

Investment Objective

The Fund seeks to maximize total return from capital appreciation and dividends, with capital preservation during market downturns as a secondary goal.

Sub-Adviser Background

Mellon Capital Management (Mellon) was founded in 1983 and is one of the leading institutional investment managers in the United States with a vast global reach.

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

Quarter: -7.84%	1-Year: -4.95%	3-Year: -0.35%
5-Year: -1.18%	Since Inception (4/29/10): 0.76%	Total Expense Ratio: 1.69%
10-Year: 0.76%		

Acquired Fund Fees and Expenses are the indirect costs of investing in other investment companies. The operating expenses in this fee table may not correlate to the expense ratio in the Fund's financial highlights because the financial statements include only the direct operating expenses incurred by the Fund, not the indirect costs of investing in other investment companies.

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

Global equities and bond yields systematically rose to begin the fiscal year and close the 2019 calendar year. Investor confidence increased that a recession is not imminent as U.S. and Eurozone manufacturing and services picked up. Even more importantly, despite headlines of substantial job cuts overseas, employment continued to impress both domestically and abroad. Geopolitical risk also began to dissipate, as the planned tariff increases on China scheduled to increase on December 15 did not go into effect as the two countries worked toward a phase one trade deal. The optimism spilled into the New Year as the U.S. and China worked towards, and signed the phase one trade deal on January 15. Shortly after the signing, concerns over the adverse economic effects of the coronavirus outbreak sparked volatility, pushing both yields and equity markets substantially lower. Investor optimism reemerged in late March as countries saw coronavirus cases decline, and countries laid out plans to slowly reopen unprecedented stimulus from central banks around the world. In response, equities rallied to close the month while global yields remained suppressed. Global macro strategies, as measured by the IQ Hedge Global Macro Beta Index, increased 2.9 percent during the most recent fiscal quarter ended April 30, 2020.

Allocation Review

As positive economic data came in the final months of 2019, the Sub-Adviser saw this as an opportunity to reduce the defensive asset strategy and increase the exposure to the growth strategy. This shift benefited the Fund as equities rose, however, this exposure detracted from performance in the final two weeks of the first fiscal quarter as volatility spiked. As volatility remained elevated in the first two months of the most recent fiscal quarter, the Sub-Adviser reduced the growth asset strategy to 29.5 percent by the end of March. The Sub-Adviser also reduced the real asset strategy down to three percent as the Sub-Adviser's outlook for the asset class dimmed. Both reductions were used to bolster the defensive asset strategy. As markets rebounded to close the most recent fiscal quarter, the Sub-Adviser added to the growth asset strategy ending the period at 50 percent of the Fund. The defensive asset strategy contributed to Fund performance over the most recent fiscal quarter, while both the real asset strategy and growth asset strategy detracted.

Holdings Insights

One of the largest detractors from Fund performance was the exposure to U.S. equities. This was achieved through the SPDR S&P 500 ETF Trust (SPY) (holding weight*: 39.5 percent) as well as through long exposures to S&P 500 call options which also detracted from Fund Performance. Over the most recent fiscal quarter, SPY declined 9.2 percent. The exposure to developed ex U.S. equities also

detracted from Fund performance through the iShares Currency Hedged MSCI Japan ETF (HEWJ) (holding weight*: 0.95 percent) and the iShares Hedged MSCI Germany ETF (HEWG) (holding weight*: 2.11 percent). HEWJ and HEWG declined 11.1 and 16.0 percent, respectively over the most recent fiscal quarter.

The defensive asset strategy broadly achieved its goal of attempting to provide some downside protection for the Fund during the spikes in volatility late in the first fiscal quarter and throughout the bulk of the most recent fiscal quarter. In the latter half of January through mid-March, equity markets rapidly declined while U.S. investment grade bonds provided a positive return. Given that the largest portion of the defensive asset strategy is dedicated to U.S. government bonds, this exposure benefited the Fund. Despite the rally to close the most recent fiscal quarter, this exposure was still able to strongly contribute to Fund performance. The Fund also received positive contributions from the SPDR Portfolio Intermediate-Term Corporate Bond Fund (SPIB) (holding weight*: 10.6 percent). As spreads widened, the Sub-Adviser took advantage of these suppressed values by adding SPIB to the Fund in late March. Since being added to the Fund, SPIB increased 4.8 percent. The largest short within the defensive strategy and the Fund was dedicated to developed ex U.S. bonds. This position was expressed through derivatives and slightly contributed Fund performance as these credits generally fell during the fiscal quarter. For example, the Long Gilt Future June 20 (G M0) (holding weight*: -1.30 percent) contributed to Fund performance as the underlying strategy decreased 2.1 percent.

The real assets strategy, while the smallest allocation in the Fund, detracted from Fund performance during the fiscal quarter and fiscal six-month period. The goal of the strategy is to hedge against inflation while also providing potential diversification benefits. This was implemented through commodities via the iShares Commodities Select Strategy ETF (COMT) (holding weight*: 3.02 percent), which fell 26.7 percent over the most recent fiscal quarter and 28.8 percent in the fiscal six-month period. The diversifying strategy, the net Fund currency exposure, also adversely affected performance over the fiscal quarter, detracting 298 basis points from Fund performance.

Sub-Adviser Outlook

The Sub-Adviser is optimistic for opportunities within the various asset categories the Fund invests in for the rest of 2020, albeit with continued volatility. The Sub-Adviser remains steadfast in its belief that this volatility-targeted strategy may provide investors with more consistent returns than traditional asset classes. It believes that through the flexibility of the strategy and the use of alternative investments, the Fund may provide what may be considered attractive returns with lower systematic risk and lower correlation than traditional equity investments.

*Holdings percentage(s) As of 4/30/2020. **Holdings percentage(s) as of the date prior to the sale of the security.