

# DANA CARBON SENSITIVE ESG EQUITY STRATEGY

# THE WISE CHOICE

## HERITAGE

A strong family culture

Since our founding in 1980, Dana has remained independent and Employee-owned. Our investment firm is built on trust, integrity, and professional experience.

## QUALITY

Excellence in meeting client expectations

Dana strives to provide personalized client service and excellence in everything it does. We are uncompromising in our efforts to deliver superior results to clients.

## EXPERTISE

Focus on what we do best

Dana has assembled an investment team with diverse skill sets and specialized knowledge. We are adept at navigating challenging market environments and developing customized solutions.

## CONSISTENCY

Adherence to a uniform process

Dana implements a uniform investment process to minimize volatility and improve consistency of returns. We seek repeatable and predictable results to most effectively grow cumulative wealth.



**DANA** | Investment  
Advisors

[www.DanaInvestment.com](http://www.DanaInvestment.com)

Dana Investment Advisors was built on the belief that adhering to a defined investment process allows our professionals to focus on the fundamentals of consistent outperformance through security selection.

- Founded in 1980
- Employee-owned
- Equity, taxable and tax-exempt fixed income, and ESG asset manager
- \$7.662 billion of assets under advisement as of December 31, 2021
- Headquartered in Brookfield, Wisconsin

**We've never  
wavered from our  
goal of providing  
above-market  
returns while  
reducing volatility  
for our clients.**

Universe: The union of the Russell 3000 Index and S&P 1500 Index  
(approximately 3000 stocks)

STRUCTURAL RISK CONTROLS					
Sector neutral, equal weighted, fully invested to minimize volatility and focus on stock selection as primary value add					
ESG			FINANCIAL		
Quantitative Models	Derive proprietary relative ESG rank from discretionary E, S, and G scores	I N T E G R A T I O N	Derive proprietary sector relative rank based on valuation, growth, and quality	Quantitative Models	
	Utilize thousands of underlying data points from multiple ESG vendors		Utilize earnings, cash flow and growth metrics, and balance sheet variables		
	Compute relative rank to target top 30% of companies (900-1000 stocks)		Focus on higher-ranking securities by sector (100-150 stocks)		
Fundamental Analysis	Reconcile contradictory ESG scores			DuPont analysis	Fundamental Analysis
	Evaluate sector specific ESG drivers			Earnings estimates and revisions	
	Assess materiality on future earnings			Uses of cash flow	
	Review potential systematic litigation, regulatory, and environmental risks			Persistence of competitive advantages	
			Organic versus inorganic growth		
50 – 55 STOCKS WITH STRONG ESG AND FINANCIAL CHARACTERISTICS BY SECTOR					
ADVOCACY					
Proxy voting, letters and resolutions, corporate engagement					

## Dana's holistic process is **Comprehensive, Balanced, Thoughtful**

**Comprehensive:** Dana's proprietary quantitative Environmental, Social, and Governance (ESG) model utilizes thousands of underlying data points from multiple vendors to rank approximately 3,000 U.S. stocks.

**Balanced:** An ESG rank is calculated for each stock by equally weighting the factors using a geometric mean that helps to identify companies with favorable performance across all E, S, and G considerations.

**Thoughtful:** Dana integrates ESG criteria into Dana's stock selection process, resulting in positive, best-in-class representation. Advocacy efforts are aligned and consistent with process.

**Fossil Fuels:** Dana's Carbon Sensitive Strategy excludes the Energy sector for clients wishing to divest of fossil fuel producers.

