

Form ADV Part II

Dunham & Associates Investment Counsel, Inc.

SEC File No. 801-25803

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01/12/2012

This brochure provides information about the qualifications and business practices of Dunham & Associates Investment Counsel, Inc. If you have any questions about the contents of this brochure, please contact us at compliance@dunham.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Dunham & Associates Investment Counsel, Inc. is also available on the SEC's website at www.adviserinfo.sec.gov.

Material Changes

Annual Update

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure. The last annual update was March 30, 2011.

Material Changes since the Last Annual Update

The U.S. Securities and Exchange Commission issued a final rule in July 2010 requiring advisers to provide a Firm Brochure in narrative “plain English” format. The new final rule specifies mandatory sections and organization.

1. Reference to Dispute Resolution Arbitration Number 09-05641 was reported on the previous version of the firm brochure contrary to the requirements of SEC rule 3060 and accordingly it has been removed.
- 2.. Section entitled “Other Financial Industry Activities and Affiliations” has been amended to include information concerning promissory notes entered into by independent affiliate.
- 3.. Definition of “Qualified Investor has been changed to reflect the new definition as per the Securities and Exchange Commission.
4. Two products have been added to the firm’s offerings including the Dunham Commercial Mortgage Fund L.P. and the Dunham Focused Large Cap Growth Fund.

Full Brochure Available

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at (858) 964-0500 or by email to compliance@dunham.com.

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Advisory Business

Founded in 1985, Dunham & Associates Investment Counsel, Inc. (“DAIC” or “Firm”) is a private wealth management firm, Registered Investment Adviser and Broker/Dealer. DAIC is wholly-owned by Dunham & Associates Holdings, Inc. (“DAHI”). The principal owner of DAHI is Jeffrey A. Dunham, Chief Executive Officer of DAIC. The Firm primarily features a proprietary family of sub-advised mutual funds, Dunham Funds, which operate on performance-based advisory fees, also commonly known as fulcrum fees. The Dunham Funds are available individually or as part of a turn-key asset allocation program offered by DAIC.

DAIC’s advisory services are generally provided to the following client types, pursuant to the terms expressed in written agreements defining, among other things, the scope of such service:

- Registered investment companies, primarily Dunham Funds
- Investors utilizing the Dunham & Associates Asset Allocation Program (“AAP”)
- Investors utilizing the Investment Management Program or “SMA”
- Dunham Trust Company (“DTC”) and/or clients of DTC
- Affiliated investment limited partnerships, the D&A Mortgage Funds and the Dunham Commercial Mortgage Fund L.P. (Note: effective April 2009, the D&A Mortgage Funds are in the process of an orderly liquidation and are not currently offered to new investors).

DAIC serves as Investment Adviser (“Adviser”) to the Dunham Funds. DAIC is primarily a manager of managers, and as such, recommends and monitors third-party investment advisers (“Sub-Advisers”) for each of the Dunham Funds. Each Sub-Adviser (subject to the approval of the Board of Trustees) is given investment discretion based on a stated objective for each respective Dunham Fund as discussed in the Prospectus. DAIC does not have direct trading discretion over these funds for which it advises.

Within the AAP, DAIC provides different services to three types of clients: 1) clients of unaffiliated, independent investment advisory firms whose Financial Advisor has elected to use the AAP as an investment product/vehicle, 2) direct or “private” clients of DAIC’s registered Investment Advisory Representatives (“IARs”) and 3) clients of DTC for whom DTC is serving as Trustee. It should be noted that DAIC does not provide direct investment advice to the clients of Financial Advisors of unaffiliated investment advisory firms. In the case of the first type of client, DAIC relies on the independent Financial Advisor to know and understand the client’s individual needs, and to develop asset allocation and other investment strategies based on those needs. Once such strategies are presented to DAIC, DAIC’s investment advice is limited to the implementation of such strategies and the reporting of results to the client and the Financial Advisor.

When DAIC provides direct investment advice to clients, it does so based on each client's individual needs. DAIC is generally guided by each client's investment profile/objectives. A client may request DAIC's assistance in the preparation of his/her investment profile.

DAIC provides investment advisory services for clients for which DTC serves as Trustee. DTC may also receive advisory services directly from DAIC as do clients. DTC, an affiliate, offers traditional trust services including but not limited to asset protection, administration, probate services, succession planning and charitable giving, and serves as custodian for qualified investment accounts such as IRA's.

