DoubleLine™ FUNDS

Quarterly Commentary

Total Return Bond Fund

DBLTX/DLTNX

June 30, 2010

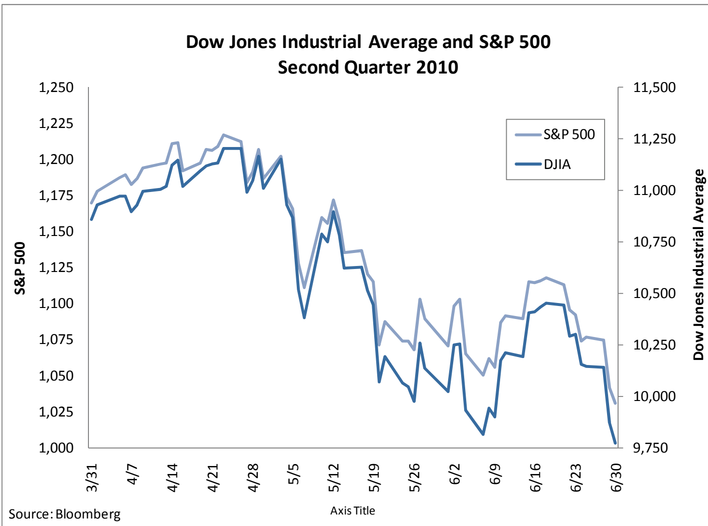
DoubleLine FUNDS

333 S. Grand Ave., 18th Floor || Los Angeles, CA 90071 || (213) 633-8200

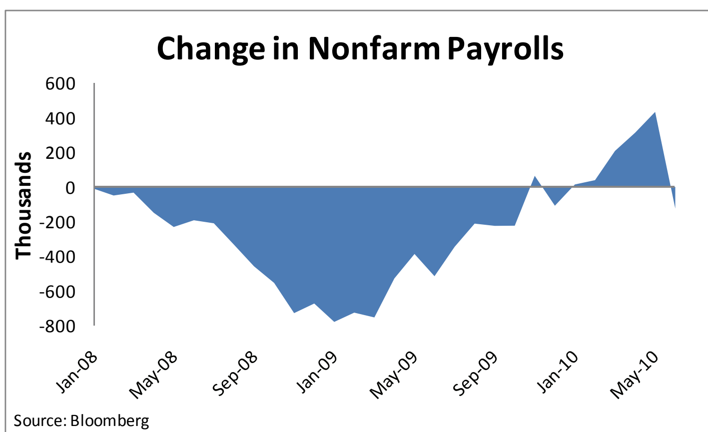
Quarterly Commentary

Overview

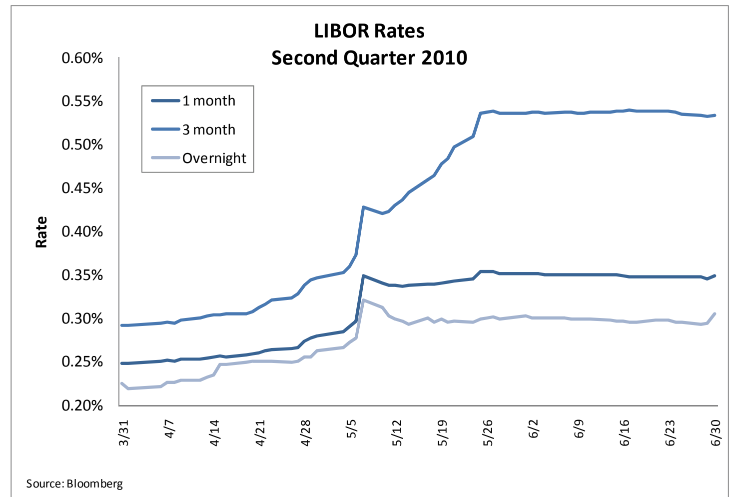
The major domestic equity indices posted massive losses in the second quarter of 2010, with the S&P 500 falling by 11.41%, and the Dow Jones Industrial Average down 9.34%.



The non-farm payroll report rose through the first two months of the quarter due to Federal Census hiring, but fell to a negative 125,000 in June.



