



# DANA SOCIAL ESG EQUITY STRATEGY

## QUARTERLY REVIEW

As of September 30, 2023

For about 3 short weeks at the beginning of July, market breadth improved from the very narrow leadership of mega-cap tech stocks that had been driving the market. During this period, small cap indices outperformed large cap indices and value-based indices outperformed their growth counterparts. After this brief occurrence, market leadership once again became dominated by a select number of mega-cap stocks, and the S&P 500 Index (cap-weighted) outperformed the equal weight S&P 500 Index as it has done in each quarter this year. Mega-cap dominance continued despite relatively positive economic news, which often leads to a broader market. A solid earnings season was bolstered by almost 90% of stocks beating expectations. The resilience of the U.S. economy should further buoy the cyclical parts of the market. After a somewhat stable first half of the year, interest rates began steadily rising in mid-July, and by the end of the quarter were at their highest level in over 15 years. These higher rates began to put pressure on equity markets as valuation measures began to discount future cash flows at higher rates. As more companies saw increases in their cost of capital, the possibility of a rate-induced recession also increased. As a result, the S&P 500 Index ended the quarter down -3.27%, with mid-cap and small-cap stocks suffering deeper declines.

During Q3, the Social ESG Equity Strategy posted a -6.76% return. Individual stock dispersion was high. Mega-cap headwinds continued in the Consumer Discretionary and Communication Services sectors, but reversed starting in August in Information Technology. Turnover was elevated in Q3 as we moved out of some holdings with weakened outlooks, and added to a few areas where growth continued to be rewarded by the market. Despite a few disappointments during earnings season, the Strategy holdings are performing well overall fundamentally, and our outlook going forward remains optimistic for the existing portfolio.

Characteristics <sup>a b</sup>	Dana Social ESG Equity	S&P 500 Index
Market Cap (\$ billions)	415.4	631.0
Median Market Cap (\$ billions)	56.3	30.0
Dividend Yield (%)	1.9	1.6
3 Year Dividend Growth (%)	9.5	9.4
Return on Equity (ROE) (%) <sup>2</sup>	30.8	30.6
P/E NTM <sup>1</sup>	14.2	18.7
P/E LTM <sup>1</sup>	15.2	20.1
Hist 3Yr Sales Growth (%)	15.0	13.8
PEG	1.2	1.4

Weighted Average unless noted: <sup>1</sup> Weighted Harmonic Average; <sup>2</sup> Weighted Median

Statistics (net of fees) <sup>b</sup>	Dana Social ESG Equity	Benchmark Index
Monthly Returns Since 1/31/2000		
Alpha	1.60	-
Beta	0.91	1.00
Sharpe Ratio	0.42	0.32
Batting Average	.525	-
Information Ratio	0.23	-

### SECTOR CONTRIBUTORS

**Real Estate** – In the weakest sector for the S&P 500 Index, a solid positive return from Iron Mountain, Inc. (IRM) propelled outperformance for the Strategy in the Real Estate sector.

**Energy** – All Strategy holdings in the Energy sector delivered positive returns. Orintiv, Inc. (OVV), Pioneer Natural Resources (PXD), and ConocoPhillips (COP) had double-digit returns in the quarter.

### SECTOR DETRACTORS

**Consumer Discretionary** – Fears of a potentially weakening consumer continued to hurt the retail-oriented Strategy holdings, including Tapestry, Inc. (TPR), Ulta Beauty, Inc. (ULTA) and Crocs, Inc. (CROX).

**Information Technology** – Allegro MicroSystems, Inc. (ALGM) and Fortinet, Inc. (FTNT) disappointed this quarter.

### SELECT ADDITIONS

**Merck & Company, Inc. (MRK)** – Merck's growth profile is at the high end of the peer group, driven by Keytruda (in cancer) and Gardasil (in HPV). Over the next 5 years the company should generate ~\$100 billion of free cash flow which should flow to shareholders through dividends and stock buybacks, while also providing sufficient capital for M&A to accelerate topline growth.

**Weatherford International PLC (WFRD)** – Weatherford has gone through a large transformation since 2019: the company has shed 2/3rds of its work force, reduced debt by ~\$6 billion, more than doubled margins, and has produced more cash flow in the past year than the previous 20 years combined. Despite a changed company with new management, the valuation still largely reflects the characteristics of the predecessor company, which provides the upside opportunity.

### SELECT DELETIONS

**W. W. Grainger, Inc. (GWW)** – The company has executed very well throughout Covid, taking and holding significant market share, which has propelled earnings. Even though the company has done everything right, there is some risk that market share reverts back to the other distributors, now that they are able to secure product that used to be in short supply. If this does happen, earnings will likely get pressured, which may put pressure on the multiple.

**Abbott Laboratories (ABT)** – Abbott continues to execute well, but the valuation no longer exhibits the relative valuation that attracted us to the stock. With an average growth rate and a middling valuation, other companies in the group now appear more attractive.

