# Dana Intermediate Bond Strategy

**Quarterly Review**

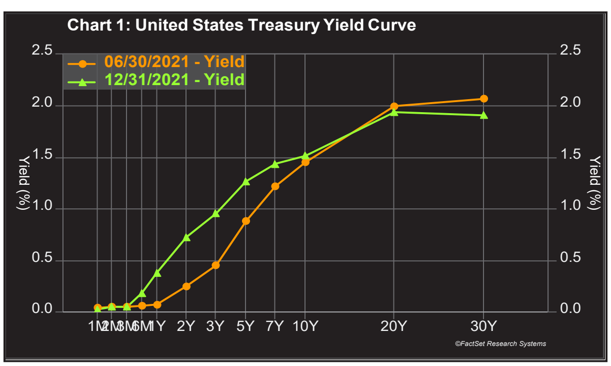
As of December 31, 2021

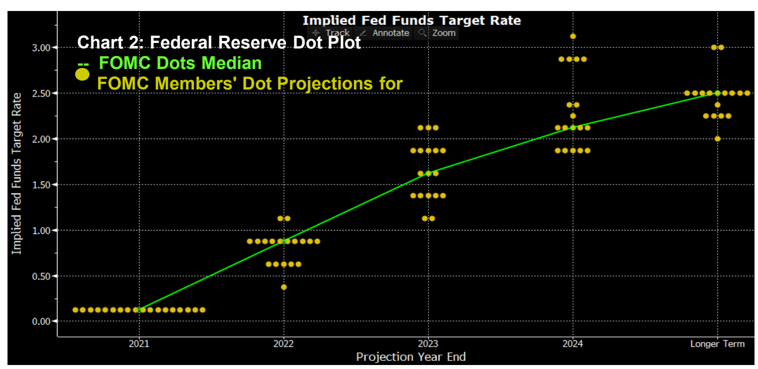
## Moving Towards Neutral

The last FOMC meeting of 2021 certainly changed investors' expectations about how quickly the Fed would begin the transition from an accommodative monetary policy towards a more neutral monetary policy. While it is unusual for the Fed to rapidly change its outlook over a short time period, since the September FOMC meeting, the economic data has continued to significantly exceed their expectations. A favored inflation metric by the FOMC - Core Personal Consumption Expenditures (PCE) - has increased by 4.7% over the past year, a level of inflation not seen since the early 1980's. In addition, unemployment has fallen to 4.2%, which is already much lower than the 5% unemployment rate previously expected by year-end 2021. In other words, not only have their economic mandates been met, but also inflation expectations have risen to uncomfortable levels. Therefore, the FOMC has communicated to the markets that it will end its quantitative easing (QE) program earlier than first announced as the Federal Reserve looks to reduce its bond purchases by $30 billion per month, rather than the original $15 billion, and end the program in March. As a result, the market's reaction has been to push up interest rates on the front end of the yield curve (Chart 1: U.S. Treasury Yield Curve).

Unfortunately, the pace to ending the QE program was not the only new information to come out of the December FOMC meeting. Examining the Federal Reserve's "dot plot" (Chart 2: Federal Reserve Dot Plot), the median expectation on interest rate forecasts now calls for three rate hikes in 2022, versus less than one in the September projections. Again, the economic forecasts indicate the FOMC's thoughts for 2022 - above long-term average GDP growth, full employment, and higher inflation in consumer goods, services, and wages. While close to three rate hikes are priced in for 2022, the level of nominal interest rates, as well as real interest rates, remains historically low, a sign that bondholders are not yet throwing in the towel.

Investors will have to remain diligent in watching how fast or slow the Federal Reserve transitions from an accommodative policy to a neutral monetary policy. Consumers are starting to anticipate inflation staying elevated for a longer period. If the Fed moves too slowly, it could allow those expectations to become embedded and lead to materially higher yields over the next 12-24 months. Therefore, with the level of uncertainty increasing, investors need to maintain a well-diversified core fixed income portfolio in an active manner to help continue compounding interest payments received in any upcoming rate environment. This remains true regardless of whether the yield curve flattens, steepens, twists, or inverts. Investors should also remember that fixed income investments continue to provide many other important benefits, including diversification from equities, lower return volatility, and the added predictability of a recurring income stream.




