



DADGX

Very Unattractive Rating

Dunham Funds: Dunham Small Cap Growth Fund

- [Predictive Ratings](#) are based on the aggregation of our models for the fund's holdings, all of the fund's expenses, & the fund's overall rank.
- Stock-picking ([Portfolio Management](#)) and fund expenses ([Total Annual Costs](#)) drive fund performance.
- Get the [HBS & MIT Sloan paper](#) that shows our research measures and predicts earnings more accurately.

Investment Recommendation

- We strongly recommend investors avoid DADGX.
- Despite mediocre past performance, we expect the fund to significantly underperform the market on a total return basis.
- DADGX's Portfolio Management rating does not justify its high Total Annual Costs.

Fund Rankings

- 0th percentile of the 7000+ equity funds we cover.
- 554 out of 554 Small Cap Growth funds.
- All 21 ETFs in the same category rank better.
- See rankings for all US equity funds on our [fund screener](#).

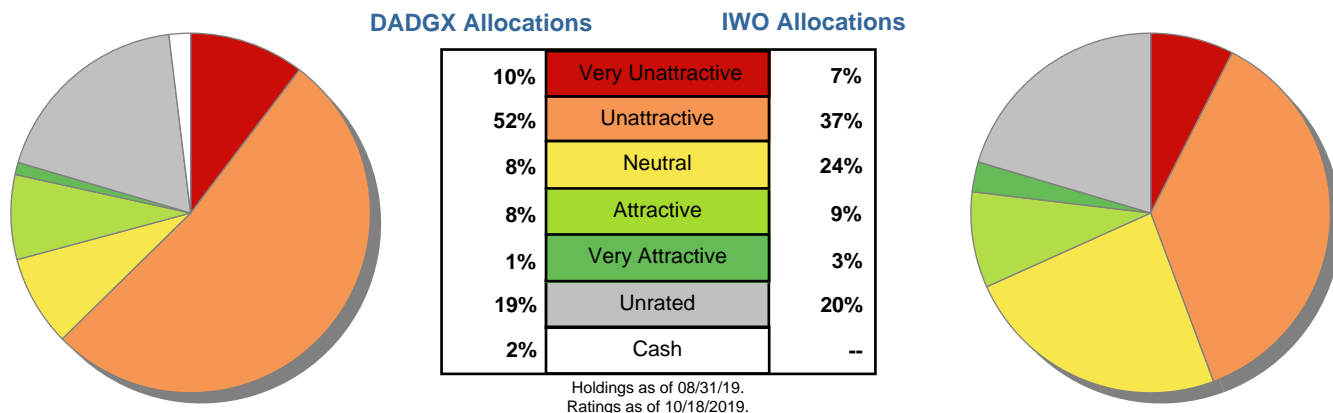
Portfolio Management Rating Details

- DADGX receives our Unattractive Portfolio Management rating because its aggregate holdings are expected to underperform the aggregate holdings of IWO.
- IWO, DADGX's benchmark, receives our Unattractive rating.
- Our fund analytics are based on aggregating our models and ratings for each fund's holdings.
- Our [top-ranked](#) stock ratings leverage key data from the financial footnotes for unrivaled research quality.

Portfolio Management Rating Breakdown

Quality of Earnings Components: Ratings & Values		
Neutral	Economic vs Reported EPS	Neutral EE
Very Unattractive	Return on Invested Capital (ROIC)	-2%
Valuation Components: Ratings & Values		
Unattractive	Free Cash Flow Yield	-3%
Very Unattractive	Price to Economic Book Value Ratio	6.4
Very Unattractive	Growth Appreciation Period	76 year(s)
Fund Asset Allocation: Rating & Value		
Attractive	Cash Allocation	2% cash

Stock and Cash Rating Allocations vs Benchmark - iShares Trust: iShares Russell 2000 Growth ETF (IWO)



Active Management Commentary

- DADGX allocates 63% of its value to Unattractive-or-worse-rated stocks while IWO allocates 44%.
- DADGX allocates 9% of its value to Attractive-or-better-rated stocks while IWO allocates 11%.
- Investors should expect funds with higher Total Annual Costs to allocate more value to Attractive and Very Attractive Stocks and less to Unattractive and Very Unattractive stocks than alternative funds with lower costs.
- Active portfolio management of DADGX does not add value versus its ETF benchmark IWO.