London-Intrabank Offered Rate (LIBOR) rates continued to rise with relatively large increases during the first two months of the quarter but were flat in June with the 1-month LIBOR rate up 10 basis points (bps), closing the month at a yield of 0.35%. The 3-month LIBOR rate rose 24 bps to 0.53%, while overnight rates rose 8 bps to 0.31%.



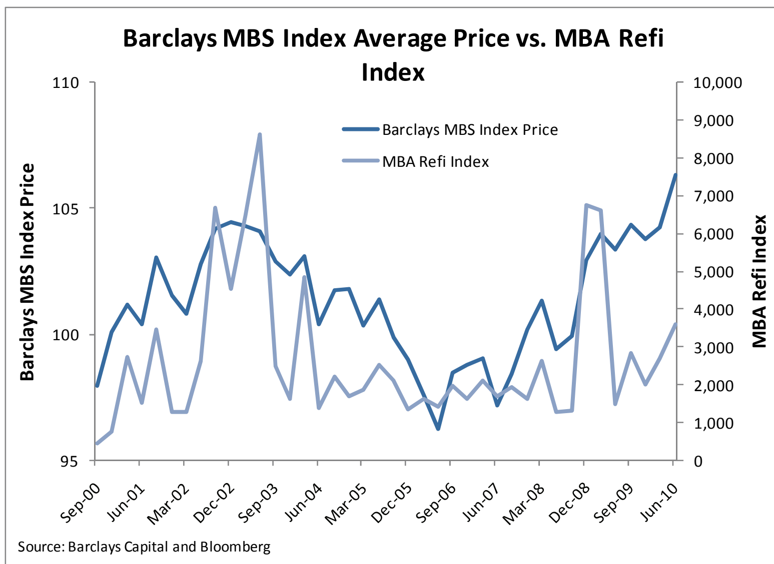
Agency Mortgage-Backed Securities

The U.S. Agency mortgage market returned 2.87% for the second quarter, underperforming the Barclays Capital U.S. Aggregate Bond Index return of 3.49% and the U.S. Treasury Index return of 4.68%. During the quarter, Treasury rates dropped across the curve. Two-year rates dropped 41 bps, 5-year rates dropped 77 bps and 10-year rates dropped 88 bps. In this Treasury market context, the mortgage market underperformance for 2Q10 conforms with orthodox expectations.

The quarter started with the Barclays Capital Mortgage-Backed Securities Index at an average dollar price of 104.25. As rates fell, the price of the mortgage index rose to 106.3 by quarter-end. At these premiums, the Agency mortgage market likely will underperform if Treasury yields fall in the future.

Higher mortgage prices are typically correlated with faster prepayment speeds. With the mortgage index at an all-time high in dollar price, a fall in yields should accelerate prepayments to very fast speeds. Those fast speeds have not materialized so far.

