DoubleLine International Fixed Income Webcast Recap

Originally aired on October 13, 2020

About this Webcast Recap

On October 13, 2020, Portfolio Managers Bill Campbell and Luz Padilla held a webcast titled "A Brave New World," discussing the DoubleLine Emerging Markets Fixed Income Fund (DBLEX/DLENX), the DoubleLine Low Duration Emerging Markets Fixed Income Fund (DBLLX/DELNX) and the DoubleLine Global Bond Fund (DBLGX/DLGBX).

This recap is not intended to represent a complete transcript of the webcast. It is not intended as solicitation to buy or sell securities. If you are interested in hearing more of Bill Campbell and Luz Padilla's views, please listen to the full version of this webcast on www.doublelinefunds.com and click on the "Webcasts" tab under "Latest Webcast." You can use the "Jump To" feature to navigate to each slide.

Emerging Markets Fixed Income Fund

Quarter-End Returns September 30, 2020	1 Month	3Q2020	Year-to-Date	Annualized 1 Year	3 Years	5 Years	10 Years	Since Inception (4-6-10 to 9-30-20)	Gross Expense Ratio
I-share (DBLEX)	-0.71%	2.86%	-0.57%	2.00%	2.45%	5.59%	4.89%	5.31%	0.90%
N-share (DLENX)	-0.63%	2.89%	-0.68%	1.82%	2.22%	5.34%	4.64%	5.06%	1.15%
JP Morgan EMBI GD Index	-1.85%	2.32%	-0.51%	1.29%	3.49%	6.15%	5.43%	6.08%	

Low Duration Emerging Markets Fixed Income Fund

Quarter-End Returns September 30, 2020	1 Month	3Q2020	Year-to-Date	Annualized 1 Year	3 Years	5 Years	10 Years	Since Inception (4-7-14 to 9-30-20)	Gross Expense Ratio	Net Expense Ratio[1]
I-share (DBLLX)	-0.11%	1.57%	1.74%	2.96%	3.06%	3.94%	-	3.16%	0.63%	0.59%
N-share (DELNX)	-0.03%	1.61%	1.66%	2.70%	2.82%	3.69%	-	2.93%	0.88%	0.84%
JP Morgan CEMBI BD 1-3 Years	-0.34%	1.77%	1.85%	3.72%	3.75%	4.22%	-	3.64%		

Global Bond Fund

Quarter-End Returns September 30, 2020	1 Month	3Q2020	Year-to-Date	Annualized 1 Year	3 Years	5 Years	10 Years	Since Inception (12-17-15 to 9-30-20)	Gross Expense Ratio
I-share (DBLGX)	-0.56%	2.30%	1.91%	3.65%	1.42%	-	-	2.21%	0.55%
N-share (DLGBX)	-0.56%	2.11%	1.72%	3.29%	1.14%	-	-	1.95%	0.80%
FTSE WGBI	-0.22%	2.94%	7.14%	6.77%	4.37%	-	-	4.48%	

[1] The Advisor has contractually agreed to waive fees and reimburse expenses through July 31, 2021.

Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the 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.

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Covid-19

- COVID-19 cases across Europe have been on the rise since June.
- Death rates are on the rise in both developed markets and emerging markets.
  - In Latin America, death rates have risen particularly in Brazil, Argentina and Colombia.
- Multiple waves are not an aberration, rather more the norm when looking at previous virus cycles such as the 1918 Spanish flu and H1N1 swine flu.
- Nine vaccines are currently in Phase III, the last phase before filing for FDA approval, with an optimistic goal of a few of the vaccines receiving "Emergency Use Authorization" by the end of this year.
  - Ultimately, full FDA approval, which is called Biologistic License Application (BLA), is required. This is the precondition needed for being able to roll out a vaccine to the general public. The earliest DoubleLine thinks this could happen is in the first quarter of 2021.
- Therapeutics can be broken out into three categories:
  - Neutralizing Antibodies: These help alleviate symptoms by reducing the viral load on the body. Regeneron is the most recognized and it works similarly to a vaccine in trying to increase your body's response to fight off the virus. The fact that Regeneron has been fairly successful increases the likelihood that one or more of the vaccines would potentially be successful.
  - Anti-Viral Candidates: Primarily applicable for hospitalized patients and very severe cases.
  - Anti-Inflammatory Candidates: Primarily applicable for hospitalized patients and very severe cases for severe cases, hospitalized patients.

