Dana Unconstrained Equity Strategy

Portfolio Manager Insights

As of October 18, 2023

To Investors

The S&P 500 Index declined -3.27% in the third quarter, while the Dana Unconstrained Equity Strategy beat the Index, increasing +0.55%. Year-to-date, the Strategy has returned +53.72%, compared to the S&P 500 Index return of +13.07%.

The Energy sector was the standout in the third quarter as oil prices rose approximately +30% from $70 to $90 per barrel. Most other sectors modestly declined. The lead story of the third quarter may have been rising interest rates as the benchmark U.S. 10-Year Treasury Note rose approximately +75bps to +4.57%.

All else equal, higher interest rates represent a headwind to economic growth and equity valuations (caveat all else is rarely "equal"). At times, we have wondered about the "appropriate" 10-year yield as the Fed's interest rate hiking cycle has progressed. Why has the yield curve remained inverted for nearly a year (as measured by the 10-year yield less the Fed Funds Rate)? Could long-term rates trade above the Fed Funds Rate in the foreseeable future? Alternatively, what stops the curve from inverting more deeply? We don't have good answers to these questions, although we'll make a comparison. A colleague who follows the Energy sector has long claimed that when it comes to oil prices: "Nobody knows anything!" While frustrating to acknowledge this sort of randomness, experience has taught us that our colleague has a point (remember when oil prices went negative in April of 2020)?

Predicting interest rates presents a similar dilemma. To the extent that rate fluctuations affect the prices of stocks, we are generally resigned to "grin and bear it." There may be the rare outlier circumstance that presents an opportunity (e.g. buying Energy stocks in April of 2020). So far, however, we have not seen rate-driven opportunities in equities, although a -14% year-to-date decline in the Utilities sector, typically owned for its relatively high yield, is notable.

When compared to many quarters over the past few years, the third quarter was less eventful for the Strategy. We didn't make significant changes to the portfolio nor did we experience outsized single-stock volatility. We were broadly pleased with earnings reports for Strategy holdings and continued to prioritize durable business models with strong cash flow growth. Several holdings face material opportunities (and threats) presented by the proliferation of AI and we are closely monitoring uptake of this disruptive technology.

Strategy Commentary

During the third quarter, we bought one position and sold one position. This is the fourth consecutive quarter of low turnover (five buys and three sells cumulatively), which follows a three-quarter stretch where we bought 19 positions and sold 23 positions. This reflects the typical ebb and flow of portfolio positioning for a Strategy that seeks to add value through active trading (we want to be great investors, but we also try to be good traders). Cash and equivalents represented approximately 1% of the portfolio at the end of the third quarter.[1]

(1) Cash and equivalents includes Schwab Govt Money Market fund, where applicable.

Dana Investment Advisors, Inc. • 20700 Swenson Drive • Suite 400 • Waukesha, Wisconsin 53186 • P.O. Box 1067 • Brookfield, WI 53008-1067
e-mail: Info@DanaInvestment.com • website: www.DanaInvestment.com • (800) 765-0157

Selected Additions

We added NVIDIA (NVDA) in August after gaining comfort in the company's near-term growth potential and competitive moats. We see NVIDIA as an AI ecosystem unto itself and think that early demand signals for generative AI applications are promising. These applications include search, content creation, human-like assistants, coding and data processing.

Forward growth projections for NVIDIA require a massive ramp in AI-related datacenter spend (and for NVIDIA to dominate this spend). Our work leans on favorable analyses of NVIDIA's software capabilities, integrated AI "stack" (i.e. not just the GPU), execution track record, and what seem to be a plethora of disruptive AI use cases.

We have found that a helpful way to think about the productive potential of generative AI is to analogize it to a human worker. Software tools have increasingly automated various tasks (think email, spreadsheets, word processors) yet we don't think of these tools as artificial humans working alongside us. With generative AI capable of replying to emails, creating presentations, constructing code, answering customer service complaints – and more – we are reaching human-level functionality. Notably, these AI workers won't suffer from fatigue, frustration, boredom, forgetfulness or similar unproductive traits. They will also be comprehensive, readily accessible stores of knowledge.

Selected Deletions

We sold Tesla (TSLA) – a small position – in August. Tesla approached our target valuation but we also had concerns about the company's trajectory. As talented as CEO Elon Musk has proven himself to be, he seems to be spreading himself unusually thin. Running a highly visible network in X (formerly Twitter) invites regular scrutiny. Elon also recently launched an AI start-up. Meanwhile, he maintains leadership of complex, rapidly evolving companies in Tesla and SpaceX.

