



Quarterly Pulse: Q2 2025

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Key Takeaways:

- Global Growth Weakens While Inflation Stays Stubborn
- Volatility Spiked - Then Vanished, But Complacency Is Risky
- U.S. Valuations Are Rich, Dollar Is Slipping, and Hedging Cycles Are Turning
- Divergence Defines Global Markets
- Dunham Strategies Lean into Volatility, Taking Advantage of Mr. Market's Changing Mood

Q2 2025:

Key Takeaways:

- **Global Growth Weakens While Inflation Stays Stubborn**

The IMF, World Bank, and major institutions have downgraded 2025 growth forecasts to decade lows - yet inflation pressures remain elevated due to fiscal expansion, debt servicing, and trade frictions. The result is a new policy paradox: slowing real growth paired with high nominal rates.

- **Volatility Spiked - Then Vanished, But Complacency Is Risky**

The VIX surged to 52.3 in April - its highest level since early COVID - but has since collapsed back below 20. Meanwhile, the S&P 500 rallied nearly 21% from its lows, reminding investors that fear often precedes opportunity. Still, with risks unresolved, extreme calm may be just as dangerous as extreme panic.

- **U.S. Valuations Are Rich, Dollar Is Slipping, and Hedging Cycles Are Turning**

The Buffett Indicator remains near 190%, well above its 100% historical average - suggesting limited room for error. Simultaneously, the dollar saw its steepest first-half drop since 2017, which may accelerate a global shift toward currency hedging, impacting FX markets, global capital flows, and investor behavior.

- **Divergence Defines Global Markets**

International equities outperformed U.S. benchmarks, especially in Europe and Hong Kong. But bond stress in Japan and commodity-linked struggles in EMs like Argentina and Colombia exposed new fault lines. Diverging inflation paths, yield curves, and fiscal conditions are fragmenting the global opportunity set.

- **Dunham Strategies Lean into Volatility, Taking Advantage of Mr. Market's Changing Mood**

The Investment Committee capitalized on Q2 dislocations - boosting exposure to dynamic macro and international bonds while trimming outperformers like international equities and merger-arbitrage, but still maintaining robust weights to both asset classes. The DunhamDC strategy triggered timely buy and sell signals, reinforcing its core mandate: buy fear, sell greed.

Part 1 - Economic Backdrop:

Slowing Growth vs. Sticky Pressures: A New Macro Tug-of-War

The global economy continues to slow, with key institutions downgrading their 2025 projections. The **IMF now expects global GDP growth of just 2.8%**, marking not only a step down from its earlier 3.3% forecast we noted in Q1/2025 - but also the **lowest annual growth rate outside of a global recession in over 20 years**. In fact, outside of crisis periods like 2008/2009 and 2020, **this is the weakest forecast since at least the early 2000s** - reflecting the long

tail of post-pandemic inflation, policy fatigue, and deepening trade issues.

The World Bank further echoed this subdued tone - forecasting 2025 growth at **2.3%** and citing broad-based slowdowns across both advanced and emerging markets. Morgan Stanley estimates hover around **2.9%**, but warn of growing downside risks tied to monetary tightening, weak global trade, and slowing investment amid corporate uncertainty.

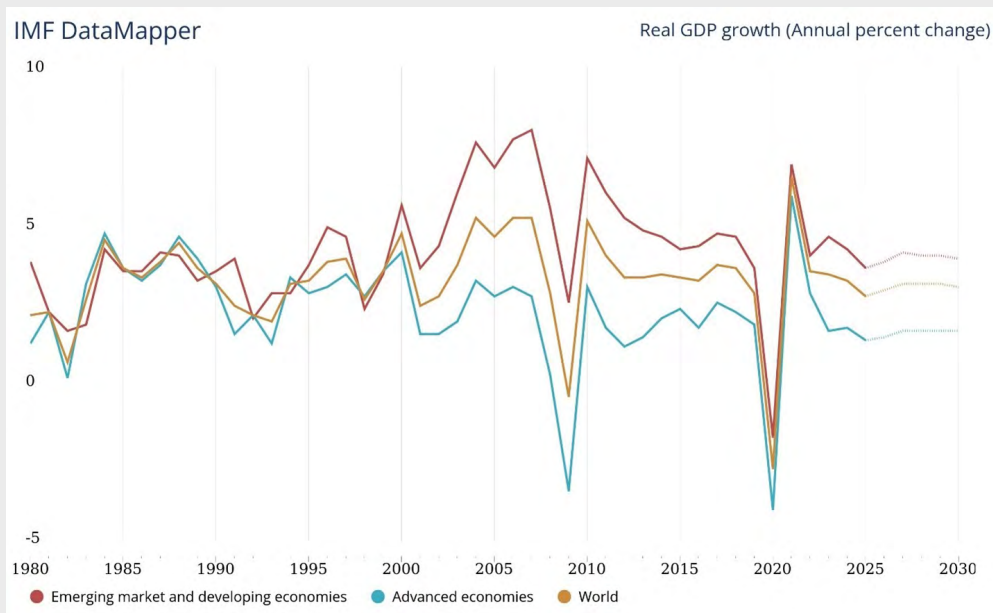


Figure 1: International Monetary Fund, June 2025

Amplifying the issue, **medium-term growth expectations are now projected around 3% through 2029** - levels not seen since the **early 1990s** - and reinforcing fears that the world is entering a structurally lower-growth regime shaped by aging demographics, weaker productivity gains, and persistent geopolitical tensions.

Yet despite this cooling growth, **inflation remains stubbornly persistent** in various parts of the world - and may continue to do so for the foreseeable future. Fueled by heavy government spending, rising debt-servicing costs (which add to fiscal spending), and

the lingering effects of trade wars and supply chain distortions, inflationary forces are proving resistant to normalization or, at the very least, face increased pressure to the upside.

This creates a policy paradox for central bankers. They may want to ease - especially if labor markets begin deteriorating - but **may be unable to because of the higher inflation rates**.

Therefore, we could be entering a new era of **"high nominal, low real" interest rates**, where inflation-adjusted returns stay muted and policy flexibility shrinks.

China's Slowing Economy Is Now Exporting Deflation

On the flip side of global inflationary pressures, China's weakening economy is contributing to global deflation in two key ways:

- First, by importing less as domestic growth slows - putting downward pressure on global commodity prices.
- Second, by overproducing at home and exporting the surplus abroad, effectively exporting deflation to the rest of the world.

Producer prices (PPI – producer inflation) have been negative for eight consecutive quarters, while export prices - particularly in autos, steel, and consumer goods - continue to fall under the weight of industrial overcapacity.

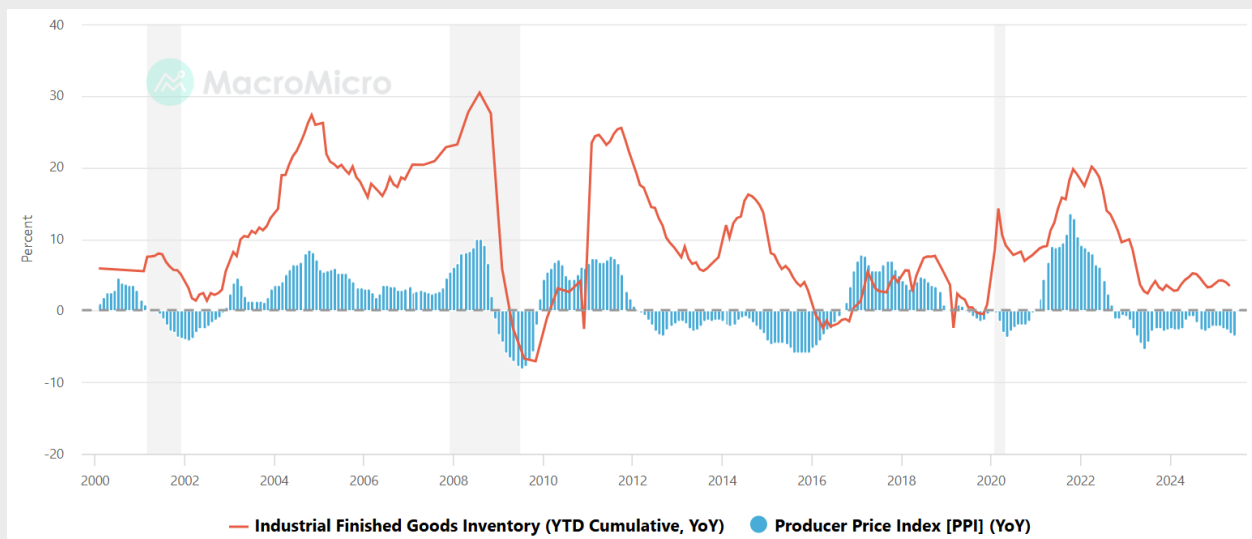


Figure 2: MacroMicro.me, June 2025

Weak domestic demand, a depreciating yuan, and aggressive price discounting have led Chinese firms to offload excess goods into global markets at ultra-low prices. Consequently, industrial profits have come under severe pressure at home, with nearly **~25% of Chinese industrial firms now operating at a loss** - the highest share since 2001, driven largely by chronic overcapacity.

While this has helped cool global inflation, it's also squeezing manufacturing margins in developed economies, which may spark renewed trade tensions as governments move to protect domestic industries.

Analysts warn of deflationary spillovers, especially as Beijing's policy tools - rate cuts and fiscal support -

struggle to revive growth in the world's second-largest economy, echoing the problems seen in Japan post-1991.

But with central banks still wrestling with relatively sticky inflation, China's export-driven disinflation may not be enough to open the door to policy easing in the second half of 2025. However, it likely adds complexity to already fragile global trade dynamics. Excess Chinese exports risk crowding out global manufacturing, fueling renewed criticism of China's trade practices and potentially escalating trade tensions worldwide.

U.S. Deficit Monitor: The Fiscal Deficit is Expanding at the Fastest Pace Since COVID

Even after talks of federal spending cuts, **the U.S. federal deficit is rising at one of its fastest paces since the emergency stimulus years of 2020 and 2021.**

As of May 2025, the cumulative shortfall has reached nearly **\$1.5 trillion** - well ahead of the prior two years, and roughly 7% higher than this time last year.

Deficit Tracker

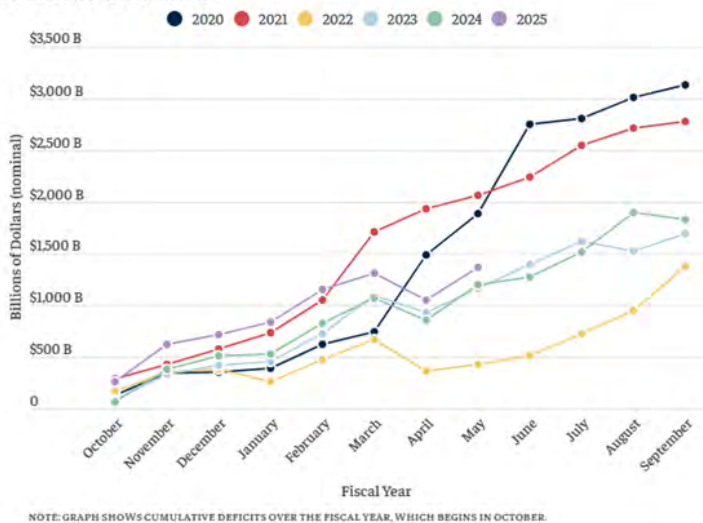


Figure 3: Bipartisan Policy Center, June 2025

What makes this especially concerning is the backdrop this time around: the economy is still growing, inflation

is above trend, and unemployment remains relatively low. Yet fiscal policy continues to expand, with elevated spending persisting in the absence of any acute crisis.