COVID-19 Impact

- Internet/E-commerce sales as a percentage of retail sales has surged, displacing brick-and-mortar stores.
- Surveys show more people think they will work from home 2-3 days a week after COVID-19 has passed than 4 or 5 days a week.
- Negative yielding debt has increased due to the monetary policy response.
- The share of 'Zombie' firms, or firms with interest coverage ratios less than one for the past 3 years, have also increased.

Policy Response

- Aggressive rate cuts to near zero or below zero by almost all central banks across the globe.
- Explosion of balance sheet measures, most notably, in the developed markets as quantitative easing purchases have increased, as well as other measures such as funding for lending schemes.
- A byproduct of the balance sheet usage and the renewed focus of central banks on purchasing bonds and trying to keep target overnight rate levels low has been the suppression of yield volatility.
  - Going forward, DoubleLine believes that central banks will continue to try to control the volatility of interest rate curves and that volatility is going to need to find a new outlet. DoubleLine believes that new outlet will be through exchange rate depreciation. Increased exchange rate volatility will likely lead to more opportunities on the FX side.
- Fed directed corporate credit support is slowing. In the event of another market selloff, the Fed still has a lot of room left in the current facilities they have in place as they've been relatively underutilized. So while we do believe the Fed would likely do whatever is needed to support markets, the idea that they'll need to quickly implement a new facility may not be the case.

- The fiscal response by the U.S. to the virus increased real income in aggregate. This increased the U.S. budget deficit as a percentage of nominal Gross Domestic Product (GDP) to levels never before seen (-15%).
- Fiscal measures were not just a U.S. phenomenon as globally there has been an explosion in fiscal measures and deficits.
  - Developed market countries have more fiscal room and therefore had the largest fiscal responses, whereas emerging market countries have to rely more on external sources of support, for example, the International Monetary Fund (IMF).
  - Emerging market countries provided liquidity support and fiscal support, but have a binding restraint. They need to fund their borrowing needs via external savings and therefore have less fiscal room.
  - Typically, for public debt we like to see that in the 60%-80% of GDP range. For deficit, we would like to see -3% or less as a percent GDP. Slides 29 and 30 show the COVID-19 response has caused deficits to be much higher, which is pushing debt higher as well.
    - As growth remains low and the fiscal need remains large, DoubleLine does not believe the policy space in some emerging markets is going to be sufficient, in and of itself, to deal with the aftermath of the crisis.

Growth Outlook/Recovery

- 2020 Global GDP is expected to fall 3.9% year-over-year (YoY).
- The market is expecting a very strong rebound in growth for calendar-year 2021. DoubleLine believes some of the GDP projections for 2021 may be overly optimistic relative to rising COVID-19 case rates, which could result in more shutdowns as well as increased structural unemployment.
  - The IMF revised down their 2021 GDP projections by 1% on October 13, citing that they believe the recovery is going to be long, it is going to be uneven, and it is going to be uncertain.
  - Economist's consensus fourth quarter 2020 GDP expectations are down significantly from where they were in June and July.
- High unemployment has remained sticky, both in the U.S. and globally.
- The unemployment rate for younger people, as a % of the total labor force, has been impacted disproportionately due to the pandemic. Prolonged unemployment within this cohort can lead to continued social instability and affect long term future growth. The longer young people are structurally unemployed, the tougher it is to boost overall growth of the economy in future decades.
- Additional risks and headwinds include:
  - Deglobalization
  - Brexit
  - European Union (EU) Recovery Fund (lack of progress)
  - Slowing Chinese stimulus
  - The outcome of U.S. elections and further stimulus measures

Currency Outlook

- Our structural view is that the USD (dollar) will go lower over the medium-to-long term for a few reasons:
  - Explosion in the fiscal deficit is meaningful and a high twin deficit (U.S. budget deficit plus U.S. Current Account Balance) has historically been a headwind for the U.S. Dollar.

