DoubleLine®

DoubleLine Asset Allocation Webcast Recap

Originally aired on October 27, 2020

About this Webcast Recap

On October 27, 2020, Deputy CIO Jeffrey Sherman held an Asset Allocation webcast discussing the DoubleLine Low Duration Bond Fund (DBLSX/DLSNX), the DoubleLine Core Fixed Income Fund (DBLFX/DLFNX), and the DoubleLine Flexible Income Fund (DFLEX/DLINX).

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 Mr. Sherman's views, please listen to the full version of this webcast on www.doublelinefunds.com and click on the "Webcasts" tab under "Latest Webcast."

DoubleLine Low Duration Bnd Fund Performance

Quarter-End Returns September 30, 2020	3Q20	YTD	Annualized 1-Year	3-Year	5-Year	Since Inception (9/30/2011 - 9/30/2020)
I-share	1.34%	1.08%	1.76%	2.47%	2.52%	2.39%
N-share	1.38%	0.99%	1.60%	2.25%	2.27%	2.15%
ICE BofA 1-3 Year UST Index	0.10%	3.05%	3.58%	2.64%	1.80%	1.29%
Bloomberg Barclays U.S. Agg 1-3Yr Index	0.16%	2.85%	3.44%	2.76%	2.05%	1.59%

Expense Ratio	I-Share	N-Share
Gross	0.43%	0.68%

DoubleLine Core Fixed Income Fund Performance

Quarter-End Returns September 30, 2020	3Q20	YTD	Annualized 1-Year	3-Year	5-Year	10-Year	Since Inception (6/1/2010 - 9/30/2020)
I-share	1.84%	3.82%	4.15%	4.04%	3.90%	4.61%	5.16%
N-share	1.78%	3.53%	3.88%	3.78%	3.63%	4.35%	4.90%
Bloomberg Barclays U.S. Aggregate Index	0.62%	6.79%	6.98%	5.24%	4.18%	3.64%	3.92%

Expense Ratio	I-Share	N-Share
Gross	0.48%	0.73%

DoubleLine Flexible Income Fund Performance

Quarter-End Returns September 30, 2020	3Q20	YTD	Annualized 1-Year	3-Year	5-Year	Since Inception (4/7/2014 - 9/30/2020)
I-share	3.52%	-0.57%	0.68%	2.43%	3.28%	3.10%
N-share	3.46%	-0.77%	0.42%	2.17%	3.00%	2.83%
ICE BAML 1-3 Yr. Eurodollar Index	0.62%	3.27%	4.08%	3.35%	2.67%	2.32%
LIBOR USD 3 Month Index	0.07%	0.69%	1.19%	1.91%	1.48%	1.21%

Expense Ratio	I-Share	N-Share
Gross	0.74%	0.99%

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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Economic Data Change: U.S. Global, Europe, Emerging Markets (EM), and China

- U.S. economic data began to register negative effects from the COVID-19 pandemic in the second quarter.
  - U.S. economic data change shows signs of recovery, however remains below its trend of the last 12 months, as of October 23.
- China economic data began to falter in early 2020, coinciding with the outbreak in the COVID-19 epicenter of Wuhan.
  - Despite the Chinese economy's abrupt disruption, it started recovering much faster than the rest of the world as China was much further along in controlling the virus' spread than other regions.
  - China's economic data change is now above its trend of the last 12 months.
- Global economic data change is still being affected by the prolonged and worsening outbreaks of COVID-19 in parts of Europe and Latin America.

U.S Real Gross Domestic Product (GDP) and Trend

- Based on estimates by the International Monetary Fund (IMF) as of October 7, U.S. real GDP growth is projected to stay below its long-term trend in the near-term due to the COVID-19-induced recession.
  - Below trend-line U.S. real GDP growth began after the Global Financial Crisis (GFC).
- The current recession produced the largest drawdown in U.S. real GDP, at 10.5%, in the post-World War II (WWII) era.
  - While past recessions have produced drawdowns in real GDP, nothing comes close to the shock of the current contraction and its rapid pace.

Personal Consumption

- The seasonally-adjusted, annualized drop in U.S. personal consumption in the second quarter of 2020 was the largest on record at -33.2%.
  - Personal consumption accounts for approximately 70% of U.S. GDP.
  - While the first quarter 2020 print accounted for only the first few weeks of shelter-in-place policies, the second quarter captured the full economic ramifications of the large-scale, voluntary shutdown of the economy.
- DoubleLine expected a significant rebound of the GDP personal consumption expenditure in the third quarter.
  - Seasonally-adjusted, personal consumption is expected to grow at an annualized pace of 40.7% in the third quarter, based on the advanced estimate from the Bureau of Economic Analysis.

