



Investment Objective

The investment objective of the Fund is to provide a high level of current income with capital appreciation as a secondary goal. The Fund seeks to achieve this objective by investing in lower-rated and unrated, higher-risk corporate bonds.

Sub-Adviser Background

PineBridge Investments, LLC (PineBridge) PineBridge is a global asset manager with experience in emerging and developed markets, and investment capabilities in multi-asset, fixed income, equities and alternatives. PineBridge is differentiated by the integration of on-the-ground investment teams of approximately 200 professionals, providing investors with the combined benefits of global fundamental perspectives and analytical insights. PineBridge manages over \$140 billion for a global client base that includes institutions, insurance companies, and intermediaries.

N-SHARE Fund Performance As of 04/30/23

Quarter: 0.79%		1-Year: 2.08%		3-Year: 4.76%	
5-Year: 3.31%	Since Inception (7/1/05): 4.58%	SEC 30-Day Yield (4/30/23): 8.23%		Total Expense Ratio: 1.19%	
10-Year: 3.13%					

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

High-Yield bonds, as measured by the Bloomberg U.S. High-Yield Ba/B 2% Issuer Cap Index, rallied to begin the fiscal year amid easing inflation concerns and a string of positive retail fund flows despite restrictive central bank policies, as positive market sentiment quickly returned following weaker than expected inflation data. However, the narrative began to shift to close the 2022 calendar year due to a surprisingly hawkish tone from central banks and weaker-than-anticipated global economic data. To begin 2023, the asset class resumed its rally thanks to constructive data on inflation, China's reopening from its strict covid-zero policy, and warmer weather leading to a rising growth outlook in Europe. Heading into February, investors had been optimistic that inflation was moderating at a pace that would allow the Federal Reserve (the Fed) to think about pausing the interest rate increases that roiled markets in 2022. However, jobs data released early in February pointed to an unexpected surge in employment in January which, coupled with stronger-than-expected core PCE figures, pushed out expectations for a Fed pause or cut. This remained the market narrative until March, when turmoil in the US regional and European banking sectors led to an increase in volatility in both Treasury rates and risk asset classes. In the face of these challenges, the Fed increased rates 25 basis points at both their February and March meetings amid still elevated inflation and a robust labor market, bringing the Federal Funds rate to 4.75 percent to 5.00 percent. High-yield bonds continued to generate positive total returns in April amid easing fears of regional banking failures having broad contagion effects, better-than-expected earnings, and mixed economic data. Over the most recent fiscal quarter ended April 30, 2023, high-yield bonds increased 0.8 percent.

an approximate 8 percent allocation to CCC-rated bonds, which slightly detracted from relative performance as the ICE BofA CCC and Lower U.S. Cash Pay High-Yield Index increased 0.4 percent. Additionally, the Fund's significant 15 percent relative underweight to BB-rated bonds generally helped relative performance, as the ICE BofA BB U.S. Cash Pay High-Yield Index increased 0.7 percent during the fiscal quarter.

Holdings Insights

The most significant contributor to positive Fund performance over the fiscal quarter was the exposure to AMC Entertainment Holdings, Inc. 7.5%, due 02/15/2029 (00165CBA1) (holding weight*: 0.42 percent), an American movie theater chain. This credit surged 26.2 percent over the fiscal quarter after better-than-anticipated box office sales prompted many analysts to raise growth estimates for the first quarter of 2023. The company reported that Easter weekend was its busiest weekend of the year and its third busiest since 2019, giving investors further hope of a box office resurgence. The Fund also received positive contributions from credits from the cruise line industry due to companies in the industry reporting smaller-than-anticipated losses and stating that bookings were near record highs at elevated prices. This included the global cruise operators Carnival Corporation 5.75% due 3/1/2027 (143658BN1) (holding weight*: 0.92 percent), and Royal Caribbean Cruises Ltd. 5.5%, due 04/1/2028 (780153BG6) (holding weight*: 0.11 percent). Over the fiscal quarter, these credits increased 1.6 percent and 3.7 percent, respectively. Outside of the consumer cyclical industry, Telesat, LLC 4.875%, due 06/01/2027 (87952VAP1) (holding weight*: 0.39 percent), one of the largest and most innovative global satellite operators, positively contributed to Fund performance by rising 26.1 percent.

Allocation Review

Over the fiscal quarter, both security selection and sector allocation contributed to positive Fund performance. From a sector allocation standpoint, an underweight allocation to the consumer cyclical and the capital goods sectors detracted from performance, while an underweight allocation to the communications sector and lack of exposure to the banking sector meaningfully contributed to Fund performance. From a security selection standpoint, holdings among the communications, consumer cyclical, and consumer non-cyclicals contributed to Fund performance, offsetting the decline from energy and technology credits. The Fund continued to have

Rackspace Technology Global, Inc. 3.5%, due 02/15/2028 (750098AB1) (holding weight*: 0.24 percent), an end-to-end multi-cloud technology services company meaningfully detracted from Fund performance. In the first fiscal quarter, this credit faced numerous headwinds, including a disappointing earnings report as the company shifted business models to focus on cloud-based services. Additionally, the company was hit with a ransomware attack, causing significant disruptions for thousands of the company's customers. Not only did this adversely impact the company's credibility, but many customers also switched providers in order to regain access to their emails and other functions left inaccessible by the disruptions. Although the most recent earnings



report released in the most recent fiscal quarter showed some promise, investor concerns were not fully resolved, weighing on the credit. Over the most recent fiscal quarter, this credit declined 29.5 percent. Other meaningful detractors during the fiscal quarter were CSC Holdings, LLC 5.75%, due 1/15/2030 (126307BA4) (holding weight*: 0.38 percent), a cable and telecommunications services provider, and Curo Group Holdings Corporation 7.5%, due 8/1/2028 (23131LAC1) (holding weight*: 0.57 percent), a provider of unsecured and secured installment, open-end, and single-pay loan services. Over the most recent fiscal quarter the CSC Holdings, LLC credit tumbled 16.6 percent, while Curo Group Holdings credit fell 11.2 percent.

Sub-Adviser Outlook

With fears of a widespread banking crisis having subsided, the Sub-Adviser expects credit spreads to remain largely rangebound as we approach the end of the Fed's rate hike cycle. The Sub-Adviser remains of the view that a more forward-looking Fed and tightening lending conditions will result in slowing economic growth, a more uncertain consumer, and a corporate earnings slowdown in developed market economies, which should further reveal itself in the second half of the year as the lagged effect of rate increases takes hold. The Sub-Adviser is also beginning to see some weakness in the underlying US economic data, with both jobless claims and JOLTS (Job Openings and Labor Turnover Survey) missing consensus expectations. While nonfarm payrolls remained robust, this may prove temporary as the backdrop weakens. As a result, the Sub-Adviser maintains a marginally defensive bias in the Fund while looking for select opportunities to take advantage of attractive valuations at the issuer level.

* Holdings percentage(s) of total investments, cash and unsettled trades excluding collateral for securities loaned as of 4/30/2023.