DUNHAM
World-Class Trust & Investment Firm

Dunham Floating Rate Bond Fund (DNFRX)

Newfleet Asset Management, LLC

Hold Us To Higher Standards

Investment Objective

The investment objective of the Fund is to provide a high level of current income with capital appreciation as a secondary goal.

Sub-Adviser Background

Newfleet Asset Management LLC (Newfleet) founded in 1989, formerly SCM Advisors LLC, is an independently operated investment management firm located in San Francisco. The firm manages assets for a national and international client base that includes individuals and institutions.

N-SHARE Fund Performance As of 4/30/2020

Quarter: -9.77%	1-Year: -7.61%	3-Year: -0.59%	
5-Year: 0.78%	Since Inception (11/1/13): 1.11%	SEC 30-Day Yield (4/30/20): 3.73%	Total Expense Ratio: 1.02%

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

Since the start of the fiscal year, the 10-year U.S. Treasury yield has been in a general decline. After declining 17 basis points during the first fiscal quarter, the Fed's actions in the second fiscal quarter to help maintain liquidity and support the economy amidst the virus-caused shutdowns saw the yield plummet another 90 basis points. Therefore, the already weakened demand for instruments such as bank loans did not receive any new tailwinds. Traditional high-yield bonds, as measured by the BofA Merrill Lynch High-Yield Bond Index, decreased 9.8 percent during the fiscal quarter, and bank loans, as measured by the Credit Suisse Leveraged Loan Index, decreased 9.9 percent. As high-yield bonds saw yields surge 228 basis points, 3-month LIBOR dropped 130 basis points, impacting the overall yield offered in bank loans. Therefore, the fiscal quarter ended with bank loans yielding 55 basis points less than traditional high-yield bonds, slightly wider than at the beginning of the fiscal quarter despite having a nearly identical return.

Portfolio Review

The Sub-Adviser has consistently maintained a slightly more defensive stance relative to the benchmark index, which generally benefitted the Fund on a relative basis heading into the most dire days and weeks of the crisis. This same positioning generally detracted during April's rally, as the lowest credit quality loans generally outpaced higher-rated loans. The Fund had an overweight position in the auto industry, as well as gaming and leisure, which were initial drags on the Fund in the heat of the crisis. These industry-level overweights relative to the benchmark index were partially offset by underweights to the energy and retail industries. Despite the strong rally in the energy industry as well as lower-rated bank loans, the Sub-Adviser is cautious about what it believes will be an aggressive downgrade schedule. Specifically, it believes that the primary credit rating agencies will seek to make downgrades more quickly, so as to avoid some of the criticism they received during the Global Financial Crisis when downgrades appeared to be slow despite crumbling fundamentals. The average duration of the bank loans in the Fund ended the most recent fiscal quarter at 0.44 years, which is slightly higher than the 0.38 years at the beginning of the fiscal quarter. The Fund did not have any exposure to derivatives during the fiscal quarter that meaningfully affected performance.

Holdings Insights

During the fiscal quarter, very few holdings in the Fund that were held for the entire fiscal quarter experienced positive returns. Those positive performing holdings included the bank loan of TKC Holdings Inc. (BL2726547) (holding weight*: 0.38 percent), a food and personal care products provider, the One Call Corp. bond maturing in 2024 (682322AE2) (holding weight*: 0.32 percent), a health care services provider, and the Bausch Health Companies Inc. bond maturing in 2025 (91911KAN2) (holding weight*: 0.28 percent), a drug developer primarily focused on central nervous system disorders and gastrointestinal diseases. During the fiscal quarter, the TKC Holdings bank loan, One Call Corp. bond, and Bausch Health bond, saw their prices increase 0.1 percent, 3.4 percent, and 0.6 percent, respectively. While not unscathed during the fiscal quarter, the holdings appreciated primarily due to their respective industry exposures and corresponding lack of impact directly from the virus and related global shutdown. For example, One Call Corp. and Bausch Health were in the less affected segments of the healthcare and pharmaceutical industries, while TKC Holdings' food distribution was in high demand throughout the shutdown.

As the vast majority of bank loans were adversely affected during the fiscal quarter, some of the largest holdings that the Sub-Adviser retained despite the steep decline in March included the Charter Communications bank loan maturing in 2027 (BL3196914) (holding weight*: 1.29 percent), a cable broadcasting and internet services provider, the Ineos U.S. Finance LLC bank loan maturing in 2024 (BL2552414) (holding weight*: 1.30 percent), a chemical manufacturer, and the Kronos, Inc. bank loan maturing in 2023 (BL2654699) (holding weight*: 1.30 percent), a workforce management solutions provider. During the fiscal quarter, the Charter Communications, Ineos U.S. Finance, and Kronos bank loans depreciated 4.0 percent, 5.1 percent, and 3.4 percent, respectively. While not necessarily the largest positions, two of the greatest overall detractors from performance, when considering both holding size in the Fund as well as the magnitude of the decline, during the fiscal quarter were the Univision Communications Inc. bank loan maturing in 2024 (BL2380501) (holding weight*: 1.18 percent), a Spanish language broadcasting company, and the Golden Nugget LLC bank loan maturing in 2023 (BL3294289) (holding weight*: 0.71 percent), a casino owner/operator. During the fiscal quarter, the Univision Communications and Golden Nugget LLC bank loans depreciated 10.7 percent and 18.9 percent, respectively.

During the fiscal quarter, the Sub-Adviser added new holdings as it attempted to reduce the exposures to holdings it believed were less likely to recover from the global shutdown. Some of the larger holdings that were added to the Fund included the AlixPartners LLP. bank loan maturing in 2024 (BL3287630) (holding weight*: 0.70 percent), a financial advisory and global consulting firm, the T-Mobile USA Inc. bank loan maturing in 2027 (BL2694554) (holding weight*: 0.67 percent), one of the four national wireless carries in the United States, and the SS&C Technologies, Inc. bank loan maturing in 2025 (BL3291848) (holding weight*: 0.60 percent), a financial software solutions developer.

Sub-Adviser Outlook

At the beginning of the first fiscal quarter, the Sub-Adviser believed that default rates may continue to inch upward during 2020, but given the effects of the shutdown, the Sub-Adviser anticipates the rate of defaults to spike. As some companies have already missed payments, the Sub-Adviser is cautious about being lured into depressed bank loan prices where a recovery or rebound may have an even lower chance of coming to fruition. Therefore, the Sub-Adviser has been more selective in the individual issuers that it considers for holdings within the Fund. This approach of being cautious and selective is not a new mantra for the Sub-Adviser.

**Holdings percentage(s) As of 4/30/2020*