These risks are adding fuel to inflation at a time when the Federal Reserve is already working to cool demand. Put simply, fiscal policy is pressing the gas while monetary policy taps the brakes - moderately, not forcefully, as overall financial conditions remain only somewhat restrictive.

Rising interest rates have also sharply increased the cost of servicing this debt. As of May, the government has spent **\$665 billion** on interest alone - up from **\$601 billion** at this point last year, and more than any prior fiscal year to date.

Interest payments are now the third-largest federal expense - accounting for roughly **14%** of total government spending - trailing only Social Security and Medicare. For perspective, that share has nearly **tripled** from just 5.3% in 2020.

This creates a troubling feedback loop as more debt leads to higher interest costs, which in turn consume a growing share of the budget. As a result, interest payments are not only crowding out investment in other priorities but are also becoming a structural fiscal burden.

In short, the deficit is no longer just a symptom of past crises - it's becoming a new source of risk and inflationary pressures.

U.S. Domestic Drivers

In Q2 2025, the U.S. economy delivered mixed signals.

1. On the upside, it remained more resilient than expected - consumer spending held firm, and inflation came in below forecasts for the third consecutive month (March-May), despite concerns over tariff-driven price pressures. While it's too early to call a trend, price growth appears to be easing.

U.S. consumer price index

Year-over-year percent change | Jan. 2021–May 2025

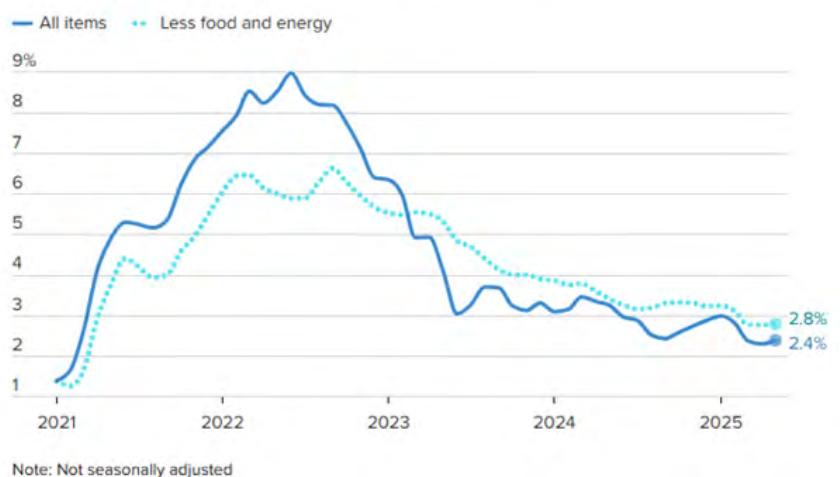


Figure 4: CNBC, June 2025

2. Meanwhile, the U.S. trade deficit narrowed by a record 55.5% in April, driven by a 16.3% drop in imports and a 3% rise in exports - reversing March's tariff-driven spike. This sudden change, if it continues, will likely provide a notable boost to second-quarter GDP, at least statistically.

US Trade Deficit Narrows by Most on Record

Imports also drop the most on record

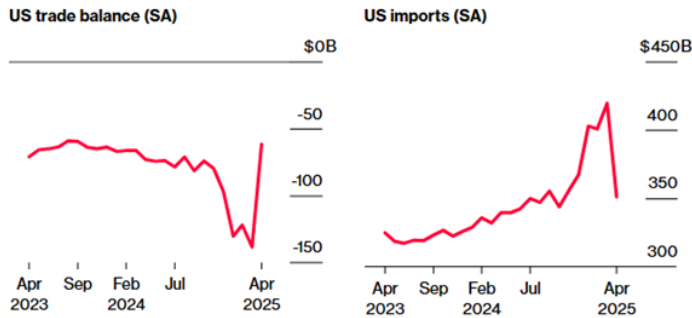


Figure 5: Bloomberg, June 2025

3. Bolstering the potentially temporary improved U.S. trade balance is the increase in U.S. manufacturing productivity.

After an extended period of stagnation, labor productivity in the U.S. manufacturing sector has posted its strongest year-over-year gain in over a decade - excluding the temporary spike following the COVID recovery.

Output per hour is rising, signaling improved efficiency across the sector.

This rebound is important to monitor as higher productivity enables manufacturers to produce more with fewer inputs, helping to offset rising labor costs, improve margins, and enhance global competitiveness. It also supports wage growth without adding inflationary pressure.

While it's early to confirm a lasting trend, the data suggests a potential turning point for a sector that has faced persistent cost and capacity challenges. If sustained, this momentum could strengthen the industrial recovery and contribute to broader economic stability.

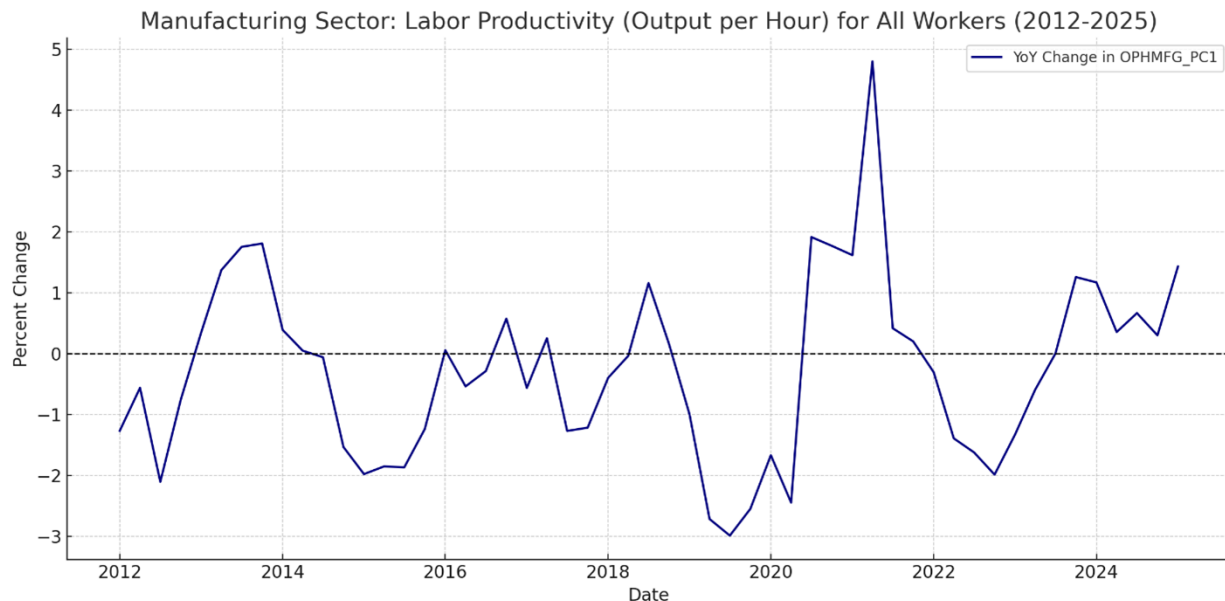


Figure 6: St. Louis Federal Reserve, June 2025

And while the above are just snippets of encouraging data, there's also some headwinds.

1. While U.S. consumer spending has held up better than expected, it's showing some fragility.

"Real" retail sales in the U.S. (adjusted for inflation) have essentially been flat since 2020, meaning that despite strong job growth and rising wages, consumers

aren't buying more in real terms. Put simply, Americans are spending more dollars to buy the same amount of goods, signaling that inflation has quietly eroded the gains from nominal income growth. For an economy driven largely by consumption, this plateau raises concerns about the **sustainability of growth** and the underlying health of household finances. Historically, such stagnation often precedes slowdowns - as seen before the 2001 and 2008 recessions.

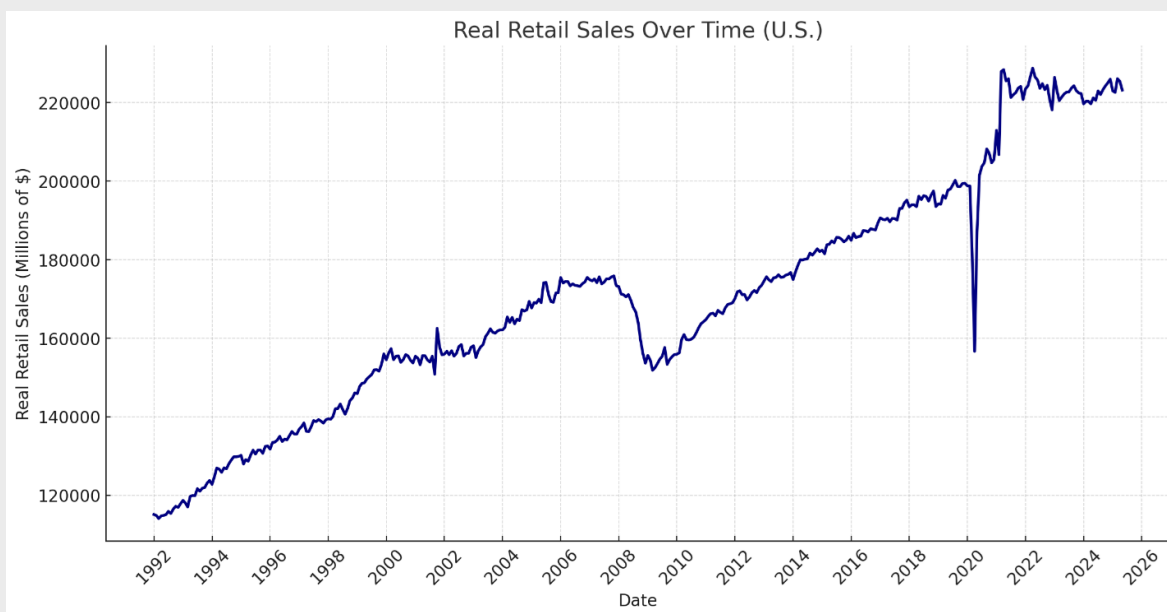


Figure 7: St. Louis Federal Reserve, June 2025

2. The share of U.S. gross domestic income going to wages and salaries has steadily declined over the past several decades, now sitting near its lowest level on record. In other words, even as the economy grows, **a smaller slice of that growth is reaching workers directly through paychecks**. This trend suggests that capital, profits, executive pay, and non-wage components such as shareholder returns are capturing a growing share of the pie.

- For perspective: as of 2023, the typical CEO earns 290x more than the average worker - up from just 15.4x in 1964.

This matters because while the economy is producing more, workers are getting less of it - at least in relative terms.

In a system powered by consumer spending and built on the strength of a growing middle class, a shrinking labor share raises serious concerns about long-term demand, household resilience, and rising inequality as consumers turn to debt to subsidize diminishing wages.

