DoubleLine Total Return Bond Fund Webcast Recap
"Drain the Swamp"

Originally aired on December 13, 2016

About this Webcast Recap

On December 13, 2016, Chief Executive Officer Jeffrey Gundlach held a webcast discussing the DoubleLine Total Return Bond Fund (DBLTX/DLTNX) titled "Drain the Swamp."

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. Gundlach's views, please listen to the full version of this webcast on www.doublelinefunds.com on the **"Webcasts"** tab under **"Latest Webcast"**. You can use the **"Jump To"** feature to navigate to each slide.

Slide #	Recap
	The Trump Effect
	• Economists and major investment management firms said that if Donald Trump won the election there would be a global depression and the stock market would drop. Interestingly, the S&P 500 is up 6.5% since the close on November 8th, Election Day.
8	**Why did Trump win the election?**
	• U.S. wealth inequality: Top 0.1% hold the same amount of wealth as the bottom 90%.
	U.S. Manufacturing Jobs Decline since NAFTA
	• Manufacturing jobs have declined significantly since NAFTA was signed by President Clinton, from 16,791 to 12,260 employees.
	• Mr. Gundlach believes a lot of people are hoping that there's a magic wand out there that President Elect Trump can wave and bring jobs back, but doubts that is really the case.
10	**U.S. Trade Surplus/Deficit**
	• Our trade deficit resides is massively with China at roughly $350 billion. After that we see Euro Area at roughly $125 billion. Japan and Mexico are next at roughly $75 billion.
	• Mr. Gundlach believes that if President Elect Trump is going to attack the trade deficit problem, it has to come primarily from China, the Euro area, Japan and Mexico.
	Senators Up for Re-Election in 2018
	• The next round of national elections is for Senate in 2018.
	• Mr. Gundlach believes it does not look good for Democrats unless something really changes in attitudes. If the attitude about Trump stays where it is today, Mr. Gundlach believes that there will probably be 10 senators potentially switching from Democrat to Republican, because that is where their states went for Trump.
12	**Sources of Federal Tax Revenue 2015**
	• The majority of federal tax revenue comes from payroll tax and income tax, at 33% and 47%, respectively. The corporate tax rate accounted for just 11% of federal tax revenue.

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20	**Post-Election Advance in U.S. Stocks** • It's typical for the stock market to do well the month after an election and continue to hold the gain into the New Year. Right around Inauguration Day, typically two weeks prior to two weeks after, there can be market corrections • Based on the past eight to ten elections, Mr. Gundlach would expect a similar pattern of a stock market sell off around the inauguration. **Presidents and Recessions** • Oftentimes when there is a new face in the White House it's met with a recession within the first year. At DoubleLine, we do not see a recession in our indicators on the near-term horizon.
22	**<u>The Global Economy</u>** **Popular Discontent in Europe** • Favorability towards the European Union (EU) is not in core of Europe. People talk about Italy leaving, but one country that sticks out to Mr. Gundlach is France. The French have elections coming up and, according to polls, 61% of people are unfavorable to the EU. **Discontent in the European Union** • The majority of EU citizens disapprove on refugees and on the handling of the economy. The disapproval ratings are not even close to 50/50 in the majority of countries. Mr. Gundlach believes that this will be a major topic of discussion in 2017. **Migration across European Union** • The number of asylum seekers in Europe in 2015 surged to a record 1.3 million. That is more than double what is was just the year before.
26	**Unemployment Comparison** • United States is at 4.6% unemployment, Japan is at 3.0% unemployment, and the European Union is at 8.3% unemployment. • One of the reasons for unhappiness in Europe is the unemployment number. The progress in the unemployment number has not been to the extent that it has been in the U.S. **Global Bond Yields** • Bond yields have been rising globally. The German 10-year yields and Italian 10-year yields have come up by a fair amount from their lows in July, and the Japanese 10-year yield is now positive.
29	**10-Year U.S. Treasury (UST) Yields** • Mr. Gundlach thinks 3% is a really big number on the 10-year UST yield. This is a number we are focusing on at DoubleLine. 3% was the high yield on the 10-year UST back in 2015. • Mr. Gundlach is not predicting that we go above 3% anytime soon, but is wondering what a 3% plus 10-year yield would do to the stock market. **Bond Market** • Mr. Gundlach continues to recommend a defensive stance on the bond market by having a lower duration.

