Dunham International Opportunity Bond Fund (DNIOX)

Virtus Fixed Income Advisers, LLC

DUNHAM Trust and Investment Services

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

Virtus Fixed Income Advisors, LLC (VFIA), Stone Harbor Investment Partners division 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 investment partners division was founded in 2005 and is 100% owned by Virtus Investment Partners, Inc., with fixed income specialists that have worked together for more than 20 years.

N-SHARE Fund Performance As of 7/31/2022

Quarter: -5.64%	1-Year: -16.65%	3-Year: -4.42%	
5-Year: -2.74%	Since Inception (11/1/13): -2.00%	SEC 30-Day Yield (7/31/22): 4.57%	Total Expense Ratio: 1.78%

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

Fixed income markets across the globe experienced a volatile fiscal quarter as the rout in global bonds continued. Contrary to the U.S., global bond yields continued to rise in May as concerns over inflation and interest rate hikes remained front and center for investors. European Central Bank President Christine Lagarde indicated her willingness to raise interest rates in July as the Eurozone consumer price inflation index preliminary reading for May reached a record 8.1 percent. Global bonds fell once again in July as the European Central Bank indicated that it would end its asset purchases in the third quarter, and higher rates are on the way, sparking a sell-off in Italian bonds. In the U.K., the Bank of England raised rates for the fifth time. The following month, the European Central bank followed suit by raising interest rates by 50 basis points, its first hike in 11 years and ending the era of negative interest rates. In addition to inflationary pressures, political concerns and a rise in geopolitical risk weighed on sentiment as Mario Draghi resigned as prime minister of Italy and a reigniting of U.S.-China tensions. Despite these developments, bond yields fell amid concerns of a global growth slowdown, prompting international bonds to put in their first positive month in 2022. For the fiscal quarter ending July 31, 2022, foreign bonds, as measured by the Bloomberg Global Bond ex U.S. Index, rose 0.6 percent, underperforming U.S. investment-grade bonds, as measured by the Bloomberg U.S. Aggregate Bond Index, which added 1.5 percent. The historically more volatile foreign high-yield bonds, as measured by the Bloomberg Pan-European High-Yield Total Return Index Unhedged, and emerging market debt, as measured by the Bloomberg Emerging Markets USD Aggregate Total Return Index Unhedged, declined in the quarter as they gave back 6.7 percent and 2.6 percent, respectively. During the fiscal quarter, the strength of the U.S. Dollar persisted as it increased 1.2 percent against a broad basket of currencies, as measured by the Bloomberg Dollar Spot Index, exacerbating foreign currency losses.

Allocation Review

To begin the fiscal year, the Fund continued to hold an approximate 55 percent allocation to emerging market debt and 45 percent allocation to developed markets and maintained an approximate 53 percent allocation to high-yield bonds. The Sub-Adviser reduced the allocation to emerging market debt to approximately 52 percent during the previous fiscal quarter, with the remaining 48 percent dedicated to developed markets. Although the Sub-Adviser largely retained the emerging markets and developed markets allocation over the fiscal quarter, the exposures within each allocation shifted. In emerging markets, the Sub-Adviser reduced the allocation to local currency bonds as they began to underperform during the fiscal quarter and increased the allocation to hard currency bonds. Within developed markets, the Sub-Adviser added to the investment grade corporate allocation and reduced the exposure to government bonds. The allocation to emerging markets debt and high-yield bonds represented the most significant allocation differences between the Fund and the benchmark index. These off-benchmark allocations represented the most significant detraction from Fund performance over the fiscal quarter. The Sub-Adviser also maintained an overall duration lower than the benchmark index, close to 6.9 years instead of the benchmark index duration of 7.7 years. As rates increased overall during the fiscal quarter, the lower duration aided the Fund's relative performance. Still, the positive impact was not enough to offset the declines in emerging markets debt and high-yield bonds. During the fiscal quarter, the Fund did not hold any derivatives that materially affected performance. Derivates within the Fund were implemented to express the views of the Sub-Adviser further, and provided mixed results over the fiscal quarter. For example, the short position in CBOT 5 Year U.S. Treasury Note 09/30/2022 (FVU2 COM) (holding notional weight*: -15.63 percent) detracted from Fund performance as the position rose 0.5 percent since being added to the Fund in May. Conversely, the long position in the Eurex 30 Year Euro Future 09/08/2022 (UBU2 COM) (holding notional weight*: 2.56) positively contributed to Fund performance. Since being added to the Fund in late June, this position rose 6.9 percent.

