



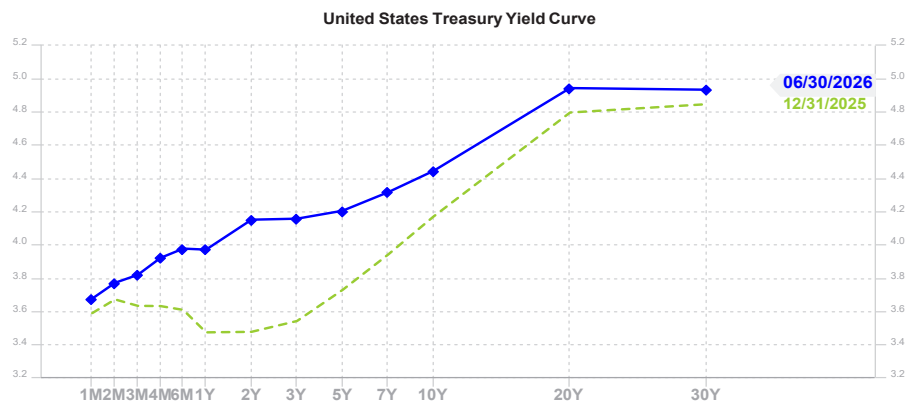
FROM ENERGY SHOCK TO A HAWKISH NEW REGIME

The second quarter was dominated by the U.S.-Iran war and its inflationary aftershocks, even as the underlying economy proved resilient. Headline inflation accelerated steadily; CPI rose from 3.3% in March to 3.8% in April and 4.2% in May (its fastest pace since early 2023) with energy the primary driver, while the Personal Consumption Expenditures (PCE) price index reached 4.1% year-over-year. One constructive signal came late in the quarter, as core CPI moderated to +0.2% month-over-month in May, hinting that underlying pressures may be cooling even as headline figures climbed.

Labor markets remained firm as nonfarm payrolls exceeded expectations in all three months (capped by a +172K May print), while unemployment held steady at 4.3% and job openings stayed elevated. Nonetheless, real wages fell for two consecutive months as inflation outpaced pay and consumer sentiment lingered near historic lows. The University of Michigan Sentiment Index fell to a record low of 44.8 in May, and it remained deeply depressed in June. Housing was mixed; existing and pending sales improved late in the quarter, but new housing stalled out.

While the Federal Reserve underwent a much-anticipated leadership change in June. The FOMC held rates at 3.50% to 3.75%, but the era of forward guidance ended. Following Chairman Powell's final meeting and the end of the easing bias policy, Kevin Warsh assumed the chairmanship and debuted in June with a dramatically shortened statement, no guidance, and a dot plot showing nine of eighteen officials projecting at least one 2026 rate hike. Markets responded as short-term yields rose with investors pricing in the first hike as early as October.

The Treasury market whipsawed across a wide range. April and May brought a bear-flattener, where the thirty-year yield topped 5.15% for the first time since 2007. June then delivered three sequential events: a blowout May payrolls report, a mid-month ceasefire that reopened the Strait of Hormuz, and a hawkish FOMC that helped the backend of the yield curve to rally. On a quarterly basis, the curve bear-flattened as the two-year yield rose to 4.16% while the ten-year yield eased to 4.45%, further compressing the 2 to 10 year spread to 29 basis points, which is its flattest since March 2025.



Against this backdrop, investment-grade credit proved remarkably resilient. Spreads held near historically tight levels despite U.S. Treasury yields increasing. The yield on the Bloomberg U.S. Corporate Investment Grade Index stood at approximately 5.20% by quarter end, while issuance was robust, with June on pace to be the busiest month on record at nearly \$200 billion. In an environment shaped by a hawkish Fed transition, persistent energy-driven inflation, and a fragile geopolitical ceasefire, a disciplined and actively managed approach remains particularly important. A portfolio of high-quality fixed income assets including U.S. Treasuries, U.S. agencies, and investment-grade corporate bonds, can offer attractive yields while limiting exposure to excessive credit risk with the prevailing asymmetry favoring shorter duration and superior credit quality. Tax-exempt yields in municipal bonds also remain compelling for investors in higher tax brackets. A well-diversified core fixed income portfolio can help generate income, reduce return volatility, and provide stability as markets navigate an uncertain economic and geopolitical landscape.

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DANA LIMITED VOLATILITY BOND STRATEGY

Dana's Limited Volatility Bond Strategy delivered a positive total return in the second quarter of 2026, outperforming its benchmark. This performance was driven by strong investment income and a meaningful yield advantage over the period. The Strategy maintained a competitive yield of 4.88% and an average effective duration of just 1.25 at quarter end, which we believe is positioned well as the market transitions into the second half of the year. The Strategy's holdings continued to emphasize income generation while maintaining a disciplined approach to risk. Low principal prepayment speeds, along with exposure to adjustable-rate agency securities, supported the Strategy's attractive yield profile. At the same time, this positioning also helped to limit both credit and duration risk, further reinforcing the Strategy's focus on capital preservation and stability.

In the current environment, these characteristics make the Strategy a compelling short-duration alternative for investors seeking income with reduced sensitivity to interest-rate movements. Its combination of yield, liquidity, and risk management remains a key differentiator. We remain optimistic about the opportunities ahead and confident in the Strategy's positioning for the remainder of the year.

DANA INTERMEDIATE BOND AND SOCIAL ESG BOND STRATEGIES

Dana's Intermediate Bond and Social ESG Bond strategies delivered strong performance, outperforming their respective benchmarks during the second quarter. A structurally flatter yield curve persisted throughout the quarter, with short-term (1 to 3 year) investment-grade corporate bonds offering yields that are highly competitive with the intermediate (5 to 10 year) segment. Active management across security selection, sector allocation, and duration positioning successfully navigated shifting economic conditions amid heightened market volatility. Higher investment income and relatively stable prices provided an effective buffer against broader interest-rate fluctuations, driving Strategy returns that were anchored primarily by steady coupon income.

DANA MUNICIPAL BOND STRATEGY

Municipal bonds provided solid results in the second quarter, rebounding after the year began with heightened volatility caused by elevated new issue supply and growing geopolitical uncertainty. Attractive yields and a steeper yield curve drew investors to the market, helping demand keep pace with ongoing supply pressures. Municipal bond fund flows remained near record levels, with year-to-date inflows exceeding \$58 billion, providing the muni market with a much needed tailwind. Seasonally higher reinvestment cashflow from bond maturities, interest payments, and bond calls also provided additional support. With tax-equivalent yields near multi-year highs and a steeper yield curve, municipal bonds continued to offer compelling value. Periodic volatility is likely to continue in the second half of the year; however, current yields offer both attractive income and a meaningful cushion against rate movements. The Strategy is well positioned to capture this opportunity, with a 3.54% tax-exempt yield to maturity (a 5.98% tax-equivalent yield at the 40.8% federal tax bracket), a 3.55-year average effective duration, and an Aa2 average credit quality rating from Moody's.

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