Return - Annual		Top 5 Holdings		Key Mutual Fund Statistics			
Year to Date	17.5%	Fidelity Instl Government Portfolio	-	Net Assets(mm)	\$48.40	Category	Small Cap Growth
1 Year	-4.1%	Houlihan Lokey Inc	HLI	NAV	\$15.08	Mgmt Co	Dunham & Associates
3 Year	14.6%	Five9 Inc	FIVN	Benchmark	IWO	Manager	Alex Yakirevich
5 Year	11.3%	Cubic Corp	CUB	# of Holdings	106	Tenure	2011
Inception	8.6%	Mercury Systems Inc	MRCY	Initial Min	\$5,000	Inception	01/03/2007

Data from Lipper, a Thomson Reuters Company, and New Constructs, LLC.

Details on Total Annual Costs Rating are on page 2.



Total Annual Costs Rating and Ranking

Rating	Total Annual Costs	Fund Universe % Rank	Category Rank
Very Unattractive	5.71%	0%	554 of 554

This rating reflects all expenses, loads, fees, and transaction costs in a single value that is comparable across all funds.

Total Annual Costs Breakdown

All Cost Types	Annualized Values	
	DADGX	Benchmark: IWO
Front-End Load	2.19%	--
Expense Ratio	2.52%	0.26%
Back-End Load	0.00%	--
Redemption Fee	0.00%	--
Transaction Costs	0.99%	--
Total Annual Costs	5.71%	0.26%

- To justify its higher Total Annual Costs, DADGX must outperform its ETF benchmark before all costs by 5.43% annually over 3 years or 3.84% annually over 10 years.
- This analysis assumes a 3-year holding period, the average for all funds.
- Transaction costs are estimated using the fund's annual portfolio turnover ratio of 190%.

Data from Lipper, a Thomson Reuters Company, and New Constructs, LLC.

Overview of Our Predictive Mutual Fund Rating System

New Constructs' [Predictive Fund Ratings](#) enable smarter investing by assessing the key drivers of future fund performance. We start by analyzing every fund holding based on New Constructs' stock ratings, which are regularly featured as among the [best by Barron's](#). Next, we measure and rank the all-in costs of investing in a fund. Finally, we rank the fund compared to all other funds to identify the best and worst funds in the market.

- Intuitively, there are two drivers of future fund performance.
- 1) New stock-picking ([Portfolio Management Rating](#)) and
 - 2) Fund expenses ([Total Annual Costs Rating](#)) drive investment performance

The figure below details the criteria that drive our Predictive Rating system for funds. The drivers of our predictive rating system are Portfolio Management and Total Annual Costs. The [Portfolio Management Rating](#) is the same as our [Stock Rating](#) except that we incorporate [Asset Allocation](#) in the Portfolio Management Rating. The [Total Annual Costs Rating](#) captures the all-in cost of being in a fund over a 3-year holding period, the average period for all mutual fund investors.

