



Originally aired on January 30, 2018

About this Webcast Recap

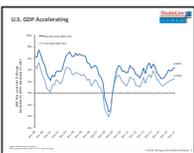
On January 30, 2018, Jeffrey Gundlach, CEO & CIO and Jeffrey Sherman, Deputy CIO & Portfolio Manager of DoubleLine Capital, held a webcast discussing the firm’s Strategic Commodity Fund, titled “Commodities: Playbook for Late Cycle Investing.”

This recap is not intended to represent a complete transcript of the webcast. It is not intended as solicitation to buy or sell securities or provide investment advice. If you are interested in hearing more of Mr. Gundlach and Mr. Sherman’s views, please listen to the full version of this webcast by clicking [here](#). You can also learn more about future webcasts by viewing the 2018 webcast schedule at www.doublelinefunds.com under “Webcasts.” Views and opinions expressed herein are those of the individual portfolio manager and do not necessarily reflect the views of DoubleLine Capital LP, its affiliates, or employees.

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Economic growth has been accelerating in the U.S.

- Nominal and Real Gross Domestic Product (GDP) have been increasing year-over-year (YoY) since 2016

Economic growth has been accelerating around the globe (as measured by ten largest economies)

- Since second quarter of 2017, we have seen three quarters in row with all major economies growing

Global Manufacturing Purchasing Managers Index (PMI) has been expanding across most major economies in developed and emerging markets with the majority of December 2017 PMI readings above 50

- PMI above 50 signals economic expansion and below 50 signals economic contraction

The U.S. Dollar (USD) is continuing its decline that started in the first quarter of 2017

- The dollar has historically traded in trends; the typical cycle lasting about 6 to 8 years
- Historically, a very bad year for the USD has been followed by one to two more bad years

From a technical perspective commodities have been trading within the confines of a pennant since its bottom in early 2016, and has recently broken out above the pennant

The growth rate of the Bloomberg Commodity Index (BCOM) is about two standard deviations below its historic average and closed at a 26-year low

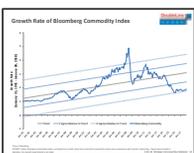
Mr. Gundlach believes we are in the late phase of the business cycle, and commodity performance has been very attractive from an absolute basis leading into a recession.

- However, none of our indicators are signaling recession
- Commodities have stopped going down and seem to be in an uptrend

Rationale for commodities in a portfolio allocation

- Potential diversification benefit
- Potential to hedge against unexpected inflation

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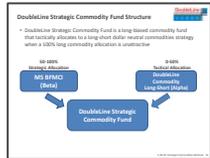


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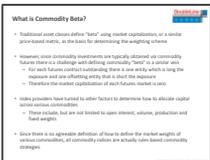
Recap

- Potential incremental returns from each individual commodity’s market
- Commodity supply and demand is generally correlated to the cyclical nature of the global economy

DoubleLine Strategic Commodity Fund (DBCMX/DLCMX)

- Fund structure is set up to be a long-biased commodity fund that tactically allocates to a long-short, market neutral commodity portfolio when a 100% long position is unattractive
- The fund allocates between a beta and alpha portfolio
 - Morgan Stanley Backwardation Multi-Focused Commodity Index (MS BFMCISM) will make up between 50%-100% of the fund (beta portfolio)
 - DoubleLine Commodity Long-Short will make up between 0%-50% of the fund (alpha portfolio)
 - A proprietary timing mechanism is used to determine when to increase or decrease exposure to both segments of the fund

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Commodity Beta and Mechanics

- Term Structure
 - Contango: Upward sloping term structure that generates a negative “roll” return
 - Usually takes place when commodity is oversupplied or cost of carry is low
 - Backwardation: Downward sloping term structure that generates a positive “roll” return
 - Usually takes place when commodity is undersupplied or noticing increased demand

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- Strategic Commodity’s Long-Only Beta - MS BFMCI (50-100% Allocation)
 - Long-only commodity basket allocates across three broad market sectors in roughly equal weights

- Allocations as of December 31, 2017
 - 5 Energy Positions (34.1% of total index)
 - Oil (West Texas Intermediate (WTI) Crude, 9.7% and Brent Crude, 10.4%)
 - Distillates (Gasoil, 5.5% Unleaded Gasoline, 5.1% and Heating Oil, 3.4%)
 - 2 Metals Positions (37.6% of total index)
 - London Metal Exchange (LME) Copper (22.1%)
 - LME Nickel (15.5%)
 - 4 Agriculture and Live Positions (28.3% of total index)
 - Grains (Soybeans, 15.8%)
 - Softs (Sugar, 3.2% and Cotton, 3.9%)
 - Livestock (Live Cattle, 5.4%)

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- Commodity selection is focused on those that have exhibited a high degree of historical backwardation and have a liquid futures market
- Basket rebalances annually in January

Commodity Alpha

- Strategic Commodity’s Alpha- Long-Short Strategy (0-50% Allocation)
 - Dollar-neutral strategy comprised of future contracts selected from the universe of commodities in the S&P GSCI Index

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- Monthly trading based on signals derived from rules-based calculation methodology built around global supply and demand fundamentals
 - o Utilizes key metrics such as: Degree of contango or backwardation, and price momentum
- Allocation as of 12/31/2017
 - o Long: Heating Oil, Gasoil, WTI Crude, Brent Crude, Zinc
 - o Short: Soybeans, Wheat, Kansas Wheat, Corn, Coffee