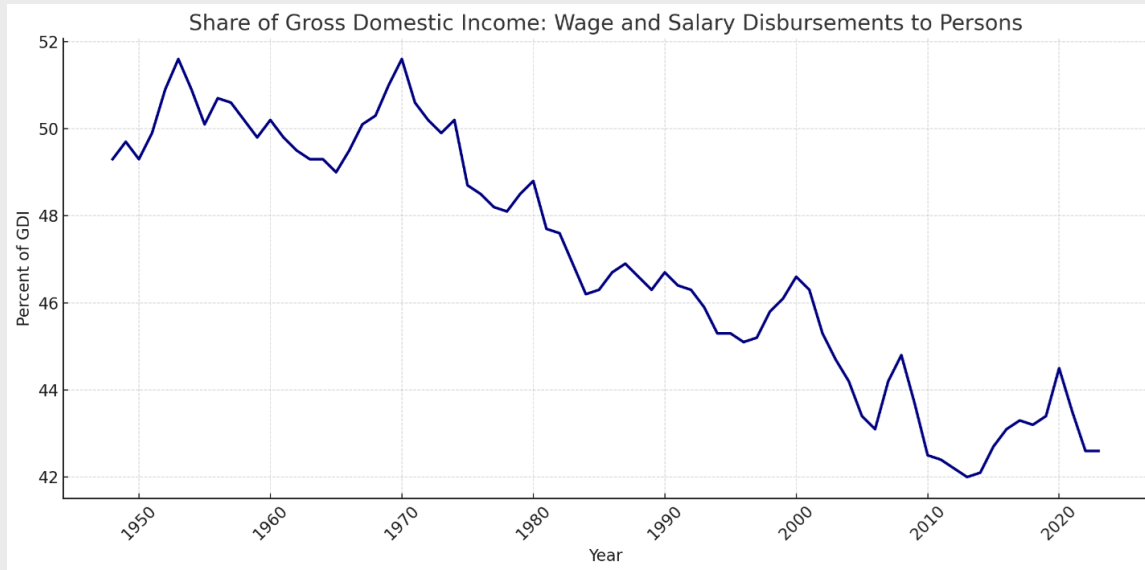


Figure 8: St. Louis Federal Reserve, June 2025

- Adding to the stress, recent data from the **Federal Reserve Bank of Atlanta** highlights a growing divergence between actual median household income and the income required to afford a median-priced home under the traditional 30% affordability benchmark.

Since 2020, this gap has accelerated significantly due to a combination of rising home prices, higher mortgage rates, and increased ownership costs such as taxes and insurance.

As of April 2025, the qualifying income required to afford a median-priced home now exceeds **\$122,000**, while the actual median household income stands at approximately **\$79,000**. This reflects an affordability gap of **55%** - meaning qualified income must be **1.55 times** higher than actual income for a typical home to be considered affordable.

Put simply, the typical American household can no longer afford a typical American home without spending well beyond the traditional affordability threshold.



Figure 9: Federal Reserve Bank of Atlanta, June 2025

Part 2 - Markets Update:

U.S. Equity Markets:

The second quarter of 2025 was marked by significant volatility in U.S. equity markets, driven by geopolitical tensions, trade uncertainties, and shifting economic indicators. Despite these challenges, major indices demonstrated resilience and closed the quarter with notable gains.

- **S&P 500:** The index experienced a robust rebound, posting a quarterly gain of **10.94%** - recovering from a **4.94%** decline in Q1.
- **Nasdaq Composite:** The tech-heavy index advanced by **17.92%** in Q2 - offsetting its **10.85%** loss during Q1.

Technology stocks generally led the recovery, fueled by advancements and utilization/adoption in artificial intelligence and stronger than expected earnings reports. But other sectors exhibited mixed performance.

Defensive sectors, such as utilities and consumer staples, provided stability amid the volatility, whereas cyclical sectors faced headwinds due to ongoing trade disputes and interest rate concerns.

U.S. Dollar Weakness Raises Spotlight on Currency Hedging

After starting the year near 130, the trade-weighted U.S. Dollar Index (Broad) declined sharply in the first half of 2025, falling more than **6% year-to-date** to end June at **121.41**. This represents the dollar's steepest first-half drop since 2017, driven by a combination of softer U.S. economic data, fading rate hike expectations, and rising concerns over the country's expanding fiscal deficit.

- Although it's worth pointing out that the U.S. Dollar Index remains elevated - at 120.01 as of June 30, 2025 - it stands within the top 11% of all readings since data began, and not far from its all-time high of 130.21 reached in January 2025, implying the dollar is still historically on the stronger side.

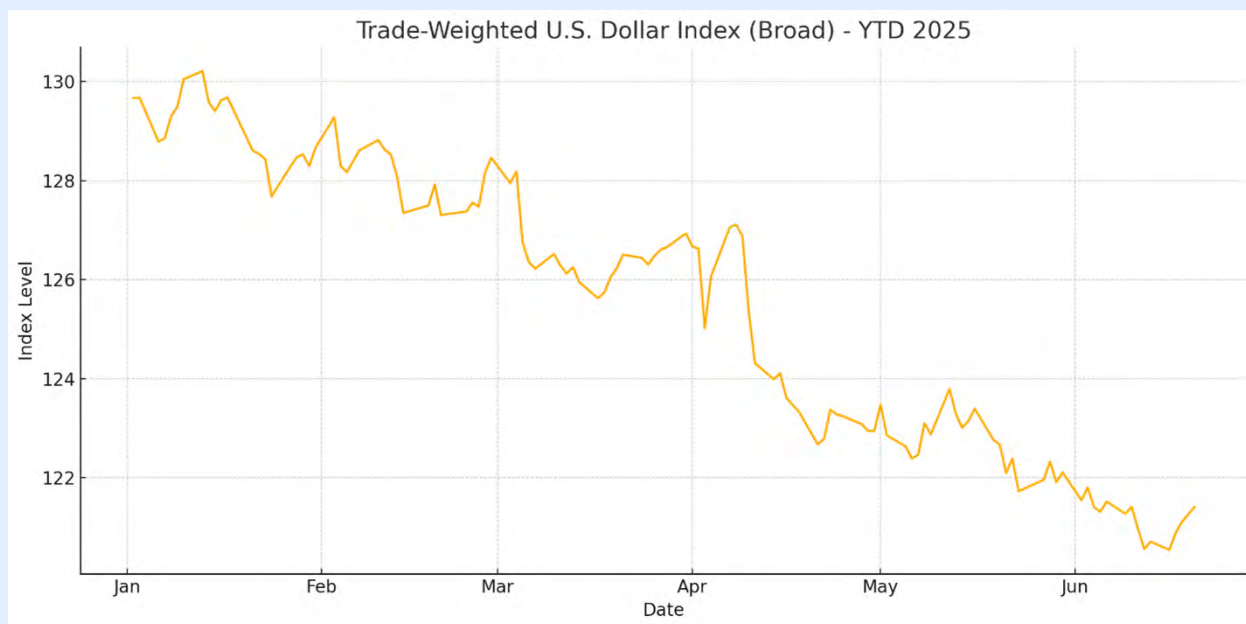


Figure 10: St. Louis Federal Reserve, June 2025

The recent decline in the U.S. dollar from its highs carries broad implications - particularly for foreign investors holding unhedged U.S. assets, as well as for U.S. investors with unhedged exposure to foreign markets.

As both U.S. stocks and the dollar retreat, foreign institutions owning unhedged U.S. assets are hit from two sides: equity declines and currency losses.

- For context, over **\$30 trillion** in U.S. dollar-denominated assets are held abroad, much of it unhedged.

We may be witnessing the early stages of a **global currency hedging cycle**. As the dollar weakens, the incentive to hedge FX exposure rises - especially for institutions with long-term liabilities in euros, yen, or francs.

According to recent estimates, only **23%** of foreign-held U.S. exposures are currently hedged, compared

to pre-pandemic norms of 45–50%. If that hedging ratio normalizes, it could trigger **\$5 trillion or more** in FX repositioning - a structural change with major implications for currency markets, capital flows, and U.S. asset demand.

- Changing currency rates can significantly impact global trade balances - with previously weaker currencies losing export competitiveness, while a softer U.S. dollar could boost American exports by making them more attractive to foreign buyers. This could lead to further trade tensions and turbulence - especially in the emerging markets.

Investors should come around to the idea that **currency risk is no longer an afterthought**, and managing FX exposure has become a critical part of portfolio construction - especially for global investors seeking to preserve returns in a volatile macro environment.

U.S. Valuations: Buffett Indicator Remains Elevated

The Buffett Indicator - measuring the ratio of total U.S. stock market capitalization to GDP - remained elevated throughout Q2 2025 and shows the ongoing disconnect between equity valuations and underlying economic output.

After hitting an all-time high of **206.65%** in December 2024, the indicator held relatively flat into early 2025 before plunging to **165.33%** in early April - its lowest level since December 2023 - amid a broad market selloff and spike in volatility.

- This reading implied that the U.S. stock market was trading at over **200%** of the size of the U.S. economy - highlighting how stretched valuations had become and how sensitive markets were to even modest volatility.

However, it rebounded steadily through the remainder of the quarter, climbing back to near **190%** by the end of June. This upward move highlights renewed optimism in equities despite macroeconomic headwinds and geopolitical uncertainties.



Figure 11: MacroMicro.Me, June 2025

To put this in context, the Buffett Indicator's long-term historical average hovers around 100%, with levels above 150% often viewed as overvalued. While elevated valuations don't necessarily predict a correction, they do indicate a limited margin for error - especially in a climate of sticky inflation, rising debt burdens, and policy uncertainty.

In short, while markets may be pricing in continued optimism and lower volatility, the Buffett Indicator signals that expectations may be running high - and any disappointments in growth or earnings could trigger sharper repricing in the quarters ahead.

Volatility Came - Then Went: What That Means Now

Volatility, in Q2 was defined by extreme turbulence, punctuated by the CBOE Volatility Index (VIX) surging to **52.33 on April 8**, its highest close since **April 1, 2020**, when markets were gripped by early COVID panic and the VIX reached 57.06.

As we highlighted in our early April note, historical VIX patterns since 1990 tell an important story:

- When the VIX closes above **46.98**, there's a **44% chance** the S&P 500 gains an average of **3% over the next 90 days**.

- Over a 180-day window, the historical occurrence of a positive return jumped to **75%**, with an average gain of **13.4%**.
- Over 360 days, **positive returns historically occurred 100% of the time**, averaging **35.3%**.

In hindsight, that early-April volatility proved to be an opportunity. Since the VIX peaked on April 8, the **S&P 500 rallied nearly 24.92%, closing at 6,204.95 by June 30** - reflecting a strong recovery from the market's earlier lows. Meanwhile, the VIX has retreated to **19.4**, a level more aligned with relatively calm markets.

