



# DANA CATHOLIC ESG SMALL CAP EQUITY STRATEGY

## QUARTERLY REVIEW

As of June 30, 2021

Beginning the quarter with strong momentum, the market set 8 new record highs for the S&P 500 Index in the first 11 trading days. Q1 earnings for the S&P 500 Index came in at the highest level ever, with the majority of companies reporting positive surprises on both EPS and revenue. Equities then retreated mid-quarter, as the April jobs report and other economic indicators were very positive but softer than expected. Interest rates fell as a result, which helped the bid for larger growth companies and weakened demand for value and interest-rate sensitive companies. Inflation and the Fed had remained in the crosshairs as we've proceeded through the recovery. After sprinting ahead in the first quarter, small-cap gains in Q2 were modest versus large-cap gains. Yet on a year-to-date basis, the Russell 2000 Index is up +17.54%, outshining the Russell large-cap indexes, as well as the S&P 500 Index. Q2 ended with the S&P 500 Index closing at record highs in each of the last 5 trading days in the quarter, all while hitting daily closing peaks 19 times during Q2 and 34 times in total so far in 2021. The S&P 500 Index produced a strong +8.55% total return for the quarter, and is up +15.25% year-to-date.

The Dana Catholic Small Cap Equity Strategy finished the quarter up +4.48%, with a year-to-date total return of +21.88%, outperforming its benchmark in both periods. Since the beginning of the year, small-cap earnings and revenue estimates have continued to grow much more than larger peers have, helping to maintain the relative attractiveness of small cap valuations despite having such a strong start to the year.

### SECTOR CONTRIBUTORS

**Materials** – The sector benefited from a surge in commodity prices as metals companies paced the group. Other industries were stock specific, including Summit Materials, Inc. (SUM) and Element Solutions, Inc. (ESI), which both rallied on good earnings reports. Summit is seeing volume growth in cement and aggregates and pricing is stable to positive. Element Solutions reported large revenue and EBITDA beats with particular strength in auto and electronic end markets.

**Information Technology** – A rotation into value tech names boosted returns of IT services holdings Perficient, Inc. (PRFT) and DXC Technology Company (DXC). DXC continues to see multiple expansion. Perficient beat earnings and raised estimates, and disclosed a record pipeline.

### SELECT ADDITIONS

**PDC Energy, Inc. (PDCE)** – This domestic exploration and production company with a solid balance sheet and a pathway to free cash flow is focused on a 3-year plan to generate \$2b in FCF at \$55 bbl oil. PDCE is buying back shares and targeting debt reduction.

**Cambium Networks Corporation (CMBM)** – CMBM is a wireless broadband infrastructure company serving network operators. It is benefiting from new products and rural broadband investment that should benefit from federal rural broadband investment funds.

**Gates Industrial Corporation (GTES)** – Gates makes power transmission and fluid transfer products for industrial, machinery, and auto end markets. Current estimates could be conservative if the firm hits its margin and revenue goals. GTES has been lagging, but Q1 revenue beat suggests acceleration.

| Characteristics <sup>a b</sup>      | Dana Catholic ESG Small Cap | Ru2000 ETF |
|-------------------------------------|-----------------------------|------------|
| Market Cap (billions)               | \$ 4.5                      | \$ 3.4     |
| Median Market Cap (billions)        | \$ 3.9                      | \$ 1.2     |
| Dividend Yield                      | 0.8%                        | 0.9%       |
| 3 Year Dividend Growth              | -0.1%                       | -12.4%     |
| Return on Equity (ROE) <sup>2</sup> | 6.9%                        | 2.1%       |
| P/E NTM <sup>1</sup>                | 22.3                        | 34.4       |
| P/E LTM <sup>1</sup>                | 22.6                        | 121.1      |
| Historical 3Yr Sales Growth         | 15.4%                       | 8.7%       |
| PEG                                 | 1.4                         | 2.1        |

*Weighted Average unless noted:*

*<sup>1</sup> Weighted Harmonic Average; <sup>2</sup> Weighted Median*

| Statistics (gross of fees) <sup>b</sup> | Dana Catholic ESG Small Cap | Russell 2000 Index |
|---|-----------------------------|--------------------|
| Monthly Returns Since 6/30/2014         |                             |                    |
| Alpha                                   | -5.82                       | -                  |
| Beta                                    | 1.22                        | 1.00               |
| Sharpe Ratio                            | 0.46                        | 0.53               |
| Batting Average                         | .417                        | -                  |
| Information Ratio                       | -0.42                       | -                  |

### SECTOR DETRACTORS

**Health Care** – The biggest Russell 2000 sector had slightly positive performance, but the spoils were uneven. The market reacted harshly to a mixed report from SAGE Therapeutics, Inc. (SAGE) regarding a product for depression with a rapid onset versus the current standard of care. Cytokinetics, Inc. (CYTK) declined on an absence of news about an important phase 2 drug study for a cardiomyopathy indication.

