

JUNE 30, 2019

Dana Small Cap Equity Fund Market Commentary



Overview

U.S. equity markets were positive in Q2 while building upon the impressive returns from Q1. This resulted in the S&P 500 Index experiencing the best first half of the year since 1997. While small-caps outperformed large-caps in the first quarter, the reverse was true in the second quarter. Yet whether large or small, returns were quite robust: The S&P 500 Index returned +18.54% for the first half of the year while the Russell 2000 Index returned +16.98%. June was particularly strong; in fact it was the strongest June since 1955, as measured by the S&P 500 Index. Investors' anticipation of future rate cuts by the Fed, and positive expectations on U.S.-China trade talks at the G-20 meeting, helped drive equity markets higher. Growth continued to outperform value, but style and size spreads narrowed as market breadth continued to improve.

The Dana Small Cap Equity Fund Institutional Class (the 'Fund') posted a +3.25% total return during Q2, outperforming the Russell 2000 Index return of +2.10%. While the returns for the quarter were quite good, the year-to-date returns are even better with the Dana Small Cap Equity Fund returning +18.13% versus +16.98% for the benchmark. Stock selection was strong overall, particularly toward the latter part of the quarter, as market participants rewarded higher quality, higher growth and lower valuation factors. This backdrop plays to Dana's strength in identifying stocks with strong relative valuations versus peers. We anticipate continued relative strength for the Fund as market breadth continues to improve, and value narrows the gap of underperformance relative to growth.

Sector Contributors

REAL ESTATE

Index REIT holdings averaged a 1.6% total return for the quarter while Fund holdings COR, APTS, EGP, STAG, and newcomer OUT all returned more than 2%; interest rate sensitive stocks outpaced other sectors in May as equities retreated but the 10-year treasury rallied; REITs will lag on China trade positives, but yields are attractive especially in comparison to bonds.

ENERGY

As crude oil retreated in April and May on slowing growth concerns, small-cap energy stocks slid; not owning some of the higher beta domestic exploration & production (E&P) companies added alpha; Delek US Holdings, a refining and distribution business headquartered in Tennessee with four refineries in the Gulf coast states, led performers as transport and logistics companies outpaced production & service companies.

HEALTH CARE

Strong performance from Repligen (RGEN) and ANI Pharma (ANIP) outweighed weakness in other names in the sector; RGEN reported a beat & raise quarter as they benefited from accelerating approval of monoclonal antibodies; much of revenue base is recurring consumable sales to customers in drug development; ANIP reported a strong quarter with upside to guidance and announced a generic approval with Q2 launch; company also announced acquisition of a seven drug development pipeline.



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Sector Detractors

FINANCIALS

Holdings Universal Insurance (UVE), Primerica, Inc. (PRI), and Argo Group International (ARGO) lagged strong returns from commercial insurance peers in Q2; reinsurance headwinds led the Fund to replace UVE with ARGO; PRI consolidated after a strong run in Q1 despite reporting a decent Q1; in commercial banks, CenterState Bank Corporation (CSFL) and Independent Bank (INDB) underperformed peers and repressed returns for the industry; INDB posted a slight miss and was punished for weakness on the top line; CSFL had an even slighter miss but was also punished for top-line weakness and a miss on loan growth.

MATERIALS

The Fund's chemicals holdings detracted from the sector returns overall.

“We anticipate continued relative strength for the Fund as market breadth continues to improve, and value narrows the gap of underperformance relative to growth.”

Select Additions

ALBANY INTERNATIONAL CORP. (AIN)

Albany International is an engineered materials producer serving aerospace and the paper industry; misunderstood machine clothing segment in paper is a cash cow business with excellent recurrence and >30% EBITDA margins (AIN has 30% of global market); 100% market share for 3D woven composites in new GE LEAP aircraft engine fan blades and cases; LEAP engine growth expected to ramp to 2400 engines annually by 2023; aerospace revs increased from 15% of sales in 2015 to 38% in 2018, heading to 50% by 2021; woven composites gaining share on newer airframe applications; management set goal of aerospace sales of 500m+ in 2020 with 18%+ EBITDA, which is easily on track.

