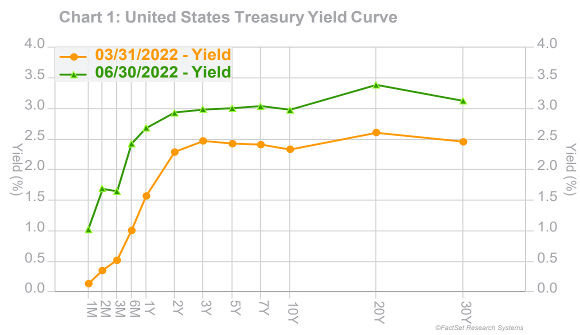
Dana Preferred Income Strategy

Quarterly Review

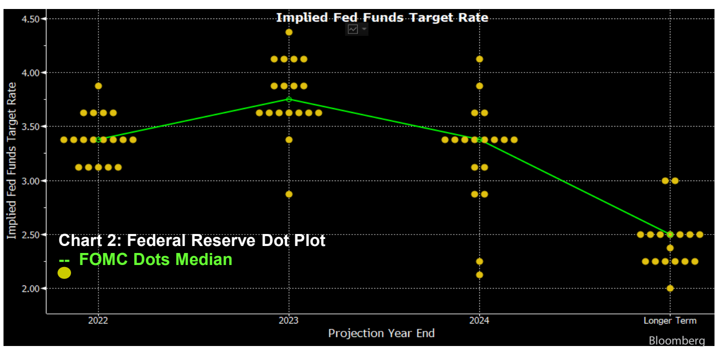
As of June 30, 2022

Fed Remains on a Tightrope



Throughout the second quarter, interest rate volatility remained elevated as inflation, measured by the Consumer Price Index, hit a forty-year high of 9.1% in June. The Federal Reserve has continued to chase higher inflation by aggressively raising interest rates via pushing the fed funds rate up by 125 basis points by quarter end to its current level of 1.75%. Chairman Powell has stated that the Federal Reserve will remain aggressive in its actions until “clear and convincing” data emerges showing that inflation has receded back toward 2-2.5% levels, even if their actions should push the economy into a recession. Recent economic data is revealing some economic weakness as initial weekly jobless claims have risen off their recent lows, housing starts and building permits both slowed as mortgage rates have risen, and retail sales are showing signs of slowing due to inflationary pressure on prices. The cumulative effect of all these factors contributed to a very significant increase in interest rates for all maturities across the entire yield curve (Chart 1). The Two-Year U.S. Treasury yield rose from 2.34% to 2.95%, and the Ten-Year U.S. Treasury also rose from 2.34% to 3.01% maintaining a flat yield curve.

Although the Federal Reserve has aggressively pushed up interest rates, they have only reached their halfway point to the terminal fed funds rate according to their central tendency projections – making the median expectations from the Federal Reserve close to 3.40% by the end of 2022 (Chart 2). In addition, the Federal Reserve began to liquidate its $9 trillion balance sheet, which will hit full speed in September at a monthly reduction rate of $95 billion. At quarter end, the Federal Reserve is still projecting a removal of $4 trillion from its balance sheet, which means it will remain active in its liquidated program until the end of 2025. Obviously, a lot can happen over the next three and half years, and if interest rate hikes are less than market expectations, it would suggest that growth and inflation will be slowing more quickly than expected. Whereas if interest rates are higher than market expectations, it would suggest inflation has not yet been brought under control. Both scenarios highlight the tightrope that the Federal Reserve continues walking in order to control inflation without leading to a recession.



Investors will have to remain diligent in monitoring how fast or slow the Federal Reserve transitions from an accommodative policy to a much tighter monetary policy. At this point, investors are anticipating that inflation will remain elevated for the near term; however, if the Fed moves slowly and loses control of future inflation expectations, it could allow investors to discount materially higher yields over the next 12-24 months. With the level of uncertainty increasing, investors need to maintain a well-diversified, actively managed, core fixed income portfolio that continues compounding interest rates 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.

Treasuries and traditional fixed income assets have offered little value to investors in recent quarters. This was especially true during Q2 as yields in the middle of the Treasury yield curve moved up significantly, which caused long-duration investments to also generate weak returns. Therefore, we continue to suggest investors focus on higher-credit-quality fixed income investments such as Dana’s Preferred Income Strategy. With careful consideration being placed on diversification and liquidity, the Strategy seeks to reduce credit risk by utilizing higher yielding, investment grade preferred stocks. Lower-credit-quality bonds, such as high-yield and emerging-market bonds, or leveraged loan funds, can be more sensitive to the ups and downs of the economy, as well as interest rate movements. Investors should 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.

Average Annual Total Return (gross of fees) as of 6/30/2022	Unannualized						Since
	Quarter	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Dana Preferred Income Strategy	**-8.57%**	**-15.84%**	**-15.71%**	**-1.98%**	**0.23%**	**3.24%**	**4.06%**
S&P U.S. High Quality Preferred Stock Index	-8.82%	-16.14%	-16.04%	-0.72%	1.23%	3.42%	4.49%
Bloomberg Aggregate Bond Index	-4.69%	-10.35%	-10.29%	-0.93%	0.88%	1.54%	2.46%