**Communication Services** – This sector was the strongest performing sector in Q2, and while Bandwidth, Inc. (BAND), TechTarget, Inc. (TTGT), and Vonage Holdings Corporation (VG) posted double-digit returns, they did not keep up with the benchmark constituents.

### SELECT DELETIONS

**Cimarex Energy Co. (XEC)** – Cimarex is merging with Cabot Oil & Gas at minimal premium that perplexed investors. XEC had been both a defensive quality domestic play, yet the combined entity is likely to acquire more assets and re-lever.

**DXC Technology Company (DXC)** – DXC has seen considerable multiple expansion in the last 12 months and its market value is approaching \$10 billion. Execution risk still remains.

**QTS Realty Trust, Inc. (QTS)** – QTS is a data center technology REIT that agreed to be purchased by Blackstone Group in early June at a significant premium to its prior closing price and at an all-time high. The buyout vindicates management's restructuring of the business and refocusing on key lines.

| Average Annual Total Return<br>(gross of fees) as of 6/30/2021 | Unannualized |               |               |               |               | Since<br>Inception |
|--|--------------|---------------|---------------|---------------|---------------|--------------------|
|  | Quarter      | YTD           | 1 Year        | 3 Year        | 5 Year        |                    |
| <b>Dana Catholic ESG Small Cap Equity Strategy</b>             | <b>4.48%</b> | <b>21.88%</b> | <b>63.58%</b> | <b>12.64%</b> | <b>13.50%</b> | <b>9.87%</b>       |
| Russell 2000 Index   | 4.29%        | 17.54%        | 62.03%        | 13.52%        | 16.47%        | 11.39%             |

| Sector Allocation      | Dana Catholic<br>ESG Small Cap | Ru2000<br>ETF |
|------------------------|--------------------------------|---------------|
| Communication Services | 3.17%                          | 3.74%         |
| Consumer Discretionary | 13.53%                         | 11.96%        |
| Consumer Staples       | 3.37%                          | 3.20%         |
| Energy                 | 3.69%                          | 4.28%         |
| Financials             | 15.97%                         | 14.80%        |
| Health Care            | 19.38%                         | 21.16%        |
| Industrials            | 14.27%                         | 14.17%        |
| Information Technology | 12.84%                         | 13.63%        |
| Materials              | 4.83%                          | 3.85%         |
| Real Estate            | 6.19%                          | 6.81%         |
| Utilities              | 2.77%                          | 2.39%         |

Due to rounding, totals may not equal 100%

| Dana Catholic ESG Small Cap Equity Strategy<br>Top 10 Holdings |       |
|--|-------|
| Ensign Group Inc   | 2.33% |
| Jack In The Box Inc  | 2.16% |
| Conmed Corp  | 2.15% |
| Deckers Outdoor Corp   | 2.15% |
| Bloomin Brands Inc   | 2.13% |
| Horizon Therapeutics PLC                                       | 2.13% |
| Omnicell Inc   | 2.13% |
| Envista Holdings Corp  | 2.11% |
| Ultra Clean Holdings Inc                                       | 2.09% |
| MasTec Inc   | 2.07% |

