

MARCH 31, 2020

# Dana Small Cap Equity Fund Market Commentary

## Overview

Investors got a lesson in viral economics during the first quarter of 2020. A novel coronavirus (COVID-19) went unnoticed by most of the world as we celebrated the western new year. But as the Chinese (lunar) new year approached, disruptions in supply chains in China started to affect some stocks. Still, U.S. equities continued to rise, with the price for the S&P 500 Index peaking at a record high close of 3386.15 on February 19, a healthy +4.8% increase from the end of 2019. Just over three weeks later, the eleven-year bull market (historic for its length) came to an end as the price on the S&P 500 Index fell more than 20% below its peak, and by March 23 the Index had declined -33.9%. While a \$2 trillion relief bill in the U.S. sparked a market rebound at the end of March, Q1 still ended with the total return for the S&P 500 Index down -19.60% for the quarter. Growth continued its dominance of value. Mega-cap stocks proved relatively defensive for the quarter as small cap stocks showed that they were much more vulnerable to the impacts of COVID-19 with the Russell 2000 Index falling -30.61% by quarter end.

The Dana Small Cap Equity Fund Institutional Share Class (the 'Fund') lagged the Russell 2000 Index for the quarter with a total return of -33.46%. Within the benchmark, Energy and Consumer Discretionary sectors declined the most, while Utilities outperformed. Turnover was elevated as portfolio managers deliberately made several portfolio changes to take advantage of valuation shifts that occurred in this new market environment. The trades overall enhanced balance sheet and quality factors. The investment team is diligently working to capture opportunities created within these volatile and uncertain markets, and believes that a return to zero interest rates by the Fed, coupled with unprecedented fiscal stimulus policies already enacted, and even more under discussion, will create a situation where thoughtful active management could be very rewarding to long-term investors.

## Sector Contributors

### REAL ESTATE

Fund holdings beat the Index sector with STAG Industrial, Inc. (STAG) and EastGroup Properties, Inc. (EGP) leading this relative outperformance having benefited from strong revenue ramps and quality characteristics versus companies paying high dividends. Additionally, the Fund was overweight industrial and specialty REITs which outperformed other Index real estate sub-industries.

### CONSUMER DISCRETIONARY

Lack of exposure to sub-industries such as auto components and home goods retailers helped performance. Deckers Outdoor Corporation (DECK) and Helen of Troy Ltd. (HELE) led the Sector's return. Chegg, Inc. (CHGG) offers online education materials and services via Chegg Tutors performed well.



**MICHAEL HONKAMP, CFA**  
*Senior Vice President,  
Portfolio Manager*



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



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



## Sector Detractors

### INDUSTRIALS

Investors fled perceived risks as the credit markets faltered and COVID-19 shut down Chinese supply lines. Moog, Inc. (MOG.A), Curtiss-Wright Corporation (CW), and Cubic Corporation (CUB) declined on these worsening trends. ASGN, Inc. (ASGN), a staffing firm specializing in IT and technical services, and MasTec, Inc. (MTZ), a construction & engineering firm specializing in national projects, suffered significant declines.

### CONSUMER STAPLES

Performance Food Group (PFGC) and Chef's Warehouse, Inc. (CHEF) fell as restaurants across the country suffered from local governments stay-at-home requests related to COVID-19.

## Select Additions

### GLU MOBILE, INC. (GLUU)

Mobile gaming manufacturer experienced an expectations reset last summer as it guided to slower near term growth. The company has lifestyle and sports games with in-app purchases. Sorcerer's Arena, a Disney licensed role-player game launched in March after a delay. GLUU management has brought in talent to support 2-3 launches per year and expect margin expansion to ramp up and feed the bottom line.

### REXNORD CORPORATION (RXN)

This machinery company has strong execution leading a margin ramp and a shareholder yield story with strong free cash flow (FCF) that is restoring a quarterly dividend and share repurchases. The PMC unit supplies engineered machine components and the water management division designs and builds water quality and flow equipment.

### HOULIHAN LOKEY, INC. (HLI)

Boutique investment bank consulting on mergers & acquisitions (M&A), capital markets, and restructuring; if M&A space weakens, business mix diversifies revenue streams; strong client relationships; smart bolt-on acquisitions.

## Select Deletions

### MARCUS CORPORATION (MCS)

While the company has outperformed national box office expectations, there's not much else to say about a movie theater operator with hotel assets in this environment.

### SKYWEST, INC. (SKYW)

This airline has been called "the un-airline" as the business model is asset-light compared to national carriers. Contracts cover fixed costs and have guaranteed minimums and most debt is related to aircrafts and tied into contracts. The upside is missing in massively uncertain environment.

### UNITED COMMUNITY BANK, INC. (UCBI)

Southeast bank with strong profitability and a valuation to match; valuation and sensitivity to falling loan yields made it expendable, for now.

“Mega-cap stocks proved relatively defensive for the quarter as small cap stocks showed that they were much more vulnerable to the impacts of COVID-19 with the Russell 2000 Index falling -30.61% by quarter end.”



## Portfolio

### ANNUALIZED RETURNS as of 3/31/20

	TICKER	QTD	YTD	1 Year	3 Years	Since Inception
Dana Small Cap Equity Investor	<b>DSCEX</b>	-33.52%	-33.52%	-29.49%	-9.71%	-5.56%
Dana Small Cap Equity Institutional	<b>DSCIX</b>	-33.46%	-33.46%	-29.33%	-9.47%	-5.30%
Russell 2000 Index TR		-30.61%	-30.61%	-23.99%	-4.64%	0.69%

The gross expense ratio for the institutional class is 1.72%, and for the investor class is 1.97%.

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.

“Investors got a lesson in viral economics during the first quarter of 2020.”

### TOP HOLDINGS as of 3/31/20, subject to change

FIVE9, INC.	2.52%
SOUTHWEST GAS CORP	2.43%
HORIZON THERAPEUTICS	2.25%
EMERGENT BIOSOLUTIONS, INC.	2.24%
QUALYS, INC.	2.22%
COHERUS BIOSCIENCES, INC.	2.19%
RAPID7, INC.	2.17%
BIOTELEMETRY, INC.	2.13%
REPLIGEN, CORP	2.12%
CHESAPEAKE UTILITIES CORP	2.10%

#### 10208423-UFD-5/11/2020

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](http://www.DanaFunds.com) or by calling 855-280-9648. The prospectus should be read carefully before investing. The Dana Funds are distributed by Ultimus Fund Distributors, LLC member FINRA. Dana Investments Advisors is not affiliated with Ultimus Fund Distributors, LLC.

The funds may lose money due to fluctuations within the stock market which may be unrelated to individual issuers and could not have been predicted. The price of the securities which the funds hold may change unpredictably due to local, regional, international, or global events. In the case of a general market downturn, multiple asset classes, or the entire market, may be negatively affected for an extended and unknown amount of time.