Environmental	Social	Governance	Exclusions	Advocacy
<ul style="list-style-type: none"> <li>Climate Change Impacts and Metrics</li> <li>Fines and Regulatory Actions</li> <li>Environmental Disclosures and Policies</li> <li>Board Accountability</li> </ul>	<ul style="list-style-type: none"> <li>Workforce Diversity</li> <li>Human Rights Policies</li> <li>Product and Workplace Safety</li> <li>Labor Rights and Policies</li> <li>Animal Testing</li> </ul>	<ul style="list-style-type: none"> <li>Board Composition</li> <li>CEO Compensation</li> <li>Audit and Accounting</li> <li>Board Independence</li> <li>Corporate Transparency</li> </ul>	<ul style="list-style-type: none"> <li>Energy Sector</li> <li>Adult Entertainment</li> <li>Alcohol</li> <li>Tobacco</li> <li>Gambling</li> <li>Weapons</li> </ul>	<ul style="list-style-type: none"> <li>Proxy Guidelines</li> <li>Sign-on Letters and Resolutions</li> <li>Corporate Engagement</li> <li>Partnerships with Mission-aligned Nonprofits</li> </ul>

Dana Investment Advisors ESG factors map to the United Nations Sustainable Development Goals

# SUSTAINABLE DEVELOPMENT GOALS



# Investment Philosophy

We strive to generate excess  
***risk-adjusted returns*** through  
a ***consistent and disciplined***  
investment process.

**Structural Risk Controls**

**Idea Generation**

**Fundamental Analysis**

**Sell Discipline**



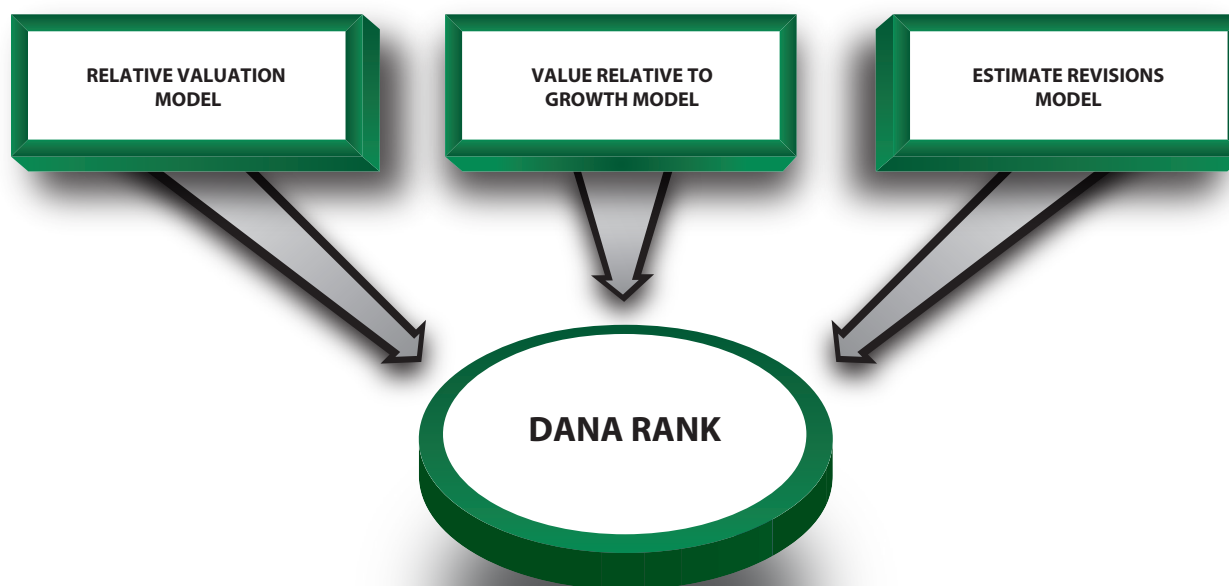
Dana's sector neutral investment approach recognizes it is very difficult to predict future sector performance. Dana's Risk Approach: Structural Risk Controls are the groundwork for our repeatable and consistent investment process.