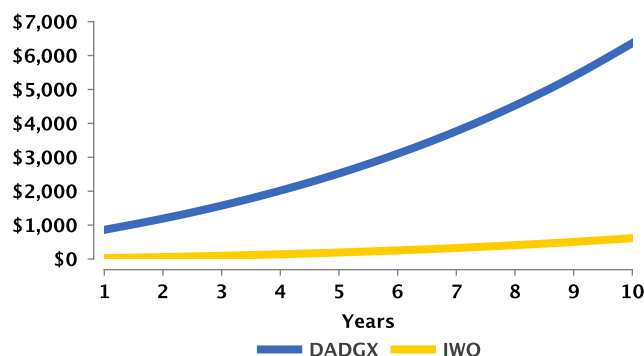
Predictive Rating	Portfolio Management Rating						Total Annual Costs Rating
	Quality of Earnings		Valuation			Asset Allocation	
	Economic vs Reported EPS	Return on Invested Capital (ROIC)	FCF Yield	Price-to-EBV Ratio	Growth Appreciation Period (yrs)	Cash %	
Very Unattractive	Misleading Trend	Bottom Quintile	< -5%	> 3.5 or -1 < 0	> 50	> 20%	> 4%
Unattractive	False Positive	4th Quintile	-5% < -1%	2.4 < 3.5 or < -1	20 < 50	8% < 20%	2% < 4%
Neutral	Neutral EE	3rd Quintile	-1% < 3%	1.6 < 2.4	10 < 20	2.5% < 8%	1% < 2%
Attractive	Positive EE	2nd Quintile	3% < 10%	1.1 < 1.6	3 < 10	1% < 2.5%	0.5% < 1%
Very Attractive	Rising EE	Top Quintile	> 10%	0 < 1.1	0 < 3	< 1%	< 0.5%

Reported Costs vs Benchmark: as of 02/28/2019

	DADGX	Benchmark: IWO
Front-End Load	5.75%	--
Expense Ratio	2.20%	0.24%
Back-End Load	0.00%	--
Redemption Fee	0.00%	--

Accumulated Total Costs vs Benchmark

Accumulated Total Costs represent the dollar value of costs investors incur during a 10-yr holding period. Assumes a \$10,000 investment and a 10% annual return for the fund and its benchmark.



- 3-year Accumulated Total Costs are \$1,575.19 for DADGX and \$95.60 for IWO. 10-year Accumulated Total Costs are \$6,367.16 for DADGX and \$615.82 for IWO.



Footnotes adjustments matter. We are the ONLY source.

We provide ratings, models, reports & screeners on U.S. 3,000 stocks, 700 ETFs and 7000 mutual funds.

[HBS & MIT Sloan research](#) reveals that:

- Markets are inefficiently assessing earnings because no one reads the footnotes.
- Our technology brings the material footnotes data to market for the first time ever.

Combining human expertise with NLP/ML/AI technologies ([featured by Harvard Business School](#)), we shine a light in the dark corners (e.g. footnotes) of hundreds of thousands of financial filings to unearth critical details.

The HBS & MIT Sloan paper, [Core Earnings: New Data and Evidence](#), shows how our superior data drives uniquely comprehensive and independent debt and equity research.

This [paper](#) compares our analytics on a mega cap company to other major providers. The Appendix details exactly how we stack up.

Quotes from HBS & MIT Sloan professors on our research:

Get better research:

"...the NC dataset provides a novel opportunity to study the properties of non-operating items disclosed in 10-Ks, and to examine the extent to which the market impounds their implications." - page 19

Pick better stocks:

"Trading strategies that exploit cross-sectional differences in firms' transitory earnings produce abnormal returns of 7-to-10% per year." - abstract

Avoid losses from using other firms' data:

"...many of the income-statement-relevant quantitative disclosures collected by NC do not appear to be easily identifiable in Compustat..." - page 13

Build better models:

"Core Earnings [calculated using New Constructs' novel dataset] provides predictive power for various measures of one-year-ahead performance...that is incremental to their current-period counterparts." - pages 3-4

Exploit market inefficiencies:

"These results suggest that the adjustments made by analysts to better capture core earnings are incomplete, and that the non-core items identified by NC produce a measure of core earnings that is incremental to alternative measures of operating performance in predicting an array of future income measures." - page 26

Fulfill fiduciary duties:

"An appropriate measure of accounting performance for purposes of forecasting future performance requires detailed analysis of all quantitative performance disclosures detailed in the annual report, including those reported only in the footnotes and in the MD&A." - page 31



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