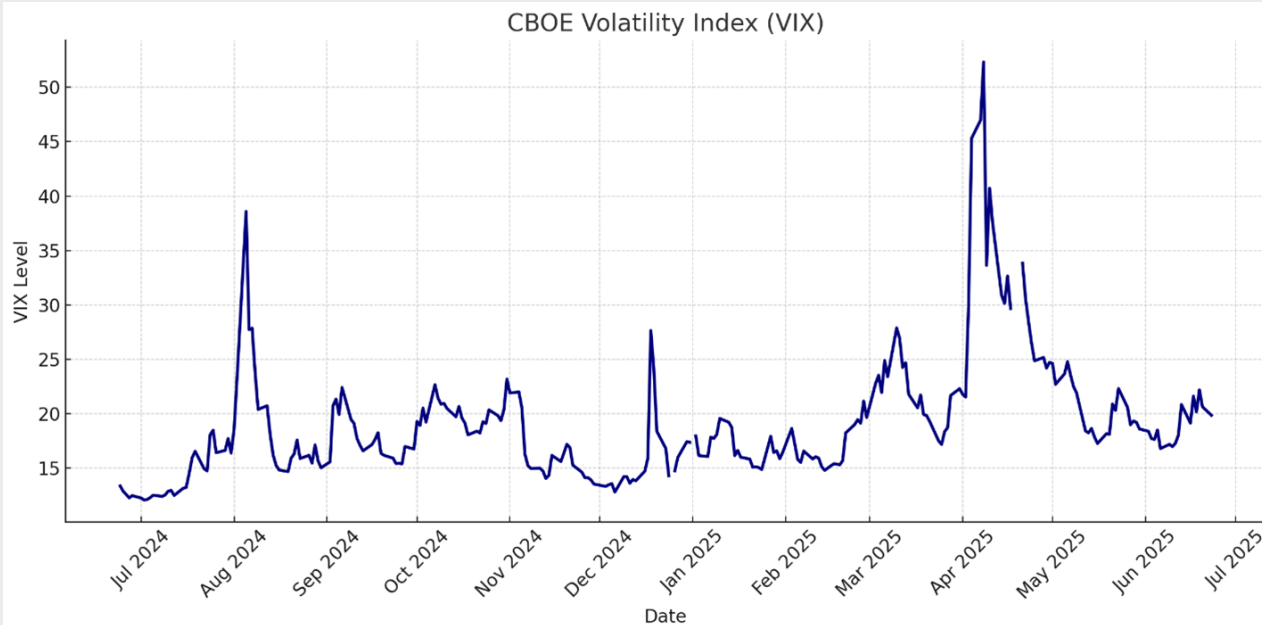


Figure 12: St. Louis Federal Reserve, June 2025

That said, we remain cautious. Volatility at these subdued levels can be just as telling as when it spikes. With unresolved geopolitical risks - such as the ongoing Israel-Iran tensions - and renewed trade disputes on

the horizon as tariff deadlines are hit, we're closely watching for signs of a potential volatility repricing in the second half of the year.

International Markets: From Hot to Hotter — But Not Without Turbulence

International markets continued their relative outperformance in Q2 2025, though results varied widely across regions as geopolitical risk, diverging monetary policies, and shifting trade dynamics shaped market sentiment.

Europe: Resilient Amid Challenges

European equities remained strong, outperforming U.S. benchmarks. For instance, the iShares Europe ETF (IEV) climbed nearly 23.67% year-to-date, compared to just a 6.2% rise in the S&P 500. This gap may reflect the early signs of a “great rotation” as capital rotates out of U.S. equities and into international names, spurred by more accommodative fiscal policy, a weaker U.S. dollar, and attractive valuation appeal.

We noted that international markets have looked significantly attractive from a valuation perspective over the past few years and continue to believe so as the market now finally agrees.

Asia: Mixed Outcomes

In Asia, market performance diverged. Hong Kong’s Hang Seng Index surged on the back of rapid

developments in Chinese AI and aggressive tech-sector rallies.

In contrast, Japan’s Nikkei 225 came under pressure as sticky inflation, rising bond yields, and a sharp selloff in Japanese Government Bonds (JGBs) weighed on domestic equities and spooked global investors.

- **The Nikkei 225 has essentially traded flat since March 2024.**

The spike in JGB yields triggered ripple effects across global bond markets - driving volatility and pressuring asset classes worldwide.

This matters because Japanese government bonds represent about 16.7% of the Bloomberg Global Treasury Total Return Index - second only to U.S. Treasuries. Thus, any sharp declines in JGB values can generate meaningful losses for global investors tied to bond benchmarks, underscoring how stress in Japan’s bond market can quickly turn into a global event.

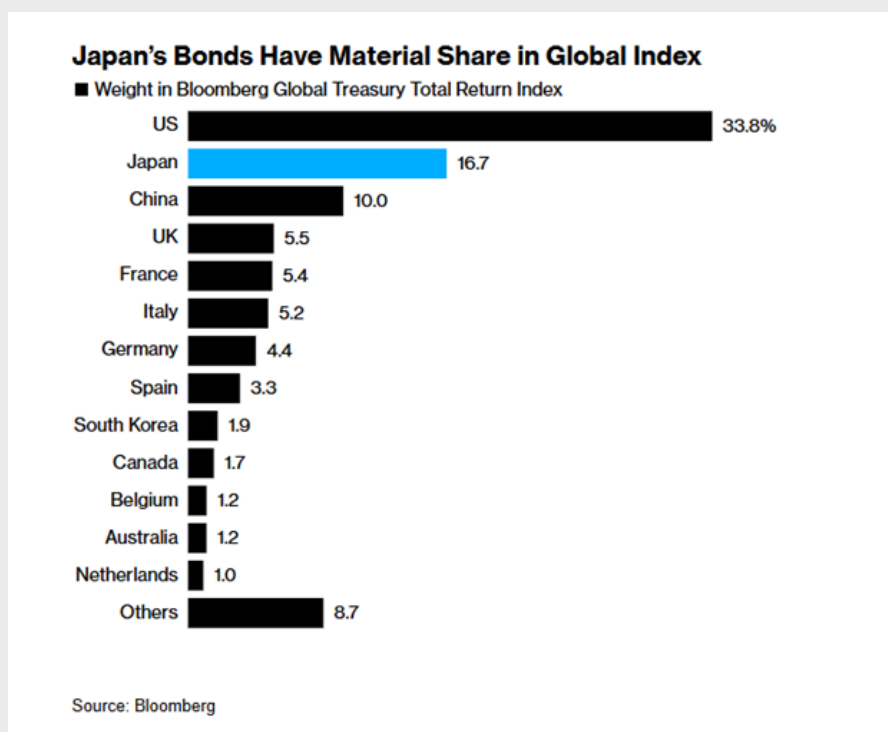


Figure 13: Bloomberg, June 2025

Adding to the significance, Japan - long the world's largest creditor nation - was recently overtaken by Germany at the end of 2024.

This has big implications as Japanese investors -faced with decades of zero yields, anemic growth, and chronic current account surpluses - have historically invested heavily abroad.

But as domestic yields rise, these massive capital allocators may begin to retreat from global markets - removing a key source of demand for foreign bonds and equities and adding another layer of fragility to the global investing landscape.

Furthermore, South Korea also faced headwinds as its export-heavy economy grappled with renewed trade tensions.

Emerging Markets: Still Under Pressure

Emerging markets faced notable challenges in Q2. IPO activity slumped globally, with issuance volumes down 9.3% year-over-year to just \$44.3 billion - the lowest level in nearly a decade.

And looking beyond capital markets, emerging economies remain particularly sensitive to ongoing trade disputes and global policy uncertainty.

Many EMs are heavily reliant on exports - particularly of commodities, intermediate goods, and manufactured products - which leaves them exposed to the ripple effects of tariffs, trade realignments, and slowing global demand (weighing down commodity prices).

Therefore, as trade tensions between major economies like the U.S. and China continue to flare, these emerging market economies risk getting caught in the crossfire. Currency pressures, capital outflows, and weakening terms of trade could exacerbate already fragile conditions in countries that depend on external demand to drive growth.

For long-term investors, this backdrop may create openings. Select EMs with more attractive valuations and greater policy flexibility could offer compelling opportunities, especially as global capital begins to reassess risk in a slower-growth environment.

Fixed-Income Markets

The second quarter of 2025 was marked by renewed volatility across bond markets despite bonds on average experiencing slightly positive returns overall.

The Bloomberg U.S. Aggregate Bond Index increased by 1.21% for the quarter as investors grew worried about sticky inflation, fiscal uncertainty, and global political tensions.

U.S. Treasury yields surged early in the quarter - with the 10-year note reaching 4.58% in May amid market concerns over widening federal deficits and sovereign credit quality. But these pressures were later offset by rising expectations for Federal Reserve rate cuts, helping yields settle lower by June - hovering near 4.23%.

Still, the sharp yield movements underscored the market's sensitivity to any hint of policy or fiscal excess.

On the global front, bond markets meaningfully diverged. Emerging markets showed robustness despite external pressures.

- Malaysia, for instance, attracted a record \$3.15 billion in foreign inflows in May, driven by attractive real yields and relative monetary stability.
- In contrast, countries exposed to commodity volatility and dollar-denominated debt - such as Argentina, Egypt, and Colombia - struggled with capital outflows and widening credit spreads.

Such divergence highlighted the dual nature of today's bond market with elevated yields offering more income potential than in years past, but heightened macro risk means careful positioning is essential.

Whether through duration management, select credit-risk exposure, or international diversification, fixed income strategies in Q3 should consider the risks and uncertainty presented to the bond market.

Looking Ahead

As the second half of the year begins, the road ahead looks mixed. The Fed walks a tightrope, balancing the health of the labor market with moderating inflation. Globally, economies wrestle with their own demons like geopolitics, trade shifts, and China's struggles.

Part 3 - Dunham Core Strategy Changes:

After evaluating the global economic backdrop in and rapidly changing market dynamics, the **Dunham Investment Committee** remains confident in its core positioning for Q3 - though recent market dislocations have opened the door to selective opportunities.

The sharp collapse and rebound in U.S. equities, combined with continued above-benchmark performance in international holdings, created an opening to realign exposure within the **Dunham Core Equity Strategy**.

On the fixed income side, the Committee proactively repositioned the Dunham Core Fixed Income Strategy

to take advantage of **duration, international bond spreads**, and opportunities in a temporarily anemic **merger-arbitrage** market.

In response to these macro conditions, the Committee implemented several targeted adjustments - **locking in gains from outperforming segments** while increasing exposure to areas that **appear undervalued or mispriced**.

As always, these changes reflect a continued focus on favorable risk-reward positioning and opportunistic allocation within the Core strategies.

Dunham Core Equity Strategy Adjustments

To capitalize on **emerging opportunities** while diversifying **downside risk exposures**, the **Investment Committee** implemented the following adjustments:

Reductions:

- **Dunham International Stock Fund** – Further trimmed exposure to lock in substantial relative gains from the last quarter and rebalance toward more attractively valued opportunities.

Increases:

- **Dunham Dynamic Macro Fund** – Exposure to this strategy was increased. As an alternative strategy, the Dunham Dynamic Macro Fund has performed

relatively well amid recent global market volatility. The Investment Committee believes increasing allocation is prudent in the current environment, given the fund's ability to potentially capture both upside and downside movements through its active and tactical allocation shifts. It also has the potential to benefit from range-bound or flat markets, which often follow periods of heightened volatility like we saw last quarter.

These adjustments impacted the Dunham Core Equity Portfolio, reflecting a thoughtful calibration away from areas that experienced outsized returns and toward opportunities with relatively more potential.

Core Fixed Income Strategy Adjustments

Turning to fixed income, the Investment Committee made strategic adjustments to the **Dunham Core Fixed Income Strategy** to better align with evolving market conditions.