### S&P 500 Sector Performance

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Cons Stpl -6.9%	Info Tech 46.6%	Energy 28.8%	Energy 29.1%	Telecom 36.5%	Energy 32.4%	Cons Stpl -17.7%	Info Tech 59.9%	Cons Disc 27.6%	Utilities 19.9%	Financials 28.8%	Cons Disc 43.1%	Utilities 29.0%	Cons Disc 10.1%	Energy 27.3%	Info Tech 38.8%	Health Care 6.5%	Info Tech 50.3%	Info Tech 43.9%	Energy 54.7%
Materials -7.7%	Cons Disc 36.1%	Utilities 19.6%	Utilities 12.8%	Energy 23.7%	Materials 20.0%	Health Care -24.5%	Materials 45.2%	Industrial 26.9%	Cons Stpl 13.9%	Cons Disc 23.9%	Health Care 41.5%	Health Care 25.3%	Health Care 7.0%	Telecom 23.5%	Materials 23.8%	Utilities 4.1%	Comm Svcs 33.1%	Cons Disc 33.3%	Real Estate 46.2%
Energy -13.3%	Materials 34.8%	Telecom 16.0%	Health Care 4.9%	Utilities 21.5%	Utilities 15.8%	Utilities -31.6%	Cons Disc 38.8%	Materials 22.9%	Health Care 12.7%	Telecom 18.3%	Industrial 40.7%	Info Tech 20.1%	Cons Stpl 6.6%	Financials 21.7%	Cons Disc 23.0%	Info Tech 3.4%	Financials 32.1%	Comm Svcs 23.6%	Financials 35.0%
Financials -16.4%	Industrial 29.8%	Industrial 16.0%	Financials 3.7%	Cons Disc 19.8%	Info Tech 15.5%	Telecom -33.6%	Industrial 17.3%	Energy 19.7%	Telecom 6.3%	Health Care 17.7%	Financials 35.6%	Cons Stpl 16.0%	Info Tech 5.9%	Industrials 18.4%	Financials 22.2%	Cons Disc 1.8%	Industrials 29.5%	Materials 20.7%	Info Tech 34.5%
Health Care -20.0%	Financials 27.9%	Cons Disc 12.1%	Materials 2.2%	Financials 19.5%	Cons Stpl 11.6%	Cons Disc -34.7%	Health Care 17.1%	Telecom 19.5%	Cons Disc 6.1%	Industrial 15.3%	Info Tech 28.4%	Financials 15.2%	Telecom 3.4%	Utilities 16.4%	Health Care 22.0%	Real Estate -2.1%	Real Estate 29.0%	Health Care 13.3%	Materials 27.3%
Cons Disc -24.5%	Energy 22.4%	Materials 10.8%	Cons Stpl 1.3%	Materials 18.9%	Industrial 9.8%	Energy -35.9%	Financials 14.8%	Cons Stpl 14.2%	Energy 4.7%	Materials 15.0%	Cons Stpl 26.1%	Industrial 9.8%	Financials -1.5%	Materials 15.9%	Industrials 21.3%	Comm Svcs -6.8%	Cons Stpl 27.6%	Industrials 11.4%	Health Care 26.0%
Industrial -27.6%	Utilities 21.1%	Financials 8.2%	Info Tech 0.4%	Cons Stpl 14.3%	Telecom 8.5%	Industrial -41.5%	Energy 11.3%	Financials 12.2%	Info Tech 2.4%	Info Tech 14.7%	Materials 25.6%	Cons Disc 9.7%	Industrial -2.7%	Info Tech 13.9%	Cons Stpl 13.5%	Cons Stpl -8.8%	Cons Disc 27.5%	Cons Stpl 10.7%	Cons Disc 24.4%
Utilities -33.0%	Health Care 13.3%	Cons Stpl 6.0%	Industrial 0.4%	Industrial 13.8%	Health Care 5.4%	Info Tech -43.7%	Cons Stpl 11.2%	Info Tech 10.5%	Industrial -0.6%	Cons Stpl 10.8%	Energy 25.1%	Materials 6.9%	Utilities -4.9%	Cons Disc 6.1%	Utilities 11.8%	Financials -13.1%	Utilities 26.4%	Utilities 0.5%	Comm Svcs 21.6%
Telecom -35.9%	Cons Stpl 9.2%	Info Tech 2.1%	Cons Disc -7.4%	Info Tech 7.9%	Cons Disc -14.3%	Materials -47.1%	Utilities 6.8%	Utilities 5.5%	Materials -9.7%	Energy 4.4%	Utilities 13.2%	Telecom 3.0%	Materials -8.4%	Cons Stpl 5.4%	Real Estate 10.8%	Industrials -13.3%	Materials 24.5%	Financials -1.7%	Industrials 21.4%
Info Tech -37.6%	Telecom 3.3%	Health Care 0.2%	Telecom -9.1%	Health Care 7.8%	Financials -20.8%	Financials -57.0%	Telecom 2.6%	Health Care 2.8%	Financials -17.1%	Utilities 1.7%	Telecom 11.5%	Energy -7.8%	Energy -21.1%	Real Estate 3.7%	Energy -1.1%	Materials -14.7%	Health Care 20.7%	Real Estate -2.3%	Cons Stpl 18.6%
														Health Care -2.5%	Telecom -1.3%	Energy -18.1%	Energy 11.8%	Energy -33.7%	Utilities 17.7%
-22.1%	28.7%	10.9%	4.9%	15.8%	5.5%	-37.0%	26.5%	15.1%	2.1%	16.0%	32.4%	13.7%	1.4%	12.0%	21.8%	-4.4%	31.5%	18.4%	28.7%