U.S. Mobility Statistics

- Air travel registered some signs of rebounding as the number of daily U.S. travelers passing through TSA airport checkpoints surpassed 1,000,000 in October.
  - This figure is well below the October 2019 daily tally of approximately 2,500,000.
- Hotel occupancy rates rebounded after a steep drop early in 2020 to just under 50% occupancy, as of October 23.
  - This level is still well below the aggregate October 2019 occupancy level of approximately 70% and below the median level of the last 18 years.
- U.S. gasoline demand faced a steep drop-off in March as the pandemic spread and stay-at-home orders were initiated nationally.
  - The subsequent recovery of gasoline demand was strong, however demand did not recover to the average level of the last five years.
  - Summer in the U.S., which typically coincides with more car travel and miles driven, helped increase gasoline consumption.

Fiscal Stimulus

- In order to attempt to offset the economic disruption of the COVID-19 pandemic, governments introduced aggressive new fiscal policies.
  - As a percentage of GDP, current U.S. fiscal policy measures are approximately two times larger than those enacted in the wake of the GFC.
  - As of August 17, U.S. fiscal policy measures amount to 11.7% of GDP.
- The contrast between the current fiscal policies as a percentage of GDP relative to 2008 is even starker across European economies.
  - The United Kingdom's current fiscal policy response amounts to 16.0% of GDP, nearly four times as much as what was enacted in reaction to the GFC.
- Mr. Sherman believes stimulus is perhaps not the best description of the fiscal policy measures passed in response to the pandemic.
  - This is because stimulus implies a money multiplier effect of policy, where fiscal policy dollars have a higher velocity once entering the economy.
  - The current fiscal policy measures were, in large part, directed towards the consumer in the form of transfer payments.

U.S. Budget Deficit and U.S. Public Debt Outstanding % GDP

- The effect of fiscal policy during this recession has been a significant increase to the U.S. budget deficit as a percentage of nominal GDP.
  - As of September 30, the U.S. budget deficit stood at 16.1% of nominal GDP.
  - The budget deficit as a percentage of nominal GDP began increasing in 2016 despite the growing U.S. economy.
- U.S. public debt outstanding as a percentage of GDP also passed an ominous milestone this year, eclipsing 120%.
  - The public debt to GDP ratio now exceeds the previous high that was set in the aftermath of WWII.

Small Business and Large Corporations are Challenged

- Rebounds in consumer spending since the outbreak of the pandemic generally have not translated to higher revenues for small businesses nationally, relative to the start of 2020.
  - Based on this measure as of September 27, consumer spending is down approximately 4%, as compared to small business revenue which is still down over 20%, relative to January 2020 levels.
- As measured by corporate bankruptcies, large corporations are also feeling the effects of the pandemic.
  - Fillings for Chapter 11 bankruptcies by corporations with $1 billion or more in liabilities are on pace to exceed 2009, as of August 17.

U.S. Labor Statistics

- Broad measures of U.S. unemployment have been steadily improving, falling from record levels set in April.
  - The total measure of unemployed workers in the labor force (U-3) peaked at 14.7%, seasonally adjusted, in April. As of September 30, the unemployment rate was 7.9%.
  - The unemployment rate including those that are underemployed or marginally attached (U-6) peaked at 22.8%, seasonally adjusted, as of April 30. As of September 30, the U-6 rate was 12.8%.

- In contrast to the falling unemployment rate, the number of permanent job losses as a result of the pandemic-induced recession has grown.
  - As of September 30, 3.8 million individuals, seasonally adjusted, permanently lost their jobs.
    - Mr. Sherman believes this figure could continue to climb as those businesses that received Small Business Administration (SBA) loans through the Paycheck Protection Program (PPP) will no longer be bound by the need to keep workers employed to satisfy the conditions of their loan assistance.

Year-to-Date (YTD) Fixed Income Sector Returns

- The top performing sector of fixed income YTD are Governments (as measured by the ICE BofA U.S. Treasury & Agency Index) which retuned 8.01%, as of October 23.
  - This sector has been the beneficiary of direct support granted by the Federal Reserve in the form of asset purchases.
- Fixed income performance across several credit-sensitive sectors YTD show strong recoveries from drawdowns experienced in February and March.
  - High Yield, as measured by the ICE BofA Cash Pay High Yield Index, retraced its drawdown to return 1.34%, YTD through October 23.
  - Bank Loans, as measured by the S&P/LSTA Leveraged Loan Total Return Index, are positive 0.09% YTD through October 23.
  - Non-Agency RMBS which, as measured by the Markit iBoxx Broad U.S. Non-Agency Residential MBS Index, returned 6.68% outperforming the ICE BofA U.S. Corporate Index return of 6.67% YTD through October 23.