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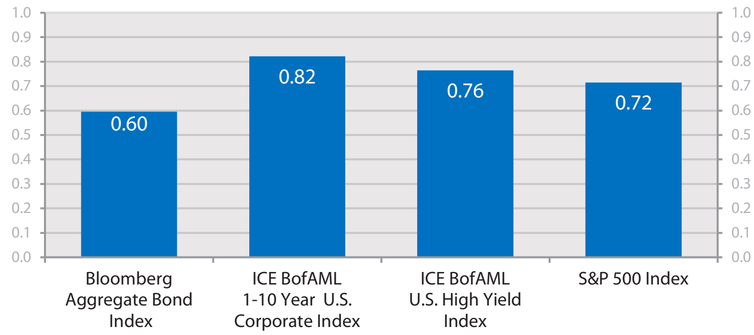
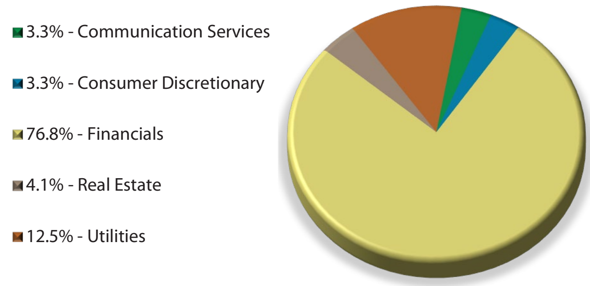
10 Year Quarterly Performance Correlation to the Dana Preferred Income Strategy

Quarterly Through 06/30/2022 (gross of fees)



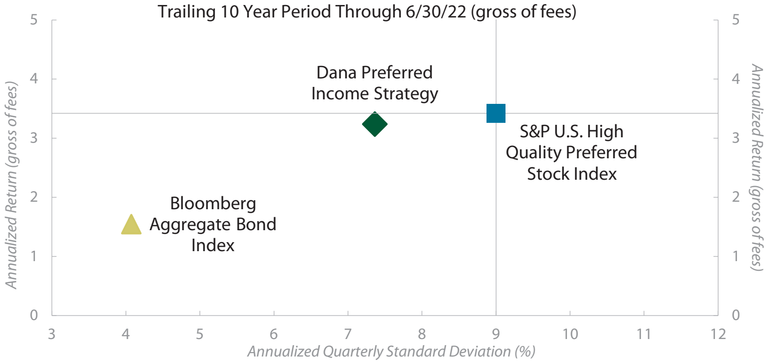
Asset Allocation as of June 30, 2022



Due to rounding, totals may not equal 100%.
Excludes Cash & Equivalents and sectors < 0.05%.

Risk / Return [(a)]

Trailing 10 Year Period Through 6/30/22 (gross of fees)



Characteristics	Dana Preferred Income Strategy
Yield to Maturity (YTM)	5.74%
Average Coupon	4.86%
Effective Duration	8.26
Average Credit Quality	Baa1

Data Source: BondEdge unless otherwise noted.

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	YTD 2022
Total Return Gross of Fees	16.18%	0.22%	13.04%	6.99%	0.02%	8.78%	-3.62%	15.08%	5.91%	1.47%	-15.84%
Total Return Net of Fees	15.72%	-0.18%	12.59%	6.56%	-0.33%	8.41%	-4.00%	14.60%	5.46%	1.06%	-15.99%
S&P U.S. High Quality Preferred Index Return	9.39%	-9.51%	21.17%	9.67%	-1.27%	9.97%	-4.78%	19.43%	7.81%	2.14%	-16.14%
BBAgg Index Return	4.21%	-2.02%	5.97%	0.55%	2.65%	3.54%	0.01%	8.72%	7.51%	-1.54%	-10.35%
Composite 36 Month Standard Deviation	N/A	6.54%	5.26%	3.77%	3.80%	3.49%	4.21%	4.86%	7.75%	7.72%	9.81%
Preferred Index 36 Month Std Deviation	N/A	4.96%	6.16%	6.30%	5.69%	4.58%	5.13%	5.57%	8.76%	8.52%	10.29%
BBAgg Index 36 Month Std Deviation	N/A	2.71%	2.63%	2.88%	2.98%	2.78%	2.84%	2.87%	3.36%	3.35%	4.49%
Number of Portfolios	7	8	10	20	45	61	73	77	77	101	95
Internal Dispersion	0.01%	1.07%	0.93%	0.94%	1.44%	0.90%	0.49%	0.86%	0.82%	0.31%	N/A
Composite Assets (US$ millions)	12.8	12.5	14.0	23.3	43.0	59.9	50.5	58.7	77.0	88.0	59.7
Strategy Assets (US$ millions)	12.8	12.5	14.0	23.3	43.0	59.9	50.5	58.7	77.0	88.0	59.7
Total Firm Assets (US$ millions)	3,264.2	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	4,517.9
Total Entity Assets (US$ millions)	3,622.2	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	6,979.6

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 Preferred Income composite has had a performance examination for the periods March 31, 2010 through December 31, 2021. 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, 2010.
- **Composite Definition**: The Dana Preferred Income composite includes all fixed income portfolios that invest in U.S. preferred stocks with the goal of providing higher yields along with the liquidity available in the U.S. equity markets. 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 benchmarks for the Dana Preferred Income composite are the S&P U.S. High Quality Preferred Stock Index and the Bloomberg Barclays Aggregate Bond Index ("BBAgg Index"). Prior to January 1, 2016, the benchmarks for the Dana Preferred Income composite were the S&P U.S. Investment Grade Preferred Index and the BBAgg Index. At the time of the composite creation, the S&P U.S. Investment Grade Preferred Index, though market capitalization weighted, was deemed the best fit preferred stock benchmark for the Strategy. On December 28, 2015, the S&P Dow Jones created the S&P U.S. High Quality Preferred Stock Index, with return data calculated from October 19, 2007. This index is a modified equal weighted index, which better fits Dana's Preferred Income Strategy. The benchmark change has been applied retroactively to the performance presentation.
- **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 Preferred Income fee schedule is 0.45% on the first $3MM, 0.40% on the next $7MM, and 0.35% 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. The 36-month annualized standard deviation is not presented for 2012 as this period was less than 36-months from the composite's inception.
- **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) Bloomberg Finance L.P.

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