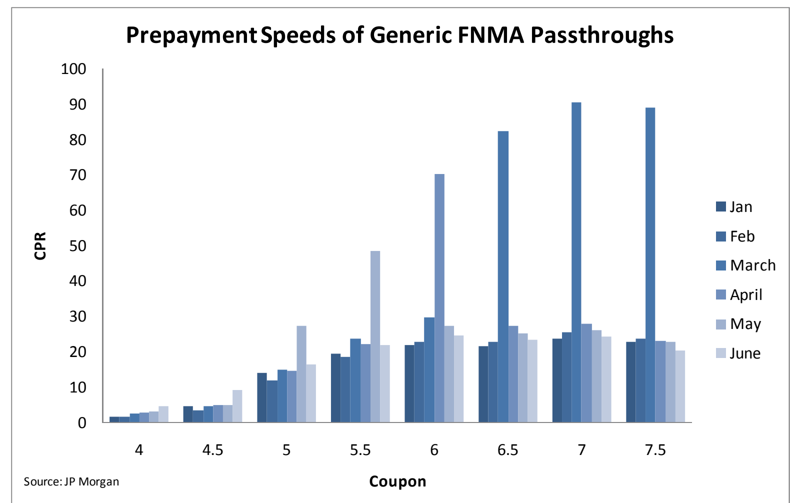
Quarterly Commentary



Source: Barclays Capital and Bloomberg

Given the changing economic landscape, borrower credit worthiness has supplanted the differential between borrower legacy rates and prevailing mortgage rates as the primary determinant of prepayment speeds. Mortgage rates are close to all-time lows. So by historical norms, most mortgage borrowers should be able to reduce their borrowing costs by refinancing. The problem for many borrowers is that lenders have tightened up their underwriting standards at the same time that many borrowers' economic circumstances have worsened. This one-two punch makes it much tougher for borrowers to qualify for refinancing. As a result, current prepayment speeds are in the 10 , 20 and 30 Conditional Prepayment Rate (CPR) range as opposed to the 40, 50 and 60 CPR range historically experienced at times of premium mortgage prices amid falling interest rates.

Further analysis of Agency mortgage prepayments requires dissecting prepayments into voluntary and involuntary prepayments. With approximately 25% of mortgage borrowers underwater on their mortgages, the possibility of these borrowers defaulting has to be considered. In the case of an Agency mortgage, the default or involuntary prepayment gets passed through to the bond holder at par as a prepayment. Involuntary prepayments were observed during the second quarter as Fannie Mae (FNMA) and Freddie Mac (FHLMC) both announced they would henceforth buy out all loans that were delinquent for over 120 days. During the quarter, all the FNMA and FHLMC coupons experienced a fast month as there was a backlog of very delinquent loans that were bought out all at once. We expect the effect of the buyout of delinquent loans will increase the prepayments by 5-10 CPR above the voluntary prepayments.

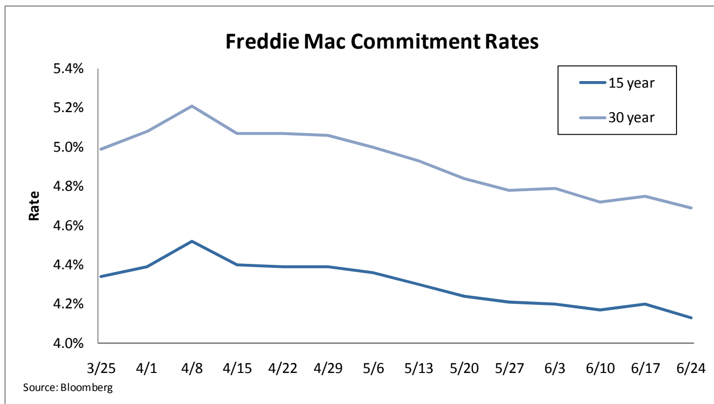


Source: JP Morgan

The Agency mortgage sector should perform well going forward if rates remain at current levels or move higher. If rates fall, the Agency mortgage market will have a tough time keeping pace with the Aggregate or Treasury market, given the high prevailing Agency dollar prices. Other than changes in interest rates, we would single out three other risks face mortgage performance in the near future.

The first deals with the Fed's position of $1.25 trillion of Agency mortgages. These purchases, made in 2009 -2010, were part of an emergency quantitative-easing initiative to suppress the primary mortgage rate in

the U.S. If the Federal Reserve were to liquidate these positions, substantial downward pricing pressure would weigh on the mortgage market as well as weaken a vulnerable housing market and fragile economy. Thus we doubt the Fed will take this action. It seems to us, the Fed is more likely to buy more mortgages than sell from its existing holdings.



The second area of risk deals with concerns of potential for a refinancing wave as mortgage rates are at historic low levels. As mentioned above, underwriting standards have tightened to where they were in the early 1990s. These tighter standards make it very difficult for many borrowers to qualify for refinancing.

The third area of risk would be a big pickup in home sales and big home price appreciation. We do not see this happening in the near future given the combination of tighter underwriting standards and current economic conditions.