The following is a detailed description of the Advisory Services provided:

Services with respect to Registered Investment Companies

DAIC serves as Adviser and distributor for the Dunham Funds. As Adviser for the Dunham Funds, it is responsible for constructing and monitoring the investment objectives and principal investment strategies for each Dunham Fund. DAIC believes that it is possible to enhance shareholder value by using Sub-Advisers to manage the assets of the Funds. As such, DAIC and the Dunham Funds have entered into sub-advisory agreements with third-party investment advisers to be responsible for the actual security selection to achieve the Dunham Funds' investment objectives. DAIC performs extensive due diligence in order to select, monitor and replace, as necessary, the Sub-Advisers (subject to approval by the shareholders and/or Board of Trustees of the Dunham Funds).

DAIC, through its IARs, serves as a Sub-Adviser for a portion of the Ascentia Alternative Strategies Mutual Fund, as allocated by Ascentia Capital.

Services with Respect to the Dunham & Associates Asset Allocation Program

NOTE: AAP is the "Wrap" program offered by DAIC. The following is a description of DAIC's program. The firm has \$939,611,517 in assets under management as of 12/31/2011. Of this figure, \$913,636,008 was in discretionary accounts \$20,975,509 was in non-discretionary accounts.

DAIC's AAP is an asset allocation and advisory wrap program using a series of proprietary mutual funds (i.e., Dunham Funds, Class "N" shares) and other funds chosen at the sole discretion of DAIC, the Program Sponsor (collectively, "Eligible Funds"). Any combination of the Eligible Funds, representing different asset classes, may be utilized to diversify client portfolios based on long-term investment objectives. In addition, Core Fixed Income Allocations and Core Equity Allocations may be used to create a blend of fixed income and equity funds. A portion of the Core Fixed Income Allocation may include equities. As Program Sponsor, DAIC monitors and adjusts the Core Allocations, generally quarterly, or as deemed necessary, to reflect market conditions, performance and other factors.

As Program Sponsor, DAIC provides quarterly (or more frequent) statements and access to daily online account viewing. DAIC also offers tailored investment advisory proposals and provides periodic performance reports to the Financial Advisors for their clients as requested. In addition, DAIC hosts periodic Investor and Advisor Symposia where Financial Advisors and their clients are invited to "Meet the Advisers" (the Dunham Funds' Sub-Advisers) to discuss stock, economic or other issues.

Financial Advisors may choose between a Performance-Based Advisory Fee for "Qualified Clients" (as defined in the 1940 Act) or a flat, AUM-Based Advisory Fee. Accounts participating in AAP may hold only the Eligible Funds. None of the Eligible Funds are "load" funds. The Class N shares of the Dunham Funds do not include upfront or deferred sales charges or other fees to cover promotion, distribution and marketing expenses pursuant to SEC Rule 12b-1. Other costs (e.g. internal fund fees and expenses) generally associated with mutual funds apply. Assets are held in a custodial account maintained by DTC, an affiliate of DAIC. There is no additional custodian fee for holding AAP Eligible Funds.

Initial minimum investment is generally \$50,000 for Qualified (Retirement) Accounts and \$100,000 for Non-Qualified accounts. These minimums may be waived at the discretion of the Program Sponsor.

Services with Respect to SMA Accounts

DAIC also serves as Investment Adviser for customized asset management through SMA Accounts, primarily through DTC. These SMA Accounts may utilize the principles of asset allocation considering the client's investment objectives and risk profile. Additionally, DAIC IARs may occasionally recommend various packaged investment solutions or products (mutual funds, etc.) and/or investment managers for client's consideration.

In opening an SMA Account, the IAR will obtain the necessary information from the client to determine suitability for asset management and assist the client in setting the appropriate investment objective.

DAIC does not custody these assets; rather assets are custodied at a non-affiliated broker-dealer or financial institution. Assets also may be custodied by its affiliate, DTC. The details of the account relationship are set forth in the client agreement.

Clients will receive, at least quarterly, statements from the client selected, non-affiliated broker-dealer or financial institution custodian or DTC, as applicable. Clients may receive, upon request, an on-line monthly Investor Scorecard Report which shows performance and may also view their accounts online via DAIC's website.

Initial minimum investment is generally \$500,000 for Qualified Retirement Accounts and \$1,000,000 for Non-Qualified accounts. These minimums may be waived at the discretion of DAIC or DTC.

Services with Respect to Plan Sponsors

DAIC offers quarterly asset allocation models using the Dunham Funds to unrelated sponsors of employee benefits plans (“Plans”) that may be distributed by the Plan sponsor to Plan participants. The Plan sponsor may choose to distribute the models in hard copy and/or via the Plan’s Third Party Administrator’s (“TPA”) website. The allocations are generic in nature and do not represent recommendations or individual investment advice to any Plan participant.

