Dana Small Cap Equity Strategy

Quarterly Review

As of September 30, 2026

The third quarter of 2026 was defined by a resilient economy, exceptional earnings growth, and a more challenging interest-rate backdrop. Business investment remained strong, led by AI infrastructure, data centers, and related power and industrial spending, while manufacturing surveys stayed in expansionary territory and Q3 GDP tracking moved into the mid-3% range. Treasury yields climbed dramatically after sturdy macro data and rising bond issuance, which stalled the market advance and pressured rate-sensitive areas, including small caps, housing, utilities, REITs, biotech, and non-profitable technology. The quarter closed with markets balancing strong corporate profits and durable capital spending against higher real rates, narrow leadership, and a growing list of macro and political risks.

Strategy Performance

The 5 largest contributors to performance in the third quarter were Magnite Inc. (MGNI), SM Energy Company (SM), Repligen Corporation (RGEN), DoubleVerify Holdings Inc. (DV), and Chefs' Warehouse Inc. (CHEF).

The Energy, Communication Services, and Health Care sectors had the greatest positive contribution to returns. SM Energy benefited from favorable energy fundamentals, while Magnite, Repligen, DoubleVerify, and Chefs' Warehouse delivered strong company-specific returns. The Strategy also benefited from avoiding several of the benchmark's more speculative and rate-sensitive small-cap holdings, particularly across unprofitable technology, crypto-related equities, and other high-beta names. Magnite reported growth in its CTV platform and got a boost from a favorable Google ad-tech remedies decision, which opened Google's auction and publisher-ad-serving ecosystem to greater interoperability and data transparency. Repligen reported great order momentum, +13% organic growth, and a margin beat. DoubleVerify announced it is being acquired by Nielsen in an all-cash deal and a $2.15B valuation. Chefs' Warehouse advanced after delivering a strong Q2 report: net sales rose +12.9%, organic sales increased +12.2%, and adjusted profitability improved.

The 5 largest detractors from performance in the third quarter were Ultra Clean Holdings Inc. (UCTT), MYR Group Inc. (MYRG), PDF Solutions Inc. (PDFS), AAR Corporation (AIR), and Axsome Therapeutics Inc. (AXSM).

Detractors were concentrated in AI/data-center infrastructure and power-related Industrials, where Ultra Clean, MYR Group, and PDF Solutions declined sharply despite longer-term exposure to attractive secular investment themes. Health Care was also a meaningful headwind, as Axsome Therapeutics detracted amid broad weakness in biotechnology and specialty pharmaceutical holdings.

Ultra Clean's record revenues were insignificant in the face of a more cautious semiconductor capital expenditure (capex) outlook, coupled with increased capex plans and reduced near-term margin expansion. Similarly, PDF Solutions declined on the semicap sell-off, then rebounded as confidence returned in its durable growth outlook, which was supported by continued semiconductor-manufacturing complexity, expanding SecureWISE adoption, new Studio AI and eProbe product traction, and management's reiterated target of +20% revenue growth with +27% operating margins. MYR Group reported solid margin and backlog outlooks, but shares retreated on an expectations reset in AI/data-center power capex and power-grid/electrification derisking. AAR reported excellent operating results, but shares retreated on a sizable m&a deal financed with debt that potentially dilutes margins. Axsome likely felt some macro pressure, but also some challenges in the launch of Auvelity for Alzheimer's agitation (June launch). Recent script trends appear to show record highs, implying samples may be converting to scripts.

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Top 5 Performance Contributors [a] as of 09/30/2026 Quarter Return (%) (gross of fees)	
Repligen Corporation (RGEN)	40.9
Magnite Inc (MGNI)	33.1
SM Energy Company (SM)	30.2
DoubleVerify Holdings Inc (DV)	24.4
Chefs' Warehouse Inc (CHEF)	16.7

Bottom 5 Performance Detractors [a] as of 09/30/2026 Quarter Return (%) (gross of fees)	
Ultra Clean Holdings Inc (UCTT)	-43.2
MYR Group Inc (MYRG)	-41.6
AAR Corporation (AIR)	-29.0
PDF Solutions Inc (PDFS)	-27.9
Axsome Therapeutics Inc (AXSM)	-24.7

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 added Materion Corporation (MTRN).

Materion is a specialty chemical/metals company with niche products in high-performance engineered materials. Beryllium, copper/nickels alloys, and assorted materials used where electrical conductivity and thermal management are of high importance. AI and data center demand for semis and memory, power, and communications is lifting volumes and mix. Materion is the world's only fully integrated producer of beryllium, which has applications in aerospace and nuclear systems. Backlog hit a record in the first half of 2026. The company is on a path to +23% EBITDA margins and has opportunity to improve capital efficiency.

The Strategy exited Eagle Materials Inc. (EXP).

Eagle derives about half of its operating earnings from wallboard and the other half from cement and aggregates. Wallboard demand has been challenged as mortgage rates exceed 7%, and residential is about 80% of their exposure. The industry has been removing capacity which should show up when single family home starts improve. Cement demand has been strong, helped by data centers and infrastructure, but pricing has been flat to down, perhaps looking to inflect in 2027.

Outlook

Equity markets remained resilient in the face of rising interest rates due largely to strong earnings growth that is supported by a broadly healthy U.S. economy. Underpinning this growth is the AI investment cycle, potentially the largest capital investment cycle in U.S. history — larger than railroads, electrification, and highways combined, as a percentage of GDP. Much of the current payoff from AI has been from the infrastructure investment itself. The productivity payoff, needed to justify the investment, is just beginning to take shape in the form of cost reductions, efficiency gains, higher returns for advertisers, and new use cases. Over the medium-term, this productivity trajectory will be a determining factor in equity market performance. In the near term, small and mid-caps will remain sensitive to the marginal bias of a Keynesian Fed, which has suddenly grown impatient with the slow downtrend in inflation data amongst rising supply of debt globally.

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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.

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