



## 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 04/30/23

Quarter: -1.39%	1-Year: 2.03%	3-Year: 10.52%
5-Year: 8.05%	Since Inception (12/10/04): 8.84%	Total Expense Ratio: 1.17%
10-Year: 11.02%		

**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 equity markets continued to experience volatility over the fiscal quarter ended April 30, 2023. Similar themes of persistent inflation and ongoing speculation on whether the Federal Reserve can successfully bring down inflation without pushing the economy into a severe recession continued to reverberate throughout markets and dictate market sentiment. Softer-than-expected Consumer Price Index and Purchasing Managers' Index reports reinforced investor optimism, as a slowdown in price growth and worsening business conditions supported the scenario of peak inflation. Equity markets gave back gains as the Federal Reserve continued to reaffirm its conviction for higher-for-longer rates. Federal Reserve Chair Powell clarified that more time was needed to gain "substantially more evidence to give confidence that inflation is on a sustained downward path." Powell also cautioned against a premature loosening of policy. As a result of interest rate shocks and poor risk management, multiple banks were forced into receivership over the period, sparking volatility throughout financial markets. Small cap growth stocks, as measured by the Russell 2000 Growth Index, decreased 4.7 percent over the fiscal quarter, outperforming small cap value stocks, as measured by the Russell 2000 Value Index, as small cap value stocks declined 11.6 percent over the same period. Small cap growth stock's 6.9 percent outperformance versus small cap value stocks aids to the underperformance from the prior fiscal year, where small cap growth underperformed small cap value by over 15 percent.

## Allocation Review

Excluding the sectors with weightings of less than 4.0 percent in the benchmark index (consumer staples and utilities) only the healthcare sector was positive for the fiscal quarter. The sectors that detracted were energy, financial services, technology, producer durables, materials and processing, and consumer discretionary. The dispersion of returns among these sectors was not as severe as in previous fiscal quarters, as the difference between the best performing sector and worst performing sector was approximately 18.4 percent. The largest sector in the benchmark, healthcare, outperformed the benchmark index by 2.5 percent. Therefore, the Fund's 1.6 percent healthcare sector underweight, which healthcare comprises 18.9 percent of the benchmark index, detracted from Fund performance. Regarding allocation attribution, the largest contributor to the benchmark's performance was indeed the healthcare sector. Conversely, the largest detractor

to the benchmark performance was its 16.6 percent weight to technology, which lowered Fund performance as it was overweight with a 17.8 percent technology sector allocation. The Fund's largest outperformance occurred within the consumer discretionary sector, where it outperformed the benchmark index by 13.0 percent. In contrast, the Fund's poorest performance was in the financial services sector, where the Fund underperformed by 10.0 percent.

## Holdings Insights

Contributors to Fund performance over the fiscal quarter came from many sectors within the Fund. The greatest contributor was in the consumer discretionary sector, elf Beauty, Inc. (ELF) (holding weight\*: 0.90 percent), a maker of cost-conscious, cruelty-free cosmetics and skin care products, as it rose 61.2 percent. The Sub-Adviser attributes the strong fiscal quarter to a better-than-anticipated earnings report and sales guidance thanks to a continuation of its successful digital strategy, which led ELF to be regarded as one of the top makeup brands among teens. The largest contributor in the healthcare sector, RadNet, Inc. (RDNT) (holding weight\*: 1.44 percent), a company that operates outpatient diagnostic imaging centers, increased 31.4 percent. Over the fiscal three-month period, investor sentiment was boosted by RDNT's ongoing implementation of artificial intelligence to aid medical professionals with outpatient imaging services. Within the producer durables sector exists the largest holding in the Fund for the fiscal quarter, Maximus, Inc. (MMS) (holding weight\*: 1.89 percent), an operator of government health and human services programs and provider of technology solutions to governments. MMS increased 8.5 percent during the period despite a mixed earnings report due to an operating loss in the outside the U.S. segment and lower-than-expected U.S. Federal Services segment profitability.

In contrast, detractors to Fund performance over the fiscal quarter came from all sectors within the Fund. In the producer durables sector, Lindsay Corporation (LNN) (holding weight\*: 0.62 percent), a Nebraska based manufacturer of Zimatic brand center pivot irrigation systems, farm and construction machinery, as well as road and railroad infrastructure equipment, missed irrigation revenue estimates and declined 22.9 percent for the fiscal quarter. In the technology sector, Wolfsped, Inc. (WOLF) (Holding weight\*: 0.75 percent), a developer and manufacturer of wide-bandgap semiconductors, dropped 39.6 percent for the period after missing earnings and lowering forward expectations citing delays



at the Mohawk Valley production facility. In the financial services sector, Seacoast Banking Corporation of Florida (SBCF) (holding weight\*: 0.98 percent), a provider of commercial and retail banking, wealth management, mortgage, and insurance services through online and mobile banking solutions; and brokerage and annuity services, missed earnings estimates and fell 30.9 percent over the fiscal quarter. Despite being diversified and attracting net inflows, SBCF's stock price was negatively impacted by ongoing regional banking default concerns within the industry. In the energy sector, Bloom Energy Corporation (BE) (holding weight\*: 0.45 percent), a manufacturer and marketer of solid oxide fuel cells that produce electricity on-site, missed earnings estimates and fell 20.1 percent by the end of the fiscal quarter.

### **Sub-Adviser Outlook**

The Sub-Adviser believes the market narrative will remain the same in the second half of 2023. It believes investors will stay laser-focused on inflation, the Federal Reserve's policy, the health of the U.S. banking industry, the war in Ukraine, and China's rebound following their restrictive COVID-zero measures. The Sub-Adviser believes that they continue to see signs that rate hikes are having the desired effect as inflation is slowing; however, consumers and businesses must continue to deal with the undesired effects associated with the Fed's hawkish interest rate policy. The Sub-Adviser will continue to navigate the market with these factors in mind and seek out companies with compelling products and/or services with strong value propositions, particularly companies that can help businesses leverage technology to enhance efficiency to counter the effects of higher capital and labor costs.

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