Non-Agency Mortgage-Backed Securities

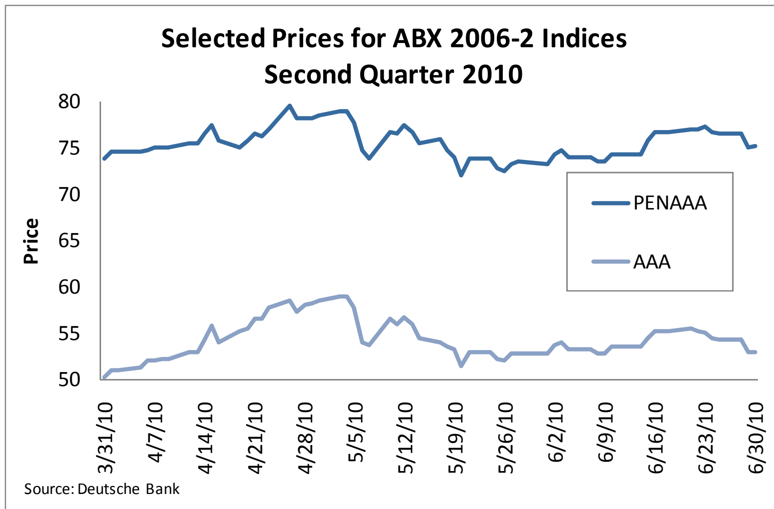
We return to our previous month's conversation regarding "strategic defaults" in this month's commentary. FNMA announced plans to begin pursuit of deficiency judgments in instances of strategic default. Whether or not Fannie Mae actually carries through on that threat remains to be seen. We are pleased, however, that the moral issue regarding repayment of personal debt, and more to the point, repayment of mortgage debt, has become a major issue for the Government Sponsored Enterprises (GSEs).

The non-Agency market continued to grind slowly tighter as investors reached for yield. On average, the non-Agency market is up anywhere between 0.5% to 2.5% during the month of June. The sector's higher prices continued to be based on market technicals (lack of new supply and consistent amortization).

The non-Agency market continued to offer the best loss-adjusted yields, in the 7-8% range, as compared to other fixed income sectors. The non-Agency market, however, faces uncertainty surrounding potential shadow supply: both the amount of supply waiting in the wings, and the timing of its hitting the marketplace. In our opinion, the supply does exist; however, it will take a significant event to create mass unwinding from current bondholders. Such catalytic events could include a scenario in which prices move even higher and accounts begin taking the profits from the upward moves, a significant increase in defaults, or another massive price decline in this sector, similar to that seen in March 2009.

Barring any the aforementioned events, we expect the market to continue its gradual progress toward higher prices and lower yields until the spread between the non-Agency market and other investment alternatives meaningfully contracts.

The indices (ABX/CMBX and PrimeX) behaved in muted fashion in June with PrimeX.FRM1 starting the month at 107 and closing at 107½. CMBX and ABX on average were up approximately 1%.



The other important event of the month is the work being done in Washington on financial reform legislation. Although President Obama had hoped for a pre-July 4 signing, that day came and went without passage in the Senate. Ultimately, we expect some form of financial reform legislation will be enacted before the November mid-term elections, although the measures to be included and excluded remain to be seen.

With a 2000-page document and so many different factions competing for their piece, it will probably take until at least mid-July before we get clarity and passage. Much of the bill has to do with how the securitization market will look going forward. We have seen that quality product (notably the Redwood deal) brings out the buyers, and the market needs that type of product to restart. By putting in place more standardized rules and setting the bar higher, we believe that a new securitization market can emerge. We intend to continue to follow the events in Washington closely.

