



# DANA CONCENTRATED DIVIDEND EQUITY STRATEGY

QUARTERLY  
REVIEW

As of September 30, 2023

After a somewhat stable first half of the year, interest rates began steadily rising in mid-July, and by the end of the quarter were at their highest level in over 15 years. These higher rates began to put pressure on equity markets as valuation measures began to discount future cash flows at higher rates. As more companies saw increases in their cost of capital, the possibility of a rate-induced recession also increased. As a result, the S&P 500 Index ended the quarter down -3.27%, with mid-cap and small-cap stocks suffering deeper declines.

The Russell 1000 Value and Growth Indices were very much in line by the end of the quarter, returning -3.16% and -3.13%, respectively. Energy stocks played a key role this quarter, as the Energy sector of the Russell 1000 Value Index was the only sector that delivered a double-digit positive return during Q3. A solid earnings season was bolstered by almost 90% of stocks in the broad S&P 500 Index beating expectations. The resilience of the U.S. economy and the better relative valuations of several high quality cyclical stocks should further buoy the market.

During Q3, the Dana Concentrated Dividend Equity Strategy posted a -4.69% return. Energy holdings populated the top positive returning stocks. Financials holdings in the Strategy lagged this quarter. The dividend yield for the Strategy remained above the benchmark and relative valuation continued to look favorable on a number of metrics. The Strategy holdings are performing well overall fundamentally, and our outlook going forward remains optimistic for the existing portfolio.

Characteristics <sup>a b c</sup>	Dana Conc. Dividend Equity	Ru1000V ETF
Dividend Yield (%)	3.3	2.4
3 Year Dividend Growth (%)	8.1	9.7
Shareholder Yield	4.9	4.4
Price to Free Cash Flow	15.0	19.5
P/E NTM <sup>1</sup>	12.4	14.6
Hist 3Yr Sales Growth (%)	14.1	10.9
Est. 3-5 Year EPS Growth	12.0	8.3
Return on Equity (ROE) (%) <sup>2</sup>	15.7	17.0
Net Margin	17.1	13.1

Weighted Average unless noted: 1 Weighted Harmonic Average; 2 Weighted Median

Statistics (net of fees) <sup>b</sup>	Dana Conc. Dividend Equity	Russell 1000 Value Index
Monthly Returns Since 3/31/2012		
Alpha	1.00	-
Beta	0.96	1.00
Sharpe Ratio	0.64	0.58
Batting Average	.558	-
Information Ratio	0.19	-

## SECTOR CONTRIBUTORS

**Communication Services** – Meta Platforms, Inc. (META) and Alphabet, Inc. (GOOGL) were the two largest holdings in the sector, and both outperformed. These companies benefited from a relatively strong digital media environment and ever rising excitement around Artificial Intelligence. Valuations are reasonable.

**Real Estate** – Selection effect was strong in the sector due to lack of exposure to the highest multiple REITs concentrated in the industrial and communication towers sub-segments.

## SECTOR DETRACTORS

**Financials** – Discover Financial Services (DFS) was the largest detractor from performance in the Financials sector and the Strategy. The company disclosed that it is currently under a government consent order for past and current compliance violations. DFS suspended its share repurchase program as a result. This adds uncertainty to the outlook.

**Health Care** – Medtronic PLC (MDT) underperformed as the company announced disappointing data for its highly anticipated renal derivation product.

## SELECT ADDITIONS

**Restaurant Brands International (QSR)** – We added to the QSR position in August after the stock sold off from its recent peak. QSR is one of the largest, global franchisers of quick service restaurants. Flagship brands include Burger King (BK) and Tim Hortons, as well as the more recent additions of Popeye's Louisiana Kitchen and Firehouse Subs. The company's playbook has been to acquire successful North American quick service brands and use its considerable global network to expand internationally. Another positive is the addition of Patrick Doyle as Chairman, who had meaningful success as a long time CEO of Domino's Pizza. Mr. Doyle purchased \$30 million of stock on the open market when he joined the company at the end of 2022.

**Annaly Capital Management, Inc. (NLY)** – Annaly is the largest mortgage REIT (mREIT) in the U.S. and through its portfolio of almost \$80 billion of mortgages and related securities represents one of the largest providers of housing finance in the country. The company's business model is to borrow in the repo market (short end) and buy Agency mortgages (long end), keeping the spread as its income which is fully passed through to shareholders as dividends. The business model is attractive because the assets Annaly owns have little to no credit risk (agency mortgages are insured against losses by U.S. government agencies) and the REIT structure serves to remove the double taxation burden on dividends paid to shareholders, effectively eliminating taxes on all distributed income. Based on Annaly's current stock price and company commentary, we added to the position.

## SELECT DELETIONS

**Merck & Company, Inc. (MRK)** – Merck has a durable growth profile over the next 5-plus years that is ahead of its peers. The company has continued to execute well, exceeding expectations for both growth and margins. As a result, the stock has performed better than peers and the valuation gap has narrowed. Even though we continue to like the company, we trimmed the position as there is less upside opportunity than before.