Holdings Insights

The exposure to emerging markets corporate debt was the most significant detraction from positive Fund performance over the fiscal quarter. The declines could largely be attributed to the Chinese housing sector. After being one of the decade's hottest bond markets, the Chinese real estate market experienced unprecedented declines. New home prices have fallen for nearly a year, even as the government has supported the industry. Numerous developers have defaulted on their debt or pushed out maturities. Two credits that were adversely affected by the weakness in this market were China SCE Group Holdings Ltd. 7.375%, due 04/09/2024 (G21190AB2) (holding weight*: 0.29 percent) a residential property developer, and Wanda Properties International Company Ltd. 7.25%, due 01/29/2024 (G9429CAA8) (holding weight*: 1.77 percent) a multinational conglomerate based in China. Over the fiscal quarter, China SCE declined 66.8 percent, while Wanda Properties lost 21.2 percent. Despite these declines, the Sub-Adviser is confident in the positions as they believe these two companies are not directly associated with the troubled corners of the market and sold off due to larger macro concerns. Not all emerging market corporate debt detracted from performance over the fiscal quarter. For example, Eskom Holdings SOC Ltd. 6.75%, Due 08/06/2023 (39646AAA4) (holding weight*: 2.10 percent), a

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South African electricity public utility, added 2.2 percent over the fiscal quarter.

Contrary to emerging market corporate bonds, emerging market local currency bonds aided performance. This includes the Russian Federal Bond - OFZ 7.7%, due 03/23/2033 (BD58388) (holding weight*: 0.12 percent), the Mexico Government International Bond 4.75%, Due 04/27/2032 (91087BAR1) (holding weight*: 0.03 percent), and the Qatar Government International Bond 3.75%, due 04/16/2030 (74727PBD2) (holding weight*: 0.14 percent). Over the fiscal quarter, these credits increased 8.8 percent, 3.8 percent, and 2.3 percent, respectively. The relatively more defensive exposure to investment grade corporate bonds also contributed to positive Fund performance over the fiscal quarter. For example, the Airbus S.E. 2.375%, due 06/9/2040 (BM9MWJ3) (holding weight*: 0.51 percent), a company that designs, manufactures, and markets aerospace products and services. This credit increased 6.2 percent over the fiscal quarter as the company reported better-than-expected profits. Additionally, the U.K. issued credit Tullow Oil plc 7%, due 03/01/2025 (899415AE3) (holding weight*: 1.18 percent), a multinational oil and gas exploration company with operation in north and west Africa, aided positive Fund performance by increasing 3.2 percent.

Sub-Adviser Outlook

The Sub-Adviser is optimistic about the asset class's long-term returns, but it is cautiously monitoring economic and geopolitical events in the short-term. The Sub-Adviser believes that the global economy may slip into a recession as a combination of tighter fiscal and monetary policies, sharply elevated energy prices, a hit to sentiment from Russia-Ukraine War, and associated trade disruption tips global economies weigh on market sentiment. However, not all recessions are created equal. The Sub-Adviser also believes that the downturn will be relatively shallow and may prompt central banks to halt the tightening of monetary policy and even lower rates if necessary. The Sub-Adviser is confident that rates have stabilized and will add risk exposure once credit spreads follow suit and inflation begins to ease.

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