S&P 500 TOTAL RETURN





The idea generation phase leverages our propriety models to generate segmented data that efficiently focuses our research on improving or deteriorating trends within sectors, industries or individual companies. We feel this dynamic component is a key advantage and provides a platform that focuses our stock selection.



Fundamental analysis is the basis for all of Dana's investment decisions

Business Model	Profitability	Cash Flow	Earnings Decomposition
<ul style="list-style-type: none"> <li>Quality of Management</li> <li>Quality of Environmental, Social, and Governance Factors</li> <li>Competitive advantages</li> </ul>	<ul style="list-style-type: none"> <li>ROE / ROA</li> <li>Margins</li> <li>Impact of leverage</li> <li>Earnings history</li> </ul>	<ul style="list-style-type: none"> <li>Operating</li> <li>Free</li> <li>Capital requirements</li> <li>Uses of cash</li> </ul>	<ul style="list-style-type: none"> <li>Estimates and execution</li> <li>Surprise history components and revision trends</li> <li>Earnings quality</li> </ul>



## Fundamental analysis drives the Dana sell discipline

### Fundamental Characteristics

- Company execution
- More attractive risk reward opportunity
- Industry dynamics

### Relative Strength

- Sector Performance
- Industry Performance

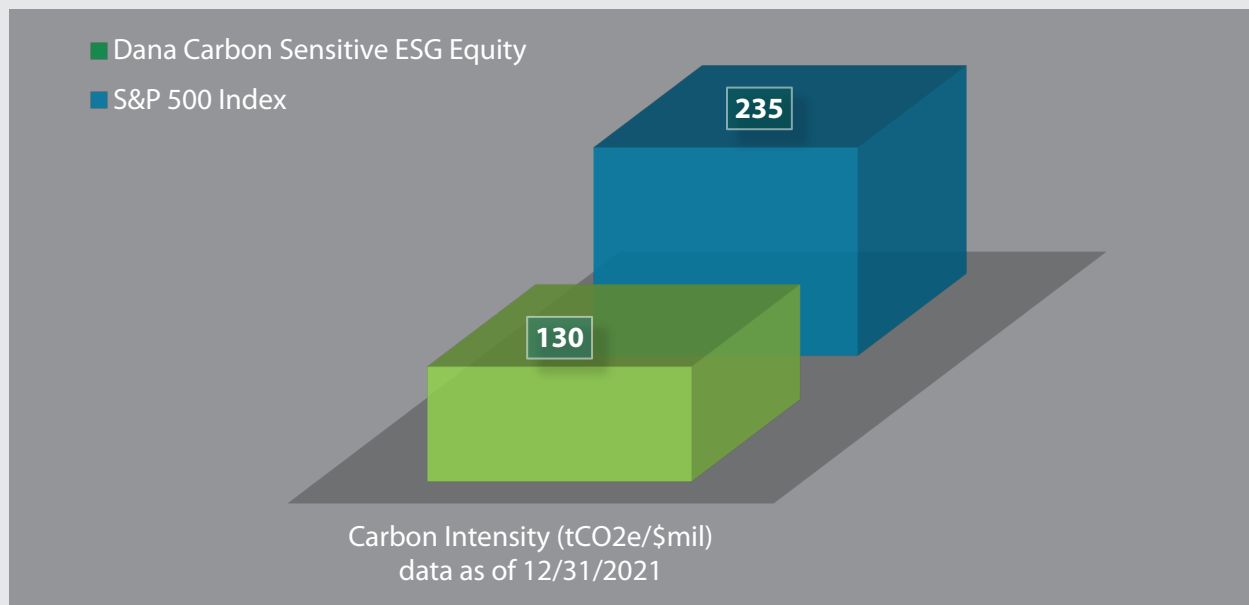
### Model Ranking

- Relative valuation model
- Value-to-growth model
- Estimate revisions model

### Rebalance

- Position weight
- Sector weight

## Carbon Intensity Analysis



Carbon footprint analysis quantifies greenhouse gas emissions (GHG) embedded within the referenced Strategy and Index ("portfolio") presenting these as tonnes (metric ton) of carbon dioxide equivalents (tCO<sub>2</sub>e). Comparing the total GHG emissions of each portfolio company holding relative to annual revenue, gives a measure of carbon intensity that enables comparison between companies, irrespective of size or geography. Each holding's contribution to the carbon footprint of the portfolio is calculated on an equity ownership basis. The carbon footprint of the given portfolio is the sum of these contributions, normalized by revenue owned.



Trucost helps companies, governments, and the investment

community to better understand the possible environmental impact of their investment activities.

Utilizing environmental carbon intensity analysis, Trucost aims to quantify the positive environmental impact of choosing to invest in an environmentally aware way.