Reductions:

1. **Dunham Monthly Distribution Fund** – The Investment Committee slightly reduced its exposure to the merger-arbitrage sector, citing

ongoing global uncertainty that continues to weigh on merger and acquisition (M&A) activity. The committee evaluated how other areas of the market might benefit from recent dislocations and volatility, prompting the adjustment. Despite the reduction, M&A remains one of the fund's larger allocations, as the committee continues to view it as a valuable diversifier relative to other fixed income risks and opportunities.

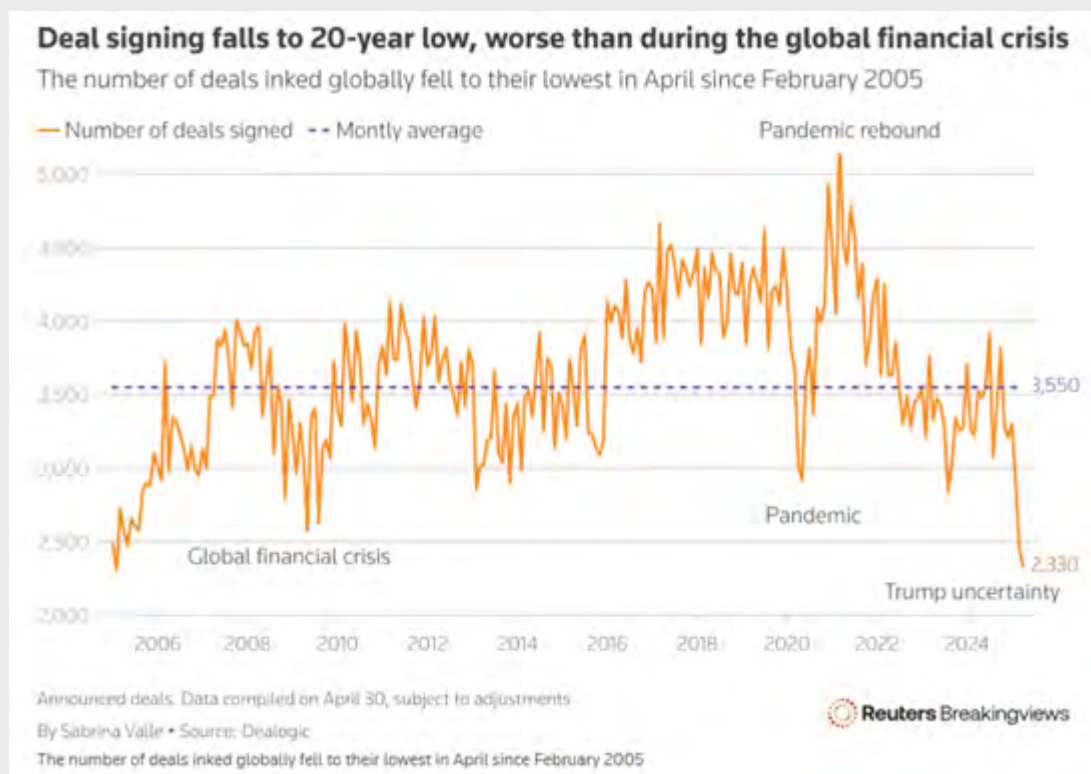


Figure 14 : Reuters, May 2025

Increases:

- 1. Dunham International Bond Fund** – The Investment Committee increased its allocation to international bonds based on the view that many foreign central banks are likely to keep cutting interest rates more quickly than the U.S. This divergence in policy creates opportunities for capital appreciation abroad. In addition, international bonds are currently offering more attractive yield spreads compared to their U.S. counterparts, making them a compelling choice from both a return and diversification standpoint.
- 2. Dunham Corporate/Government Bond Fund** – The Committee continued to gradually extend

duration in the portfolio, aiming to strike a better balance as markets move closer to what appears to be the start of a renewed rate-cutting cycle. And while rate cuts aren't guaranteed, the Committee viewed the sharp rise in yields during Q2 as an opportunity - positioning the strategy to benefit from potential upside if and when rates begin to decline.

These adjustments reflect the committee's commitment to managing risk while capitalizing on strategic income opportunities, ensuring the fixed-income portfolio remains well-positioned in an evolving rate environment.

Core Fixed Income Light Strategy

In the **Dunham Core Fixed Income Light Portfolio**, there were no meaningful changes as the committee found it was balanced appropriately.

Parting Comments

As we move into the second half of 2025, the Investment Committee remains focused on maintaining balance in a market shaped by slowing global growth, persistent inflation pressures, and diverging central bank policies.

While uncertainty remains elevated, some of the earlier turbulence has moderated - yet market dislocations across both equities and fixed income continue to create openings for long-term, disciplined investors.

And rather than attempting to predict what comes next, we remain committed to preparing for a range of outcomes.

By staying balanced, risk-aware, and opportunistic - i.e., identifying what we believe are asymmetric opportunities - the Committee aims to position portfolios to withstand near-term volatility while achieving long-term outperformance.

Part 4 - DunhamDC Activity: Buy Fear, Sell Greed

Q2 2025 brought sharp market swings driven by heightened uncertainty around tariffs and trade tensions, stretched valuations, and mixed economic signals. In many ways, it was a textbook example of “Mr. Market” in action.

- **Who exactly is Mr. Market?** Originally coined by legendary investor Benjamin Graham, Mr. Market is a metaphor for the market’s emotional behavior—swinging between greed (chasing prices

during euphoria) and fear (selling at a discount during panic). These emotional extremes can offer investors opportunities to buy low and sell high.

DunhamDC - our dynamic, globally diversified overlay strategy built to remove emotion from investing - leaned into this volatility. By staying true to its core principle - **Buy Fear, Sell Greed** - the strategy responded precisely to these swings throughout the quarter.

Activity Highlights

- **April:** DunhamDC triggered **TWO Buy signals** in early April as markets fell sharply following the April 4th “Liberation Day,” when the U.S. imposed retaliatory tariffs. This was followed by a **Sell signal** mid-month as markets rebounded—a rare and telling **three-signal sequence** in a single month.
- **May:** DunhamDC triggered another **Sell** as market optimism surged -followed by a second **Sell** weeks later, reinforcing the signal of growing excess.

60% DUNHAM CORE EQUITY / 40% DUNHAM CORE FIXED INCOME

DC 60 - 11/30/22 to 6/30/25



▼ SOLD Equities ▲ BOUGHT Equities — Market Growth¹

The percentages above represent the **Dunham Core Equity** ratio of the DC 60 portfolio at the time shown. The remaining portion is allocated in **Dunham Core Fixed Income**.

Meanwhile, DunhamDC US - our U.S.-focused version of the strategy - showed a nearly identical pattern:

- **April: Two** Buy triggers were hit in the first week, capturing the sharp decline in U.S. market sentiment.
- **May: Two** Sell triggers followed as investor sentiment reversed and optimism ran high.

60% DUNHAM CORE U.S. EQUITY / 40% DUNHAM CORE FIXED INCOME

DC US 60 - 7/31/24 to 6/30/2025



▼ SOLD Equities

▲ BOUGHT Equities

— Market Growth¹

The percentages above represent the Dunham Core U.S. Equity ratio of the DC US 60 portfolio at the time shown. The remaining portion is allocated in Dunham Core Fixed Income.

This automatic and disciplined approach of buying market dips and trimming during surges clearly reinforces DunhamDC's primary objective - **strategically buying fear (low) and selling greed (high)**.

During this volatile quarter, DunhamDC demonstrated exactly why it exists - **actively capitalizing on Mr. Market's emotional swings** and turning short-term volatility into long-term opportunity.

As a result, the strategy entered market peaks with reduced equity exposure and added positions near market lows, effectively positioning itself for an eventual rebound - or to continue accumulating at lower levels if volatility persists.

Looking ahead, DunhamDC will remain focused on harnessing market fluctuations and behavioral biases to support long-term investment success while helping to mitigate sequence risk.

Allocation Rebalancing

		Dunham Investment Committee Allocations		Changes With Rebalancing	
Dunham Fund (N-Shares)	Ticker	Decreased	Increased	Percentage Change From Q2 2025	New Weighting For Q3 2025
Core Equity					
Large Cap Value Fund	DNLVX	●	●	0.3%	15.0%
Real Estate Stock Fund	DNREX	●	●	0.2%	5.0%
International Stock Fund	DNINX	●	●	-1.5%	14.0%
Small Cap Value Fund	DNSVX	●	●	0.4%	9.0%
Focused Large Cap Growth Fund	DNFGX	●	●	-0.7%	13.0%
Small Cap Growth Fund	DNDGX	●	●	0.0%	6.0%
Emerging Markets Stock Fund	DNEMX	●	●	0.0%	16.0%
Dynamic Macro Fund	DNAVX	●	●	1.2%	11.0%
U.S. Enhanced Market Fund	DNSPX	●	●	0.1%	11.0%
Core US Equity					
Large Cap Value Fund	DNLVX	●	●	0.6%	27.8%
Small Cap Value Fund	DNSVX	●	●	0.7%	16.7%
Focused Large Cap Growth Fund	DNFGX	●	●	-1.4%	24.1%
Small Cap Growth Fund	DNDGX	●	●	0.0%	11.1%
U.S. Enhanced Market Fund	DNSPX	●	●	0.1%	20.4%

Hold Us To Higher Standards

		Dunham Investment Committee Allocations		Changes With Rebalancing	
Dunham Fund (N-Shares)	Ticker	Decreased	Increased	Percentage Change From Q2 2025	New Weighting For Q3 2025
Core Alternative					
Dynamic Macro Fund	DNAVX	●	●	2.2%	30.1%
Long/Short Credit Fund	DNAIX	●	●	0.2%	13.7%
Monthly Distribution Fund	DNMDX	●	●	-1.5%	12.3%
Real Estate Stock Fund	DNREX	●	●	0.1%	13.7%
U.S. Enhanced Market Fund	DNSPX	●	●	-1.0%	30.1%
Core Fixed Income					
International Opportunity Bond Fund	DNIOX	●	●	0.9%	8.0%
Floating Rate Bond Fund	DNFRX	●	●	-0.1%	15.0%
Corporate/Government Bond Fund	DNCGX	●	●	1.3%	22.0%
High-Yield Bond Fund	DNHYX	●	●	0.0%	17.0%
Monthly Distribution Fund	DNMDX	●	●	-2.2%	18.0%
Long/Short Credit Fund	DNAIX	●	●	0.1%	20.0%
Core Fixed Light					
Monthly Distribution Fund	DNMDX	●	●	-0.3%	25.0%
Long/Short Credit Fund	DNAIX	●	●	0.1%	25.0%
Corporate/Government Bond Fund	DNCGX	●	●	0.3%	30.0%
Floating Rate Bond Fund	DNFRX	●	●	-0.2%	20.0%

The views set forth in The Dunham Quarterly Pulse are current as of March 31, 2025, are subject to change based on market conditions and other factors and should not be construed as investment advice.

This communication contains general market information only, should not be considered as a comprehensive statement on any matter and should not be relied upon as such. Nor should it be relied upon in any way as a forecast or guarantee of future events regarding a particular investment or the markets in general. This video is for informational purposes only and does not constitute a solicitation or an offer to sell securities or advisory services nor is it an offer to purchase an interest in any Dunham Fund or Program. Sources of data are all public and may include but are not limited to Reuters, Bloomberg, Standard and Poor's, U.S. Bureau of Labor Statistics, Federal Open Market Committee, Yahoo Finance and NASDAQ.

