Dunham Real Estate Stock Fund (DNREX)

American Assets Capital Advisers, LLC

DUNHAM Trust and Investment Services

Hold Us To Higher Standards

Investment Objective

The Fund seeks to maximize total return from capital appreciation and dividends. A secondary investment objective of the Fund is to exceed, over the long-term, the total return available from direct ownership of real estate with less risk than direct ownership.

Sub-Adviser Background

American Assets Capital Advisers, LLC ("AACA") is an investment adviser specializing in publicly traded real estate securities, which include Real Estate Investment Trusts, real estate operating companies, lodging and gaming, housing, land development and real estate services. AACA manages separate accounts and mutual funds for institutions and individuals focusing on global real estate securities.

N-SHARE Fund Performance As of 04/30/23

Quarter: -7.54%	1-Year: -24.88%	3-Year: -3.46%
5-Year: 1.27%	Since Inception (12/10/04): 4.79%	Total Expense Ratio: 1.01%
10-Year: 2.90%		

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

Real estate stocks rallied to begin the fiscal year as the asset class, as measured by the Dow Jones U.S. Real Estate Total Return Index, put in its strongest fiscal quarter since early 2021 amid increasing optimism that the Federal Reserve's aggressive monetary policy is having its intended impact on the economy. Data revealed that inflation, as measured by the Consumer Price Index and the Personal Consumption Expenditures Price Index, fell for the sixth-straight month, retail sales declined, and the outlook for corporate earnings fell. However, a resilient job market and inflation that still has room to fall to reach the Fed's target prompted Federal Reserve officials to remain hawkish. The optimism in the first fiscal quarter gave way to pessimism in the second fiscal quarter as investors may have come to terms with the possibility that the Federal Reserve may keep interest rates higher than previously anticipated. The Federal Reserve continued to reiterate its commitment to getting inflation under control and weakening economic data weighed on confidence that the Federal Reserve is capable of slowing inflation without pushing the economy into a deep recession. During the first two fiscal quarters of the year, the Federal Reserve raised interest rates 75 basis points in November, 50 basis point increase in early December, and slowed to a 25 basis point rise in both February and March. In response, the 10-year US Treasury yield reached a high of 4.10 percent early in the fiscal quarter but reversed course, falling 68 basis points to close at 3.42 percent. Over the fiscal quarter ending April 30, 2023, real estate stocks declined 6.8 percent, underperforming the broad U.S. stock market, as measured by the S&P 500 Index, which ended the fiscal quarter up 2.7 percent.

Allocation Review

The Sub-Adviser focuses on companies with competitive advantages that it believes can increase net operating income, independent of what is happening in the economy. Given this bias, the Fund gravitates away from cyclical sectors, which contributed to Fund performance over the fiscal quarter. Specifically, the Fund has no exposure to traditional office REITs which was the worst performing REIT sector over the fiscal quarter. Office REITs were simultaneously combatting a cyclical slowdown as well as secular changes in the way people work and shop. The rise of remote work and e-commerce has reduced demand for office space, while the rise in interest rates has caused many of these property values to fall. The Fund also received positive contributions from the exposure to data center REITs, industrial REITs, and the off-benchmark exposure to casino and gaming. However, these positive contributions could not overcome the adverse effect from the exposure to industrial REITs, tower REITs and self-storage REITs.

Holdings Insights

After being one of the most meaningful detractors from positive Fund performance over the previous fiscal year, casino and gaming stocks rebounded in the previous and most recent fiscal quarters. Positions such as Wynn Resorts Ltd. (WYNN) (holding weight*: 3.68 percent), a domestic manager of casinos and resorts, and MGM Resorts International (MGM) (holding weight*: 3.56 percent), a global manager of casino properties, increased 10.3 percent and 8.5 percent, respectively, over the most recent fiscal quarter. These positions benefited from surging year-over-year revenues thanks to an increase in conventions business and elevated casino spending due to pent-up demand following coronavirus lockdowns. Casino and gaming stocks also received a boost from the resurgence of gaming revenue in Macau. In early January, Macau loosened its travel restrictions after China rolled back its COVID-zero policy. Subsequently, Macau experienced its highest monthly gaming revenue figures in three years, according to the region's Gaming Inspection and Coordination Bureau. To further capitalize on this opportunity, the Sub-Adviser added Las Vegas Sands Corporation (LVS) (holding weight*: 1.93 percent), a Macau-exposed casino stock, towards the end of the most recent fiscal quarter. LVS jumped 7.6 percent since being added to the Fund after the company's earnings and revenue beat expectations, while company executives indicated positive trends in travel and tourism in Macau.

Cadiz, Inc. (CDZI) (holding weight*: 1.94 percent), a land and water resource development company, also meaningfully contributed to positive Fund performance. The Cadiz wellfields capture groundwater that would otherwise be lost to evaporation. CDZI rose 2.0 percent over the fiscal quarter as the company completed the construction of three new groundwater wells in California. Also adding to optimism in late March was news that CDZI secured a government contract to supply 5,000 acre-feet per year of water to support the restoration of the Salton Sea and health, safety, and economic development of tribal lands and in disadvantaged communities in the eastern Coachella Valley. Conversely, not all off-benchmark exposures contributed to Fund performance over the fiscal quarter. WeWork, Inc. (WE) (holding weight*: 0.77 percent), a company that engages in flexible workspace solutions, declined 73.5 percent. WE came under pressure during the fiscal quarter as the company combatted liquidity issues.

The Fund was also adversely impacted by the exposure to tower REITs. This includes Crown Castle, Inc. (CCI) (holding weight*: 4.51 percent), American Tower Corporation (AMT) (holding weight*: 7.87 percent), and SBA Communications Corporation (SBAC) (holding weight*: 2.94 percent). These positions declined 15.9 percent, 7.8 percent, and 12.0 percent, respectively, as earnings from companies within this industry implied slowing growth in the coming year. Elsewhere within the traditional REIT allocation, the exposure to self-storage REITs contributed to positive Fund performance. Self-storage REITs put in a constructive fiscal quarter largely due to optimism surrounding merger and acquisition activity in the space. Since being added to the Fund, the self-storage REIT CubeSmart (CUBE) (holding weight*: 0.85 percent) increased 0.4 percent.

Sub-Adviser Outlook

The Sub-Adviser believes that real estate performs better over time when it is more difficult to supply, the demand is less cyclical, and tenants are reluctant to leave. Therefore, the Fund generally has higher weightings in real estate sectors that share these characteristics: oligopoly or duopoly sector structure; high barriers to entry for new owners/developers; high barriers to exit for tenants; and secular demand drivers underlying the user side of the business. The Sub-Adviser is confident that it will continue to find combinations of these four characteristics (or some subset), which creates a competitive landscape where tenants have fewer options to move or play one building owner against another. The Sub-Adviser believes that over the long-term, the properties with these characteristics can command higher occupancy rates and better rents.

* Holdings percentage(s) of total investments, cash and unsettled trades excluding collateral for securities loaned as of 4/30/2023.