Fixed Income Valuation

- Last year, based on this metric of relative valuation, U.S. investment grade corporate bonds were two standard deviations rich based on historical relative growth to U.S. Treasuries (Treasuries); one of the most overvalued readings since 1985.
  - After falling in March, the sector retraced much of its losses due to support from the Fed and its various facilities.
- Despite the Fed's support of the Agency MBS market in the form of direct asset purchases, Agency MBS appear cheap relative to Treasuries.
  - Based on this relative valuation framework, the only cheaper period for Agency MBS relative to Treasuries was during the GFC.
- DoubleLine created and maintains a proprietary index of post-crisis non-Agency MBS bonds to measure the attractiveness of the sector relative to Treasuries.
  - Earlier this year, based on this measure, Non-Agency MBS were the most undervalued since the inception of this index relative to Treasuries.
  - Non-Agency MBS have since recovered and are less than one standard deviation cheap relative to Treasuries.
- Commercial mortgage-backed securities (CMBS) appear approximately at fair value relative to Treasuries using this metric.
  - The ICE BofA AAA-A U.S. Fixed Rate CMBS Index captures an investment grade segment that was not as impacted by negative performance in March as the broad CMBS market.

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DoubleLine Low Duration Bond Fund Portfolio Composition

- The DoubleLine Low Duration Bond Fund invests primarily in investment grade-rated securities and had less interest rate sensitivity than its benchmark, the ICE BofA 1-3yr U.S. Treasury Index, as of September 30.
  - Below investment grade rated securities accounted for 3.9% of the portfolio while unrated securities represent 16.1% as of September 30.
    - A large portion of the unrated securities reside within securitized credit and a security being unrated is not necessarily indicative of a below investment grade asset.
- The Fund has steadily recovered from the drawdown it suffered in March.
  - After returning -4.4% (I-share class, net of fees) in the first quarter, the Fund returned 5.7% from March 31 through September 30.
  - The Fund's current tilt towards structured credit emphasizes sectors of the market that the DoubleLine team assesses to be undervalued or at fair value relative to the shorter maturity segments of other fixed income sectors.

DoubleLine Core Fixed Income Fund Portfolio Composition

- The DoubleLine Core Fixed Income Fund is diversified across a mix of fixed income sectors while maintaining a duration profile 1.42 years shorter than its benchmark, the Bloomberg Barclays U.S. Aggregate Bond Index, as of September 30.
  - Government-guaranteed fixed income sectors including Agency MBS, Treasuries, and cash, represented approximately 42.1% of the Fund as of September 30.
  - Below investment grade exposure comprised 13.0% of the portfolio and unrated securities account for 7.1%.
    - Unrated securities are not necessarily indicative of a below investment grade asset.
- The Fund reduced its exposure to international sovereign bonds while increasing exposure to non-Agency MBS and CMBS, over the third quarter.

DoubleLine Flexible Income Fund Portfolio Composition

- The DoubleLine Flexible Income Fund is broadly diversified across 10 fixed income asset classes and has historically taken on more credit risk than the DoubleLine Core Fixed Income Fund and DoubleLine Low Duration Bond Fund.
  - As of September 30, the Fund had 35.5% in below investment grade exposure and 21.0% in unrated securities.
- Given its credit risk exposure, the Fund experienced its largest drawdown since inception in March 2020 and has been steadily recovering YTD.
  - After returning -12.6% (I-share class, net of fees) in the first quarter, the Fund returned 13.7% from March 31 through September 30.
- A majority of the assets in the portfolio were valued below par with an average price of $95.82 as of September 30.

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Definitions and Terms

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.

Below Investment Grade/Non-Investment Grade – Term indicating a security is rated below investment grade (IG). These securities are seen as having higher default risk or being prone to other adverse credit events. They typically pay higher yields than higher-quality bonds in order to make them attractive. They are less likely than IG bonds to pay back 100 cents on the dollar.

Bloomberg Barclays U.S. Aggregate 1-3-Year Index – This component of the Bloomberg Barclays US Aggregate Bond Index tracks bonds of duration of at least one year and not greater than three years.

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

Drawdown – Peak-to-trough decline during a specific period for an investment, trading account or fund. A drawdown is usually quoted as the percentage between the peak and the subsequent trough.

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.

ICE Bank of America (BofA) AAA-A U.S. Fixed-Rate Commercial Mortgage-Backed Securities (CMBS) Index – This index tracks the performance of the AAA-A component of U.S. dollar-denominated, investment grade (IG), fixed-rate commercial mortgage-backed securities (CMBS) publicly issued in the U.S. domestic market. Qualifying securities must have an IG rating (based on an average of Moody's, S&P and Fitch), a fixed coupon schedule, at least one year remaining to final maturity and at least one month to the last expected cash flow.

