# **Dunham** Large Cap Value Fund (DNLVX)

## Rothschild & Co. Asset Management U.S. Inc.

*Hold Us To Higher Standards*

### Investment Objective

For investors seeking an investment with the potential of long-term growth with an eye toward a conservative investment process through investments in value-oriented, large capitalization common stocks in primarily domestic companies.

### Sub-Adviser Background

Formed in 1973, the Rothschild Asset Management INC. is headquartered in New York, NY. Rothschild Group is a wholly owned company of Paris Orleans, a family-controlled, publicly held company. The Rothschild Family has been an influential force in banking since 1798.

### N-SHARE Fund Performance As of 10/31/2019

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|---|---|---|
| Quarter: 1.42% | 1-Year: 11.37% | 3-Year: 10.20% |
| 5-Year: 6.66% | Since Inception (12/10/04): 6.45% | Total Expense Ratio: 1.30% |
| 10-Year: 10.33% | | |

### Asset Class Recap

As U.S. equities spent the majority of the most recent fiscal quarter in negative territory, large cap value stocks, as measured by the Russell 1000 Value Index, were no exception. During the most recent fiscal quarter, large cap value stocks declined along with their U.S. equity peers, breaking below negative 5 percent before rebounding to end the fiscal quarter up 1.9 percent. This most recent fiscal quarter's return brought large cap value's performance for the most recent fiscal year to 11.2 percent. Perspectives on interest rates and energy prices generally provided the greatest impacts on some of the most prominent large cap value sectors. As investor reactions to headlines tended to be binary and somewhat dramatic in regard to magnitude, it made navigating the large cap value space precarious during the most recent fiscal quarter.

### Allocation Review

The financial services sector is the largest sector allocation in the large cap value space, comprising 29 percent of the benchmark index. The Fund had a 2 percent underweight to the sector during the fiscal quarter, which generally detracted from performance as it was the second-best performing sector. The performance dispersion across sectors during the most recent fiscal quarter was fairly tight, within 2.5 percent, when excluding the highest performer and the lowest performer. During the fiscal quarter, the highest performing sector was the utilities sector, up 9.3 percent, and the worst performing sector was the energy sector, down 6.9 percent. As the Fund had a substantially similar weighting to both of these sectors, it neither benefitted nor suffered from these allocations. However, the Fund's largest overweight was to the technology sector and its largest underweight was to the consumer discretionary sector. The technology sector generally performed in-line with the benchmark index but the consumer discretionary sector was the second-worst performer in the benchmark index during the fiscal quarter. Therefore, these overweights and underweights proved to be a positive attribution to relative Fund performance.

### Holdings Insights

Similar to the previous fiscal quarter, the sector overweights and underweights provided far less impact to overall Fund performance when compared to the effect of security selection. For example, one of the best performing sectors on a relative basis for the Fund was the energy sector, since the Sub-Adviser's stock selection avoided nearly half of the energy sector's decline. Holdings such as Marathon Petroleum Corp. (MPC) (holding weight*: 1.12 percent), an oil refiner with a nationwide network of branded gas stations, and Phillips 66 (PSX) (holding weight*: 1.24 percent), a global refiner and producer of specialty products such as petroleum-based lubricants, were the largest contributors in the Fund's energy allocation during the fiscal quarter. MPC and PSX increased 14.7 percent and 14.9 percent, respectively. The Fund's largest energy holding, Chevron Corp. (CVX) (holding weight*: 2.24 percent), is also one of the largest energy positions in the index. During the fiscal quarter, CVX was unable to buck the trend like MPC and PSX, as it declined 4.7 percent during the fiscal quarter. The Sub-Adviser believes that some of the negative pressure on the energy space was attributable to investor concerns about the increasing political pressures against the future of shale production.

While utilities was the strongest performing sector, the Fund's performance in the sector was substantially similar to the benchmark index, since the Fund's two largest holdings in the space were also the largest positions in the sector within the benchmark index. In addition, those two holdings were also the Fund's strongest performers in the utilities sector. Verizon Communications Inc. (VZ) (holding weight*: 3.01 percent) and AT&T Inc. (T) (holding weight*: 2.75 percent) surged 10.5 percent and 14.6 percent, respectively during the most recent fiscal quarter, as VZ continued to rank highest for small and medium businesses among wireline service providers and T 's activist investors pressured company management to make better use of its historical acquisitions that have yet to live up to their full potential.

The materials & processing sector is one of the smallest sectors in the benchmark index. Similar to the previous fiscal quarter, it produced a small 0.5 percent gain, offsetting its similar sized decline during the previous fiscal quarter. However, while it was the best-performing sector in the Fund during the previous fiscal quarter, it proved lackluster in the most recent fiscal quarter. Two of the strongest performers in the previous fiscal quarter, Air Products & Chemicals Inc. (APD) (holding weight*: 1.19 percent) and Owens Corning (OC) (holding weight*: 0.79 percent), produced offsetting results in the most recent fiscal quarter. APD, a global distributor of gases and chemicals for industrial uses, declined 6.1 percent in the most recent fiscal quarter, while OC, a roofing, insulation, and fiberglass composites manufacturer, increased 6.0 percent. Since APD was the larger holding in the Fund, its negative performance provided a greater detraction from the overall Fund performance.

### Sub-Adviser Outlook

The Sub-Adviser believes that the current environment exhibits a higher amount of uncertainty and adverse conditions can appear quickly due to the binary reactions of investors to both economic releases and political headlines. Therefore, the Sub-Adviser has attempted to reduce its exposures to areas it believes are most prone to these behaviors. The Sub-Adviser continues to be encouraged by the strong earnings releases and generally positive economic data. The Sub-Adviser remains focused on identifying companies with what it believes are attractive valuations relative to peers.

**Holdings percentage(s) As of 10/31/2019.*