### CORPORATE GOVERNANCE

- For an independent chairman of the board
- Against directors serving on more than four boards, more than three for active CEOs
- Against CEO directors serving on the compensation committee
- Against all director nominees if no women are on the board or slate
- Against all director nominees if minority of directors would be independent
- Against ratification of auditors if non-audit fees exceed 25% of total fees paid
- Against ratification of auditors who have served more than ten years

### EXECUTIVE COMPENSATION

- For proposals to link pay to performance
- For executive retention of significant stock
- For disclosure of disparity between executive compensation and employees' median wage
- Against say-on-pay proposals when executive pay does not match company performance
- Against excessive pay packages (less than \$10 million is typically a yes vote; more than \$20 million is, in most cases, a no vote; discretion in the middle)
- Against re-pricing or replacement of stock options (with rare exceptions)
- Against stock option plans that do not apply to all vested/tenured employees
- Against stock option plans that could result in excessive dilution to existing shareholders

### SHAREHOLDER RIGHTS

- For proposals to allow shareholders to act by written consent
- For proposals to allow qualified shareholders to nominate director candidates (proxy access)
- For proposals to adopt a simple majority vote standard (for vs. against, abstentions not counted)

### ENVIRONMENTAL

- For reports on climate change risks, water use risks, GHG emissions reduction targets, renewable energy targets, environmental impact of fracking and other practices, avoidance of conflict minerals, sustainability, supply chain risks, political spending, lobbying that can be produced at a reasonable cost
- For proposals to adopt quantitative renewable energy goals
- For policies that limit global warming to 2°C
- For proposals to adopt recycling strategy

### SOCIAL

- For proposals to implement human rights standards and codes of conduct
- For proposals to improve access to health care
- For proposals to implement humane treatment of animals
- For proposals to end predatory lending practices
- For proposals to increase diversity in the workforce
- For reports on gender pay



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