Tesla's CFO unexpectedly stepped down in the third quarter. In our experience, this is rarely a good sign (and sometimes a harbinger of pretty bad things). Even if ultimately benign (by most accounts it isn't easy working for Elon), it's very possible that Tesla is in the midst of a growth soft patch. While we are big believers in an electric vehicle future, range anxiety and charging speeds are legitimate concerns. Tesla's ongoing growth also likely depends upon successful new models in categories like mass market sedans and pick-ups.

We'll keep a close watch on Tesla. We've written about the company's positive characteristics in the past and still see significant advantages in vehicle software, manufacturing technology (including batteries) and branding.

Positioning

Our top five positions at the beginning of the third quarter included Meta (META), Palo Alto Networks (PANW), Uber Technologies (UBER), Workday (WDAY), and Adobe (ADBE) (collectively 54% of the portfolio). Our top five positions at the end of the third quarter included Meta (META), ServiceNow (NOW), Microsoft (MSFT), Uber Technologies (UBER), and NVIDIA (NVDA) (collectively 53% of the portfolio).

We remained patient with Strategy holdings, as indicated by low turnover and a similar collection of top ten positions. NVIDIA was a notable addition while Advanced Micro Devices (AMD) was the largest trim. We appreciate AMD's stellar execution over the last few years yet came to prefer NVIDIA's focused AI product portfolio. We still believe that there's a meaningful role for AMD's chips in advanced computing and AI applications. It's possible that both of these leading semiconductor companies do very well, although competition is fierce.

We remain optimistic that our category-leading technology companies will enjoy competitive benefits in a higher cost of capital environment. These benefits include less competition from cash-burning upstarts (think Uber) and consolidation of customer spend to platforms (think Microsoft). We continue to see positive engagement trends (i.e. time spent) for top holding Meta and intriguing developments in AI and metaverse products.

Dana Investment Advisors, Inc. • 20700 Swenson Drive • Suite 400 • Waukesha, Wisconsin 53186 • P.O. Box 1067 • Brookfield, WI 53008-1067
e-mail: Info@DanaInvestment.com • website: www.DanaInvestment.com • (800) 765-0157

Third Quarter Performance

CrowdStrike (CRWD) was the top contributor in the third quarter. The company delivered a solid earnings report and perhaps more importantly detailed growth efforts in emerging security products (e.g. cloud, identity, security information and event management). We think some of the swoon in CrowdStrike's share price last year was due to concern about slowing growth in the core endpoint protection platform (think advanced anti-virus). If CrowdStrike can expand its strong reputation in endpoint to other in-demand security products, the stock could continue to react favorably.

Meta (META) was the second-best contributor. We need the largest positions to do well for the Strategy to perform. This is something we've commented on in prior quarters when top positions held back performance. A decent batting average isn't enough in a conviction-weighted portfolio. While recent turnover has been limited, we frequently reassess position sizes and seek to add value through appropriate trading.

Uber (UBER) was a top three contributor for the second consecutive quarter. The company continued to appropriately navigate a complex regulatory landscape and diverse geographic footprint. We see a company with two oligopoly businesses (mobility and delivery) which become more valuable as they scale. It's possible that Uber will join the S&P 500 Index within the next year, typically a positive event for a stock.

The Strategy's two energy holdings, EOG Resources (EOG) and Cheniere Energy (LNG) rebounded alongside oil prices in the third quarter. Each performed how we would have hoped in a stronger pricing environment. We like the uncorrelated nature of these positions in a portfolio currently dominated by technology-oriented companies.

Palo Alto Networks (PANW) was the largest detractor. Palo Alto's stock declined rather sharply (more than -15%) in the first two weeks of August after a firewall competitor reported surprisingly lackluster results. The company's own earnings report in mid-August didn't show the same weakness and, in fact, likely highlighted a more diversified product suite. The stock recovered a good portion of its losses but failed to reach prior highs. Notably, these highs came at the end of the second quarter, a difficult starting point for third quarter performance.

Advanced Micro Devices (AMD) also underperformed. As noted above, we transitioned most of our AI-related semiconductor exposure to NVIDIA (NVDA) in the third quarter. We feel that AMD's latest earnings report showed resilience in the face of weak PC demand and unfavorable shifts in cloud-related datacenter spend. Both AMD and NVIDIA were relatively modest detractors to performance, the latter due to the timing of our addition to the portfolio in mid-August.

Other top five detractors included Microsoft (MSFT) and Workday (WDAY). Both software companies appear to have expansive growth opportunities ahead and have shown impressive profit prioritization in recent quarters. We are particularly interested in Microsoft's AI-related growth potential in the coming quarters.

