Dunham International Opportunity Bond Fund (DNIOX)

Stone Harbor Investment Partners LP

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

Stone Harbor Investment Partners LP ("Stone Harbor") is an independent fixed income investment manager focused on credit and multi-sector credit strategies with approximately 125 professionals across its New York, Chicago, London, Melbourne, and Singapore locations. Stone Harbor was founded in 2005 and is 100% employee owned with fixed income specialists that have worked together for more than 20 years.

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

Quarter: -12.04%	1-Year: -8.60%	3-Year: -2.49%	
5-Year: -1.61%	Since Inception (11/1/13): -2.45%	SEC 30-Day Yield (4/30/20): 2.44%	Total Expense Ratio: 1.61%

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 bond yields rose and prices fell for the first two months of the fiscal year. Rising expectations of a phase one trade deal contributed to investor optimism resulting in fixed income spread sector strength. Global economic data saw improvements, relative to expectations, over the period. In January, global bond yields fell and prices rose as investors sought lower-risk assets amid the outbreak of the coronavirus in China and its potential impact on the global economy. Coronavirus cases and deaths surged in the most recent fiscal quarter, followed by the World Health Organization officially labeling the virus outbreak a pandemic. In response, global economies shut down, volatility spiked, and rates plummeted. Despite dire economic data, volatility subsided and markets rallied in April amid unprecedented fiscal and monetary stimulus as well as hopes that the world is through the worst of the pandemic. Foreign bonds, as measured by the Bloomberg Barclays Global Aggregate Bond ex-US Index Hedged, increased 0.2 percent during the fiscal quarter, which outperformed emerging markets bonds, as measured by the JP Morgan EMBI Global Total Return Index, which declined 11.4 percent. Emerging market high-yield bonds, as measured by the JP Morgan Emerging Market High-Yield Bond Index, fared the worst, falling 16.4 percent.

Allocation Review

For the first two months of the fiscal year, the Sub-Adviser's country allocation detracted from Fund performance. The Fund received negative contributions from developed markets including exposures to peripheral Europe versus Germany. The exposure to local currency emerging markets also detracted, especially the underweight to Chinese bonds. However, the Fund's exposure to hard currency emerging markets bonds, especially in Kazakhstan and Qatar, strongly contributed to Fund performance. To begin 2020, a new Sub-Adviser was appointed to the Fund, shifting the exposures of the underlying allocation. In the final month of the fiscal quarter, the Fund increased its allocation to corporate bonds, emerging market bonds, and increased the currency exposure hedge. In the most recent fiscal quarter, both asset allocation and issue selection detracted from Fund performance. The allocation to emerging markets and high-yield debt detracted from Fund performance while the Sub-Adviser's duration management and currency exposure positively contributed to Fund performance. At the close of the fiscal quarter, the Fund's allocation ended with 47 percent allocated to high-yield and 53 percent allocated to investment-grade bonds. From a market perspective, 56 percent was allocated to developed markets, while 44 percent was allocated to emerging markets bonds. Within emerging markets, 58 percent was dedicated to corporates, 30 percent allocated to hard currency government bonds, and 12 percent to local currency government bonds.

Holdings Insights

Emerging markets hard currency debt provided a strong contribution to Fund performance in the first fiscal quarter but detracted from Fund performance over the most recent fiscal quarter. For example, the Republic of Kazakhstan 5.125% 7/21/2025 (Y7276LDE5) (holding weight**: 0.52 percent) and the Qatar Government International bond 4.0% (74727PBA8) (holding weight**: 0.89 percent) increased 2.6 percent and 2.0 percent, respectively, before being sold from the Fund late in the first fiscal quarter. Emerging markets hard currency bonds that detracted from Fund performance in the most recent quarter were the Indonesia Government 7% 5/15/2027 (B3ZR76Z) (holding weight*: 0.56 percent) and the Egypt Government International Bond 6.375% (BJJNTR2) (holding weight*: 0.56 percent). These U.S. dollar-denominated issues declined 4.2 percent and 20.5 percent, respectively. A local currency emerging market bond that positively contributed to Fund performance over both the most recent fiscal quarter and fiscal six month period was the Russian Government Bond 6.9% 5/23/2029 (BFX1TW9) (holding weight*: 1.06 percent). This credit rose 3.4 percent in the most recent fiscal quarter and 10.7 percent in the fiscal six-month period.

Amid the spike in volatile, higher-grade credit outperformed. The Fund received a positive contribution from the Canadian Government 2.25% 6/1/2029 (BYQLD27) (holding weight*: 1.38 percent). This credit rose 6.7 percent in the most recent fiscal quarter and 8.6 percent in the fiscal six-month period. Another investment-grade bond that contributed to Fund performance was the Czech Republic Government Bond 0.95% 5/15/2030 (BYN6FX0) (holding weight*: 0.25 percent), which increased 2.1 percent in the most recent fiscal quarter and 4.0 since being added to the Fund in January. Overall, the derivative exposure within the Fund had a relatively muted impact on Fund performance over the first two months of the fiscal quarter, however, the currency hedge implemented in January assisted in reducing currency volatility. Over the most recent fiscal quarter, as the U.S. dollar appreciated versus most major currencies across the globe, the currency hedge implemented through derivatives positively contributed to Fund performance.

Sub-Adviser Outlook

The Sub-Adviser is optimistic for the remainder of 2020 and beyond. The Sub-Adviser believes that by identifying individual opportunities through their rigorous fundamental credit analysis as well as retaining the ability to actively shift between asset classes and within individual sectors, will allow the Fund to take advantage of opportunities that emerge.

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