- Normalization in rates across the globe has made the U.S. no longer a relative higher yielding option for foreign investors.
- Decreased FX hedging costs for the large stock of foreign investment in the U.S.
- U.S. potential growth forecast is being lowered.

- In the near term however, DoubleLine does believe the dollar could experience a countertrend rally in the event of another sell-off in risk assets before the aforementioned catalysts eventually overcome the shorter term flight to quality strength.
  - The market views the dollar as a "safe-haven" currency in times of crisis due to the dollar's reserve currency status and that U.S. Treasuries typically rally when risk markets sell off.
  - Another reason DoubleLine believes the dollar could rally in the near-term is positioning. Speculative short dollar positioning is at levels historically associated with near-term dollar rallies.
- Developed market currencies have broadly strengthened against the dollar in 2020, but emerging market currencies have not experienced the same strength.
  - Emerging market currencies rely on economic growth and are one of the most procyclical asset classes. DoubleLine does not believe there will be a durable recovery in emerging market currencies until growth returns meaningfully. For that reason, the DoubleLine Global Bond Team expects to use emerging market currencies only tactically in their portfolio rather than as a structural allocation in the near-term.

Inflation Update

- DoubleLine believes that inflation will likely remain lower in the near-term.
- The idea that inflation is likely going to explode because of the massive rise in the global money supplies leaves out the demand side.
  - Money supplies YoY have jumped across the developed markets and China, however DoubleLine believes the deflationary demand shock caused by COVID-19 is likely to keep inflation lower for the near-term.
  - In addition, with growth dropping and money supply increasing, we have seen a complete collapse of the money multiplier, which also means that inflation is likely to remain lower in the near term, as credit in the system is not created as aggressively as the theory would expect.
  - Lastly, real-time indicators, such as the New York Fed Underlying Inflation Gauge, do not show any signs that inflation is going to be a problem in the near-term.
- Both developed markets and emerging markets experienced a demand shock that lowered inflation.
- DoubleLine believes emerging markets will be the first markets to experience higher inflation, as higher food and energy prices will push inflation rates higher.
  - If inflation in emerging markets coincides with currency depreciation, we could see a wider gap develop between emerging market inflation and developed market inflation levels.

U.S. Election

- It is expected that if elected, Mr. Biden would have a softer approach toward trade than the current "America First" policy implemented under President Trump's administration. If Mr. Biden were to win and indeed implement softer trade policies, this would likely be beneficial for emerging markets as trade is an extremely important component to emerging market economies.
- Market expectations are that the best case outcome in terms of GDP growth, higher inflation and higher policy rates are for a unified government, whether it is under a Democratic or a Republican administration.

Emerging Markets Review

(EM Fundamentals)

- 2020 emerging market GDP growth is forecasted to be -0.1% YoY, per J.P. Morgan, down from 4.0% YoY in 2019. While emerging market growth has been hit by the COVID-19 pandemic, China has buoyed the sector as they are one of the only countries in both developed and emerging markets expected to post positive GDP growth in 2020.
- DoubleLine believes Latin America will be one of the most affected regions. Our expectation is for outsized negative growth rates in some of the larger Latin American economies: Brazil, Peru and Mexico.
- Consensus expectations are for a rebound in emerging market GDP growth in 2021.
- Due in part to the COVID-19 pandemic, there has been rising inequality which can lead to heightened civil unrest.
- Deterioration in fiscal balances due to spending to combat the impact of COVID-19. 2020 forecast is for a -5.8% of GDP fiscal balance versus -3.1% in 2019.
  - This is still better relative to developed markets.
- 2020 debt to GDP is expected to be 59.9% versus 49.8% in 2019
  - This is still better relative to developed markets however that is partly a function of different constraints on what emerging markets can borrow versus developed markets.
- Net leverage has increased in both emerging market high yield (HY) and emerging market investment grade (IG) to levels not seen in roughly 12 years, however DoubleLine expects that we could see this moderately turn over again as some of these companies are able to either increase their overall EBITDA generation and/or pay down some of their debt.
  - Good news is that a lot of emerging market countries started with lower leverage levels than their U.S. and E.U. counterparts.
  - Emerging market IG and emerging market HY net leverage ratios remain lower than their U.S. and E.U. IG and HY counterparts.
- Interest coverage is declining for both emerging market investment grade and high yield companies, as we have seen a general decrease in EBITDA.
- DoubleLine believes we may be at a trough, and we see the potential for improvements over the next 12-18 months in EM fundamentals. While we do expect many of the aforementioned factors to remain at elevated levels compared to previous years, we believe it is at a manageable level.