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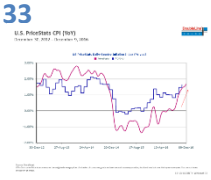
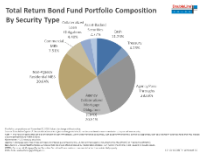
33 	**Inflation** • Consumer Price Index (CPI) is at the highest level it's been at in a while, and PriceStats has been corroborating the CPI move. • The Economic Cycle Research Institute (ECRI) future inflation gauge (FIG) rose slightly in November suggesting an inflation pick up in 2017. The gauge is up by 11.1% from a year ago and moved up to 113.8 in November.
45 	**Treasury Inflation Protected Securities (TIPS)** • DoubleLine turned bullish on TIPS in September. We have been favoring TIPs over nominal Treasuries. TIPS year-to-date have a total return of 4.3%, as represented by the Bloomberg Barclays U.S. Treasury Inflation-Protected Securities (TIPS) Index. Treasuries year-to-date are only up 0.7%, as represented by the Bloomberg Barclays U.S. Treasury Index. Virtually all that return came since July. We don't like TIPS as an entry point right now as they have moved a lot. • Mr. Gundlach thinks breakevens will be higher in 2017 than they are right now, which mean not every day but TIPS will outperform nominal Treasuries over the course of the year.
60 	**<u>DoubleLine Total Return Bond Fund (DBLTX) as of November 30, 2016</u>** • DBLTX has duration of 3.68 years, which is significantly shorter than 5.85 years of the Bloomberg Barclays U.S. Aggregate Bond Index. In falling rate periods it is likely to lag and then may make it up in rising rate periods. This is based on DBLTX's lower duration and higher yield. • We are still very defensive within DBLTX, which is highlighted by our lower duration. Typically, we actively manage our duration to be at its lowest when 10-Year UST Treasury yields are at their low and at its highest when they are at their highs. • Cash is 11.23%.

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Definitions:

Bloomberg Barclays Capital U.S. Aggregate Bond Index - The Barclays Capital U.S. Aggregate Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. 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.

Bloomberg Barclays U.S. Aggregate Corporate Index - An index designed to be a broad-based measure of the global investment-grade, fixed rate, fixed income corporate markets outside the United States.

Bloomberg Barclays U.S. Corporate High Yield Index - An index that is composed of fixed-rate, publicly issued, non-investment grade debt.

Bloomberg Barclays Global Aggregate Ex-Japan Index - An index of government bonds from investment grade countries. Excluding Japan.

Bloomberg Barclays U.S. Treasury Index - The U.S. Treasury component of the U.S. Government index. This index includes public obligations of the U.S. Treasury with a remaining maturity of one year or more.

Bloomberg Barclays U.S. Treasury Inflation-Protected Securities (TIPS) Index - An index of publicly-issued, investment grade TIPS with at least $250 million of outstanding face value.

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

Consumer Price Index (CPI) - A measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. The CPI is calculated by taking price changes for each item in the predetermined basket of goods and averaging them; the goods are weighted according to their importance. Changes in CPI are used to assess price changes associated with the cost of living.

Correlation - A statistical measurement of the relationship between two variables. Possible correlations range from +1 to -1. A zero correlation indicates that there is no relationship between the variables. A correlation of -1 indicates a perfect negative correlation and +1 indicates a perfect positive correlation.

Draw Down - The peak-to-trough decline during a specific record period of an investment, fund or commodity. A drawdown is usually quoted as the percentage between the peak and the trough.

Duration - A measure of the sensitivity of the price of a fixed income investment to a change in interest rates, expressed as a number of years.

Investment Grade - A level of credit rating for stocks regarded as carrying a minimal risk to investors. Ratings are based on corporate bond model. The higher the rating the more likely the bond will pay back par/100 cents on the dollar.

Price-to-Earnings (P/E) Ratio - Price/ earnings ratio is the ratio of valuing a company that measures its current share price relative to its per-share earnings.

S&P 500 Index - A capitalized-weighted index of 500 stocks chosen for market size, liquidity and industry grouping, among other factors. This index is designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe.

U.S. Dollar Spot Index (DXY) - DXY is the U.S. Dollar Index (USDX) indicates the general value of the U.S. dollar. Average exchange rates between the U.S. dollar and six major world currencies.

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Disclaimer

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.

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.

Credit Distribution is determined from the highest available credit rating from any Nationally Recognized Statistical Rating Organization (S&P, Moody's and Fitch).

Diversification does not assure a profit or protect against loss in a declining market.

Fund Holdings and sector allocations are subject to change at any time and should not be considered a recommendation to buy or sell any security.

Opinions expressed are subject to change at any time, are not forecasts and should not be considered investment advice.

While the Funds are no-load, management fees and other expenses still apply.

Important Information Regarding This Report

DoubleLine assumes no obligation to provide revised assessments in the event of changed circumstances. While this information based on sources believed to be reliable, DoubleLine does not guarantee the accuracy of the information provided. DoubleLine assumes no duty to update this information, which is not a complete discussion of all economic factors reviewed by DoubleLine. DoubleLine reserves the right to change its investment perspective and outlook without notice as market conditions dictate or as additional information becomes available. The opinions of any individual portfolio manager does not necessarily reflect the opinions of all DoubleLine portfolio managers.

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