DAIC may also provide to the Plan sponsor, if requested, a risk tolerance questionnaire (“RTQ”) for use by Plan participants. The RTQ consists of several questions that query the Plan participant with respect to such topics as individual investment needs and objectives, time horizon until retirement, financial status and risk tolerance profile. The RTQ may be provided in written form and/or via the TPA’s website. DAIC does not represent and does not conduct personal interviews with, nor review information from, Plan participants and the providing of the RTQ does not constitute recommendations or individual investment advice.

Services to Affiliated Trust Company

DAIC has entered into an agreement with its affiliate, DTC, to provide investment advisory services for clients for which DTC serves as Trustee. DTC may receive advisory services directly from DAIC as do clients. Advisory services provided to DTC also include a number of strategic asset allocation models, which parallel modern portfolio theory for risk and return characteristics (such as fixed income as compared to equity allocations). Clients using the SMA program receive investment advisory services from IARs of DAIC who are employees of DTC. The SMA Advisory Agreement is with DAIC. DAIC, in turn, has a Professional Services Agreement with DTC to compensate DTC for their employees’ assistance with providing advisory services to clients.

Additional Services to the Dunham Funds, Participants in the AAP, DTC, SMA, and the Mortgage Funds

Clients of these services are the Dunham Funds, participants within the AAP, clients of DTC, participants in SMA, and the Mortgage Funds. Clients of DAIC may receive, indirectly, the services from DAIC through the following:

1. Reports

DAIC provides tailored investment advisory proposals and periodic performance reports in addition to monthly or quarterly custodian statements provided by DTC and online account viewing for clients. DAIC periodically provides Mortgage Fund updates to existing clients in the Mortgage Funds. This information is available to the investors/participants, and webinars may be utilized.

2. Investor Symposiums

DAIC sponsors periodic symposiums for investors and Financial Advisors that feature certain of the various Sub-Advisers of the Dunham Funds. This provides a forum for clients and Financial Advisors to ask questions and entertain discussions on investment topics such as: the outlook of the U.S. and global economies; market volatility and interest rates, among others. The investment information provided under this service does not purport to meet the objectives or needs of each client participant.

3. General Information

DAIC, in its capacity as a broker/dealer, acts as the distributor for the Dunham Funds. DAIC may also refer clients to DTC for various trust services. Previously, DAIC acted as the distributor for the Mortgage Funds, which effective April 2009, are no longer being offered to new investors. In January of 2012, DAIC introduced the "Dunham Commercial Mortgage Fund L.P.

Fees and Compensation

Dunham Funds

As Adviser for the Dunham Funds, DAIC receives an advisory fee that varies among the funds included within the fund family (currently 13). These fees are disclosed under "Fees and Expenses of the Funds" in the Dunham Funds' Prospectus. DAIC as distributor for the Dunham Funds, receives compensation as disclosed under "Distribution of Fund Shares--Plan of Distribution" within the Dunham Funds' Prospectus.

Asset Allocation Program (AAP)

In connection with the AAP, for Financial Advisors' clients who qualify (see below) and elect to pay a Performance-Based Fee, DAIC and the Financial Advisor each receive one-half of any performance fees attributable to the client's account. The client is charged 10% of the total net increase in the market value of the account using "high-water" marks. The fee is calculated monthly and charged quarterly. As fees are calculated monthly and charged quarterly, in arrears, an account may incur a fee for a given month during the quarter even though the account value at quarter-end may be below the account value at the beginning of the quarter. DAIC provides detailed fee calculations on a quarterly basis. Clients should carefully review the fee calculation methodology described in the AAP documents with their Financial Advisor. This option is available only to account owners who meet the qualifications in Rule 205-3 of the 1940 Act for "qualified client" by being a natural person having a net worth, together with assets held jointly with a spouse, of more than \$ 2 million (excluding the value of the primary residence. The amount of debt on the primary residence may be excluded in the calculation provided the amount of debt is no greater than the property's current market value. If the debt exceeds the current market value, the excess is considered a liability when calculating the client's net worth) at the time the account is opened or for whom, after opening this account, total assets under management with DAIC will at least be \$1,000,000.

For Financial Advisors' clients who elect to pay an asset-based fee, DAIC receives a program fee equal to 0.25% on an annualized basis of the average daily net assets held in the client's account during the prior quarter. The Financial Advisor for the client may also charge an additional fee of up to 2.0% on an annualized basis and retains 100% of that amount. The total asset-based fee shall be accrued daily and charged quarterly in arrears. Fees shall be pro-rated and charged upon termination. AAP only includes Dunham Funds Class N shares and certain non-proprietary funds which may be made available by DAIC.