The fourth quarter in 2021 was one of the most volatile fourth quarters experienced in the last few years. The combination of the new Omicron variant of the COVID-19 virus put investors into a risk-off position which was swiftly followed by the Federal Reserve's intention to reverse their quantitative easing bond buying program sooner than previously expected. While longer rates remained relatively unchanged, the bulk of the 6-month through 10-year maturity part of the yield curve rose. 2-year and 3-year yields rose approximately 45 bps each and the 10-year Treasury yield was also volatile with a roughly 35 basis points intra quarter swing ending within 3 basis points from the start of the quarter. While the Strategy had returned over +7% during the previous two years, this is the first time since 1992 that the Dana Intermediate Bond Strategy experienced a negative full year return. 2021 was a difficult year for bonds but historically, bond markets have rarely recorded two negative years in a row. The prospect of higher interest rates looks likely to be the most significant factor affecting bond markets moving into 2022. Rising rates may appeal to those who primarily seek yield from their bond portfolios, although a rising rate environment is likely far less appealing to those who own bonds primarily because they want bond prices to rise.

| Average Annual Total Return (gross of fees) as of 12/31/2021 | Unannualized Quarter | 1 Year | 3 Year | 5 Year | 10 Year | 20 Year | Since Inception |
|---|---|---|---|---|---|---|---|
| **Dana Intermediate Bond Strategy** | **-0.73%** | **-1.21%** | **4.35%** | **3.24%** | **2.94%** | **3.93%** | **4.64%** |
| Benchmark Index | -0.57% | -1.44% | 3.86% | 2.91% | 2.38% | 3.53% | 4.30% |

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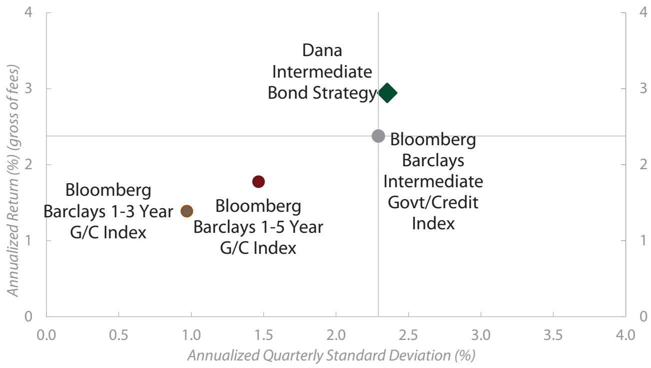
# Dana Intermediate Bond Strategy

As of December 31, 2021

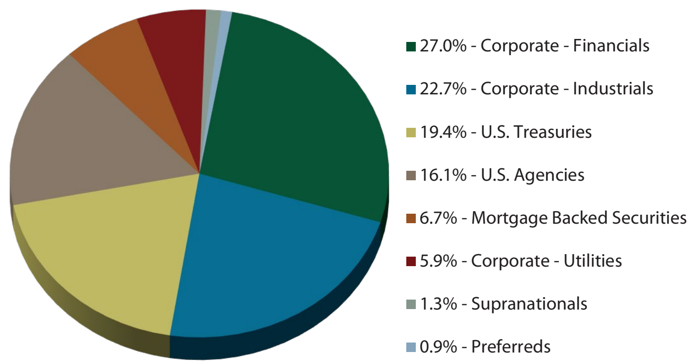
## Risk / Return [a]

Trailing 10 Year Period Through December 31, 2021




The Dana Intermediate Bond Strategy has outperformed its benchmark while maintaining a simlar risk profile.