Quarterly Performance

DoubleLine Total Return Bond Fund

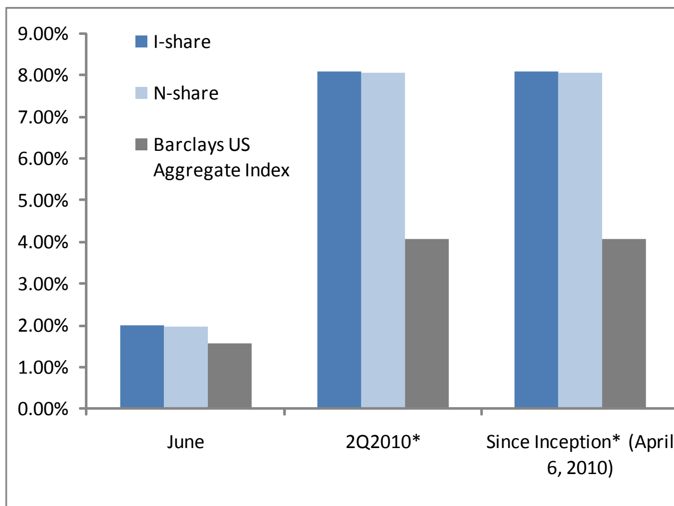
Ticker: DBLTX/DLTNX

The DoubleLine Total Return Bond Fund (DBLTX) has outperformed its benchmark, the Barclay's Capital U.S. Aggregate Index, since the fund's inception on April 6, 2010. The Fund's agency passthroughs, which have a shorter effective duration, underperformed the index over this time period, given the decline in interest rates. The Agency CMO securities held in the fund have outperformed since inception, due to price gains resulting from the drop in longer term interest rates. The Fund's non-agency RMBS holdings also outperformed the index since the Fund's inception. Within the non-agency sector, prime securities were the best performer, while the subprime sector underperformed, although reporting price gains over the time period.

Portfolio Performance

As of June 30, 2010

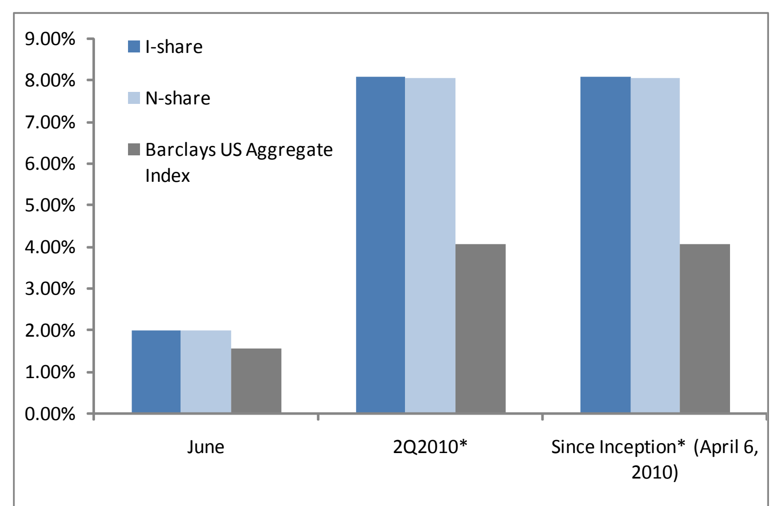
Month-End Returns



	June	2Q2010*	Since Inception* (April 6, 2010)
I-share	2.00%	8.08%	8.08%
N-share	1.98%	8.04%	8.04%
Barclays US Aggregate Index	1.57%	4.06%	4.06%

As of June 30, 2010

Quarter-End Returns



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	I-share	N-share
Gross SEC 30-Day Yield	10.12%	9.87%
Net SEC 30-Day Yield	10.15%	9.90%
Gross Expense Ratio	0.52%	0.77%
Net Expense Ratio	0.49%	0.74%

*Not a full quarter. (4-6-10 to 6-30-10)

Performance data quoted represents past performance; past performance does not guarantee of future results. The investment return and principal value of an investment will fluctuate so that an investor's shares are redeemed, when redeemed, may be worth more or less than original cost. Current performance of the fund may be lower or higher than the performance quoted. Performance data current to the most recent month-end may be obtained by calling 213-633-8200 or by visiting www.doublelinefunds.com. Performance results are short-term and may not provide an adequate basis for evaluating the performance potential of the fund over varying market conditions and economic cycles.

The Advisor has contractually agreed to waive fees through April 2, 2011. Investment performance would be lower without fee waivers.

Barclays US Aggregate Bond Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the US investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis. It is not possible to invest in an index.