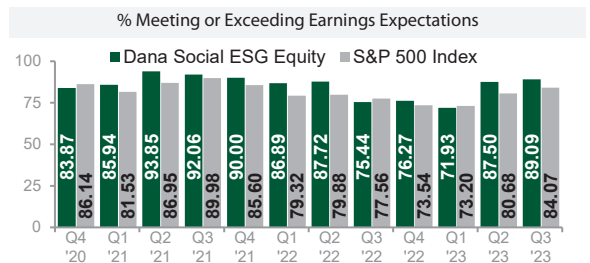
Average Annual Total Return (%)  
as of 09/30/2023

	Unannualized		1 Year	3 Year	5 Year	10 Year	20 Year	Since Inception
	Quarter	YTD						
<b>Dana Social ESG Equity Strategy (gross of fees)</b>	<b>-6.71</b>	<b>1.99</b>	<b>11.35</b>	<b>5.99</b>	<b>6.79</b>	<b>9.02</b>	<b>9.77</b>	<b>8.52</b>
<b>Dana Social ESG Equity Strategy (net of fees)</b>	<b>-6.76</b>	<b>1.63</b>	<b>10.89</b>	<b>5.52</b>	<b>6.29</b>	<b>8.48</b>	<b>9.20</b>	<b>7.95</b>
Benchmark Index	-3.27	13.07	21.62	10.15	9.92	11.91	9.74	6.76

Sector Allocation (%) as of 09/30/2023	Dana Social ESG Equity	S&P 500 Index
Communication Services	8.80	8.87
Consumer Discretionary	10.22	10.67
Consumer Staples	6.24	6.57
Energy	4.66	4.72
Financials	12.66	12.81
Health Care	13.93	13.36
Industrials	8.44	8.30
Information Technology	27.81	27.46
Materials	2.39	2.45
Real Estate	2.60	2.37
Utilities	2.25	2.41

Due to rounding, totals may not equal 100%

Dana Social ESG Equity Strategy Top 10 Holdings (%) as of 09/30/2023	
Alphabet Inc	4.76
Apple Inc	4.36
Microsoft Corp	4.14
Comcast Corp	2.30
Regal Rexnord Corp	2.13
Deere & Co	2.10
Lincoln Electric Holdings	2.06
Cisco Systems Inc	2.06
Visa Inc	2.06
CSX Corp	2.04



Dana's Social ESG Equity Strategy holdings continue to execute well, experiencing more positive earnings surprises than the S&P 500 Index.

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	YTD 2023
Total Return Gross of Fees	38.65%	16.63%	-1.72%	6.56%	21.15%	-9.63%	32.41%	13.53%	28.40%	-17.88%	1.99%
Total Return Net of Fees	37.91%	16.03%	-2.27%	6.02%	20.59%	-10.08%	31.80%	12.94%	27.80%	-18.22%	1.63%
Benchmark Return	32.39%	13.69%	1.38%	11.96%	21.83%	-4.38%	31.49%	18.40%	28.71%	-18.11%	13.07%
Composite 36 Month Standard Deviation	13.17%	9.90%	10.93%	11.21%	10.35%	11.29%	11.98%	18.97%	17.82%	21.18%	17.69%
Benchmark 36 Month Standard Deviation	11.94%	8.97%	10.47%	10.59%	9.92%	10.80%	11.93%	18.53%	17.17%	20.87%	17.60%
Number of Portfolios	79	125	81	94	49	48	46	46	66	63	53
Internal Dispersion	1.16%	1.08%	0.44%	0.82%	0.29%	0.36%	0.65%	0.38%	0.88%	0.57%	N/A
Composite Assets (US\$ millions)	88.2	150.2	91.1	214.7	198.5	315.2	386.6	164.7	171.1	135.4	126.1
% of Bundled Fee Assets	53.7%	52.6%	47.3%	31.3%	14.6%	8.0%	5.7%	8.6%	9.7%	6.9%	3.6%
Strategy Assets (US\$ millions)	252.8	369.8	470.5	584.0	589.1	658.8	748.1	560.6	660.8	526.0	473.3
Total Firm Assets (US\$ millions)	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	4,427.7	4,445.4
Total Entity Assets (US\$ millions)	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	6,810.3	6,421.2

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 Social ESG Equity composite has had a performance examination for the periods January 31, 2000 through December 31, 2022. 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:** January 31, 2000. The composite was known as the Dana Socially Responsible Equity composite through December 30, 2017 and thereafter known as the Dana Social ESG Equity composite.
- Composite Definition:** The Dana Social ESG Equity composite includes all fee-paying, discretionary equity portfolios that invest in U.S. equities with the goal of providing long-term capital appreciation within a well-diversified ESG integrated equity 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 Social ESG Equity composite is the S&P 500 Index. Prior to January 1, 2010, the MSCI KLD 400 Social Index was used as the composite's primary benchmark and the S&P 500 Index was a secondary benchmark. The change was made as the investment process and characteristics of Dana Social ESG Equity portfolios more closely match those of the S&P 500 Index.
- Composite Construction:** Prior to April 1, 2008, the composite included the Social ESG Equity segment of balanced accounts. Cash was allocated to these segments based on the average cash position of the Social ESG Equity "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. The composite contains both traditional commission paying and bundled-fee (i.e., asset-based pricing) portfolios. Trading costs are allocated to bundled-fee portfolios at actual asset-based rates. If actual asset-based trading costs cannot be readily identified, the entire bundled fee (which may include costs for administration, investment management, custody, asset allocation, etc.), net of Dana's investment management fees, is deducted from the gross return. Prior to April 1, 2008, transaction costs were allocated to bundled fee trades at a per share commission rate equal to Dana's preferred list of non-directed institutional brokers. 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 Social ESG Equity fee schedule is 0.75% on the first \$10MM, 0.65% on the next \$15MM, and 0.60% 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 net-of-fees composite and the benchmark monthly returns for the period.
- Internal Dispersion:** Dispersion is calculated using the equal-weighted standard deviation of annual net 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; <sup>(a)</sup> FactSet Research Systems; <sup>(b)</sup> Morningstar Direct

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