

Investment Objective

The investment objective of the Fund is to maximize capital appreciation. The Fund seeks to achieve this by investing in domestic growth-oriented, small capitalization common stocks of companies traded on the U.S. stock exchanges or in over-the-counter markets.

Sub-Adviser Background

Pier Capital, LLC (Pier) formerly known as SEB Asset Management America, Inc., is an independent investment adviser which was originally founded in 1987. Pier specializes in small cap growth stocks. Pier searches for companies that exhibit a long-term sustainable business model and invests at a discount to the growth rate.

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

Quarter: -7.21%	1-Year: -6.20%	3-Year: 10.81%
5-Year: 8.29%	Since Inception (12/10/04): 8.51%	Total Expense Ratio: 1.91%
10-Year: 10.37%		

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

The stellar performance of small cap growth stocks in 2019 continued as they increased 12.4 percent in November and December. In contrast to the close of 2018, the Federal Reserve ended the year with a more consistent message of an accommodative stance. Small cap growth stocks began 2020 on a strong note amid the signing of the phase one trade deal between the U.S. and China, but sentiment drastically shifted amid concerns that the coronavirus outbreak would adversely affect the global economy, resulting in a risk-off mentality. This risk-off mentality continued into the most recent fiscal quarter and was exacerbated as cases rapidly increased, the outbreak was labeled a pandemic, and states subsequently shut down across the country. In response, small cap growth stocks declined sharply. In April, the asset class strongly rebounded as cases slowed and the government laid out plans to slowly reopen the economy. Over the most recent fiscal quarter ended April 30, 2020, small cap growth stocks, as measured by the Russell 2000 Growth Index, declined 13.8 percent.

Allocation Review

The sector allocation within the Fund is predominately a result of the Sub-Adviser's bottom-up stock selection. With that being said, the Sub-Adviser's stock selection contributed to Fund performance over the most recent fiscal quarter, with sector allocation also providing a positive contribution, albeit to a smaller degree. The Fund's largest overweight by a significant margin was to the information technology sector. Both the Sub-Adviser's overweight and security selection within this sector strongly contributed to Fund performance. Although the Fund's overweight to the consumer discretionary sector detracted from Fund performance, the Sub-Adviser's security selection more than made up for the adverse effect of sector allocation. This resulted in the sector being the strongest performers in the Fund over the most recent fiscal quarter. The largest sector underweight within the Fund was to the health care sector, which is partially attributed to the Fund's underweight to biotechnology and pharmaceutical stocks. In the biotechnology space, outcomes are generally binary. As such, the Fund's exposure to this space was significantly less than the benchmark index as outcomes are often unpredictable. This allocation detracted from Fund performance as many health care stocks rose amid hopes of the development of a coronavirus vaccine.

Holdings Insights

A top contributor over the most recent fiscal quarter and fiscal six-month period ended April 30, 2020, was Chewy, Inc. (CHWY) (holding weight*: 0.91 percent), an online retailer of pet food and other pet-related products. The Sub-Adviser believes that CHWY has developed brand loyalty by providing exceptional customer service. This company has excelled during the coronavirus as clients are wary to shop at physical locations. Additionally, their main competitor, Amazon, Inc.

(AMZN) (not held) has been stretched thin due to their vast offerings and new policies resulting in delayed shipping. CHWY increased 63.1 percent in the most recent fiscal quarter and 75.3 percent in the fiscal six-month period. After slightly detracting from Fund performance in the first fiscal quarter, SAIA, Inc. (SAIA) (holding weight*: 1.08 percent) contributed to performance as it increased 6.2 percent in the most recent fiscal quarter and 3.7 percent in the fiscal six month period. This position benefited from its meaningful exposure to the secular e-commerce trend. Additionally, the Sub-Adviser believes they are still in the early innings of growing out their Northeast U.S. footprint, which serves as an additional catalyst for growth. Another position that contributed to Fund performance over the fiscal quarter was Enphase Energy, Inc. (ENPH) (holding weight*: 1.00 percent). ENPH makes critical components that help convert energy from solar panels to the grid. The company rallied as it revealed a variety of training solutions for installers in order to prepare them for social distancing. ENPH also announced the opening of eleven regional training centers, which will provide hands-on training as well as steps to broaden its reach in Europe and Australia. ENPH increased 36 percent since being added in the Fund in late March.

Despite increasing over 100 percent in the first fiscal quarter, Cardlytics, Inc. (CDLX) (holding weight*: 0.91 percent) detracted from Fund performance in the most recent fiscal quarter. CDLX is a digital marketing platform for mobile banking apps, and as such, is a pure-play on the large secular theme of digital advertising. CDLX declined 46.4 percent, but the Sub-Adviser believes the effects of the pandemic and subsequent shutdown on CDLX were overstated due to their exposure to travel companies. The Sub-Adviser also believes CDLX has done an excellent job of adding large bank customers and their most recent quarterly result was the culmination of those efforts as they are seeing strong growth in both their inventory of leads as well as strong growth in new advertising revenue. Another detractor from Fund performance over the fiscal quarter was Boyd Gaming Corporation (BYD) (holding weight**: 0.36 percent). BYD is a gaming company and regional casino operator, which was adversely affected by the shutdowns across the country. After increasing 9.8 percent in the first fiscal quarter, BYD declined 62.5 percent before being sold from the Fund.

Sub-Adviser Outlook

The Sub-Adviser does not forecast. The Sub-Adviser's investment approach involves a thorough understanding of each stock's value proposition and risk. With that being said, the Sub-Adviser is confident in the long-term horizon for small cap growth stocks. However, in the short-term the Sub-Adviser believes that the asset class will experience volatility as investors have binary reactions to updates regarding potential vaccines for the coronavirus. They believe this will create substantial dispersion between stocks, thus creating meaningful opportunities for active management.

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