

## Investment Objective

The objective of the Fund is to maximize capital appreciation by investing in emerging market equity securities traded on foreign exchanges.

## Sub-Adviser Background

NS Partners Ltd. ("NS Partners"), was founded in 1988. NS Partners is an investment manager based in London, England providing investment management services to pension funds, foundations, mutual funds and insurance companies around the world.

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

Quarter: -11.70%	1-Year: -8.83%	3-Year: -0.81%
5-Year: -1.27%	Since Inception (12/10/04): 4.13%	Total Expense Ratio: 1.53%
10-Year: -0.18%		

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

Emerging markets stocks, as measured by the MSCI Emerging Markets Index, surged 7.3 percent in the first two months of the fiscal year amid defusing tensions between the United States and China, interest rate cuts in several major emerging markets, as well as an improved outlook for global economic growth. Sentiment continued to improve on reports that the U.S. and China were drawing closer to a partial trade deal, culminating in an announcement on December 13 of a trade agreement. Although it lacked details, investors viewed it as a reprieve from escalating tariffs. January started on a positive note as the dovish Federal Reserve may have provided investors with the confidence to take additional risk. Emerging Markets generally continued to rally amid the signing of the phase one trade deal on January 15. The surge that started the fiscal quarter propelled most emerging markets countries into positive territory, some up as much as 27 percent. However, sentiment changed as the outbreak of the coronavirus sparked concerns that would adversely affect global economic growth leading to a risk-off sentiment to close the first fiscal quarter. This sentiment continued and worsened as coronavirus cases and deaths mounted causing economics around the world to close. Also adding to volatility was an oil price war between Russia and Saudi Arabia, which was triggered by Russia's refusal to reduce oil production in order to keep prices for oil at moderate levels. Emerging Market Stocks fell 20 percent in February and March. In April, emerging market stocks rebounded amid historic fiscal and monetary policies set by central banks around the world. Emerging markets stocks declined 12.5 percent during the most recent fiscal quarter ending April 30, 2020.

## Allocation Review

During the most recent fiscal quarter, both country allocation and security selection positively contributed to Fund performance. Over the six-month fiscal period, country selection detracted but the Sub-Adviser's security selection more than made up for the adverse effect of country allocation. Over both time periods, the Fund's country allocation was aided by the exposure to Latin American but held back by the allocation to Asia. The Fund received contributions from stock selection in Korea, China, and Poland, with only a slight detraction coming from stock selection in Thailand and India. Throughout the first fiscal quarter, the Fund took profits and allowed cash to rise by selectively reducing exposure in China and Hong Kong, with an emphasis on consumer names. This shift positively contributed to Fund performance as Hong Kong and China declined 8.4 percent and 8.7 percent, respectively in the second half of January. In the most recent fiscal quarter, the relatively larger allocation to cash helped offset some of the volatility in markets. The Sub-Adviser reduced the cash position by adding to Chinese internet-related businesses, positions in Taiwan, and companies that have benefited from the "work from home" orders. From a sector perspective, the Fund received strong contributions from the consumer staples, technology, and consumer discretionary sectors, while the exposure to the energy and utilities sectors detracted.

## Holdings Insights

As some countries began to lockdown in the first fiscal quarter of the year, the Sub-Adviser believed that this could temporarily affect private educator companies. One such company within the Fund was China Education Group Holdings Ltd. (839 HK) (holding weight\*: 1.79 percent). This position was reduced in the first fiscal quarter as it fell 18.5 percent. The Sub-Adviser's conviction in the position

remained due to their best in class reputation and strong financial position. The Sub-Adviser added to the positions in the most recent fiscal quarter, benefiting the Fund as it increased 37.6 percent. Another strong contributor to performance was Alibaba Health Information Technology LTD (241 HK) (holding weight\*: 1.36 percent). 241 HK is a fully integrated health care analysis and service provider. Since being added to the Fund, this position increased 24.1 percent. One of the best performers over the first six months of the fiscal year was the Fund's sole position in Poland, CD Projekt SA (CDR PW) (holding weight\*: 2.24 percent). CDR PW is a Polish video game developer, publisher, and distributor in Warsaw. This company released impressive earnings reports with revenue and earnings per share surpassing analyst expectations by 50 percent. The stock also increased in anticipation of the new release of their acclaimed video game series, "The Witcher." CDR PW rose 27 percent in the most recent fiscal quarter and 41.9 in the first six months of the fiscal year.

Positions in India detracted from Fund performance in the most recent fiscal quarter, but provided mixed results for the fiscal six-month period. Varun Beverages Ltd. (VBL IN) (holding weight\*: 0.95 percent) is a beverage distributor that recently entered competitors' territories and handily beat market expectations. After the integration, VBL IN has a higher market share in India than both Coca Cola (KO) (not held) and PepsiCo, Inc. (PEP) (not held). VBLN had an impressive first fiscal quarter, increasing 23.7 percent but declined 12.7 percent in the most recent fiscal quarter. Lemon Tree Hotels Ltd. (BL23SQ7) (holding weight\*: 0.53 percent) detracted from Fund performance in the first two quarters of the fiscal year by falling 9.9 percent and 68 percent, respectively. Lemon Tree Hotels Ltd. is a hotel and restaurant operator who was hit by the virus-related concerns. These concerns were exacerbated by the timing of the pandemic given the company was in the midst of an expansion. After being the largest contributor to positive Fund performance over the first fiscal quarter by increasing 14.5 percent, Lukoil PJSC (LKOD LI) (holding weight\*: 0.80 percent), a large multinational that explores for, produces, refines, and transports oil and gas mainly from Western Siberia, declined 35.8 percent in the most recent fiscal quarter. This Russian producer benefitted from a weak ruble and no production constraints, which is contrary to many members of the Organization of Petroleum Exporting Countries. However, in the second fiscal quarter, this position was adversely affected by the Russia and Saudi Arabia oil price war.

## Sub-Adviser Outlook

The Sub-Adviser's outlook has improved over the most recent fiscal quarter, but they diligently monitor geopolitical developments and economic data. The Sub-Adviser believes that unprecedented fiscal and monetary stimulus will drive a strong recovery toward the latter half of 2020 and the beginning of 2021. The Sub-Adviser is keeping a close eye on the labor markets and updates on the coronavirus pandemic and how economies will approach their reopening. The Sub-Adviser is focused on increasing liquidity in sensitive markets as well as looking for opportunities from policy response to virus-related economic disruption. The Sub-Adviser is cautiously optimistic moving forward and will continue to focus on companies with impressive returns on invested capital and emphasize companies that it believes are beneficiaries of structural change.

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