Quarterly Statistics

DoubleLine Total Return Bond Fund

Ticker: DBLTX/DLTNX

As of June 30, 2010

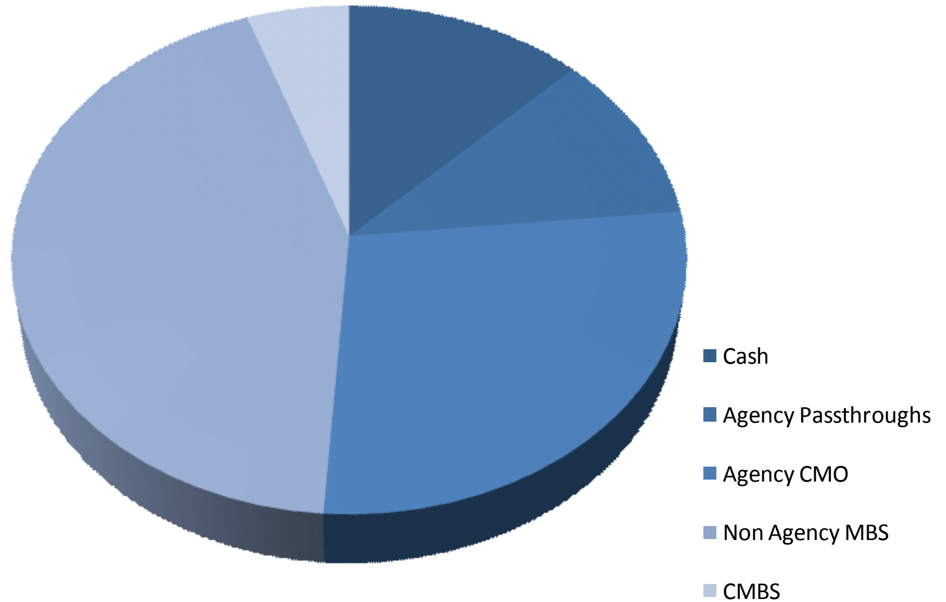
Portfolio Composition

General Statistics

# of Issues	210
Ending Market Value	$1,115,159,050
Market Price[1]	$94.30
Duration	1.90
Weighted Avg Life	5.96

Sector Breakdown

(Percent of Portfolio)	
Cash	12.5%
Agency Passthroughs	10.9%
Agency CMO	27.7%
Non-Agency Residential MBS	43.5%
CMBS	5.4%
Total:	**100.0%**



Portfolio Characteristics

Weighted Average Life Breakdown

(Percent of Portfolio)	
0 to 3 years	14.4%
3 to 5 years	17.3%
5-10 years	45.9%
10+ years	9.8%
Cash	12.5%
Total:	**100.0%**

Current Quality Credit Distribution[2]

(Percent of Portfolio)	
Cash	12.5%
Government	5.4%
Agency	33.2%
Investment Grade	18.6%
Below Investment Grade	29.1%
Unrated Securities	1.2%
Total:	**100.0%**

1. Market price is the weighted average of the prices of the Fund's portfolio holdings. While a component of the fund's Net Asset Value, it should not be confused with the Fund's NAV.
2. Credit distribution is determined from the highest available credit rating from any Nationally Recognized Statistical Rating Organization.

Investment Grade - Refers to a bond considered investment grade if its credit rating is BBB- or higher by Standard & Poor's or Baa3 or higher by Moody's. Ratings are based on a corporate bond model. The higher the rating the more likely the bond will pay back par/100 cents on the dollar.

Below Investment Grade - Refers to a security that is rated below investment grade. These securities are seen as having higher default risk or other adverse credit events, but typically pay higher yields than better quality bonds in order to make them attractive. They are less likely to pay back 100 cents on the dollar.

