Dana Fixed Income Strategies

Quarterly Review

As of September 30, 2026

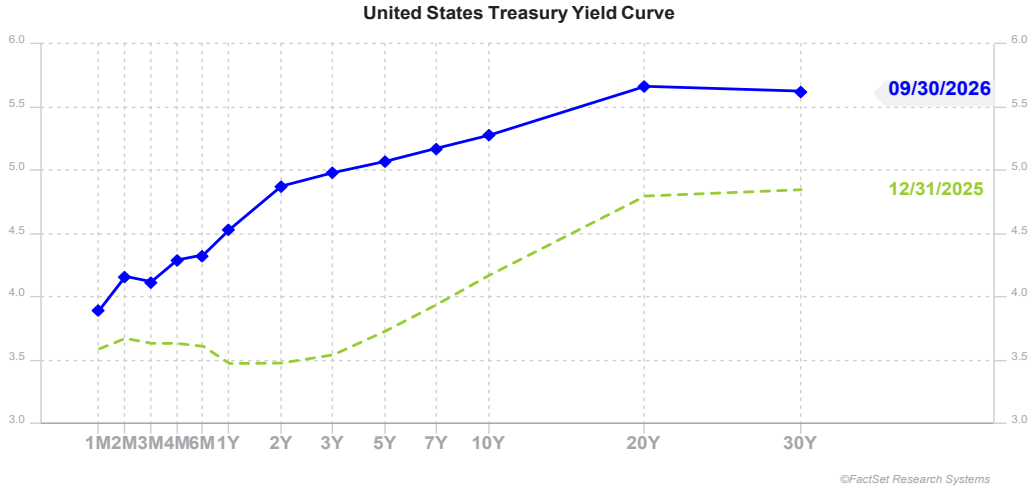
From Pause to Hike: Yields Climb to Multi-Decade Highs

The third quarter was defined by the war involving the U.S., Israel, and Iran and by a Federal Reserve that pivoted to tightening. Headline inflation cooled early in the period, with CPI easing from 4.2% in May to 3.5% in June before holding at 3.4% in July and August. Further progress stalled, however, as Brent crude approached $100 per barrel by late September. The quarter's final day offered an encouraging inflation signal as August core PCE rose 3.0% year-over-year, below expectations of 3.3%.

Economic data generally surprised to the upside, though consumer sentiment remained a concern. July payrolls were initially reported at –23,000, but a stronger-than-expected +162,000 August report largely reversed the weakness narrative. The unemployment rate edged down to 4.1%, August retail sales rose 1.2%, and second-quarter GDP was revised up to 2.2%. Consumers nonetheless remained pessimistic, with University of Michigan sentiment slipping to 48.1 in September.

Federal Reserve policy shifted from hold to tightening. The Fed left rates unchanged at 3.50%–3.75% in July, though three officials dissented in favor of an immediate increase. Chair Warsh's hawkish remarks at Jackson Hole set the stage for a 25-basis-point hike in September, lifting the target range to 3.75%–4.00%. The updated dot plot raised the 2026 median to 4.125% and the longer-run rate to 3.25%, and markets ended the quarter pricing in roughly 25 basis points of additional tightening by December.

Q3 saw a meaningful increase in yield volatility as Treasuries generally sold off across the curve. July ushered in a bear steepening of the yield curve as both oil prices and fiscal concerns pressured the long end. In contrast, August saw a bear flattening of the yield curve that was caused by comments made by the Federal Reserve at their Jackson Hole meeting which prompted a repricing of short-term yields. Then, by quarter end, investors were once again surprised as September delivered the worst monthly Treasury selloff since at least 2023, driven by stronger-than-expected economic data, the Fed hike, and stalled U.S.-Iran negotiations. For the quarter, the two-year yield rose roughly 72 basis points to 4.89%, the ten-year roughly 82 basis points to 5.29%, and the thirty-year roughly 68 basis points to 5.63%, leaving both medium and long-term yields at their highest levels since 2002 with the 2s/10s spread widening from approximately 30 to 40 basis points.