ICE Bank of America (BofA) 1-3 Year Eurodollar Index – This index is a subset of the ICE Bank of America (BofA) Eurodollar Index, including all securities with a remaining term to final maturity of less than three years. The ICE BofA Eurodollar Index tracks the performance of U.S.-dollar-denominated, investment grade (IG) quasi-government, corporate, securitized and collateralized debt publicly issued in eurozone markets.

ICE Bank of America (BofA) 1-3 Year U.S. Treasury Index – This index is a subset of the ICE BofA U.S. Treasury Index, including all securities with a remaining term to maturity less than three years. ICE BofA U.S. Treasury Index tracks the performance of U.S. dollar-denominated sovereign debt publicly issued by the U.S. government in its domestic market.

ICE Bank of America (BofA) U.S. Corporate Index ("Investment Grade") – This index tracks the performance of U.S.-dollar denominated, investment grade (IG) corporate debt publicly issued in the U.S. domestic market. Qualifying securities must have an IG rating (based on an average of Moody's, S&P and Fitch) and an IG-rated country of risk (based on an average of Moody's, S&P and Fitch foreign currency, long-term sovereign debt ratings). Securities must have at least one year remaining to final maturity, a fixed coupon schedule and a minimum amount outstanding of $250 million.

ICE Bank of America (BofA) U.S. High Yield (HY) Cash Pay Index ("Below Investment Grade") – This index tracks the performance of U.S. dollar-denominated, below-investment-grade corporate debt that is currently in a coupon paying period and was publicly issued in the U.S. domestic market. Qualifying securities must have a below-investment-grade rating (based on an average of Moody's, S&P and Fitch foreign currency long-term sovereign debt ratings). They must also have one year remaining to final maturity and a minimum outstanding amount of $100 million.

ICE Bank of America (BofA) U.S. Treasury & Agency Index – This index tracks the performance of U.S. dollar-denominated U.S. Treasury and nonsubordinated U.S. Agency debt issued in the U.S. domestic market. Qualifying securities must have an investment grade (IG) rating (based on an average of Moody's, S&P and Fitch). In addition, qualifying securities must have at least one year remaining to final maturity, at least 18 months to maturity at time of issuance, a fixed coupon schedule and a minimum amount outstanding of $1 billion for sovereigns and $250 million for Agencies.

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.

London Interbank-Offered Rate (LIBOR) – Indicative average interest rate at which a selection of banks, known as the "panel banks," are prepared to lend one another unsecured funds on the London money market.

Markit iBoxx U.S. Non-Agency Residential Mortgage-Backed Securities (RMBS) Index – This index comprises of 27 subindexes referencing approximately 350 senior bonds from a portfolio of 22,000 RMBS issued between 2005 and 2007. The subindexes' selection criteria include deal size, pricing date and the type/quality of the mortgages referenced in each deal. Index pricing is based on Markit's bond pricing service, which sources quotes from a panel of dealers.

Par – Short for "par value," par can refer to bonds, preferred stock, common stock or currencies, with different meanings depending on the context. Par most commonly refers to bonds, in which case, it means the face value, or value at which the bond will be redeemed at maturity.

S&P/LSTA Leveraged Loan Index – This index tracks the market-weighted performance of institutional weighted loans based on market weightings, spreads and interest payments.

Standard Deviation – Measures the dispersion of a dataset relative to its mean.

U-3 Unemployment Rate – Officially recognized rate of unemployment, compiled and released monthly by the U.S. Bureau of Labor Statistics, measuring the number of unemployed people as a percentage of the labor force.

U-6 Unemployment Rate – Rate that includes discouraged workers who have quit looking for a job and part-time workers who are seeking full-time employment. The U-6 rate is considered by many economists to be the most revealing measure of a country's unemployment situation since it covers the percentage of the labor force that is unemployed, underemployed and discouraged.

Unrated Bonds – Bonds that have not received a credit rating from one of the major credit rating agencies.

It is not possible to invest in an index.

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The funds' 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 Funds and may be obtained by calling (877) 354-6311/ (877) DLINE11, or visiting www.doublelinefunds.com. Read carefully before investing.

Mutual fund investing involves risk; Principal loss is possible. Investments in debt securities typically decrease when interest rates rise. This risk is usually greater for longer-term debt securities. Investments in Asset-Backed and Mortgage-Backed securities include additional risks that investors 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. The Total Return Bond Fund intends to invest more than 50% of its net assets in mortgage-backed securities of any maturity or type. The Fund therefore potentially is more likely to react to any volatility or changes in the mortgage-backed securities marketplace.

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

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