Dunham Large Cap Value Fund (DNLVX)

DUNHAM Trust and Investment Services

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

Hold Us To Higher Standards

Investment Objective

The Fund seeks to maximize total return from capital appreciation and dividends. 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

Rothschild Asset Management Inc. (Rothschild) is an independent, family-owned global investment adviser. For more than 200 years, Rothschild has participated in the global financial markets and provides its services to governments, companies, and individuals.

N-SHARE Fund Performance As of 10/31/2022

Quarter: -1.52%	1-Year: -7.96%	3-Year: 7.96%
5-Year: 7.40%	Since Inception (12/10/04): 6.70%	Total Expense Ratio: 1.10%
10-Year: 9.38%		

Prices and returns quoted represent past results and are no guarantee of future results. Current performance may be higher or lower than the performance shown. Investment return and principal value will fluctuate, so your shares, when redeemed, may be worth more or less than their original cost. To obtain performance data current to the most recent month-end, call us at (800) 442-4358. Dunham Class N Shares have no initial sales charge or contingent deferred sales charge (CDSC).

Asset Class Recap

Large cap value stocks rose to begin the fiscal year as investors rotated away from growth stocks and towards value stocks in anticipation of the Federal Reserve hiking interest rates. Not only can many sectors within the large cap value asset class thrive in a rising rate environment, the present value of the stocks within the index declines at a substantially slower pace than their growth counterparts. Although large cap value stocks outperformed most other equity asset classes throughout the most recent fiscal quarter and fiscal year, large cap value stocks declined as investors digested a myriad of market headwinds. Russia's invasion of Ukraine and supply chain disruptions impacted equity markets, pushing inflation to record levels. In response to a multi-decade high reading of inflation, the Federal Reserve aggressively tightened monetary policy by raising rates 225 basis points during the first three quarters of the fiscal year and another 75 basis points in the most recent fiscal quarter. The Federal Reserve has continually reiterated its commitment to combat inflation regardless of its impact on economic growth. Investors have begun to see early signs of weakness in economic data and corporate earnings reports, with subsequent guidance beginning to show the effects of tighter monetary policy. Investors were hopeful that the Federal Reserve could successfully bring down inflation without pushing the economy into a deep recession. For the fiscal quarter ended October 31, 2022, large cap value stocks, as measured by the Russell 1000 Value Index, gave back 2.4 percent, outperforming large cap growth stocks, as measured by the Russell 1000 Growth Index, which fell 8.9 percent.

Allocation Review

The Sub-Adviser's investment philosophy is centered on the belief that alpha generation is driven by bottom-up stock selection rather than taking large sector bets. With that being said, the largest sector contributor during the fiscal quarter was the energy sector, as security selection and sector allocation positively contributed to Fund performance. Another sector that positively contributed to Fund performance over the period was the financial sector, as strong security selection strongly outweighed the slight detraction from sector allocation. The most significant detractor from relative Fund performance was the exposure to the consumer staples sector, as security selection acted as a headwind to positive Fund Performance. Although the technology was the largest detractor from absolute Fund Performance, the Sub-Adviser's superior security selection helped mitigate losses within the sector.

Holdings Insights

The most significant contributor to absolute performance was the exposure to the energy sector, as rising commodity prices helped drive profitability for companies within the industry. Prices throughout the year have been caused by a few factors, including underinvestment in supply from energy companies, resulting in a supply imbalance. Russia's invasion of Ukraine and subsequent slowdown of European natural gas imports added to surging price pressures. In the most recent fiscal quarter, these impacts were amplified due to the sabotage of the largest pipeline from Russia to Europe. Lastly, the Organization of the Petroleum Exporting Countries (OPEC) has spent much of the fiscal year unwinding supply cuts; however, in October, OPEC announced its largest supply cut since the beginning of the pandemic, indicating its intent to keep prices elevated. One of the best performers within the sector was ConocoPhillips (COP) (holding weight*: 2.05 percent), an American multinational corporation engaged in hydrocarbon exploration and production. COP rose 31.8 percent over the fiscal quarter and 76.3 percent over the fiscal year. The Sub-Adviser believes this position outperformed its peers because it is a pure-play exploration and production company. Given that the company does not hedge oil price exposure like other companies in the sector, COP's profitability could potentially rise with oil prices. Another position within the sector that positively contributed to Fund performance was Phillips 66 (PSX) (holding weight*: 1.07 percent), an American multinational energy company headquartered in Westchase, Houston, Texas. Over the fiscal quarter, PSX increased 18.4 percent.

As interest rates marched higher throughout the fiscal year and the most recent fiscal quarter, companies within the technology sector sold off. Higher interest rates result in a higher cost for companies to borrow money to finance projects. It can also result in consumers having less disposable income because they are paying more for mortgages, cars, and credit cards. These headwinds have begun to impact technology companies as they have already implemented hiring slowdowns, hiring freezes, and in some cases, mass layoffs. One of the most meaningful detractors from Fund performance was the exposure to Alphabet, Inc. (GOOGL) (holding weight*: 1.95 percent), an American multinational technology conglomerate. GOOGL declined 18.8 percent over the fiscal quarter and 36.2 percent over the fiscal year. Another detractor from Fund performance within the sector was Microsoft Corporation (MSFT) (holding weight*: 1.01 percent), an American multinational technology corporation producing computer software, consumer electronics, personal computers, and related services. MSFT declined 17.1 percent

Holdings percentage(s) of total investments, cash and unsettled trades excluding collateral for securities loaned as of 10/31/2022.

***Holdings percentage(s) as of the date prior to the sale of the security.*

over the fiscal quarter as the company's guidance moving forward highlighted slower consumer spending, sluggish advertising growth, and an uncertain outlook for cloud computing. Not all positions from the technology sector declined during the fiscal period. For example, L3Harris Technologies, Inc. (LHX) (holding weight*: 1.46 percent), a company that provides equipment to government, defense and commercial sectors, rose 3.2 percent over the fiscal quarter thanks to the rising U.S. government budget to combat threats from China and Russia.

Sub-Adviser Outlook

The Sub-Adviser is cautiously optimistic for the remainder of 2022 and 2023. The Sub-Adviser believes that monetary tightening has affected equity markets, leading to economic weakness and depressed sentiment among market participants. Given the pessimistic tone, the Sub-Adviser is confident that avoiding landmines is key to positive relative performance. Therefore, ignoring the noise and focusing on corporate fundamentals is critical in identifying companies that exhibit attractive valuations and are resilient enough to navigate the complex environment. The Sub-Adviser will continue to implement its disciplined investment process but understands that it may be susceptible to systematic tail risk as the market faces numerous risks. The Sub-Adviser recognizes that it cannot add value for clients without taking risk. Its focus is on identifying what the Sub-Adviser considers intelligent risks – the risks that are most likely to contribute to outperforming the benchmark and least likely to cause unnecessary volatility.

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