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Dana Fixed Income Strategies

As of September 30, 2026

Fixed Income Portfolio Management Team



J. JOSEPH VERANTH, CFA
Chief Investment Officer



ROBERT LEUTY, CFA
Director of Fixed Income



BRIAN LEHKY
Lead Municipal Bond Portfolio Manager



NOAMAN SHARIEF
Lead Intermediate Bond Portfolio Manager



MATTHEW SLOWINSKI, CFA
Lead Limited Volatility Bond Portfolio Manager

Credit markets diverged sharply by quality during Q3. Investment-grade spreads widened only modestly, from 74 to 80 basis points on the Bloomberg U.S. Corporate Investment Grade Index, even as heavy AI-related issuance tested investor demand. High yield bonds fared worse; after tightening in August, spreads widened roughly 50 basis points in September to 311 basis points, marking the asset class's weakest month since September 2022.

In an environment shaped by an actively tightening Fed, oil-driven inflation risk, and unresolved conflict in the Middle East, a disciplined, actively managed approach remains particularly important. High-quality fixed income now offers yields not seen in roughly two decades, and the quarter's divergence between investment-grade and high-yield performance underscores the value of higher credit quality. Tax-exempt yields in municipal bonds also remain attractive for investors in higher tax brackets. A diversified core fixed-income allocation can help generate income, dampen return volatility, and provide stability as markets navigate an uncertain economic and geopolitical landscape.

Dana Limited Volatility Bond Strategy

Dana's Limited Volatility Bond Strategy delivered a positive total return in the third quarter of 2026, outperforming its benchmark for the 8th consecutive quarter (net of fees). This performance was driven by strong investment income and a meaningful yield advantage over the period. The Strategy maintained a competitive yield of 5.26% and an average effective duration of just 1.59 at quarter end, which we believe is positioned well as the market continues to adjust in a higher interest rate environment. The Strategy's holdings primarily 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 rate environment, these characteristics make the Strategy a compelling short-duration alternative for investors seeking income with reduced sensitivity to interest-rate movements. The 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 Municipal Bond Strategy

The third quarter was a challenging period for fixed income markets as rising interest rates and increased market volatility pressured performance. Strong economic data, persistent inflation concerns, and shifting expectations for Federal Reserve policy pushed Treasury and municipal yields higher. Municipal bonds also faced additional pressure from elevated new issuance and tax-loss selling. However, the rise in yields has improved the relative value and income opportunity available in the municipal market while municipal credit fundamentals remain solid. The Strategy is well positioned to capture this opportunity, with a 4.47% tax-exempt yield to maturity (a 7.55% tax-equivalent yield at the 40.8% federal tax bracket), a 4.43-year average effective duration, and an Aa2 average credit quality rating from Moody's.

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Dana Intermediate Bond and Social ESG Bond Strategies

As a result of the Fed rate hike, longer-duration investment-grade corporate paper experienced steeper capital losses due to the sharp upward repricing in underlying benchmark yields. Strong corporate liquidity prevented credit spreads from widening significantly despite the broader sell-off. Large-scale Treasury issuance alongside heavy primary corporate borrowing put upward pressure on yields throughout the quarter. Yield-to-worst on investment-grade paper reached compelling levels (~5.5% to 6.0%), offering strong income generation for buy-and-hold institutional and retail investors seeking yield without taking excessive credit risk. Corporate balance sheets remained healthy. Strong interest coverage ratios and low default rates supported low credit risk across high-grade issuers. Intermediate-maturity investment-grade corporate bonds (3–7 year) offered higher income with less vulnerability to duration risk compared to long-term issues. Dana's Social ESG Bond Strategy was systematically overweight in Technology, Financials, and Health Care while underweighting or excluding Traditional Energy, Utilities (fossil-fuel generation), and Metals/Mining. Because Energy outperformed during Q3 amid higher oil prices, ESG-screened corporate bonds narrowly lagged unscreened investment-grade corporate bonds.

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Strategy characteristics, allocation, contributors, detractors, top 10 holdings, style, activity, returns, and risk are based on actual composite holdings.

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