(EM Technicals)

- A robust issuance cycle has been well absorbed by the market.
  - DoubleLine believes a large part of the reason is that the net financing that is being done by these companies and sovereigns is relatively moderate.
  - Of the $442 billion that emerging market external corporates are projected to issue in 2020, only $27 billion is projected to be net financing, meaning that the majority of the issuance is just an exchange and has been taken up by buybacks or tenders that the company is doing.
    - $27 billion of net new money that has to be garnered in order to finance the $442 billion is very manageable and quite low. The same dynamic applies as it relates to sovereigns.

- Flows:
  - $-11.6 billion net outflows year-to-date (USD-denominated EM Fixed Income Fund cumulative flows). January and early February had net inflows then the pandemic led to significant outflows, which have abated and in recent months we have seen net inflows into the asset class.

(EM Technicals)

- 415 basis points (bps) of spread on JPM EMBI Global Diversified (sovereigns), 357 bps of spread on JPM CEMBI Broad Diversified (corporates).
  - Sovereigns are roughly 70 bps wider than 10-year average of 343.
  - Corporates are roughly 20 bps wider than 10-year average of 332.
    - The deterioration is therefore being rewarded with more spread, but still much tighter than the wide spreads seen in late March.

DoubleLine Emerging Markets Fixed Income Fund Review

- 12-month total return of 2.00% as of September 30, 2020, outperforming the JP Morgan EMBI GD Index (benchmark) return of 1.29% over that time frame.
- Duration remains lower than the benchmark at 4.03 years versus 8.06 years.
- The team has migrated the portfolio to a higher investment grade allocation over the last several months.
- Largest credit rating underweight versus the benchmark is a 12.7% allocation to B and below credits versus 27.6% for the benchmark.
  - DoubleLine's expectation is that we may see a better entry point into higher yielding credits due to potential headwinds that include: U.S. election cycle, potential for another wave of infections and higher death rates globally, and a longer, slower recovery than what may be priced in currently.
- The team has increased its exposure to sovereign and quasi-sovereign credits, primarily through the new issuance pipeline, to increase the overall liquidity of the fund.

DoubleLine Low Duration Emerging Markets Fixed Income Fund Review

- 12-month total return of 2.96% as of September 30, 2020, underperforming the JP Morgan CEMBI BD 1-3 Years Index (benchmark) return of 3.72% over that time frame.
- This is meant to be a low volatility strategy, with higher credit quality and lower duration than DBLEX.
  - The Fund, as of September 30, 2020, was 80.0% investment grade versus its benchmark which was 54.9% investment grade.

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DoubleLine Global Bond Fund Review

- 12-month total return for the fund as of September 30, 2020 was 3.65% with a volatility, as measured by standard deviation, of 4.99% versus a 6.77% total return and 5.40% volatility for the benchmark, the FTSE WGBI Index.
- The fund's duration (6.2 years) remains below that of the benchmark (9.0 years).
- 12-month underperformance of the fund relative to the benchmark can largely be attributed to March 2020, when the fund was underweight U.S. Treasury (UST) exposure and duration as USTs rallied significantly and developed market sovereign rates rallied amidst the market sell-off. Emerging market exposure, particularly in Mexico and South Africa, also detracted from fund performance in March.
- The DoubleLine Global Bond Fund portfolio managers increased dollar and euro exposures over the past 5 months to make the portfolio more defensive. Emerging market exposure was reduced.
- Going forward, the team prefers to be defensive in its position and will look to tactically add to emerging markets as more clarity arrives regarding a COVID-19 vaccine and the global growth outlook improves.