Fees may be deducted from client accounts directly or may be billed separately at the client's request.

Employees, directors or members of their immediate families, may be able to utilize the AAP at reduced fee rates, which may not be available to other investors. This policy applies to all employees or directors or the members of their immediate families, of any of the affiliated DAHI entities.

Investment Management Program (SMA)

DAIC receives an advisory fee that varies depending on the arrangement with the individual client. Fees are based on relationship pricing. The amount of the fee is outlined in the client agreement executed by the client at the time the relationship is established.

Under certain circumstances, DAIC may recommend the use of one or more of the Dunham Funds in the client's portfolio and thereby may increase or decrease the compensation DAIC receives. DAIC reserves the right to reject any account and to terminate the relationship with any client upon written notice. Terminated client accounts may be asked to pay a \$250 termination fee and will pay a prorated management fee based upon the number of days that the assets are held in the account for the month.

Client fees are generally calculated monthly and billed/collected quarterly in arrears based on the average daily net asset value of the account. Values will be determined in good faith by DTC, using an outside pricing service, in accordance with customary methods, on the last business day of each month. For assets with no readily available market values, a separate agreement between DAIC and the client may be negotiated.

Accounts opened and closed within a one year period may be charged up to a total fee of 2% of the market value of the portfolio assets to cover costs of opening and closing the account in addition to administrative services provided during the term of the relationship.

DTC receives custody and portfolio accounting services fees for clients electing such services. DAIC receives the fees charged for investment management and/or investment consulting. Total fees, as a percent of client's assets, are the sum of the DTC and DAIC fees as applicable. DAIC, in turn, compensates DTC for its assistance in managing investments under a Professional Services Agreement.

Mortgage Funds

Effective January, 2012 DAIC has introduced a new Mortgage Fund "The Dunham Commercial Mortgage Fund L.P. Effective April 1, 2009, DAIC no longer earns advisory fees or placement fees with respect to the previously offered D&A Mortgage Funds. However, each D&A Mortgage Fund, as well as the Dunham Commercial Mortgage Fund L.P., incurs administrative and loan servicing fees to the General Partner, an affiliate, in addition to possible loan brokerage commissions, legal and accounting fees, printing and mailing expenses and other operating expenses. All such operating expenses are paid by the respective D&A Mortgage Fund or the Dunham Commercial Mortgage Fund L.P. Investors should understand that in the case of administrative and loan servicing fees, the General

Partner is arranging the fee structure and, consequently, the fees are not determined in arms-length negotiations. The General Partner believes, however, that fees are reasonable in light of the services provided to the Mortgage Funds.

These fees are subject to periodic review and change and are outlined as follows:

Administrative Fee:

Each D&A Mortgage Fund pays a monthly administrative fee to the General Partner ranging from .45% to .48% on an annualized basis, of the net asset value at the end of the month. The administrative fee for the Dunham Commercial Mortgage Fund L.P. is .48%

Loan Servicing Fee:

Each Mortgage Fund pays a monthly loan servicing fee to the General Partner of 2.0% on an annualized basis on the outstanding loan principal balances at the end of each month.

Loan Brokerage Fee

Each Mortgage Fund may pay to the General Partner one-half of any loan origination fee collected from the borrower as a loan brokerage fee. Generally, the only loans currently being made are to facilitate the sale of real estate owned, for which no loan origination fees are charged by any related parties.

DAIC has one remaining solicitor agreement related to the referral of clients to the Mortgage Funds. This fee is .30% annually of the accounts' balance, paid quarterly. No new solicitor agreements are contemplated at this time. DAIC will not pay referral fees to third parties if the payment violates applicable Federal or State law or when prohibited by other regulation.

Performance-Based Fees and Side-By-Side Management

As stated previously DAIC offers a performance-based fee structure in its AAP accounts. Financial Advisors may choose between a performance-based Advisory Fee for "Qualified Clients" (as defined in the 1940 Act) and a flat, AUM-Based Advisory Fee.

In general, the performance-based fee is available to investors with an all inclusive net worth of \$2 million and above. An account is charged 10% of the total net increase in the market value of the account using "high-water" marks. The fee is split equally between DAIC and the Financial Advisor.

The initial account value shall constitute the first high-water mark. Thereafter, a new high-water mark shall be established whenever the account value at month-end (adjusted for additional contributions, redemptions, and other non-performance-related changes), prior to any reduction or fees charged, exceeds the previously established high-water mark. No performance fee shall be paid for any month in which a new high-water mark is not established.

