DUNHAM
Trust and Investment Services

Dunham Monthly Distribution Fund (DNMDX)

Grantham, Mayo, Van Otterloo & Co. LLC

Hold Us To Higher Standards

Investment Objective

The Fund seeks to provide positive returns in rising and falling market environments. The Fund pursues its investment objective using a combination of event-driven and tactical long/short equity investing.

Sub-Adviser Background

The Dunham Monthly Distribution Fund is managed by Grantham, Mayo, Van Otterloo & Co. LLC, effective April 1, 2021. "GMO" was founded in 1977 and is organized as a Massachusetts limited liability company that is controlled by active employee-members.

N-SHARE Fund Performance As of 10/31/2022

Quarter: 1.57%	1-Year: 1.08%	3-Year: 0.99%
5-Year: 1.01%	Since Inception (9/29/08): 2.77%	Total Expense Ratio: 2.29%
10-Year: 2.27%		

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

Volatility continued to affect markets over the fiscal quarter ended October 31, 2022, as traditional asset classes, such as equity and fixed income struggled. Many of the headwinds that impacted markets earlier in the year, such as persistent COVID cases, the Russia-Ukraine geopolitical conflict, and elevated input and raw material costs, continued to affect markets. Inflation, as measured by the Consumer Price Index, remained above 8 percent on a year-over-year basis over the fiscal quarter, well above the Federal Reserve's (Fed's) target level of 2 percent annualized. The Fed continued in their fight to curb inflation by raising the Federal Funds rate another 75 basis points, their third consecutive increase of that magnitude. Fed Chairman Jerome Powell also provided hawkish guidance, leading to volatility in markets and a sell-off in high-risk assets. U.S. equities, as measured by the S&P 500 Index, fell 5.9 percent over the fiscal quarter, while foreign equities, as measured by the MSCI ACWI ex U.S. Index, dropped 10.3 percent. The rise in interest rates also led to a drop in fixed income markets, as U.S. bonds, as measured by the Bloomberg U.S. Aggregate Bond Index, fell 8.2 percent, while foreign bonds, as measured by the Bloomberg Global Aggregated ex-U.S. Bond Index, lost 10.7 percent. While the Fed's decision to raise interest rates largely hit equity and fixed income markets, the average deal spread in the merger-arbitrage asset class increased, providing higher compensation for merger-arbitrage investors. The merger-arbitrage asset class, as measured by the Barclays Merger Arbitrage U.S. Index, gained 1.0 percent over the fiscal quarter, one of the few asset classes that realized a positive absolute return.

Allocation Review

The Sub-Adviser did not deviate from its strategy of investing in a relatively small amount of deals where it believes that the risk-reward profile is most attractive. The Sub-Adviser's approach to risk focuses on the adverse effect of a particular deal breaking and then uses that to adjust the allocation to the deal within the Fund. This strategy is intended to help balance having a more concentrated allocation to merger deals with the adverse effect on the Fund of a single deal terminating and potentially reverting to pre-announcement valuations. In regard to cash-only merger deals versus those that include acquirer stock, the Fund held approximately half of each. In greater sell-offs, the cash deals may represent a larger adverse effect for the Fund, as there is not a short position in the acquirer that can offset the effect of the target company's falling price. This is because the Sub-Adviser primarily hedges the exposures in a deal by shorting shares of the acquiring company if its shares are part of the deal terms. The use of derivatives in the Sub-Adviser's strategy is generally rare and generally employed in small amounts when there may be some aspect of a deal that shorting acquirer shares may not fully address. Therefore, the Fund did not have any derivatives exposure that had a meaningful impact on the Fund's performance during the fiscal quarter.

Holdings Insights

One deal that contributed meaningfully to performance over the fiscal quarter was the $25.0 billion cash acquisition of Shaw Communications, Inc. (SJR/B CN) (holding weight*: 3.57 percent) by Rogers Communications, Inc. (RCI/B CN) (holding weight: not held). RCI/B CN, one of the largest telecommunications providers in Canada, announced that they would purchase SJR/B CN, a competing telecommunications provider, back in March of 2021. The proposed deal would make RCI/B CN the second largest telecommunications provider in the country. Over the fiscal quarter, a key minister in the regulatory approval process approved the deal, leading to a pop in SJR/B CN's share price. The Sub-Adviser continues to believe the probability of the deal going through is high, despite some other regulatory hurdles ahead. The Sub-Adviser traded in and out of SJR/B CN over the fiscal quarter, picking up incremental gains that contributed positively to the Fund's relative performance.

The deal that detracted the most from performance over the fiscal quarter also happened to be the largest position within the Fund, Microsoft Corporation's (MSFT) (holding weight: not held) $68.7 billion cash acquisition of Activision Blizzard, Inc. (ATVI) (holding weight*: 6.11 percent). Like other deals within the technology sector, MSFT's acquisition of ATVI was met with antitrust concerns and will likely have a lengthy regulatory process moving forward. The deal spread widened throughout the fiscal quarter following an announcement one prominent investor sold his stake in ATVI, potentially indicating a lack of confidence in the merger. The Sub-Adviser still believes the deal is likely to go through and the risk-reward potential remains attractive. Over the fiscal quarter, ATVI lost 8.9 percent.

A recent initiation over the fiscal quarter was Cowen, Inc. (COWN)

**Holdings percentage(s) of total investments, cash and unsettled trades excluding collateral for securities loaned as of 10/31/2022.*

***Holdings percentage(s) as of the date prior to the sale of the security.*

(holding weight*: 3.27 percent), an investment bank and brokerage in the process of being acquired by The Toronto-Dominion Bank (TD CA) (holding weight: not held). The $2.8 billion cash acquisition was announced on August 2, 2022 and is expected to be completed by March 31, 2023. TD CA announced that they would acquire COWN in hopes of expanding its U.S.-based equities and investment banking businesses, leveraging COWN's impressive footprint and capabilities. The Sub-Adviser initially bought into COWN on August 9, increasing its position gradually throughout the fiscal quarter. COWN appreciated 0.3 percent over that time-frame.

Sub-Adviser Outlook

While the announcement of new mergers has slowed recently, the Sub-Adviser believes there are still plenty of attractive deals to potentially capitalize on. As the economy continues to grapple with volatility, corporations could be looking to pursue potential divestitures and acquisitions. With valuations depressed and interest rates still at multi-year highs, the Sub-Adviser believes that the landscape for the asset class could reward investors over the long-term. As always, the Sub-Adviser will continue its rigorous, bottom-up research process when selecting, monitoring, and potentially eliminating certain deals from the Fund.

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