PERFICIENT, INC. (PRFT)

IT Services firm specializing in digital conversions in business operations, consulting, and custom software development; strong pipeline and bookings trends since mid '18; margin strength coming from sales upside and operating leverage, especially employee utilization; guided sales higher in Q1 and then hit the top end of the range, also guiding 2019 higher; strong verticals include healthcare providers, financial services, auto, and telco; Q1 earnings reflected new strength in billing rates, goal of 2-3% growth per year; management likes small bolt-on M&A deals, has history of immediate accretion, targeting additional \$50m of annual revenue; balance sheet is conservative and pathway exists for ROE expansion in coming quarters.

INGEVITY CORP (NGVT)

Ingevity is a specialty chemical company with operations in activated carbon and pine chemicals; higher vehicle emission standards in the US and especially China are driving visible growth for a multi-year run; company offers exposure to auto space with lower trade related friction than other options, as activated carbon solutions face government mandates; Chinese regulatory visibility has improved since 2018 and new platforms increasingly using carbon technology; automakers have tended to implement the technology ahead of mandates giving firm more confidence in visibility; filtration materials are growing 15% + annually with EBITDA margins >40%; Pine chemicals used in paving, oilfield services, and polymer end markets are growing HSD annually with EBITDA margins >20%; management has pounded table on strength in end markets.

Select Deletions

FERRO CORP. (FOE)

Successive quarters reporting soft end markets in pigments and coatings (largely construction and autos) have driven 2019 revenues and earnings estimates lower; softness outside the US not helping Ferro, with less than 50% of revenues from domestic sources; while 2020 looks like it will improve, we moved to the sidelines as customer destocking in high end construction products looks to persist.

PREFERRED APARTMENT COMMUNITIES (APTS)

Pressure on comps and occupancy and a high debt load have kept a lid on shares as investors weigh interest rate trends; company has consistently raised dividends as assets have grown; loan operations to development partners are strategic asset, however could pose incremental risk if market weakens; growth by acquisition vulnerable in short term as cap rates decline.

ALARM.COM HOLDINGS INC. (ALRM)

After impressive growth in recent years, 2019 guidance has not been strong enough to justify valuation; concern about saturation, competition, and aggressive commercial market goals routinely affect share price; company has executed well but was expendable as we reduced software holdings.

“Growth continued to outperform value, but style and size spreads narrowed as market breadth continued to improve.”

Portfolio

ANNUALIZED RETURNS *as of 6/30/19*

	TICKER	QTD	YTD	1 Year	3 Years	Since Inception
Dana Small Cap Equity Investor	DSEX	3.18%	17.93%	-2.79%	7.02%	3.58%
Dana Small Cap Equity Institutional	DSCIX	3.25%	18.13%	-2.51%	7.30%	3.87%
Russell 2000 Index TR		2.10%	16.98%	-3.31%	12.31%	9.31%

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.

TOP HOLDINGS *as of 6/30/19, subject to change*

BOOT BARN HOLDINGS, INC.	2.03%	Consumer Discretionary
RUDOLPH TECHNOLOGIES, INC.	2.02%	Information Technology
SOUTHWEST GAS CORP	2.01%	Utilities
OUTFRONT MEDIA, INC.	2.01%	Real Estate
EASTGROUP PROPERTIES, INC.	1.99%	Real Estate
CORESITE REALTY CORPX	1.98%	Real Estate
ANI PHARMACEUTICALS, INC.	1.91%	Health Care
CHESAPEAKE UTILITIES CORP	1.91%	Utilities
RAPID7, INC.	1.91%	Information Technology
STAG INDUSTRIAL, INC.	1.90%	Real Estate

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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. 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.