Performance fees will be calculated monthly and deducted quarterly in arrears. An account may possibly incur a fee for a month during a quarter even though the account may subsequently decline below the high-water mark in effect at the beginning of the quarter.

Statistically and historically, accounts that have a heavier weighting in equities tend to receive larger gains than those that are weighted more heavily toward fixed income. Since DAIC creates their own allocations, a potential conflict of interest may result whereby allocations could be weighted heavier in equities to increase profitability to the firm. This risk is mitigated through the use of an investment committee that meets at least quarterly to decide the allocations. No one person has the ability to weight the allocations toward equities on their own.

Types of Clients

DAIC provides different services to three types of clients: 1) clients of unaffiliated, independent investment advisory firms whose Financial Advisor has elected to use the AAP as an investment product/vehicle, 2) direct or “private” clients of DAIC’s registered Investment Advisory Representatives (“IARs”) and 3) clients of DTC for whom DTC is serving as Trustee.

Within the AAP, initial minimum investment is generally \$50,000 for Qualified Accounts and \$100,000 for Non-Qualified accounts. These minimums may be waived at the discretion of the Program Sponsor.

Within the SMA, Initial minimum investment is generally \$500,000 for Qualified Retirement Accounts and \$1,000,000 for Non-Qualified accounts. These minimums may be waived at the discretion of DAIC or DTC.

Methods of Analysis, Investment Strategies and Risk of Loss

Diversification via asset allocation remains at the forefront of DAIC investment strategies. DAIC expects to receive communications from Financial Advisors and clients to determine the most efficient weightings of relevant asset classes and then rebalance on a quarterly basis to match the desired risk/reward expectations. The asset classes utilized in each model are represented by our lowest cost, no load N-share class within the Dunham mutual fund family. Minimum and maximum constraints are utilized in the six allocation strategies, so as to input a set level of exposure to a given asset class. The investment process for quarterly rebalancing of asset allocation model portfolios relies upon analysis of global, fundamental macroeconomic data (central bank decision-making, fixed income credit spreads, industrial output, etc.) and asset class risk-frontier research. *Zephyr Allocation Advisor* is the primary software provider for current and historical risk-frontier analysis. The investment goal of the strategic allocations is typically to outperform broad U.S. equity markets, as may be represented by the S&P 500 Index, over a full market (three to five year) cycle.

At DAIC, we believe investment decisions should be made when paying attention to the longer-term scope of a full market cycle, often 3 to 5 years. The investment committee primarily decides the quarterly rebalancing of asset class-based Strategic Allocations, while the day-to-day investment decision-making within each mutual fund is left at the discretion of the sub-advisers.

DAIC continues to utilize a careful manager-of-managers (Sub-Adviser) approach that we believe continues to be successful to selection of investment managers with specialized expertise in particular asset classes. DAIC also uses performance-based fees to compensate such Sub-Adviser, which we believe best aligns the investment manager's goals with a client's goals.

As DAIC utilizes a manager-of-managers investment process, we do not directly decide the holding of securities or cash within a given mutual fund. Rather, we utilize the expertise of each Dunham Fund's Sub-Adviser, with each being uniquely knowledgeable in its respective asset class. We monitor each sub-adviser's investment process and results and may replace a Sub-Adviser should we find extended style drift or lacking performance (relative to both peers and the applicable benchmark). Ultimate portfolio manager discretion may vary by Sub-Adviser, as long as the investment policies and restrictions indicated by the prospectus and Statement of Additional Information (SAI) are correctly followed.

Risk classification may range from a "capital preservation" investor at the most risk-averse end of the spectrum, to an "aggressive growth" investor with the highest relative risk appetite. DAIC will communicate at all times with a Financial Advisor to ensure the client's investment objectives remain in-line with his or her investments.

Typically the composition of the asset classes within a particular allocation will determine the allocation's "rating"- i.e. Core Fixed Income (whose portfolio may include equities) is linked to the most conservative "capital preservation" rating. The more volatile the composition asset class weighting in a strategy, the more aggressive (or less conservative) it will be classified.

Disciplinary Information

09/22/2006

1. Alleged violations of the Section 7(A) of the Investment Company Act and Sections 5(A) and 5(C) of the Securities Act - specifically that the respondents operated unregistered investment companies - SEC Administration proceeding releases 33-8740, 34-54489, 40-2552, AND 40-27495

Respondent consented to the entry of this order without admitting or denying the findings therein.