Investing in a mutual fund involves risks, including the possible loss of principal. Investors should consider the investment objectives, risk factors, charges, and expenses of the Dunham Funds carefully before investing. This and other important information is contained in the Fund's summary prospectus and/or prospectus, which may be obtained by calling (800) 442-4358. Please read prospectus materials carefully before investing or sending money. Investing involves risk, including possible loss of principal.

The Dunham Asset Allocation program is a turnkey wrap fee program comprised of the Dunham Funds. A wrap fee program is defined as a program offered by an investment adviser that wraps several services together for a fee based on the size of the client's account, asset allocation, which is driven by complex mathematical models, should not be confused with the much simpler concept of diversification, asset allocation cannot eliminate the risk of fluctuating prices and uncertain returns. Rebalancing may be a taxable event. Before taking any specific action, be sure to consult with your tax professional. The Dunham Asset Allocation program currently utilizes the Dunham Fund N Class Shares, each representing a different asset class, and only available to clients of fee-based advisory programs. The seven strategic allocations represent varying % allocations to the asset classes, with rebalancing to a quarter's target allocations occurring on the first business day of each quarter, the reinvestment of dividends on the date of the payment is also assumed.

Past performance is not indicative of future results.

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Investment Counsel, Inc. solely in its capacity as a Registered Investment Adviser and should not be construed as legal and/or tax advice.

Dunham Asset Allocation Program: The Adviser is the sponsor of the Dunham Asset Allocation Program ("Program"), an advisory wrap program using the Dunham Funds, N share class.

As the program sponsor, Dunham charges the Investor a Program Fee covering limited discretionary investment management, brokerage and custodial services related to Dunham Funds, shareholder servicing and distribution, and client communications. Dunham will be paid a Program Fee option of 0.25% for the Asset Based Advisory Fee or 1/2 of the Performance Based Advisory Fee option. Investor understands that the Performance Based Fee may create an incentive for the financial advisor or Registered Investment Adviser ("RIA") and Dunham to increase the level of risk that the account may incur. The Investor further understands that the Performance Based Advisory and Program Fees may result in higher fees than an Asset-Based Advisory Fee and the RIA and Dunham, may receive increased compensation with the Performance-Based Advisory Fee.

The Program may be used by financial advisors to diversify client portfolios among the various asset classes represented by the Funds. The Adviser takes a portion of the revenues it receives from the Program and may reimburse certain non-affiliated financial advisors for their marketing and business development efforts. For the Performance Advisory Fee Option, reimbursements are from 0 to 25 basis points a year, depending on the dollar amount of client assets in the program. The Adviser also sponsors due diligence trips and conferences designed to enhance the financial advisor's understanding of the offerings. Certain costs associated with attendance at these meetings may be paid by the Adviser.

The Adviser also supports industry conferences and sponsors educational events attended by clients of the financial advisors as well as the financial advisors themselves.

The Investor pays no additional fees to Dunham or to the non-affiliated financial advisor or their RIA. However, these payments may create a potential conflict of interest by influencing a non-affiliated financial advisor to invest in the Custom Asset Allocation Program. The Advisory fees and potential conflicts of interest are described in greater detail in Part 2 of DAIC's Form ADV or WRAP Fee Brochure.

DAIC offers sub-advised mutual funds in the Custom Asset Allocation Program in which Sub-Advisers' compensation is tied to their success versus an established benchmark. The Sub-Adviser receives a fulcrum fee, which will vary based on the Sub-Adviser's performance against the benchmark. The Sub-Adviser is rewarded when performance exceeds the benchmark and penalized when performance is short of the benchmark. Some Sub-Advisers may get paid a minimum fee even if they don't meet the benchmark. The Adviser is paid a separate fee.

The Dunham Monthly Distribution Fund, an investment in the Core Fixed Income and Core Fixed Light Strategy, utilizes an absolute return style to achieve its investment objective and may invest a significant portion of its assets in equity securities. However, its volatility (risk) has historically exhibited a low correlation to both the broad equity and the broad fixed income markets.

The Dunham Core Fixed Light Custom Core Allocation strategy has a limited track record, with an inception date of 1/1/2021. It was added as a Custom Core Allocation strategy on 9/30/2022, which means that prior to that date, accounts allocated in this strategy did not benefit from the firm's continuous monitoring and quarterly adjustments to reflect market conditions, performance, and other factors.

Core Fixed Income Strategy

The Dunham Core Fixed Income Strategy is constructed using Dunham funds that primarily invest in fixed income securities and fixed income alternatives. Investors in this Strategy generally prioritize capital preservation over maximizing total returns.

Core Fixed Light Strategy

The Dunham Core Fixed Light Strategy is constructed using Dunham funds that primarily invest in fixed income securities and fixed income alternatives.

Investors in this Strategy generally prioritize capital preservation over maximizing total returns by investing in asset classes that generally exhibit less volatility and less return than the typical core fixed income strategy.

Core Equity Strategy

The Core Equity Strategy is constructed using Dunham funds that primarily invest in equity securities and equity alternatives. Investors in these strategies generally prioritize maximizing total returns.

Core U.S. Equity Allocation

The Core U.S. Equity Allocation Strategy is constructed using Dunham funds that primarily invest in domestic equity securities. Investors in these strategies generally prioritize maximizing total returns Core Foreign Equity Allocation.

Core Foreign Equity Allocation

The Core Foreign Equity Allocation Strategy is constructed using Dunham funds that primarily invest in foreign equity securities. Investors in these strategies generally prioritize maximizing total returns.

Core Alternatives Allocation

The Core Alternatives Allocation Strategy is constructed using Dunham funds that primarily invest in alternative strategies. Investors in the Core Alternatives Allocation Strategy generally seek a balance of alternative strategies that have a goal of exhibiting a low to moderate correlation to both equity and fixed income markets across market cycles.

Expense ratios are gross of any fee waivers and reflect those in Dunham's most recent Prospectus.

RISK CONSIDERATIONS: An Investment in the strategies and the Dunham Funds involves risks, including the risks listed below:

Active Management Risk – The Fund is subject to management risk because it is an actively managed investment portfolio. The Sub-Adviser will apply its investment techniques and risk analyses in making investment decisions for the Fund, but there is no guarantee that its decisions will produce the intended result. The successful use of hedging and risk management techniques may be adversely affected by imperfect correlation between movements in the price of the hedging vehicles and the securities being hedged.

Asset Allocation Risk – In allocating the Fund's assets, the Sub-Adviser may favor markets or asset classes that perform poorly relative to other markets and asset classes. The Sub-Adviser's investment analysis, its selection of investments, and its assessment of the risk/return potential of asset classes and markets may not produce the intended results and/or can lead to an investment focus that results in the Fund underperforming other funds with similar investment strategies and/or underperforming the markets in which the Fund invests.

Call or Redemption Risk – If interest rates decline, issuers of debt securities may exercise redemption or call provisions. This may force the Fund to reinvest redemption or call proceeds in securities with lower

yields, which may reduce Fund performance.

Changing Fixed Income Market Conditions Risk –

During periods of sustained rising rates, fixed income risks will be amplified. If the U.S. Federal Reserve's Federal Open Market Committee ("FOMC") raises the federal funds interest rate target, interest rates across the U.S. financial system may rise. Rising rates tend to decrease liquidity, increase trading costs, and increase volatility, all of which make portfolio management more difficult and costly to the Fund and its shareholders.

CLO Risk – Negative economic trends nationally as well as in specific geographic areas of the United States could result in an increase in loan defaults and delinquencies. There is a material possibility that economic activity will be volatile or will slow significantly, and the CLO performance will likely be significantly and negatively impacted by such conditions. Such effects may include an inability for Obligor to obtain refinancing of their debt obligations. A decreased ability of Obligor to obtain refinancing may cause a deterioration in loan performance generally and for CLOs. It is not possible to determine whether or when such trends will improve or worsen in the future. CLOs may include underlying securities, which are investments in foreign countries. These factors could detract from CLO's performance.

Commodity Risk – Investing in the commodities markets may subject the Fund to greater volatility than investments in traditional securities. Commodity prices may be influenced by unfavorable weather, animal and plant disease, geological and environmental factors as well as changes in government regulation such as tariffs, embargoes or burdensome production rules and restrictions.

Corporate Loans Risk — Derivatives or other similar instruments (referred to collectively as "derivatives"), such as futures, forwards, options, swaps, structured securities and other instruments, are financial contracts whose value depends on, or is derived from, the value of an underlying asset, reference rate or index. Derivatives may involve costs and risks that are different from, or possibly greater than, the costs and risks associated with investing directly in securities and other traditional investments. Derivatives prices can be volatile, may correlate imperfectly with price of the applicable underlying asset, reference rate or index and may move in unexpected ways, especially in unusual market conditions, such as markets with high volatility or large market declines. Some derivatives are particularly sensitive to changes in interest rates. Other

risks include liquidity risk which refers to the potential inability to terminate or sell derivative positions and for derivatives to create margin delivery or settlement payment obligations for the Fund. Further, losses could result if the counterparty to a transaction does not perform as promised. Derivatives that involve a small initial investment relative to the risk assumed may be considered to be "leveraged," which can magnify or otherwise increase investment losses. In addition, the use of derivatives for non-hedging purposes (that is, to seek to increase total return) is considered a speculative practice and may present an even greater risk of loss than when used for hedging purposes. Derivatives are also subject to operational and legal risks.

Credit Risk – Issuers of debt securities may suffer from a reduced ability to repay their interest and principal obligations. They may even default on interest and/or principal payments due to the Fund. An increase in credit risk or a default will cause the value of Fund debt securities to decline. Issuers with lower credit quality are more susceptible to economic or industry downturns and are more likely to default.

Currency Risk - Adverse changes in currency exchange rates (relative to the U.S. dollar) may erode or reverse any potential gains from the Fund's investments denominated in a foreign currency or may widen existing losses. Exchange rate movements are volatile, and it may not be possible to effectively hedge the currency risks of many countries.

Derivatives Risk - Derivatives or other similar instruments (referred to collectively as "derivatives"), such as futures, forwards, options, swaps, structured securities and other instruments, are financial contracts whose value depends on, or is derived from, the value of an underlying asset, reference rate or index. Derivatives may involve costs and risks that are different from, or possibly greater than, the costs and risks associated with investing directly in securities and other traditional investments. Derivatives prices can be volatile, may correlate imperfectly with price of the applicable underlying asset, reference rate or index and may move in unexpected ways, especially in unusual market conditions, such as markets with high volatility or large market declines. Some derivatives are particularly sensitive to changes in interest rates. Other risks include liquidity risk which refers to the potential inability to terminate or sell derivative positions and for derivatives to create margin delivery or settlement payment obligations for the Fund. Further, losses could result if the counterparty to a transaction does not

perform as promised. Derivatives that involve a small initial investment relative to the risk assumed may be considered to be “leveraged,” which can magnify or otherwise increase investment losses. In addition, the use of derivatives for non-hedging purposes (that is, to seek to increase total return) is considered a speculative practice and may present an even greater risk of loss than when used for hedging purposes. Derivatives are also subject to operational and legal risks.

