

JUNE 30, 2018

# Dana Large Cap Equity Fund Market Commentary



## Overview

Stocks moved higher in Q2, though changes in investor concerns caused the movement to come in waves. The S&P 500 Index posted positive returns in all three months to finish the quarter with a +3.43% total return. The earnings season was strong, with almost 83% of companies beating or meeting consensus estimates, as the positive impact of the corporate tax rate reduction helped drive S&P 500 Index operating earnings 26% above the same quarter last year. By the end of the quarter, increased trade tensions tempered investor expectations in parts of the market and still remain a source of uncertainty. As a result, during Q2 many industrial stocks were hard hit by trade fears, making the Industrials sector the weakest sector within the S&P 500 Index, down -3.18%. Q2 also saw oil prices move higher, pushing the Energy sector to lead the S&P 500 Index with a +13.48% return. Mid-cap stocks outperformed large-cap stocks, and small-cap stocks produced the highest average returns. Overall, we see a robust economic environment ahead with continued strong GDP growth, low unemployment and much higher capex underpinning earnings growth in the upcoming quarters, albeit with greater volatility should trade uncertainties persist.

The Dana Large Cap Equity Fund Institutional Class (the 'Fund') posted a total return of +0.57% during Q2. Cyclical companies gave up ground as fears mounted surrounding trade and interest rates. Value and quality factors continued to show lagging returns while momentum and growth are leading factors both in Q2 and YTD. We took advantage of price declines in strong secular growth industries, such as semiconductors, to initiate new holdings. We believe the Fund's consistent value tilt combined with its emphasis on selecting companies with a good growth profile will continue to benefit investors over the long term.

## Sector Contributors

### HEALTH CARE

Strong performance was led by double-digit returns from Baxter International, Inc. (BAX) and UnitedHealth Group, Inc. (UNH); avoiding weak pharmaceutical and biotech stocks also contributed to returns.

### ENERGY

All of the holdings generated double-digit returns in this strongest performing sector, led by refining company, Valero Energy Corporation (VLO).

## Sector Detractors

### CONSUMER DISCRETIONARY

Lack of exposure to Amazon.com, Inc. (AMZN) and Netflix, Inc. (NFLX) were significant detractors within this sector; pullbacks in holdings, Royal Caribbean Cruises (RCL) and D.R. Horton, Inc. (DHI), contributed to weakness.

DUANE ROBERTS



**DUANE ROBERTS, CFA**  
*Director of Equities,  
Portfolio Manager*



**GREG DAHLGREN, CFA**  
*Senior Vice President,  
Portfolio Manager*



**DAVID STAMM, CFA**  
*Senior Vice President,  
Portfolio Manager*

**INFORMATION TECHNOLOGY**

Declines in Lam Research Corporation (LRCX), TE Connectivity Ltd. (TEL), DXC Technology Company (DXC) and Intel Corporation (INTC) contributed to weak relative performance; capex in technology is very strong and we continue to see good relative valuations and secular growth opportunities in semiconductors.

*Select Additions*

**NORFOLK SOUTHERN CORPORATION (NSC)**

A strong trucking market and high fuel prices allow the rails to raise prices while their lower fuel consumption per load adds to their competitive advantage; NSC’s main competitor (CSX) is shedding some business resulting in incremental volumes for NSC; the rails have monopoly-like power on many routes, allowing for favorable pricing and NSC has an attractive valuation trading at a discount to the Industrials sector.

**MICROCHIP TECHNOLOGY, INC. (MCHP)**

This diversified semiconductor company serves a number of growing end markets and continues to expand its market presence organically and by acquisitions; the company’s core microcontroller products benefit from the ongoing growth trends of industrial and automotive electrification and connectivity and the recent acquisition of Microsemi Corporation further diversifies the company into growing aerospace, defense and data-center end markets.

*Select Deletions*

**DR. PEPPER SNAPPLE (DPS)**

This beverage company was a strong performer through its holding period, which culminated in a takeover announcement at a significant premium; we elected to sell the holding ahead of the transaction closing in early July.

**OWENS CORNING (OC)**

Cost pressures led to a significant earnings miss; oil-related material costs (e.g. asphalt) and higher transportation expense were headwinds; heightened competitive pressure in the composites segment affected revenue and margins; substantial price increases are needed to meet current investor expectations.

*Portfolio*

**ANNUALIZED RETURNS** as of 6/30/18

	TICKER	QTD	1 Year	3 Years	5 Years	Since Inception	Gross Exp. Ratio
Dana Large Cap Equity Investor	DLCEX	0.55%	13.76%	9.28%	11.89%	13.61%	1.12%
Dana Large Cap Equity Institutional	DLCIX	0.57%	14.00%	9.56%	-	10.95%	0.87%
S&P 500 TR USD	-	3.43%	2.65%	11.93%	13.42%	13.63%	-

*\* Represents performance of the S&P 500 Index since inception of DLCEX (3/1/2010)  
The performance of the Fund quoted is past performance and does not guarantee future results. The investment return and principal value of an investment in the Fund will fluctuate so that an investor’s shares, when redeemed, may be worth more or less than original cost. Current performance of the Fund may be lower or higher than the performance quoted. Performance data as of the most recent month may be obtained by calling 1-855-280-9648.*

“Many industrial stocks were hard hit by trade fears, making the Industrials sector the weakest within the S&P 500 Index... Oil prices moved higher, bringing the Energy sector to lead the Index.”

**TOP HOLDINGS** *as of 6/30/18, subject to change*

APPLE INC	2.36%	Info. Technology
MICROSOFT CORP	2.23%	Info. Technology
BROADRIDGE FINANCIAL SOLUTIONS INC	2.12%	Info. Technology
CDW CORP	2.10%	Info. Technology
PFIZER INC	2.10%	Health Care
ALPHABET INC A	2.08%	Info. Technology
MASTERCARD INC A	2.08%	Info. Technology
FACEBOOK INC A	2.07%	Info. Technology
STRYKER CORP	2.07%	Health Care
UNITEDHEALTH GROUP, INC.	2.04%	Health Care

*“We see a robust environment ahead with continued strong GDP growth, low unemployment and much higher earnings growth in the upcoming quarters.”*

There is no guarantee that this, or any, investment strategy will succeed. Mutual funds involve risk, including possible loss of principal.

Before investing you should carefully consider the investment objectives, risks, charges and expenses of the Dana Funds. This and other important information about the Fund is contained in the prospectus, which can be obtained by visiting [www.DanaFunds.com](http://www.DanaFunds.com) or by calling 855-280-9648. The prospectus should be read carefully before investing. The Dana Funds are distributed by Unified Financial Securities, LLC member FINRA. Dana Investments Advisors is not affiliated with Unified Financial Securities, LLC.