Other Financial Industry Activities and Affiliations

As previously stated DAIC is a dually registered Broker/Dealer and Registered Investment Adviser. DAIC is a wholly owned subsidiary of parent DAHI and an affiliate of DTC and Asset Managers, Inc. ("AMI"). DAIC also serves as Adviser to and distributor for the Dunham Funds, a family of public mutual funds.

DTC is a privately held trust company licensed by the Nevada Department of Business & Industry, Financial Institutions Division. DAIC provides investment advisory services to DTC and to its clients. DTC serves as custodian for certain DAIC clients.

AMI is the General Partner of the Mortgage Funds. DAIC served as investment adviser to and distributor for the Mortgage Funds, a series of private limited partnerships. The Mortgage Funds are in orderly liquidation and are not currently offered.

Neither DAIC, nor any of its investment professionals are registered as or have an application pending to register as a futures commission merchant, commodity pool operator, a commodity trading adviser or have any association with the foregoing entities.

DAIC does not recommend, but allows other investment advisers for its clients.

Dunham Holdings has periodically borrowed funds in private transactions from certain individuals who may also be clients of **DAIC**. In negotiating these arms-length transactions, there may be certain inherent conflicts of interest. These notes are promissory notes issued by **Dunham Holdings** which is the parent company of **DAIC**. Jeffrey Dunham is, in turn, an officer, Director, and Principal shareholder of **Dunham Holdings**. As previously discussed, **DAIC** is both a broker/dealer and Investment Adviser. As a Broker/Dealer, **DAIC** and certain of its associated persons who are representatives are registered to purchase or sell securities for commission compensation.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

DAIC takes issues of regulatory compliance, fiduciary responsibility and public trust seriously. We seek the highest standards of ethics and conduct in all of our business relationships. DAIC's Code of Ethics has been adopted pursuant to SEC rule 402A-1 under the Investment Advisers Act of 1940 with the objectives of deterring wrongdoing and 1) promoting compliance with applicable governmental laws, rules and regulations, 2) providing standards of honest and ethical conduct, including ethical handling of actual or apparent conflicts of interest, 3) requiring all access persons to promptly report for review personal transactions and holdings, 4) facilitating prompt internal reporting of violations of this Code, and 5) providing accountability for adherence to this Code. DAIC will provide a copy of our full Code of Ethics to any client or prospective client upon request.

No employee or registered personnel of DAIC or its affiliates shall take action with regard to securities for themselves, DAIC, or any client account unless they are certain that the information in their possession is available to the investing public.

To help prevent conflicts of interest, as well as the appearance of conflicts of interest, employees and registered personnel of DAIC, must abide by the Code of Ethics (the "Code"). The Code imposes restrictions on the purchase or sale by access persons of securities for their own accounts and accounts in which he/she has a beneficial interest. Subject to the Code, certain employees of DAIC may recommend to clients the discretionary purchase or sale of securities in which DAIC's employees may have a beneficial interest. The Code includes preclearance of personal trades, blackout restrictions, and reporting requirements under Rule 17j-1 of the Investment Company Act. In addition, the Code limits employees' ability to invest in Initial Public Offerings and Private Placements by requiring the preapproval of the Chief Compliance Officer. In addition, all DAIC access persons must certify annually their acknowledgment of and adherence to the Code and DAIC's policy on insider trading.

Brokerage Practices

In the past our affiliate Dunham Trust Company (DTC) utilized the brokerage services of Dunham & Associates Investment Counsel, Inc. (DAIC), to execute a small number of trades as an accommodation for DTC's clients. DAIC was an introducing broker and utilized Pershing's clearing services to execute the trades. Because of the small trading volume it became more cost effective for DTC to setup direct relationships with brokers other than DAIC to execute their clients' security transactions. Once DTC made this change, DAIC had no other brokerage clients and therefore decided to terminate its clearing relationship with Pershing. DAIC will continue to maintain its status as a \$250,000 broker dealer in order to accept funds for immediate transmittal and because DAIC serves as distributor for the Dunham Funds (40 Act funds).

Review of Accounts

DAIC's accounts are reviewed on an ongoing and continuous basis.

Our Asset Allocation strategy is implemented similarly across all accounts with like strategies. Equity/Fixed Income/cash ratios are reviewed regularly and adjusted when appropriate. Any change in a client's financial or personal situation that affects investment objectives or cash flow needs will trigger additional reviews.

Clients receive monthly or quarterly account statements which include current valuation of assets, cost basis of securities and projected income. Gain/loss statements are provided annually for taxable accounts. Financial Advisors may request special reports (i.e. performance reviews.) to be delivered on a regular basis or as needed. Clients may also access account information via the DAIC website.

