



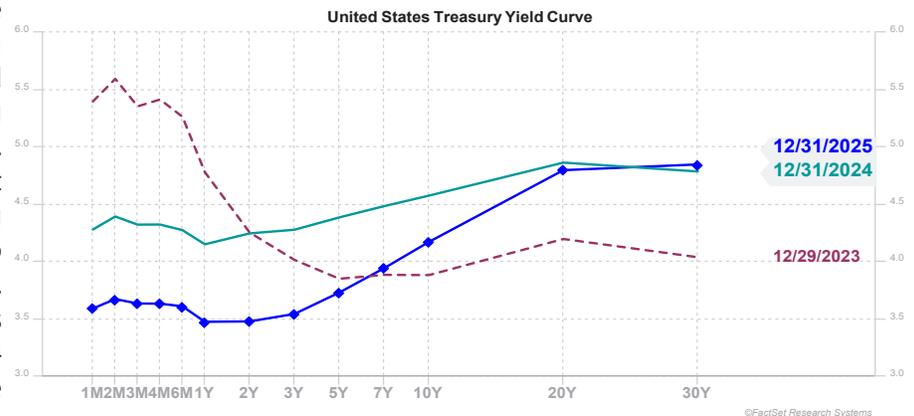
STABILITY AND INCOME IN A SHIFTING MARKET ENVIRONMENT

For the year, fixed income markets delivered strong performance for investors. Yield levels were attractive at the beginning of the year and price appreciation was further enhanced as the Federal Reserve began lowering interest rates, underpinning strong overall total returns in 2025. Continued easing by the FOMC and a steepening yield curve have positioned fixed income markets for another potentially favorable year in 2026.

The fourth quarter of 2025 marked an important transition period for the U.S. economy and financial markets. Economic activity remained solid through year-end, with real GDP growth in Q4 estimated at approximately 3.0% on an annualized basis, following a robust 4.3% expansion in Q3. Growth was supported by two primary forces: resilient consumer spending and exceptionally strong business investment. Capital expenditures were driven by a multi-year build-out of artificial intelligence infrastructure, which has emerged as one of the dominant structural growth themes in the U.S. economy.

Inflation continued to moderate during the 4th quarter. The November CPI report showed headline inflation rising just 2.7% year over year, while core CPI declined to 2.6%. Labor market conditions also softened further in Q4, but remained far from recessionary. The unemployment rate edged higher to 4.6%, reflecting slower hiring rather than widespread job losses. Corporate behavior underscored a cautious posture—hiring freezes were widespread, but layoffs remained limited—resulting in what economists have described as a “low-hire, low-fire” equilibrium.

Against this backdrop, the Federal Reserve continued easing monetary policy. In December, the Fed delivered its second 25-basis-point rate cut of the quarter, bringing the federal funds target range to 3.50%–3.75%. Policymakers emphasized the need to support a cooling labor market while maintaining confidence that inflation would continue to trend lower. Meanwhile, the steepening U.S. Treasury yield curve conveyed a more cautious message as the one-year Treasury yield fell 14 basis points, from 3.61% to 3.47%, while the 30-year yield rose 11 basis points, from 4.73% to 4.84%. Expectations for interest-rate volatility declined, with the ICE Bank of America MOVE Index falling from 75 to 64 basis points. Investment-grade credit spreads remained historically narrow. Overall, the steepening curve reflects investor demands for higher term premiums amid concerns over persistent federal deficits, increased Treasury issuance, and long-term inflation risks.



Entering 2026, investors face a complex environment. Supportive near-term growth and easing monetary policy are balanced against valuation sensitivity to interest rates, fiscal sustainability concerns, and continued labor-market softening. In this environment, investors are well served by maintaining an actively managed fixed income approach. It is important for investors to remain focused on high-quality factors during periods of transition or market volatility. A portfolio of high-quality bonds consisting of U.S. Treasuries, U.S. Agencies, and investment-grade corporate bonds can offer attractive yields while limiting interest-rate risk. Tax-exempt yields in municipal bonds also remain compelling for investors in higher tax brackets. In uncertain and transitional periods, investors should consider maintaining a well-diversified core fixed income portfolio managed in an active manner to continue compounding interest regardless of the future path of interest rates. Fixed income investments provide important benefits, including diversification from equities, lower return volatility, and the added predictability of a recurring income stream.

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DANA LIMITED VOLATILITY BOND STRATEGY

Dana's Limited Volatility Bond Strategy delivered a solid total return in the fourth quarter of 2025, capping off its already strong calendar year 2025 returns. The Strategy outperformed its benchmark on the back of robust investment income and spread tightening in agency adjustable-rate mortgage securities. In addition, with a competitive yield of 4.47% and an average effective duration of just 1.13 at quarter end, the Strategy is well positioned for continued success heading into 2026. Low prepayment speeds and targeted exposure to short fixed-rate agency securities also supported its attractive yield profile while minimizing credit and duration risk—making it a smart short-duration alternative in today's market.

DANA INTERMEDIATE BOND AND SOCIAL ESG BOND STRATEGIES

The fourth quarter witnessed a significant decline in yields for the shortest end of the yield curve. The 1-month to 2-year portion of the curve declined 13-51 basis points which helped make the overall yield curve look much more "normal shaped". The Fed's last 25 bps rate cut of 2025 sparked a broad rally across fixed income markets as investors priced in further easing in the next 12 months. While corporate bond spreads experienced some volatility during the quarter, they ended the quarter at near all-time lows. Investor demand remained robust, as bond yields stayed relatively attractive and corporate balance sheets remained healthy, with margins and leverage metrics largely unchanged. Intermediate duration bonds and higher-credit-quality bonds were the best performers. Intermediate duration utilities and financials were the best performers within the corporate sectors. U.S. Agency bonds outperformed U.S. Treasuries, as their spreads narrowed during the quarter. ESG-related bond issuance continued to be light in the ever-changing regulatory climate; however, their performance generally mirrored the broader rally in the corporate sector.

DANA MUNICIPAL BOND STRATEGY

The tax-exempt municipal bond market continued to perform well in the fourth quarter, contributing to positive overall returns in 2025. The muni market benefited from easing monetary policy and strong demand, driven by attractive interest rates and removal of legislation that threatened to eliminate the tax-exempt status of municipal bonds. 2025 underscored the role of municipal bonds as a portfolio diversifying, tax-efficient income source that provided positive returns for investors. Municipal bonds continue to offer long-term value in a high-quality portfolio. This is evidenced by the Strategy's 3.48% tax-exempt yield to maturity (5.88% tax-equivalent yield at the 40.8% federal tax bracket), a 3.37-year average effective duration, an Aa2 average credit rating from Moody's, and a positive total return for 2025.

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