Timing Signal – Developed by DoubleLine using a rules based approach

- Created using a rules-based calculation methodology that looks at and analyzes the fundamental global supply and demand picture. Some of the metrics the model analyzes are degree of contango, backwardation and price momentum
- The signal is generated monthly; the output is a dollar-neutral commodity strategy that invests equally, based on a notional amount, across long and short baskets
- Looks at forms of trend-following momentum to determine allocation to the beta and alpha portions, among other things
- It is quantitative and proprietary
- Jeffrey Sherman has been working on various commodity strategies and in the commodity markets since 2006

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Question and Answer

What happens first, silver trades to \$15 or silver trades to \$50?

- Well, they will in the short-term if Treasuries continue to sell off, but not for long. Because once investors realize that they're going to lose money in corporate bonds with rising rates with really no cushion left, I think they're going to widen out. So, I don't like corporate bonds, at all.

Agricultural commodities in 2018?

- This looks like an area that's had a lot of under investment. You've had a lot of pain in there, where it's been some oversupply. We've had a lot of weather-related events over the last couple of years, which has had some deterioration in the field, so we're pretty bullish on the agricultural sector in '18. It does have some problems from the roll yield perspective. There is some implied carry and that's pretty expensive, but ultimately I would say that does seem like an area that is due for a rebound after some poor performance over the years.

What is DoubleLine's experience in Commodity strategies?

- We worked on various commodity strategies that we implemented at our former employer. Again, these are systematic strategies, we're not trying to do discretionary trading here; this is simply taking what we know about the commodities market, the technicals and the fundamentals which drive them, and putting together a systematic strategy.

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Question and Answer

Will higher interest rates dampen commodity price increases?

- It will definitely change the shape of term structure because interest rates are one of those components that goes into pricing that. It will depend on what's driving interest rates higher. So, instead of just saying interest rates have this impact, it depends on why interest rates are rising. Are they rising because of inflation expectation changing? Historically that's been good for commodities. Are they rising because of global growth increasing, which it kind of seems that both of those cases could be plausible today, for the rise in interest rates that we've seen, specifically in the first four weeks of the year. So I think that interest rates could actually be accretive to commodity prices, if they're growing for the right reason.

What are the tax implications?

- Consult a tax professional but this is not a K1 product, we issue 1099's.

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Definitions

Purchase Managers Index (PMI) - Is an indicator of the economic health of the manufacturing sector. The PMI is based on five major indicators: new orders, inventory levels, production, supplier deliveries and the employment environment within the given country.

U.S. Dollar Index (DXY) - A weighted geometric mean of the United States dollar's value relative to a basket of 6 major foreign currencies, including the Euro, Japanese yen, Pound sterling, Canadian dollar, Swedish krona and Swiss franc.

Bloomberg Commodity Index (BCOM) - An index calculated on an excess return basis that reflects commodity futures price movements. The index rebalances annually weighted 2/3 by trading volume and 1/3 by world production and weight-caps are applied at the commodity, sector and group level for diversification. Roll period typically occurs from 6th-10th business day based on the roll schedule.

Standard Deviation - A measure of the variation or dispersion of a set of data from its mean or expected/budgeted value. A low standard deviation indicates that the data points tend to be very close to the mean, whereas a high standard deviation indicates that the data is spread out over a large range of values. A measure of an investment's volatility.

Alpha - A measure of performance on a risk-adjusted basis. Alpha takes the volatility (price risk) of a mutual fund and compares its risk-adjusted performance to a benchmark index.

Beta - Beta is the measure of a mutual funds' volatility in relation to the market. By definitions, the market has a beta of 1.0, and individual mutual funds are ranked according to how much they deviate from the market. A beta of above 1.0 means the fund swings more than the market. If the fund moves less than the market, the beta is less than 1.0.

Backwardation - A condition in which the market quotes a lower price for a more distant delivery date, and a higher price for a nearby delivery date.

Basis Point - A basis point is a unit that is equal to 1/100th of 1%, and is used to denote the change in a financial instrument.

Contango - A condition in which the market quotes a higher price for a more distant delivery date, and a lower price for a nearby delivery date.

Morgan Stanley Backwardation Focused Multi Commodity Index (MS BFMCISM) - The Index is a modified version of the Bloomberg Commodity IndexSM (the "Bloomberg Commodity Index"), and consists of certain selected components from the Bloomberg Commodity Index deemed to exhibit stronger backwardation characteristics. While the Bloomberg Commodity Index is composed of 22 commodity futures contracts, the Index is composed of only ten commodity futures contracts.

S&P Goldman Sachs Commodity Index (GSCI) - An index that measures investment in the commodity markets and commodity market performance over time.

Roll Yield - Is the yield that a futures investor captures as their long position in a futures contract converges to the spot price.

One cannot invest directly in an index.

DoubleLine Commodity Long-Short - Is the alpha component of the Strategic Commodity Fund portfolio and makes up between 0%-50%.

The fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The statutory and summary prospectuses contain this and other important information about the investment company, and may be obtained by calling 1 (877) 354-6311 / 1 (877) DLine11, or visiting www.doublelinefunds.com. Read carefully before investing.

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