Client Referrals and Other Compensation

DTC enters into referral agreements with broker/dealers, registered investment advisers, CPAs or other professionals for the referral of potential clients for trust services. In all cases there will be a written agreement between DTC and the other parties making the referral which shall stipulate the compensation payable, the activities permitted, among other specifics.

Custody

DAIC does not custody assets; rather assets are custodied at a non-affiliated broker-dealer or financial institution. Assets also may be custodied by its affiliate, DTC. The details of the account relationship are set forth in the client agreement.

Clients will receive, at least quarterly, statements from the client selected, non-affiliated broker-dealer or financial institution custodian or DTC, as applicable.

Investment Discretion

DAIC, as Adviser to the Dunham Funds, has the authority (subject to approval by the Board of Trustees of the Dunham Funds) to select, monitor and replace Sub-Advisers for each of the funds within the Trust. As Adviser to clients with SMA Accounts, the client agreement governs in some cases the ability of DAIC to exercise discretion in selecting the investment securities.

In connection with the AAP, and pursuant to the Master Asset Allocation Agreement, DAIC may:

- (1) Select, add, or delete in its sole discretion and from time to time, the mutual funds that shall serve as the investments under the AAP; and
- (2) Prepare, modify or terminate, from time to time the asset allocation strategies that DAIC, in its sole discretion, determines to make available under the AAP.

AMI, the General Partner of the D&AMortgage Funds and the Dunham Commercial Mortgage Fund L.P., has the responsibility for underwriting, funding, purchasing and selling mortgages for the partnerships it manages.

Voting Client Securities

DAIC does not have proxy voting authority granted to itself or its representatives in any advisory agreement. Under Rule 206(4)-6, investment advisers that exercise voting authority with respect to client securities must adopt proxy voting policies and procedures. The policies and procedures must be in writing. They must be reasonably designed to ensure that the investment adviser votes in the best interest of clients. And they must describe how the investment adviser addresses material conflicts between its interests and those of its clients with respect to proxy voting.

Rule 206(4)-6 also requires investment advisers who have been granted proxy voting authority to describe their proxy voting policies and procedures to clients, and upon request, to provide clients with a copy of those policies and procedures.

For purpose of these procedures, the proxy voting for product/service types are summarized below:

Product/Service Type	Form of Agreement	Proxy Voting Policy
Mutual Funds	Fund Application	Proxies voted by Sub-Advisers
Discretion-Investment Management	Investment Management	With Management
Advisory Accounts	Advisory Agreement	Proxy voting delegated to individual investor (client)

All clients may obtain a copy of DAIC's proxy voting policy by contacting Kurt Nuñez, Chief Compliance Officer at 858-964-0500 ext. 201

Financial Information

DAIC does not require the prepayment of fees six months or more in advance. DAIC has never been the subject of a bankruptcy petition at any time and there is no condition that is reasonably likely to impair our ability to meet contractual commitments to clients.

Part 2B of Form ADV: Brochure Supplement

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San Diego, California 92121
858-964-0500

This brochure supplement provides information about Jeffrey A. Dunham that supplements the Dunham & Associates Investment Counsel, Inc. brochure. You should have received a copy of that brochure. Please contact Kurt Nuñez, Chief Compliance Officer if you did not receive Dunham & Associates Investment Counsel, Inc. brochure or if you have any questions about the contents of this supplement. Additional information about Jeffrey A. Dunham is available on the SEC's website at www.adviserinfo.sec.gov.

Educational Background and Business Experience

Jeffrey A. Dunham

Shareholder, Chairman, CEO, and President Dunham Holdings 1999-Present

Chairman, CEO, and President Dunham and Associates Investment Counsel, Inc. 1985-Present

Chairman, CEO, and President of Asset Managers, Inc 1985- Present

Chairman, CEO, President and Director of Dunham & Associates Securities, Inc 1986-Present

Shareholder, Chairman, and CEO of Dunham Trust Company 1999-Present

Trustee, Chairman, President, and Principal Executive Officer of the Dunham Funds 2008-Present

Born 1961

San Diego State University, BA.

Disciplinary Information

09/22/2006

Alleged violation of section 7(A) of the Investment Company Act and sections 5(A) and 5(C) of the Securities Act-Specifically that respondents operated unregistered investment companies. See Citations-SEC Admin proceeding releases 33-8740, 34-54489, 40-2552, 40-27495.

