

DECEMBER 31, 2018

# Dana Large Cap Equity Fund Market Commentary



## Overview

After impressively powering through a wall of worry in Q3, equity markets abruptly began Q4 by falling sharply in October. The S&P 500 Index then oscillated to a slight gain in November, while December ushered in yet another round of sharp losses. Not only did a Santa Claus Rally fail to materialize, the S&P 500 Index produced its weakest Christmas Eve ever. However, the day after Christmas was far merrier for investors, with the S&P 500 Index generating its largest one-day gain since March 2009 and the Dow Jones Industrial Average posting its first ever 1,000 point up day. Despite this last minute surge, the S&P 500 Index ended Q4 down -13.52%, making its 2018 total return of -4.38% the first negative calendar year total return since 2008. Mid-cap and small-cap indexes performed even worse for both the quarter and full year. While 7 of 11 GICS sectors had double-digit declines within the S&P 500 Index, Utilities was the only sector to produce a positive return in Q4.

The Dana Large Cap Equity Fund Institutional Class (the 'Fund') declined -14.64 during Q4. American Tower Corporation (AMT) led the Fund with a strong positive return. Lack of exposure to Amazon.com, Inc. (AMZN) and NVIDIA Corporation (NVDA), as well as underexposure to Apple, Inc. (AAPL), helped the Fund's performance in Q4 relative to the S&P 500 Index. In addition, the Fund's Utilities holdings outperformed in the quarter's only positive sector. Weakness in the Fund primarily came from individual holdings across multiple sectors. DXC Technology Company (DXC) was the Fund's biggest absolute detractor, followed by Best Buy Company, Inc. (BBY). Many of the Fund's largest detractors in Q4 tended to be inexpensive on traditional valuation metrics, which is consistent with the fact that value as an investment factor generally underperformed in 2018 and continued to do so during Q4's sell-off. While the Fund maintains its persistent value tilt, Q4 rebalancing was able to capitalize on the market pull-back in order to emphasize the Fund's quality and growth characteristics.

## Sector Contributors

### INDUSTRIALS

While each sector holding was negative for the quarter, all 5 Fund holdings performed better than the S&P 500 sector return, with Waste Management, Inc. (WM) exhibiting defensiveness in Q4.

### ENERGY

A relatively defensive posture and good diversification helped the Fund to outperform the sector return, as falling oil prices propelled Energy to be the weakest sector of the market.

## Sector Detractors

### CONSUMER DISCRETIONARY

Any cyclical exposure was punished during Q4 as the market corrected; Best Buy Company, Inc. (BBY) was the deepest detractor within the sector.

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*Senior Vice President,  
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**MATERIALS**

Sub-par performance from the Fund’s sector holdings, particularly Steel Dynamics, Inc. (STLD), led to weaker relative performance in the Materials sector.

*Select Additions*

**BROADCOM, INC. (AVGO)**

A diversified semiconductor supply company that is a primary beneficiary of the strong secular trends driving datacenter and connectivity businesses, including cloud computing and 5G spectrum expansion. The company augmented its primary wireless and connectivity exposures with high-end, custom-built chips for leading technology companies, such as Alphabet (Google) and Cisco. With the market’s pullback, we were happy to add Broadcom to the Fund at a strong relative valuation, 4.5% dividend, 10% free cash flow yield, with excellent growth prospects.

**LULULEMON ATHLETICA, INC. (LULU)**

This high-end retailer of yoga-oriented and related lifestyle apparel is a category leader with limited competition. The runway for growth is long; with international expansion and e-commerce key drivers of future growth. Again, market pullback provided a good entry point in a company with double-digit square footage growth, a 40% return on invested capital, 55% gross margins, and a strong employee culture.

*Select Deletions*

**DXC TECHNOLOGY COMPANY (DXC)**

Recent revenue shortfalls put earnings and cash flow targets at an elevated risk, while executive turnover and weakening employee culture metrics are concerning. DXC’s successful short-term cost cutting is overshadowed by an uncertain long-term market position.

**TARGET CORPORATION (TGT)**

Target’s most recent quarterly results disappointed the market: the company missed expectations for sales upside, while margins significantly underwhelmed. We believe that it will take longer than originally anticipated for Target to work its way through its omni-channel transition.

*Portfolio*

**ANNUALIZED RETURNS** as of 12/31/18

	TICKER	QTD	1 Year	3 Years	5 Years	Since Inception	Gross Exp. Ratio
Dana Large Cap Equity Investor	DLCEX	-14.68%	-9.72%	6.76%	6.54%	11.50%	1.12%
Dana Large Cap Equity Institutional	DLCIX	-14.64%	-9.48%	7.04%	6.83%	7.74%	0.87%
S&P 500 Index		-13.52%	-4.38%	9.26%	8.50%	11.91%	-

*\* 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.*

“The S&P 500 Index ended Q4 down -13.52%, making its 2018 total return the first negative calendar year total return since 2008.”



**TOP HOLDINGS** *as of 12/31/18, subject to change*

PFIZER INC.	2.07%	Health Care
MICROSOFT CORP	2.06%	Information Tech.
AMGEN INC.	2.05%	Health Care
T-MOBILE INC	2.03%	Comm. Services
ALPHABET INC. CLASS A	2.03%	Comm. Services
KIMBERLY-CLARK CORP	2.02%	Consumer Staples
UNITEDHEALTH GROUP INC.	2.01%	Health Care
APPLE INC.	2.01%	Information Tech.
COMCAST CORP (A)	2.00%	Comm. Services
INTEL CORP	1.99%	Information Tech.

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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.