Past Performance does not guarantee future results.

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Definitions

Basis Points (BPS) – Basis points (or basis point (bp)) refer to a common unit of measure for interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01% or 0.0001, and is used to denote the percentage change in a financial instrument. The relationship between percentage changes and basis points can be summarized as: 1% change = 100 basis points; 0.01% = 1 basis point.

Credit Quality – Determined from the highest available credit rating from any nationally recognized statistical rating agency (NRSRO, generally S&P, Moody's or Fitch). DoubleLine chooses to display credit ratings using S&P's rating convention, although the rating might be sourced from another NRSRO. The rating agency evaluates a bond issuer's financial strength, meaning its ability to pay a bond's principal and interest in a timely fashion. Ratings are expressed as letters ranging from "AAA," which is the highest grade, to "D," which is the lowest grade. In situations where the rating agency has not issued a formal rating on a security, the security will be classified as "nonrated."

Duration – Commonly used measure of the potential volatility of the price of a debt security, or the aggregate market value of a portfolio of debt securities, prior to maturity. Securities with a longer duration generally have more volatile prices than securities of comparable quality with a shorter duration.

EBITDA - Earnings before interest, taxes, depreciation and amortization

Foreign Exchange (FX) – Foreign exchange (forex or FX) is the trading of one currency for another. For example, one can swap the U.S. dollar for the euro. Foreign exchange transactions can take place on the foreign exchange market, also known as the forex market. There is no centralized location, rather the forex market is an electronic network of banks, brokers, institutions and individual traders (mostly trading through brokers or banks).

FTSE World Government Bond Index (WGBI) – measures the performance of fixed-rate, local currency, investment grade sovereign bonds. The WGBI is a widely used benchmark that currently comprises sovereign debt from over 20 countries, denominated in a variety of currencies, and has more than 30 years of history available. The WGBI provides a broad benchmark for the global sovereign fixed income market. Sub-indices are available in any combination of currency, maturity, or rating. It is not possible to invest in an index.

High Yield (HY) Bonds – Bonds that pay higher interest rates because they have lower credit ratings than investment grade (IG) bonds. HY bonds are more likely to default, so they must pay a higher yield than IG bonds to compensate investors.

Investment Grade – Rating that signifies a municipal or corporate bond presents a relatively low risk of default. Bonds below this designation are considered to have a high risk of default and are commonly referred to as "junk bonds." The higher the bond rating the more likely the bond will return 100 cents on the U.S. dollar.

J.P. Morgan Corporate Emerging Markets Bond Index (CEMBI) Broad Diversified – This index is a uniquely weighted version of the CEMBI, which is a market capitalization-weighted index consisting of U.S. dollar-denominated emerging markets corporate bonds. It limits the weights of index countries with larger debt stocks by only including specified portions of those countries' eligible current face amounts of debt outstanding.

J.P. Morgan Emerging Markets Bond Index (EMBI) – This index tracks emerging markets (EM) bonds and comprises sovereign debt and EM corporate bonds.

Morgan Stanley Capital International Emerging Markets (MSCI EM) Currency Index – This index measures the total return of 25 emerging markets currencies relative to the U.S. dollar where the weight of each currency is equal to its country weight in the MSCI EMI.

Morgan Stanley Capital International Emerging Markets Index (MSCI EMI) – This index captures large- and mid-cap representation across 26 emerging markets countries. With 1,385 constituents, the index covers approximately 85% of the free-float-adjusted market capitalization in each country.

Spread – Difference between yields on differing debt instruments, calculated by deducting the yield of one instrument from another. The higher the yield spread, the greater the difference between the yields offered by each instrument. The spread can be measured between debt instruments of differing maturities, credit ratings or risk.

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.

It is not possible to invest in an index.

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Diversification does not assure a profit, nor does it protect against a loss in a declining market.

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The outbreak of COVID-19 has negatively affected the worldwide economy, including the U.S. The future impace of COVID-19 is currently unknown, and it may exacerabte other risks that apply to the Funds.