

Investment Objective

The objective of the Fund is to maximize total return from capital appreciation and income. The Fund focuses on domestic, small capitalization, value-oriented equity securities. The Fund defines small capitalization companies as those companies whose market capitalizations are equal to or less than the largest company in the Russell 2000® Value Index during the most recent 12-month period. For the most recent annual reconstitution published as of June 30, 2015, the market capitalization range of companies in the Russell 2000® Value Index was approximately \$103 million to \$4.3 billion, which range will vary daily.

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

Quarter: -22.45%	1-Year: -23.42%	3-Year: -5.09%
5-Year: 0.61%	Since Inception (12/10/04): 3.91%	Total Expense Ratio: 1.72%
10-Year: 5.59%		

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

Small cap value stocks, as measured by the Russell 2000 Value Index, experienced a tumultuous decline during the most severe market declines in March, bringing the performance over the fiscal quarter to a staggering negative 23.6 percent. This decline came on the heels of barely eking out a positive 0.2 percent return in the first fiscal quarter. Therefore, small cap value stocks fell tremendously behind all other U.S. equity counterparts since the start of the most recent fiscal year. The next closest U.S. asset class was large cap value, as measured by the Russell 1000 Value Index, which was down 13.7 percent, nearly 10 percent ahead of the cumulative 23.5 percent decline posted by small cap value stocks. Similar to the previous fiscal quarter, the losses in small cap value stocks were fairly widespread and were dominated by similar factors, including risk-off trading and concerns regarding how a prolonged low interest rate environment may impair one of the largest small cap value sectors, financial services. The additional pressure provided by the global shutdown greatly exacerbated these issues and concerns.

Allocation Review

Although all sectors posted negative performance during the most recent fiscal quarter, there was a high amount of dispersion between the best and worst performing sectors. The strongest performing sectors during the most recent fiscal quarter were consumer staples, technology, and health care, which decreased 4.8 percent, 8.9 percent, and 8.9 percent, respectively. The combined weight of these three sectors was less than 16 percent of the small cap value space, so their impact on overall performance was marginal. The most negatively performing sectors included energy, consumer discretionary, and financial services, which decreased 34.0 percent, 30.0 percent, and 28.1 percent, respectively. As these sectors combined accounted for more than half of small cap value stocks, their largely negative performance dominated the overall return of the space. While the benchmark index did not have any sectors ending the fiscal quarter in positive territory, the Fund managed to see a positive return in the smallest small cap value sector, consumer staples. In the previous fiscal quarter, this sector was the Fund's worst performing sector, which declined more than 16 percent, so the most recent fiscal quarter's increase of 9.4 percent helped to offset much of that relative detraction in the previous fiscal quarter. As the Sub-Adviser strives to maintain similar sector weights to the benchmark index, the Fund's relative performance is primarily represented by the stock selection within each sector as opposed to sector overweights and underweights.

Holdings Insights

The energy sector proved to be the worst performing sector in the benchmark index and the Fund during the most recent fiscal quarter. The Fund only held a few holdings in the energy sector for the entire fiscal quarter, as the extreme disruptions in the space and corresponding decimation of some of the energy stocks resulted in the Sub-Adviser making adjustments to the Fund's exposures. Energy holdings that were retained for the entire fiscal quarter included Bonanza Creek Energy Inc. (BCEI) (holding weight*: 1.05 percent), an independent oil and natural gas company, Archrock Inc. (AROC) (holding weight*: 0.80 percent), a natural gas contract compression services company, and CVR Energy, Inc. (CVI) (holding weight*: 0.49 percent), a refiner and marketer of high value transportation fuels. While AROC and CVI declined relatively near the magnitude of the energy sector as a whole, plummeting 41.4 percent and 29.2 percent, respectively, BCEI managed to only fall 4.0 percent during the fiscal quarter. This is not the first quarter that BCEI has produced a less dire decline than its energy peers, as it increased 2.1 percent

Sub-Adviser Background

Ziegler Capital Management, LLC (Ziegler) founded in 1991, is a wholly-owned subsidiary of Stifel Corporation. Ziegler provides asset management services for institutional investors, including: Public, Corporate and Taft-Hartley Pension Funds, Endowments, Foundations and Insurance Companies.

in the previous quarter while its peers declined 9.8 percent. In the most recent fiscal quarter, BCEI's stock price was afflicted similarly to its peers going into the market lows reached in March, but its rebound from mid-March through the end of the fiscal quarter exceeded 84 percent, recovering most of the losses.

The consumer discretionary and financial services sectors were also significant detractors from absolute returns over the fiscal quarter, sparing very few Fund holdings during the onslaught. As unemployment rates surged and home purchases slowed while mortgage forbearance climbed, two Fund holdings found themselves in the epicenter. One was the largest consumer discretionary holding in the Fund, Taylor Morrison Home Corp. (TMHC) (holding weight*: 1.12 percent), a residential homebuilder, and the other was one of the largest financial services holdings in the Fund, Essent Group Ltd. (ESNT) (holding weight*: 0.67 percent), a residential property mortgage insurance and reinsurance company. During the fiscal quarter, TMHC fell 43.8 percent while ESNT declined 44.7 percent. The largest Fund holding in the financial services sector, Rexford Industrial Realty Inc. (REXR) (holding weight*: 1.25 percent), a real estate investment trust focused on industrial properties in Southern California, was a relative contributor to Fund performance as it declined 15.1 percent, outpacing the sector by 13 percent. Similarly, the second-largest Fund holding in the consumer discretionary sector, Standard Motor Products, Inc. (SMP) (holding weight*: 0.96 percent), an automotive replacement parts manufacturer, declined 15.8 percent, outperforming the sector by more than 14 percent.

As it is the smallest sector in the benchmark index and the Fund, the consumer staples sector generally has little overall impact on relative or absolute performance for the Fund. However, it was the sole sector that the Fund managed to generate a positive return. While the sector declined 4.8 percent, the Sub-Adviser's strong stock selection and active trading in the sector produced a positive 9.4 percent return. Of the six holdings that the Sub-Adviser traded amongst during the fiscal quarter, five yielded a positive return during the period in which they were held in the fiscal quarter. The largest contributor to this return was SpartanNash Co. (SPTN) (holding weight**: 0.36 percent), a food wholesale and retail distribution provider. From when it was added to the Fund in early March until it was sold at the end of March, SPTN surged 41.4 percent as its operations that include distribution to both commercial businesses and military commissaries experienced a spike in a demand.

Sub-Adviser Outlook

Despite the extreme dislocations, the Sub-Adviser continues to focus on the implementation of its quantitatively-driven approach, focusing on what its industry-specific factors have identified as attractive opportunities. During the strong recovery in April, these factors broadly contributed to relative outperformance, bolstering the Sub-Adviser's optimism that they will continue to outperform over meaningful long-term time periods. The Sub-Adviser believes that the current market continues to underappreciate some of the factors that the Sub-Adviser focuses on, and expects that its valuation-oriented signals will succeed as a positive contributor to its stock selection for the Fund.

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