 Quarter Return (%) (gross of fees)

DocGo Inc (DCGO) ‡	-34.5
Perion Network Ltd (PERI)	-27.1
Simply Good Foods Co (SMPL)	-14.0
Axcelis Technologies Inc (ACLS)	-14.0
Teradata Corporation (TDC) ‡	-12.8

‡ Return is from the beginning of the quarter through date stock was sold.

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 three stocks this quarter, American Eagle Outfitters Inc. (AEO), Couchbase Inc. (BASE), and SPS Commerce Inc. (SPSC).

American Eagle Outfitters is an apparel company offering products under the Aerie, American Eagle and Todd Snyder brands, through over 1200 retail stores. We are excited about its growth trajectory. In the most recent quarter, gross margins expanded significantly and revenues were up double-digits. The company has announced an updated financial plan, covering the next three years, which could drive CAGR EPS growth of over 20%. The plan includes mid single digit revenue growth, incremental operating margin improvement, and share buybacks.

Couchbase is a provider of next-generation (non-SQL) cloud-based database applications serving enterprise architecture and app development. The company is succeeding in re-platforming legacy database products with newer dynamic database structures. We believe the management team has given conservative guidance that could see larger deals and even greater upside. We also added a second IT company, SPS Commerce this quarter. SPS provides software in retail fulfillment and related analytics, connecting retailers and suppliers. The firm has over 40k customers with recurring revenue models. The addressable market grows annually and the data analytics opportunity continues to evolve. SPS' average revenue per user grew 10% in Q4 alone. We appreciate the company's high profitability, cash flow generation and new leadership skills in global markets.

We sold DocGo Inc. (DCGO), Deckers Outdoor Corporation (DECK), Teradata Corporation (TDC), and Realty Income Corporation (O).

Mobile health care services provider, DocGo, is suffering some growing pains. Sloppy execution on rapid growth has impacted near term profitability. Headlines in New York City on migrant care funding put management in a negative spotlight. The company is still faced with an uphill battle to earn more contracts despite its efforts to debunk these concerns. Renewal pressures are a significant overhang.

Deckers Outdoor was first purchased in November 2019. This company has evolved from offering mostly one product, UGGs, to a footwear powerhouse with the emergent HOKA athletic brand. HOKA's growth is in the "early innings" and has been persistent and consistent. UGG growth has also exceeded expectations and alleviated any major concerns. Management has done well navigating a myriad of stresses including supply chain disruptions over the last 4 years. Indeed, execution has been fantastic. Market cap at the end of Q1 breached \$24 billion, and the company was added to the S&P 500 Index in March.

Teradata Corporation, a cloud enterprise analytics company has had some execution hiccups. While Teradata reported earnings and free cash flow (FCF) that were above expectation in mid-February, the company's earnings guidance fell short of expectations. While management is shareholder friendly and pledged to return cash to shareholders, FCF declined from '22 to '23 and the stock price has corrected. We see better opportunities in other software companies that also have exposure to AI applications.

Spirit Realty Capital was acquired by Realty Income Corporation for 9.3B in an all stock deal. Shares exchanged in Q1, and we sold the new shares of the combined \$46B entity.

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.

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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.