## Asset Allocation as of December 31, 2021




Due to rounding, totals may not equal 100%.

| Characteristics & Statistics | Dana Intermediate Bond Strategy | Bloomberg Barclays Intermediate Govt/Credit Index |
|---|---|---|
| Yield to Maturity (YTM) ‡ | 1.52% | 1.31% |
| Effective Duration | 3.86 | 4.13 |
| Average Maturity | 4.50 Years | 4.42 Years |
| Average Credit Quality | A1 | Aa2 |
| Average Coupon | 3.03% | 1.92% |
| Trailing 10 Year Alpha [a] | 0.58 | - |
| Trailing 10 Year Sharpe Ratio [a] | 0.98 | 0.76 |

‡ For callable bonds, the expected yield to call is used. Data Source: BondEdge unless otherwise noted.

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Return Gross of Fees | 6.03% | 0.32% | 3.10% | 1.53% | 2.31% | 2.61% | 0.61% | 7.14% | 7.35% | -1.21% |
| Total Return Net of Fees | 5.78% | 0.02% | 2.79% | 1.24% | 2.00% | 2.32% | 0.33% | 6.79% | 7.03% | -1.49% |
| Benchmark Return | 3.89% | -0.86% | 3.12% | 1.07% | 2.08% | 2.14% | 0.88% | 6.80% | 6.43% | -1.44% |
| Composite 36 Month Standard Deviation | 2.01% | 2.11% | 1.82% | 1.89% | 1.99% | 1.92% | 1.89% | 1.86% | 2.49% | 2.54% |
| Benchmark 36 Month Standard Deviation | 2.16% | 2.11% | 1.94% | 2.10% | 2.23% | 2.11% | 2.09% | 2.04% | 2.31% | 2.34% |
| Number of Portfolios | 123 | 123 | 133 | 194 | 212 | 204 | 210 | 183 | 190 | 223 |
| Internal Dispersion | 2.34% | 1.03% | 0.90% | 0.86% | 0.55% | 0.51% | 0.34% | 1.11% | 3.38% | 1.23% |
| Composite Assets (US$ millions) | 177.9 | 161.1 | 170.7 | 201.4 | 156.4 | 144.5 | 135.2 | 121.2 | 121.7 | 164.1 |
| Strategy Assets (US$ millions) | 177.9 | 161.1 | 170.7 | 201.4 | 156.4 | 144.5 | 135.2 | 121.2 | 121.7 | 164.1 |
| Total Firm Assets (US$ millions) | 3,264.2 | 3,662.9 | 4,091.7 | 4,490.7 | 4,769.4 | 4,865.7 | 5,183.2 | 4,548.9 | 4,782.0 | 4,647.0 |
| Total Entity Assets (US$ millions) | 3,622.2 | 4,484.3 | 5,383.3 | 6,634.5 | 7,172.0 | 7,538.4 | 7,454.1 | 7,142.0 | 7,185.0 | 7,662.0 |

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.

Dana Investment Advisors, Inc. ("Dana") claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. GIPS is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. Dana has been independently verified for the periods January 1, 1992 through December 31, 2020.

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 Intermediate Bond composite has had a performance examination for the periods September 30, 1995 through December 31, 2020. 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**: September 30, 1995.
- **Composite Definition**: The Dana Intermediate Bond composite includes all institutional fixed income portfolios that invest in intermediate duration U.S. investment grade fixed income securities with the goal of providing competitive current yield within a well-diversified, high credit quality, intermediate duration fixed income 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 current benchmark for the Dana Intermediate Bond composite is the Bloomberg Barclays Intermediate Government/Credit Index ("BBIGC Index"). Prior to January 1, 2010, the ICE BofAML 1-5 Year US Corporate & Government Index was used as the composite's benchmark. The change was made to better reflect the longer duration of the Strategy as it evolved over time.
- **Composite Construction**: Prior to January 1, 2009, the composite included the Intermediate Bond segment of balanced accounts. Cash was allocated to these segments based on the average cash position of the Intermediate Bond "only" portfolios in the composite.
- **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. 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 Intermediate Bond fee schedule is 0.30% on the first $3MM, 0.25% on the next $7MM, and 0.20% 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.
- **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.**

*Data and Chart Sources: Dana Investment Advisors; (a) Morningstar Direct; (b) Bloomberg Finance L.P.*

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