**META Platforms, Inc. Class A (META)** – META is the largest social network and one of the largest digital advertising platforms in the world. The business should grow ahead of Global GDP growth and it trades at an undemanding multiple of ~19x 2024 earnings estimates. While the stock remains a top holding, we trimmed the position as the stock has more than doubled in 2023.

Average Annual Total Return (%)  
as of 09/30/2023

	Unannualized		1 Year	3 Year	5 Year	10 Year	Since Inception
	Quarter	YTD					
<b>Dana Concentrated Dividend Equity Strategy (gross of fees)</b>	<b>-4.52</b>	<b>5.57</b>	<b>20.97</b>	<b>14.67</b>	<b>8.46</b>	<b>10.50</b>	<b>10.95</b>
<b>Dana Concentrated Dividend Equity Strategy (net of fees)</b>	<b>-4.69</b>	<b>5.01</b>	<b>20.11</b>	<b>13.93</b>	<b>7.79</b>	<b>9.84</b>	<b>10.28</b>
Russell 1000 Value Index	-3.16	1.79	14.44	11.05	6.23	8.45	9.59

Sector Allocation (%) as of 09/30/2023	Dana Conc. Dividend Equity	Ru1000V ETF
Communication Services	16.52	5.01
Consumer Discretionary	5.68	4.97
Consumer Staples	16.56	8.34
Energy	7.01	9.15
Financials	29.44	20.58
Health Care	10.76	15.36
Industrials	4.29	13.18
Information Technology	4.21	9.11
Materials	-	4.79
Real Estate	5.53	4.67
Utilities	-	4.86

Due to rounding, totals may not equal 100%

Dana Concentrated Dividend Equity Strategy Top 10 Holdings (%) as of 09/30/2023	
Philip Morris International	8.19
Meta Platforms Inc	5.75
Fiserv Inc	5.23
Merck & Co Inc	5.12
Wells Fargo & Co	4.65
Alphabet Inc	4.58
SLB	4.42
Ingredion Inc	4.35
Bank of New York Mellon	3.71
Interactive Brokers Group Inc	3.56

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	YTD 2023
Total Return Gross of Fees	29.25%	16.29%	-0.12%	10.95%	19.62%	-4.75%	20.41%	8.21%	29.29%	-5.44%	5.57%
Total Return Net of Fees	28.47%	15.59%	-0.68%	10.32%	18.92%	-5.31%	19.70%	7.57%	28.53%	-6.05%	5.01%
Benchmark Return	32.53%	13.45%	-3.83%	17.34%	13.66%	-8.27%	26.54%	2.80%	25.16%	-7.54%	1.79%
Composite 36 Month Standard Deviation	N/A	N/A	9.88%	10.01%	9.36%	10.26%	11.30%	18.71%	18.58%	21.40%	18.37%
Benchmark 36 Month Standard Deviation	N/A	N/A	10.68%	10.78%	10.20%	10.82%	11.85%	19.62%	19.06%	21.25%	17.35%
Number of Portfolios	2	2	3	4	4	5	13	14	33	75	104
Internal Dispersion	2.78%	0.73%	0.16%	2.79%	0.92%	0.89%	0.83%	0.46%	0.32%	0.32%	N/A
Composite Assets (US\$ millions)	0.6	0.7	2.2	3.7	3.9	3.9	10.6	11.7	28.5	41.1	58.1
% of Bundled Fee Assets	46.3%	46.4%	15.4%	11.7%	13.0%	12.2%	0.0%	0.0%	0.0%	0.0%	0.0%
Strategy Assets (US\$ millions)	0.6	0.7	2.2	3.7	3.9	3.9	10.6	11.7	43.4	65.4	86.6
Total Firm Assets (US\$ millions)	3,664.9	4,091.7	4,490.7	4,769.4	4,865.7	5,183.2	4,548.9	4,782.0	4,647.0	4,427.7	4,445.4
Total Entity Assets (US\$ millions)	4,486.3	5,383.3	6,634.5	7,172.0	7,538.4	7,454.1	7,142.0	7,185.0	7,662.0	6,810.3	6,421.2

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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A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The Dana Concentrated Dividend Equity composite has had a performance examination for the periods March 31, 2012 through December 31, 2022. The verification and performance examination reports are available upon request.

- 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:** March 31, 2012.
- Composite Definition:** The Dana Concentrated Dividend Equity composite includes all fee-paying, discretionary equity portfolios that invest in U.S. equities with the goal of providing long-term capital appreciation utilizing a concentrated dividend focused equity 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 Concentrated Dividend Equity composite is the Russell 1000 Value 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 Concentrated Dividend Equity fee schedule is 0.75% on the first \$10MM, 0.65% on the next \$15MM, and 0.50% 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 net-of-fees composite and the benchmark monthly returns for the period. The 36-month annualized standard deviation is not presented for 2013 to 2014 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 net 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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Data and Chart Sources: Dana Investment Advisors; <sup>(a)</sup> FactSet Research Systems; <sup>(b)</sup> Morningstar Direct; <sup>(c)</sup> Bloomberg.