

SEPTEMBER 30, 2018

Dana Small Cap Equity Fund Market Commentary



Overview

The S&P 500 Index posted a Q3 return of +7.71%, its best quarterly return since 2013. The Russell 2000 Index was up +3.58%, while lagging larger stocks for the quarter, its +11.51% return year-to-date still outperformed the S&P 500 Index. Growth outperformed value across all market cap ranges, a trend that has been in place for most of the past two years. Factor attribution in small caps showed momentum was a key driver and component of growth returns, while value factors were largely ignored until July. While momentum had won the hearts of investors, their minds appear to have turned toward value and quality factors. In addition, upwardly revised sales forecasts and significant double-digit earnings growth are lifting many sectors and supporting secular tailwinds in several industries. As earnings growth has broadened, growth is no longer scarce and value once again is starting to matter.

The Dana Small Cap Equity Fund Institutional Class (the 'Fund') generated a return of +6.89% in Q3, a strong absolute return and double that of the benchmark. The second quarter earnings season was strong and even stronger for the Fund's holdings as 83% beat earnings estimates and 76% beat forecasted sales estimates. We believe that small caps remain attractive relative to large caps and that underappreciated value and quality factors will begin to reward investors once again. This backdrop is favorable to the Fund as investors continue to shift their focus to profitability, quality and value versus momentum.

Sector Contributors

INFORMATION TECHNOLOGY

Strong performance from Application Software holdings generated 213 basis points of performance contribution; Q2 purchases Trade Desk, Inc. (TTD) and Five9, Inc. (FIVN) were joined by Alarm.com Holdings, Inc. (ALRM), Bottom line Technologies, Inc. (EPAY) and Real-Page, Inc. (RP) in generating above industry average returns; all five firms beat earnings and revenue expectations.

HEALTH CARE

Strong performance from Biotechnology and Health Care Technology holdings outweighed weakness in Pharmaceutical positions; Ligand Pharmaceuticals Incorporated (LGND) and Emergent BioSolutions, Inc. (EBS) surged more than 30% due to rising sales growth; Health Care Tech companies HMS Holdings (HMSY) and Tabula Rasa Healthcare, Inc. (TRHC) had double-digit gains in a hot industry that itself returned 20%; both companies are gaining market share in their cost containment analytics niches.

Equities



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DAVID STAMM, CFA
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DUANE ROBERTS, CFA
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Sector Detractors

CONSUMER DISCRETIONARY

Pullbacks in two holdings cost 75 basis points of performance; Weight Watchers International, Inc. (WTW) took a pause after the market protested subscriber growth below lofty estimates, yet the firm continues to execute positively on its lifestyle brand transition; Household Durables Industry struggled in the face of committed Fed tightening and the impact on the housing market; TopBuild Corporation (BLD) fell despite reporting a good quarter as investors reacted to margin pressure and macro concerns.

Select Additions

BOYD GAMING CORP. (BYD)

An organic growth story in the gaming industry, Boyd offers exposure to interactive gaming and sports betting trends; company could get to 11% free cash flow yield in 2019.

ECHO GLOBAL LOGISTICS (ECHO)

Echo is a domestic trucking broker with logistic services and a heavy technology focus; M&A has added scale and strengthened competitive positioning, allowing Echo to take market share; driver shortage, trade concerns and e-commerce are tailwinds.

Select Deletions

TOPBUILD CORP. (BLD)

Sold position to exit a weakening industry and gain exposure to gaming; rising concerns for housing and construction cost inflation are formidable headwinds.

ADVANCED ENERGY INDUSTRIES (AEIS)

Reduced exposure to semiconductor industry; debate over supply and demand issues in semis likely to endure into 2019 leaving too much uncertainty to forward estimates.

Portfolio

ANNUALIZED RETURNS as of 9/30/18

	TICKER	QTD	1 Year	2 Years	Since Inception	Gross Exp. Ratio
Dana Small Cap Equity Investor	DSCEX	6.85%	12.03%	13.60%	7.97%	2.22%
Dana Small Cap Equity Institutional	DSCIX	6.89%	12.27%	13.90%	8.27%	1.97%
Russell 2000 Index TR		3.58%	15.24%	17.97%	14.51%	-

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.



TOP HOLDINGS *as of 9/30/18, subject to change*

UNIVERSAL INSURANCE HOLDINGS, INC.	2.34%	Financials
BOTTOMLINE TECHNOLOGIES (DE), INC.	2.14%	Information Tech.
LIGAND PHARMACEUTICALS INC.	2.05%	Health Care
MARCUS CORPORATION	2.03%	Comm. Services
EMERGENT BIOSOLUTIONS INC.	2.00%	Health Care
PRIMERICA, INC.	1.99%	Financials
BOOT BARN HOLDINGS, INC.	1.98%	Consumer Disc.
BIOTELEMETRY, INC.	1.87%	Health Care
CHEFS' WAREHOUSE, INC.	1.83%	Consumer Staples
COMFORT SYSTEMS USA, INC.	1.83%	Industrials

“Investors continue to shift their focus to profitability, quality and value versus momentum.”

There is no guarantee that this, or any, investment strategy will succeed. Mutual funds involve risk, including possible loss of principal. Small cap investing involves greater risk no associated with investing in more established companies, such as greater price volatility, business risk, less liquidity, and increased competitive threat.

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 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.