|                                       | 6/30/20014 to<br>12/31/2014 | 2015    | 2016    | 2017    | 2018    | 2019    | 2020    | YTD<br>2021 |
|---------------------------------------|-----------------------------|---------|---------|---------|---------|---------|---------|-------------|
| Total Return Gross of Fees            | 1.75%                       | 2.26%   | 11.75%  | 13.29%  | -14.42% | 23.76%  | 13.69%  | 21.88%      |
| Total Return Net of Fees              | 1.50%                       | 1.64%   | 10.95%  | 12.55%  | -14.97% | 23.03%  | 12.97%  | 21.71%      |
| Benchmark Return                      | 1.66%                       | -4.41%  | 21.31%  | 14.65%  | -11.01% | 25.52%  | 19.96%  | 17.54%      |
| Composite 36 Month Standard Deviation | N/A                         | N/A     | N/A     | 12.54%  | 15.38%  | 16.33%  | 25.81%  | 26.25%      |
| Benchmark 36 Month Standard Deviation | N/A                         | N/A     | N/A     | 13.91%  | 15.79%  | 15.71%  | 25.27%  | 25.20%      |
| Number of Portfolios                  | 1                           | 2       | 3       | 3       | 3       | 3       | 5       | 5           |
| Internal Dispersion                   | N/A                         | N/A*    | 0.05%   | 0.15%   | 0.50%   | 0.87%   | 0.63%   | N/A         |
| Composite Assets (US\$ millions)      | 1.1                         | 10.1    | 16.0    | 17.2    | 13.6    | 16.0    | 27.5    | 32.1        |
| % of Bundled Fee Assets               | 100.0%                      | 10.7%   | 8.7%    | 9.2%    | 9.1%    | 7.9%    | 5.2%    | 4.7%        |
| Strategy Assets (US\$ millions)       | 1.1                         | 10.1    | 16.0    | 17.2    | 13.6    | 16.0    | 27.5    | 32.1        |
| Total Firm Assets (US\$ millions)     | 4,091.7                     | 4,490.7 | 4,769.4 | 4,865.7 | 5,183.2 | 4,548.9 | 4,782.0 | 4,535.9     |
| Total Entity Assets (US\$ millions)   | 5,383.3                     | 6,634.5 | 7,172.0 | 7,538.4 | 7,454.1 | 7,142.0 | 7,185.0 | 7,374.1     |

\*Only one account was in the composite for the entire year.

Strategy Assets and Total Entity Assets include applicable composite assets, wrap program assets and model portfolio assets and are presented as supplemental information. Dana does not have final trading authority on model portfolio assets, which are excluded from both Composite Assets and Total Firm Assets.

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- Definition of Firm:** Dana Investment Advisors, Inc. is an SEC-registered independent investment management firm established in 1980 and is not affiliated with any parent organization. Dana manages a variety of equity, fixed income, and balanced portfolios for primarily U.S. institutional, individual, and mutual fund clients.
- Composite Creation Date:** June 30, 2014.
- Composite Definition:** The Dana Catholic ESG Small Cap Equity composite includes all fee-paying, discretionary equity portfolios that invest in U.S. equities with the goal of providing long-term capital appreciation within a well-diversified Catholic ESG small cap strategy. The composite does not have a minimum size criterion for membership. A complete list of composite descriptions is available upon request.
- Benchmark Description:** The benchmark for the Dana Catholic ESG Small Cap Equity composite is the Russell 2000 Index.
- Performance and Fees:** Valuations are computed and performance is reported in U.S. dollars. Gross-of-fees returns are presented before investment management and custodial fees but after all trading expenses. The composite contains both traditional commission paying and bundled-fee (i.e., asset-based pricing) portfolios. Trading costs are allocated to bundled-fee portfolios at actual asset-based rates. If actual asset-based trading costs cannot be readily identified, the entire bundled fee (which may include costs for administration, investment management, custody, asset allocation, etc.), net of Dana's investment management fees, is deducted from the gross return. Net-of-fees returns are calculated by deducting Dana's actual investment management fees from the monthly gross-of-fees returns. Dana's current standard annual Catholic ESG Small Cap Equity fee schedule is 0.75% on the first \$10MM, 0.70% on the next \$15MM, and 0.65% thereafter; however, Dana's investment management fees may vary based upon the differences in size, composition and servicing needs of client accounts. Policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.
- Standard Deviation:** The 36-month annualized standard deviation measures the variability of the monthly gross-of-fees composite and the benchmark monthly returns for the period. The 36-month annualized standard deviation is not presented for 2014 to 2016 as the periods were less than 36-months from the composite's inception.
- Internal Dispersion:** Dispersion is calculated using the equal-weighted standard deviation of annual gross returns of those portfolios that were included in the composite for the entire year

**Past performance is not indicative of future results.**

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All data is gross of fees unless otherwise noted

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