Quarterly Statistics

DoubleLine Total Return Bond Fund

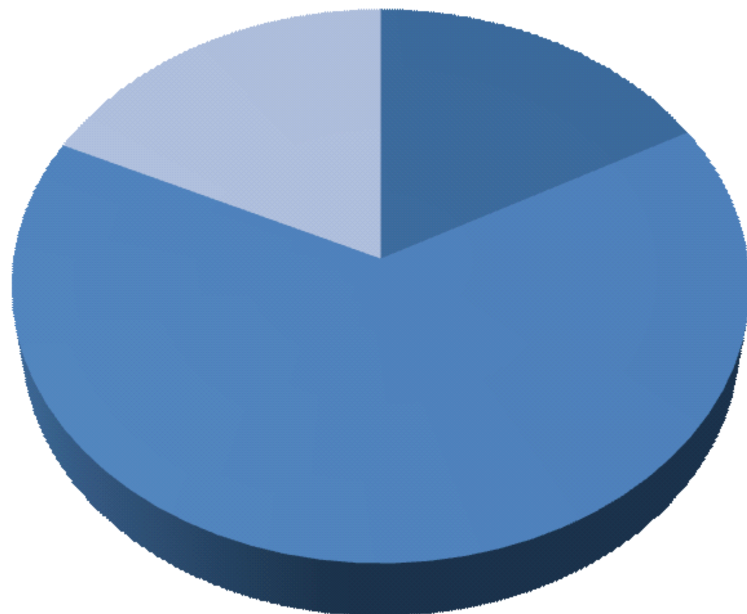
Ticker: DBLTX/DLTNX

As of June 30, 2010

Portfolio Characteristics (Continued)

Duration Breakdown

(Percent of Portfolio)	
Less than 0	36.0%
0 to 3 years	18.8%
3 to 5 years	9.0%
5-10 years	14.3%
10+ years	9.5%
Cash	12.5%
Total:	**100.0%**



Non-Agency Residential MBS Breakdown

(Percent of Sector)	
Prime	17.0%
Alt-A	65.1%
Subprime	17.9%
Total:	**100.0%**

Disclaimer

The fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The prospectus contains this and other important information about the investment company and may be obtained by visiting www.doublelinefunds.com or by calling 1-877-354-6311/1-877-DLINE11. Read it carefully before investing.

The principal value of debt securities typically decrease when interest rates rise. This risk is usually greater for longer-term debt securities. Investments in lower rated and non-rated securities present a greater risk of loss to principal and interest than higher rated securities. Investments in Asset-Backed and Mortgage-Backed securities include additional risks that investor should be aware of including credit risk, prepayment risk, possible illiquidity and default, as well as increased susceptibility to adverse economic developments. Investments in lower rated and non-rated securities present a great risk of loss to principal and interest than higher rated securities.

Sector Allocations are subject to change at any time and should not be considered a recommendation to buy or sell any security. Portfolio holdings generally are made available fifteen days after month end by calling 1-877-DLine11.

Fund portfolio characteristics and holdings are subject to change without notice. The Advisor may change its views and forecasts at anytime, without notice.

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The source for the information in this report is DoubleLine Capital, which maintains its data on a trade date basis.

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Definitions

DoubleLine FUNDS

AAA Sub-index (AAA)
This index consists of the required tranches of the residential mortgage-backed securities transactions in the master list with an applicable rating of AAA (if there is more than one such tranche, the tranche with the longest expected weighted average life, based on the applicable deal pricing speed as of its issuance date).

ABX
This index consists of the 20 most liquid credit default swaps (CDS) on U.S. home equity asset-backed securities (ABS). The ABX index is used to hedge asset-backed exposure or to take a position in the asset class.

Barclays US Aggregate Bond Index
The Barclays US Aggregate Bond Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the US investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis.

Barclays US Mortgage-Backed Securities (MBS) Index
This index is the US MBS component of the US Aggregate index. It covers the mortgage-backed pass-through securities of Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). The MBS Index is formed by grouping the universe of over 600,000 individual fixed rate MBS pools into approximately 3,500 generic aggregates. They are defined according to the following parameters: Agency (GNMA, FNMA, FHLMC), Program (30-year, 15-year, balloon, GPM), Pass-through coupon (6.0%, 6.5% etc.), Origination year (1987, 1988, etc.).

Barclays US Treasury Index
This index is the US Treasury component of the US Government index. Public obligations of the US Treasury with a remaining maturity of one year or more.

Basis Point
A basis point (bps) equals to 0.01%.

Conditional Prepayment Rate (CPR)
A loan prepayment rate that is equal to the proportion of the principal of loan pool which is assumed to paid off prematurely each period.

CMBX
The CMBX index is synthetic, referencing 25 commercial mortgage-backed securities (CMBS). This index was created in response to the rapid growth of credit default swaps (CDS) in the CMBS market and provides a standardized tool to gain exposure to CMBS.