All Company Names Held in Strategy† 07/01/2023 to 09/30/2023	**Total Return (%)**	**Total Effect (%)**
CrowdStrike Holdings Inc (CRWD)	13.96	1.10
Meta Platforms Inc (META)	4.61	0.98
Uber Technologies Inc (UBER)	6.53	0.97
Adobe Inc (ADBE)	4.28	0.66
EOG Resources Inc (EOG)	11.53	0.53
Cheniere Energy Inc (LNG)	9.19	0.30
ServiceNow Inc (NOW)	-0.54	0.25
JPMorgan Managed Income Fund (JMGIX)	0.92	0.13
US Dollar (CASH)	1.33	0.05
Schwab Govt Money Fund	1.28	0.02
Tesla Inc (TSLA)	-4.61	0.02

All Company Names Held in Strategy† 07/01/2023 to 09/30/2023	**Total Return (%)**	**Total Effect (%)**
Visa Inc (V)	-2.96	0.01
ON Semiconductor Corporation (ON)	-1.72	0.00
TaskUs Inc (TASK)	-8.30	0.00
Accenture Plc (ACN)	-0.12	-0.01
Amazoncom Inc (AMZN)	-2.49	-0.02
Workday Inc (WDAY)	-4.89	-0.10
Microsoft Corporation (MSFT)	-7.08	-0.10
NVIDIA Corporation (NVDA)	-1.00	-0.22
Advanced Micro Devices Inc (AMD)	-9.74	-0.33
Palo Alto Networks Inc (PANW)	-8.25	-0.55

† Total Effect values include cash and equivalents (i.e., money market) but may exclude from table's list. The sum of Total Effect for all index names, whether Strategy held or not, will total the table's referenced period return for each the index and Strategy. A holding in the index but not in the Strategy will still affect the strategy's relative performance vs. the index. Total Return above is reflected for the time the stock was held in the Strategy and may differ from the stocks total return for the full table's referenced period (e.g., may reflect return for period shorter than referenced period if bought or sold before table's referenced period end or after table's referenced period end). Tables exclude any holdings that had a +/- Total Effect due to not being held by Strategy but held in index.

Dana Investment Advisors, Inc. • 20700 Swenson Drive • Suite 400 • Waukesha, Wisconsin 53186 • P.O. Box 1067 • Brookfield, WI 53008-1067
e-mail: Info@DanaInvestment.com • website: www.DanaInvestment.com • (800) 765-0157

CONCLUDING THOUGHTS

A few things we're thinking about.

The first is the market's (re)embrace of technology-oriented stocks in 2023. This has been positive for the Strategy and we think it can continue, yet it also appears that the rush back to technology has left pockets of the market behind. Are there opportunities in these pockets, in non-tech sectors and industries? Possibly, especially if the current divergent paths continue.

We've owned consumer, financial, industrial and healthcare companies in the past. There may be opportunities for each in the future.

A second area of pondering is the macroeconomic environment. One topic that's caught our attention over the last few months is the Fed's focus on inflation expectations. We've tended to believe that the Fed's consistently hawkish rhetoric on getting inflation back to its 2% mandate is perhaps more bark than bite. After hearing several Fed members speak recently, we're not so convinced of that assessment.

A heavy focus on inflation expectations means that the Fed puts significant weight on the inflation sentiment of consumers. In our experience, consumer sentiment tends to be a lagging (or even contrarian) indicator. Would the Fed halt (or reverse) its tightening policies in a scenario where consumer sentiment on inflation is above target but other economic indicators (employment, growth, even CPI) show signs of weakness? A different way to ask this question is can the consumer's perception of inflation meaningfully decline if the economy remains relatively healthy? Maybe?

The overarching point is that our current assessment of the likelihood that the Fed's monetary tightening causes significant economic weakness is somewhat higher than previously thought. That's not to say that this is an overly high probability in the absolute. Regardless, we certainly lack the conviction to make a call either way.

In fact, if pressed for a forecast we'd probably predict inflation (and inflation expectations) to settle in the 3%-3.5% range over the next year. This mostly reflects a view that prices are generally quick to increase and slow to decrease (especially non-commodity prices). Would the Fed feel comfortable enough at 3%-3.5% inflation to pivot its hawkish rhetoric (given inflation above its 2% target)? We just don't know – and maybe it's a question that never requires an answer. Regardless, it's an issue worthy of consideration.

Lastly, the terror attack by Hamas against Israel reminds us for the second time in as many years that humans can be unimaginably cruel to one another. Marauding invaders in Israel and the Ukraine are destabilizing forces that can have immense social, political, and economic consequences. We find both invasions to be morally offensive. Nonetheless, we'll continue to assess the economic and market ramifications.

As always, we endeavor to be humble, flexible, and open-minded while remaining grateful for your support.

Respectfully,
Dana Investment Advisors, Inc.