Current Status –	Final
Resolution -	Settled
Sanctions ordered -	Cease and Desist/Injunction
	Censure
	Monetary /Fine \$50,000

Supervision

Mr. Dunham is supervised by Kurt Nuñez, Chief Compliance Officer, regarding his client duties, personal trading, and adherence to the Code of Ethics. Dunham & Associates Investment Counsel, Inc clients are assigned a “Private Client Relationship Manager” so as to provide superior client service and management. Any advice Mr. Dunham gives to clients is reviewed by Mr. Nuñez to ensure that our message is consistently delivered and applied. He executes his professional duties according to Dunham & Associates Investment Counsel, Inc policies and procedures, including the Code of Ethics, portfolio management processes, privacy policy, and marketing and advertising guidelines. Mr. Dunham provides written acknowledgement that he reviews these guidelines on an annual basis. Mr. Nuñez can be reached at 858-964-0500 ext. 201.

Salvatore M. Capizzi
Chief Sales and Marketing Officer
Dunham & Associates Investment Counsel, Inc.
10251 Vista Sorrento Parkway, Ste 200
San Diego, California 92121
858-964-0500

This brochure supplement provides information about Salvatore M. Capizzi that supplements the Dunham & Associates Investment Counsel, Inc. brochure. You should have received a copy of that brochure. Please contact Kurt Nuñez, Chief Compliance Officer if you did not receive Dunham & Associates Investment Counsel, Inc. brochure or if you have any questions about the contents of this supplement. Additional information about Salvatore M. Capizzi is available on the SEC's website at www.adviserinfo.sec.gov.

Educational Background and Business Experience

Salvatore M. Capizzi

Chief Sales and Marketing Officer Dunham & Associates Investment Counsel, Inc. 2008-Present
CEO/Global Wealth Management Thomas Lloyd Group 2006-2008

Executive Capacities New York Life Investment Management, Black Rock Funds, Chase
Manhattan Bank and Shearson Lehman Brother from 1987-2008

Born 1957

Baruch College, BA.

Disciplinary Information

There are no legal events that are material to a client's or prospective client's evaluation of Mr. Capizzi. He is not engaged in any other investment-related business activities. He receives no economic benefit from providing advisory services to someone who is not a client.

Supervision

Mr. Capizzi is supervised by Kurt Nuñez, Chief Compliance Officer, regarding his client duties, personal trading, and adherence to the Code of Ethics. Dunham & Associates Investment Counsel, Inc clients are assigned a "Private Client Relationship Manager" so as to provide superior client service and management. Any advice Mr. Capizzi gives to clients is reviewed by Mr. Nuñez to ensure that our message is consistently delivered and applied.

He executes his professional duties according to Dunham & Associates Investment Counsel, Inc. policies and procedures, including the Code of Ethics, portfolio management processes, privacy policy, and marketing and advertising guidelines. Mr. Capizzi provides written acknowledgement that he reviews these guidelines on an annual basis. Mr. Nuñez can be reached at 858-964-0500 ext. 201.

**Derek Bruno
Portfolio Manager
Dunham Trust Company
730 Sandhill Road Ste 310
Reno, NV 89521
(775) 826-7900**

This brochure supplement provides information about Derek Bruno that supplements the Dunham & Associates Investment Counsel, Inc. brochure. You should have received a copy of that brochure. Please contact Kurt Nuñez, Chief Compliance Officer if you did not receive Dunham & Associates Investment Counsel, Inc. brochure or if you have any questions about the contents of this supplement. Additional information about Derek Bruno is available on the SEC's website at www.adviserinfo.sec.gov.

Educational Background and Business Experience

Derek Bruno
Portfolio Manager, Dunham Trust Company 2010-Present
Analyst/Trader Dunham & Associates Investment Counsel, Inc. 2005-2010
Born 1955
Penn State University BA.

Disciplinary Information

There are no legal events that are material to a client's or prospective client's evaluation of Mr. Bruno. He is not engaged in any other investment-related business activities. He receives no economic benefit from providing advisory services to someone who is not a client.

Supervision

Mr. Bruno is supervised by Kurt Nuñez, Chief Compliance Officer, regarding his client duties, personal trading, and adherence to the Code of Ethics. Dunham & Associates Investment Counsel, Inc. clients are assigned a "Private Client Relationship Manager" so as to provide superior client service and management. Any advice Mr. Bruno gives to clients is reviewed by Mr. Nuñez to ensure that our message is consistently delivered and applied. He executes his professional duties according to Dunham & Associates Investment Counsel, Inc. policies and procedures, including the Code of Ethics, portfolio management processes, privacy policy, and marketing and advertising guidelines. Mr. Bruno provides written acknowledgement that he reviews these guidelines on an annual basis. Mr. Nuñez can be reached at 858-964-0500 ext. 201.