Distribution Policy Risk – The Fund’s distribution policy is not designed to generate, and is not expected to result in, distributions that equal a fixed percentage of the Fund’s current net asset value per share. Shareholders receiving periodic payments from the Fund may be under the impression that they are receiving net profits. However, all or a portion of a distribution may consist of a return of capital (i.e., from your original investment). Shareholders should not assume that the source of a distribution from the Fund is net profit. Shareholders should note that return of capital will reduce the tax basis of their shares and potentially increase the taxable gain, if any, upon disposition of their shares.

ETF Risk – ETFs are subject to investment advisory and other expenses, which will be indirectly paid by the Fund. As a result, the cost of investing in the Fund will be higher than the cost of investing directly in ETFs and may be higher than other mutual funds that invest exclusively in common stocks. The ETFs in which the Fund invests will not be able to replicate exactly the performance of the indices they track and the market value of ETF shares may differ from their net asset value.

ETFs are subject to specific risks, depending on the nature of the fund. For instance, investing in inverse ETFs is similar to holding various short positions, or using a combination of advanced investment strategies to profit from falling prices. When the value of ETFs held by the Fund decline, the value of your investment in the Fund declines.

ETN Risk – ETNs are securities that combine aspects of a bond and an ETF. ETN returns are based upon the performance of a market index or other reference asset less fees, and can be held to maturity as a debt security. ETNs are traded on a securities exchange. Their value is based on their reference index or strategy and the credit quality of the issuer. Because ETNs are debt instruments of the issuer of the ETN, they are subject to the credit risk of the issuer. ETNs are also subject to the risk that they may trade at a premium or discount to value attributable to their reference index.

When the Fund invests in an ETN, shareholders of the Fund bear their proportionate share of the ETN’s fees and expenses, as well as their share of the Fund’s fees and expenses. There may also not be an active trading market available for some ETNs. Additionally, trading of ETNs may be halted and ETNs may be delisted by the listing exchange.

Emerging Markets Risk – Emerging market countries may have relatively unstable governments, weaker economies, and less-developed legal systems which do not protect securities holders. Emerging market economies may be based on only a few industries and security issuers may be more susceptible to economic weakness and more likely to default. Emerging market securities also tend to be less liquid.

Event Risk – Event risk is the risk that corporate issuers may undergo restructurings, such as mergers, leveraged buyouts, takeovers, or similar events financed by increased debt. As a result of the added debt, the credit quality and market value of a company’s bonds and/or other debt securities may decline significantly.

Financial Services Sector Risk – The profitability of many types of financial services companies may be adversely affected in certain market cycles. For example, periods of rising interest rates may restrict availability and increase the cost of capital for these companies. Moreover, when interest rates rise, the value of securities issued by many types of financial services companies generally falls. Declining economic conditions may cause credit losses due to financial difficulties of borrowers. In addition, financial services companies often are regulated by governmental entities, which can increase costs for new services or products and make it difficult to pass increased costs on to consumers. In certain areas, deregulation of financial services companies has resulted in increased competition and reduced profitability.

Floating Interest Rates Risk – Certain of the Fund’s investments, payment obligations and financing terms may be based on floating interest rates, such as the Euro Interbank Offer Rate (“EURIBOR”), the Sterling Overnight Interbank Average Rate (“SONIA”), the Secured Overnight Financing Rate (“SOFR”) and other similar types of reference rates (“Reference Rates”). The elimination of a Reference Rate or any other changes or reforms to the determination or supervision of Reference Rates could have an adverse impact on the market for, or value of, any securities or payments linked to those Reference Rates. Any substitute Reference Rate and any pricing adjustments imposed

by a regulator or by counterparties or otherwise may adversely affect the Fund's performance and/or net asset value.

Foreign Investing Risk – Investments in foreign countries are subject to currency risk and country-specific risks such as political, diplomatic, regional conflicts, terrorism, war, social and economic instability, and policies that have the effect of decreasing the value of foreign securities. Foreign countries may be subject to different trading settlement practices, less government supervision, less publicly available information, limited trading markets and greater volatility than U.S. investments.

Forward Contract Risk – Forward contracts involve a number of the same characteristics and risks as futures contracts but there also are several differences. Forward contracts are not market traded, and are not necessarily marked to market on a daily basis. They settle only at the pre-determined settlement date. This can result in deviations between forward prices and futures prices, especially in circumstances where interest rates and futures prices are positively correlated. Second, in the absence of exchange trading and involvement of clearing houses, there are no standardized terms for forward contracts. Accordingly, the parties are free to establish such settlement times and underlying amounts of a security or currency as desirable, which may vary from the standardized provisions available through any futures contract. Finally, forward contracts, as two party obligations for which there is no secondary market, involve counterparty credit risk not present with futures.

IBOR Risk – The risk that the elimination of the London Interbank Offered Rate ("LIBOR") or similar interbank offered rates ("IBORs"), such as the Euro Overnight Index Average ("EONIA"), or any other changes or reforms to the determination or supervision of such rates, could have an adverse impact on the market for, or value of, any securities or payments linked to those rates. While some instruments may contemplate a scenario where LIBOR or a similar rate is no longer available by providing for an alternative rate setting methodology, not all instruments have such fallback provisions. Moreover, the effectiveness of replacement rates is uncertain.

Information Technology Sector Risk – Investments in technology companies exposed to special risks, such as rapid advances in technology that might cause existing products to become obsolete. Companies in a number of technology industries are also subject to more

government regulations and approval processes than many other industries. This fact may affect a company's overall profitability and cause its stock price to be more volatile. Additionally, technology companies are dependent upon consumer and business acceptance as new technologies evolve.

Interest Rate Risk – In general, the price of a debt security falls when interest rates rise. Debt securities have varying levels of sensitivity to changes in interest rates. Securities with longer maturities may be more sensitive to interest rate changes.

IPO Risk – The Fund invests in IPOs at the time of the initial offering and in post-IPO trading. The stocks of such companies are unseasoned equities lacking a trading history, a track record of reporting to investors and widely available research coverage. IPOs are thus often subject to extreme price volatility and speculative trading. These stocks may have above-average price appreciation in connection with the initial public offering prior to inclusion in the Fund. The price of stocks included in the Fund may not continue to appreciate. In addition, IPOs share similar illiquidity risks of private equity and venture capital. The free float shares held by the public in an IPO are typically a small percentage of the market capitalization. The ownership of many IPOs often includes large holdings by venture capital and private equity investors who seek to sell their shares in the public market in the months following an IPO when shares restricted by lock-up are released, causing greater volatility and possible downward pressure during the time that locked-up shares are released.

Large Cap Stock Risk – Because the investment focus of the Fund is on large cap stocks, the value of the Fund may be more volatile than the market as a whole and can perform differently from the value of the market as a whole.

Leveraging Risk – Using derivatives can create leverage, which can magnify the Fund's potential for gain or loss and, therefore, amplify the effects of market volatility on the Fund's share price.

Limited History of Operations Risk – The Fund is a new mutual fund and has a limited history of operations for investors to evaluate.

Liquidity Risk – Some securities may have few market-makers and low trading volume, which tend to increase transaction costs and may make it impossible for the Fund to dispose of a security position at all or at a price which represents current or fair market value.

Long-Term Maturities/Durations Risk – The risk of

greater price fluctuations than would be associated with securities having shorter maturities or durations.

Lower-Rated Securities Risk – Securities rated below investment-grade, sometimes called “high-yield” or “junk” bonds, are speculative investments that generally have more credit risk than higher-rated securities. Companies issuing high-yield fixed-income securities are not as strong financially as those issuing securities with higher credit ratings and are more likely to encounter financial difficulties. Lower rated issuers are more likely to default, and their securities could become worthless.

Management Risk – The Fund is subject to management risk because it is an actively managed investment portfolio. The Sub-Adviser will apply its investment techniques and risk analyses in making investment decisions for the Fund, but there is no guarantee that its decisions will produce the intended result. The successful use of hedging and risk management techniques may be adversely affected by imperfect correlation between movements in the price of the hedging vehicles and the securities being hedged.

Merger and Event-Driven Risk – Investments in companies that are expected to be, or already are, the subject of a publicly announced merger, takeover, tender offer, leveraged buyout, spin-off, liquidation or other corporate reorganizations carry the risk that the proposed or expected corporate event may not be completed or may be completed on less favorable terms than originally expected.

Micro Capitalization Risk – The purchase or sale of more than a limited number of shares of the securities of a micro-cap company may affect its market price. Micro-cap companies are generally followed by few, if any, securities analysts, and there tends to be less publicly available information about them. Their securities generally have even more limited trading volumes and are subject to even more abrupt or erratic market price movements than small and mid-capitalization companies. Such companies may also have limited markets, financial resources, or product lines, may lack management depth and may be more vulnerable to adverse business or market developments.

Money Market/Short-Term Securities Risk – To the extent the Fund holds cash or invests in money market or short-term securities, the Fund may be less likely to achieve its investment objective. In addition, it is possible that the Fund’s investments in these instruments could lose money.

Mortgage-Backed and Asset-Backed Securities Risk

– Mortgage-backed and asset-backed securities often involve risks that are different from or more acute than risks associated with other types of debt instruments. Generally, rising interest rates tend to extend the duration of fixed rate mortgage-backed securities, making them more sensitive to changes in interest rates. As a result, the Fund may exhibit additional volatility in a period of rising interest rates if it holds mortgage-backed securities (known as “extension risk”). Mortgage-backed securities may also be subject to prepayment risk; when interest rates decline, borrowers may pay off their mortgages sooner than expected. This can reduce the Fund’s returns because the Fund may have to reinvest that money at the lower prevailing interest rates. Non-agency mortgage-backed securities generally have greater credit risk than government issued mortgage-backed securities.

Natural Disaster/Epidemic Risk – Natural or environmental disasters, such as earthquakes, fires, floods, hurricanes, tsunamis, and other severe weather-related phenomena generally, and widespread disease and illness, including pandemics and epidemics (such as the novel coronavirus), have been and can be highly disruptive to economies and markets.

Non-Diversification Risk – A Fund that is a non-diversified investment company means that more of the Fund’s assets may be invested in the securities of a single issuer than a diversified investment company. This may make the value of the Fund’s shares more susceptible to certain risk than shares of a diversified investment company. As a non-diversified fund, the Fund has a greater potential to realize losses upon the occurrence of adverse events affecting a particular issuer.

Options Risk – The Fund may use options to enhance return and or mitigate risk. However, options can fall rapidly in response to developments in specific companies or industries and the Fund’s investments may be negatively impacted by unexpected market conditions.

Private Placement Risk – Privately issued securities, including those which may be sold only in accordance with Rule 144A under the Securities Act of 1933, are restricted securities that are not registered with the U.S. Securities and Exchange Commission (“SEC”). Accordingly, the liquidity of the market for specific privately issued securities may vary. Delay or difficulty in selling such securities may result in a loss to the Fund. Privately issued securities that the Sub-Adviser

determines to be “illiquid” are subject to the Fund’s policy of not investing more than 15% of its net assets in illiquid securities.

Portfolio Turnover Risk – The frequency of a Fund’s transactions will vary from year to year. Increased portfolio turnover may result in higher brokerage commissions, dealer mark-ups and other transaction costs and may result in taxable capital gains. Higher costs associated with increased portfolio turnover may offset gains in a Fund’s performance.