Dow Jones Industrial Average
The Dow Jones industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

London-Interbank Offered Rate (LIBOR)
British Bankers Association Fixing for US Dollar. The fixing is conducted each day at 11 am (London time). The rate is an average derived from the quotations provided by the banks determined by the British Bankers' Association.

MBA Refinance Index
This index is published weekly by the Mortgage Bankers Association and consists of mortgage refinancing applications that represent the broadest survey of overall mortgage refinancing activity in the U.S. This index includes conventional and government refinances.

Penultimate AAA Sub-index (ABX.HE.PENAAA)
The PrimeX index consists of required tranches of the Residential mortgage-backed securities transactions in the master list with an applicable rating of AAA and referencing the same underlying pool of assets as the AAA sub-index (if there is more than one such tranche, the tranche with the second longest expected weighted average life, based on the applicable deal pricing speed as of its issuance date).

PrimeX
The PrimeX index is a synthetic credit default swap (CDS) index which references non-Agency Prime residential mortgage-backed securities (RMBS). There are 20 prime RMBS deals referenced in each sub-index from 2005, 2006, and 2007.

S&P 500
Standard & Poor's US 500 Index, a capitalized-weighted index of 500 stocks.

An investment cannot be made in an index.

Disclaimer

Important Information Regarding This Report

Issue selection processes and tools illustrated throughout this presentation are samples and may be modified periodically. Such charts are not the only tools used by the investment teams, are extremely sophisticated, may not always produce the intended results and are not intended for use by non-professionals.

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Investment strategies may not achieve the desired results due to implementation lag, other timing factors, portfolio management decision-making, economic or market conditions or other unanticipated factors. The views and forecasts expressed in this material are as of the date indicated, are subject to change without notice, may not come to pass and do not represent a recommendation or offer of any particular security, strategy, or investment. Past performance (whether of DoubleLine or any index illustrated in this presentation) is no guarantee of future results.

Important Information Regarding DoubleLine

In preparing the client reports (and in managing the portfolios), DoubleLine and its vendors price separate account portfolio securities using various sources, including independent pricing services and fair value processes such as benchmarking.

To receive a complimentary copy of DoubleLine's current Form ADV Part II (which contains important additional disclosure information), a copy of the DoubleLine's proxy voting policies and procedures, or to obtain additional information on DoubleLine's proxy voting decisions, please contact DoubleLine's Client Services.

Important Information Regarding DoubleLine's Investment Style

DoubleLine seeks to maximize investment results consistent with our interpretation of client guidelines and investment mandate. While DoubleLine seeks to maximize returns for our clients consistent with guidelines, DoubleLine cannot guarantee that DoubleLine will outperform a client's specified benchmark. Additionally, the nature of portfolio diversification implies that certain holdings and sectors in a client's portfolio may be rising in price while others are falling; or, that some issues and sectors are outperforming while others are underperforming. Such out or underperformance can be the result of many factors, such as but not limited to duration/interest rate exposure, yield curve exposure, bond sector exposure, or news or rumors specific to a single name.

DoubleLine is an active manager and will adjust the composition of client's portfolios consistent with our investment team's judgment concerning market conditions and any particular security. The construction of DoubleLine portfolios may differ substantially from the construction of any of a variety of bond market indices. As such, a DoubleLine portfolio has the potential to underperform or outperform a bond market index. Since markets can remain inefficiently priced for long periods, DoubleLine's performance is properly assessed over a full multi-year market cycle.

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Clients are requested to carefully review all portfolio holdings and strategies, including by comparing the custodial statement to any statements received from DoubleLine. Clients should promptly inform DoubleLine of any potential or perceived policy or guideline inconsistencies. In particular, DoubleLine understands that guideline enabling language is subject to interpretation and DoubleLine strongly encourages clients to express any contrasting interpretation as soon as practical. Clients are also requested to notify DoubleLine of any updates to Client's organization, such as (but not limited to) adding affiliates (including broker dealer affiliates), issuing additional securities, name changes, mergers or other alterations to Client's legal structure.

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