David Weinstein
Lead Portfolio Manager

All Company Names Held in Strategy† 09/30/2022 to 09/30/2023	Total Return (%)	Total Effect (%)
Meta Platforms Inc. Class A (META)	60.94	6.06
Palo Alto Networks, Inc. (PANW)	59.03	4.97
Uber Technologies, Inc. (UBER)	73.55	4.65
Adobe Incorporated (ADBE)	85.28	4.19
ServiceNow, Inc. (NOW)	48.03	2.78
Advanced Micro Devices, Inc. (AMD)	62.28	2.72
Workday, Inc. Class A (WDAY)	41.14	2.14
EOG Resources, Inc. (EOG)	18.59	0.70
Microsoft Corporation (MSFT)	36.88	0.23
TaskUs, Inc. Class A (TASK)	-35.53	0.13
ON Semiconductor Corporation (ON)	49.13	0.02
Lord Abbett Inv Tr. Short Duration Income Fd Cl I (LLD)	0.53	0.00

All Company Names Held in Strategy† 09/30/2022 to 09/30/2023	Total Return (%)	Total Effect (%)
Visa Inc. Class A (V)	4.26	-0.02
CrowdStrike Holdings, Inc. Class A (CRWD)	1.56	-0.05
Accenture Plc Class A (ACN)	21.28	-0.13
Globant SA (GLOB)	-13.35	-0.21
Tesla, Inc. (TSLA)	-5.86	-0.50
Schwab Govt Money Fund (808515613)	3.77	-0.64
Datadog Inc Class A (DDOG)	14.72	-0.90
U.S. Dollar (CASH_USD)	4.82	-1.52
Amazon.com, Inc. (AMZN)	12.50	-1.77
Cheniere Energy, Inc. (LNG)	1.04	-2.03
NVIDIA Corporation (NVDA)	-1.00	-2.47

† Total Effect values include cash and equivalents (i.e., money market) but may exclude from table's list. The sum of Total Effect for all index names, whether Strategy held or not, will total the table's referenced period return for each the index and Strategy. A holding in the index but not in the Strategy will still affect the strategy's relative performance vs. the index. Total Return above is reflected for the time the stock was held in the Strategy and may differ from the stocks total return for the full table's referenced period (e.g., may reflect return for period shorter than referenced period if bought or sold before table's referenced period end or after table's referenced period end). Tables exclude any holdings that had a +/- Total Effect due to not being held by Strategy but held in index.

	2019	2020	2021	2022	YTD 2023
Total Return Gross of Fees	32.00%	87.62%	17.75%	-35.02%	53.72%
Total Return Net of Fees	31.34%	86.58%	17.10%	-35.38%	53.10%
Benchmark Return	31.49%	18.40%	28.71%	-18.11%	13.07%
Composite 36 Month Standard Deviation	N/A	N/A	18.81%	24.03%	24.52%
Benchmark 36 Month Standard Deviation	N/A	N/A	17.17%	20.87%	17.60%
Number of Portfolios	9	26	57	34	48
Internal Dispersion	N/A*	3.27%	0.78%	0.43%	N/A
Composite Assets (US$ millions)	6.5	19.9	44.9	16.7	32.2
Strategy Assets (US$ millions)	6.5	19.9	48.0	18.3	34.5
Total Firm Assets (US$ millions)	4,548.9	4,782.0	4,647.0	4,427.7	4,445.4
Total Entity Assets (US$ millions)	7,142.0	7,185.0	7,662.0	6,810.3	6,421.2

* Only one account was in the composite for the entire year.

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, 2022.

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 Unconstrained Equity composite has had a performance examination for the periods December 31, 2018 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**: December 31, 2018.
- **Composite Definition**: The Dana Unconstrained Equity composite includes all fee-paying, discretionary equity portfolios that invest in U.S. equities with the goal of providing long-term capital appreciation utilizing an unconstrained 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 benchmark for the Dana Unconstrained Equity composite is the S&P 500 Index.
- **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 Unconstrained Equity fee schedule is 0.75% on the first $10MM, 0.65% on the next $15MM, and 0.50% thereafter; however, Dana's investment management fees may vary based upon the differences in size, composition and servicing needs of client accounts. There is one non-fee paying portfolio within the composite and represented 4.05% of total Composite Assets as of 12/31/2019, 2.48% as of 12/31/2020, 1.29% as of 12/31/2021, and 1.39% as of 12/31/2022. 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. The 36-month annualized standard deviation is not presented for 2019 to 2020 as the periods were less than 36-months from the composite's inception.
- **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; (a) FactSet Research Systems; (b) Morningstar Direct.

ca ✓ LS 10/30/2023