Real Estate Industry Concentration Risk – By concentrating in a single sector, the Fund carries much greater risk of adverse developments in that sector than a fund that invests in a wide variety of industries. Real estate values rise and fall in response to a variety of factors, including local, regional and national economic conditions, interest rates and tax considerations.

Real Estate Investment Trust Risk – A REIT’s performance depends on the types and locations of the rental properties it owns and on how well it manages those properties. A decline in rental income may occur because of extended vacancies, increased competition from other properties, tenants’ failure to pay rent or poor management.

Risk of Investing in Asia – The value of the Fund’s assets may be adversely affected by political, economic, social and religious instability; inadequate investor protection; changes in laws or regulations of countries within the Asian region (including countries in which the Fund invests, as well as the broader region); international relations with other nations; natural disasters; corruption and military activity. The Asian region, and particularly China, Japan and South Korea, may be adversely affected by political, military, economic and other factors related to North Korea. In addition, China’s long-running conflict over Taiwan, border disputes with many of its neighbors and historically strained relations with Japan could adversely impact economies in the region. The economies of many Asian countries differ from the economies of more developed countries in many respects, such as rate of growth, inflation, capital reinvestment, resource self-sufficiency, financial system stability, the national balance of payments position and sensitivity to changes in global trade.

Risk of Investing in Japan – The Fund may invest a significant portion of its assets in securities issued by Japanese issuers. The Japanese economy may be subject to considerable degrees of economic, political, and social instability, which could have a negative

impact on Japanese securities. Since the year 2000, Japan’s economic growth rate has remained relatively low, and it may remain low in the future. In addition, Japan is subject to the risk of natural disasters, such as earthquakes, volcanic eruptions, typhoons, and tsunamis, which could negatively affect the Fund.

Senior Bank Loans Risk – Senior loans are subject to the risk that a court could subordinate a senior loan, which typically holds the most senior position in the issuer’s capital structure, to presently existing or future indebtedness or take other action detrimental to the holders of senior loans. Senior loans settle on a delayed basis, potentially leading to the sale proceeds of such loans not being available to meet redemptions for a substantial period of time after the sale of the senior loans. The market prices of floating rate loans are generally less sensitive to interest rate changes than are the market prices for securities with fixed interest rates. Certain senior loans may not be considered “securities,” and purchasers, such as the Fund, therefore, may not be entitled to rely on the protections of federal securities laws, including anti-fraud provisions

Securities Lending Risk – The risk of securities lending is that the financial institution that borrows securities from the Fund could go bankrupt or otherwise default on its commitment under the securities lending agreement and the Fund might not be able to recover the loaned securities or their value.

Short Selling Risk – If the price of the security sold short increases between the time of the short sale and the time the Fund covers its short position, the Fund will incur a loss which may be unlimited. Also, the Fund is required to deposit collateral in connection with such short sales and may have to pay a fee to borrow particular securities.

Small and Medium Capitalization Risk – The Fund’s investments in smaller and medium-sized companies carry more risks than investments in larger companies. Companies with small and medium-sized market capitalization often have narrower markets, fewer products or services to offer and more limited managerial and financial resources than larger, more established companies do. Investing in lesser-known, small and medium-sized capitalization companies involve a greater risk of volatility of the Fund’s net asset value than is customarily associated with larger, more established companies. Often smaller and medium capitalization companies and the industries in which they are focused are still evolving and, while this may offer better growth potential than larger, more

established companies, it also may make them more sensitive to changing market conditions.

Small Capitalization Risk – The Fund's investments in small cap companies carry more risks than investments in larger companies. Small cap companies often have narrower markets, fewer products, or services to offer and more limited managerial and financial resources than larger, more established companies do.

Software Industry Risk – Technological developments, fixed-rate pricing and the ability to attract and retain skilled employees can significantly affect the software industry. The success of companies in the industry is also subject to the continued demand for internet services.

Stock Market Risk – Stock markets can be volatile. In other words, the prices of stocks can fall rapidly in response to developments affecting a specific company or industry, or to changing economic, political or market conditions. The Fund's investment may decline in value if the stock markets perform poorly.

Structured Note Risk – Structured notes involve tracking risk, issuer default risk and may involve leverage risk.

Tactical Asset Allocation Risk – Tactical asset allocation is an investment strategy that actively adjusts a portfolio's asset allocation. The Fund's tactical asset management discipline may not work as intended. The Fund may not achieve its objective and may not perform as well as other funds using other asset management styles, including those based on fundamental analysis (a method of evaluating a security that entails attempting to measure its intrinsic value by examining related economic, financial and other factors) or strategic asset allocation (a strategy that involves periodically rebalancing the portfolio in order to maintain a long-term goal for asset allocation). The Sub-Adviser's evaluations and assumptions in selecting investments may be incorrect in view of actual market conditions and may result in owning securities that underperform other securities.

Upside Participation Risk/Downside Loss Risk – There can be no guarantee that the Fund will be successful in its strategy to provide shareholders with a total return that matches the increase of the underlying index over a given period. In the event an investor purchases shares of the Fund after securities transactions were entered into or does not stay invested in the Fund for the long term or a full-market cycle, the returns realized by the investor may not match those that the Fund seeks to

achieve.

In addition, there can be no guarantee that the Fund will be successful in its strategy to provide protection against underlying index losses. The Fund's strategy seeks to deliver returns that participate in the returns of the underlying index while limiting downside losses if shares are held over long periods of time. The Fund does not provide principal protection or non-principal protection, and an investor may experience significant losses on its investment, including the loss of its entire investment.

U.S. Government Securities Risk – The risk that U.S. Government securities in the Fund's portfolio will be subject to price fluctuations, or that an agency or instrumentality will default on an obligation not backed by the full faith and credit of the United States.

DunhamDC Disclosure

DunhamDC is a proprietary algorithm of Dunham & Associates Investment Counsel, Inc. ("Dunham") that seeks to mitigate sequence risk, which poses a threat to an investor's returns due to the timing of withdrawals. The algorithm employs what Dunham considers to be a pragmatic strategy, generally making incremental increases to the equity allocation when global stock market prices decrease and decreasing it when global stock prices increase. This approach is objective, unemotional, and systematic. Rebalancing is initiated based on the investment criteria set forth in the investors application and is further influenced by the DunhamDC algorithm.

Due to the large deviation in equity to fixed income ratio at any given time, investor participating in DunhamDC understands that a large deviation in equity to fixed income ratio can have significant implications for the risk and return profile of the account. Accordingly, during periods of strong market growth the account may underperform accounts that do not have the DunhamDC feature. Conversely, during periods of strong market declines, the account may also be underperforming, as the account continues to decline, due to the higher exposure in equities. Similarly, if the fixed income investments underperform the equity investments, it is possible that the accounts using the DunhamDC feature may underperform accounts that do not have the DunhamDC feature, even though they may have adjusted the exposure to equity investment before a decline. Therefore, the investor must be willing to accept the highest risk tolerance and investment

objective the account can range for the selected strategy. Please see the Account Application for the various ranges.

DunhamDC uses an unemotional, objective, systematic approach. The algorithm does not use complex formulas and is designed to create a consistent process with limited assumptions based on historical data.

DunhamDC may make frequent purchases and redemptions at times which may result in a taxable event in the account and may cause undesired tax-related consequences.

Trade signals for DunhamDC are received at the end of each trading day with the implementation of the trades not occurring until the next business day, which means that there is a one-day lag that may result in adverse prices.

DunhamDC operates within predefined parameters and rules, some or all of which may not be available to review. While this approach can reduce emotional biases and enhance consistency, it may limit adaptability to changing market conditions, economic considerations, or unforeseen events. Extreme conditions may require deviations from the program's prescribed approach, and such adaptability may be challenging to incorporate. The DunhamDC algorithm is programmed based on specific criteria and rules, it may not capture certain qualitative or contextual factors that can impact investment decisions or movement in the markets. Beyond the initial assumptions used to develop the algorithm, it lacks other inputs or considerations that human judgement and discretion may be necessary to evaluate. DunhamDC may utilize historical data, statistical analysis, and predefined rules. It does not make any predictions and may add to certain investments before they perform poorly or may divest from other investments before they perform well. Dunham makes no predictions, representations, or warranties as to the future performance of any account.

Accounts invested in DunhamDC are subject to a quarterly rebalance to its target allocation at the time based on DunhamDC in addition to the signals provided by DunhamDC at any given time.

If the variance between any Dunham Mutual Fund's target percentage of the total account value compared to the current percentage of the account value is greater than 1.00% at the time of the trigger point, the account in DunhamDC will be updated to the new target allocation.

Accounts invested in DunhamDC may contain non-

Dunham Mutual Funds, which may materially impact if the account is being rebalanced at the trigger point.

Dunham makes no representation that the program will meet its intended objective. Market conditions and factors that influence investment outcomes are subject to change, and no program can fully account for all variables and events. The program requires making investment decisions based on factors and conditions that are beyond the Account Owner's and Dunham's control.

DunhamDC is NOT A GUARANTEE against market loss or declines in the value of the account or a timing strategy. Investor may lose money.

Asset allocation models are subject to general market risk and risks related to economic conditions.

DunhamDC has a limited track record, with an inception date of November 30, 2022.

DunhamDC US has a limited track record, with an inception date of July 31, 2024.

¹ Market Growth represents the MSCI All Country World Index (ACWI)

² Market Growth represents the MSCI USA Equal Weighted Index

Index Definitions:

The Bloomberg Global Treasury Index tracks fixed-rate, local currency government debt of investment grade countries, including both developed and emerging markets. The index represents the treasury sector of the Global Aggregate Index. The index was created in 1999, with history available from January 1, 1987.

The Bloomberg US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, fixed rate agency MBS, ABS and CMBS (agency and non-agency).

CBOE Volatility Index (VIX Index)- The VIX Index is a calculation designed to produce a measure of constant, 30-day expected volatility of the U.S. stock market, derived from real-time, mid-quote prices of S&P 500® Index (SPXSM) call and put options. On a global basis, it is one of the most recognized measures of volatility -- widely reported by financial media and closely followed by a variety of market participants as a daily market indicator.

Hang Seng Index- The Hang Seng Index ("HSI") is one of

the earliest stock market indexes in Hong Kong. Publicly launched on 24 November 1969, the HSI has become the most widely quoted indicator of the performance of the Hong Kong stock market.

The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

Nikkei 225 Index- The Nikkei-225 Stock Average is a price-weighted average of 225 top-rated Japanese companies listed in the First Section of the Tokyo Stock Exchange. The Nikkei Stock Average was first published on May 16, 1949, where the average price was ¥176.21 with a divisor of 225.

S&P 500 Index- The S&P 500, or the Standard & Poor's 500, is a stock market index based on the market capitalizations of 500 large companies having common stock listed on the NYSE or NASDAQ. The S&P 500 Index components and their weightings are determined by S&P Dow Jones Indices. It differs from other U.S. stock market indices, such as the Dow Jones Industrial Average or the Nasdaq Composite index, because of its diverse constituency and weighting methodology. It is one of the most commonly followed equity indices, and many consider it one of the best representations of the U.S. stock market, and a bellwether for the U.S. economy.

Investors cannot invest directly in an Index.

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An Investment in the Dunham Funds is not insured or guaranteed by the federal deposit insurance corporation or any other governmental agency.