DoubleLine Income Fund Webcast Recap

Originally aired on December 3, 2020

About this Webcast Recap

On December 3, 2020, portfolio manager Ken Shinoda held a webcast discussing the DoubleLine Income Fund (DBLIX/DBLNX).

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. Shinoda'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 Income Fund

Month-End Returns October 31, 2020	1 Month	3 Months	Year-to-Date	Annualized 1 Year	Annualized Since Inception (9-3-19 to 10-31-20)	Gross Expense Ratio	Net Expense Ratio[1]
I-share (DBLIX)	0.55%	1.42%	-7.66%	-7.19%	-6.25%	1.14%	0.66%
N-share (DBLNX)	0.41%	1.35%	-7.74%	-7.30%	-6.37%	1.27%	0.91%
Bloomberg Barclays US Agg Index	-0.45%	-1.30%	6.32%	6.19%	4.94%		

Quarter-End Returns September 30, 2020	1 Month	3Q2020	Year-to-Date	Annualized 1 Year	Annualized Since Inception (9-3-19 to 9-30-20)
I-share (DBLIX)	0.75%	3.84%	-8.16%	-7.48%	-7.20%
N-share (DBLNX)	0.84%	4.01%	-8.12%	-7.57%	-7.21%
Bloomberg Barclays US Agg Index	-0.05%	0.62%	6.79%	6.98%	5.78%

Gross Expense Ratio: I-share: 1.14%, N-share: 1.27%

Net Expense Ratio: I-share: 0.66%, N-share: 0.91%

[1] The Adviser has contractually agreed to waive fees and expenses through September 2, 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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DoubleLine Income Fund

- The DoubleLine Income Fund was launched on September 3, 2019 as a way for clients to get access to DoubleLine's expertise in the securitized products markets. The Fund is focused on predominantly structured products credit, with the goal to generate current income and total return.
- We believe it's a distinct way to get diversification away from other parts of the fixed-income market to sectors that are typically backed by hard assets with stable cash flows and can display potentially lower correlations to broader risk markets.
  - Adding the Income Fund to a portfolio can potentially help generate higher total return through the income and the price appreciation potential of the securitized credit assets.

Portfolio Exposure

- The Income Fund is broadly diversified across different parts of the structured products market. It is predominantly securitized credit, with a heavier weighting to mortgage-related assets.
- As of October 31:
  - Non-Agency residential mortgage-backed securities (RMBS): 29.8%
  - Commercial mortgage-backed securities (CMBS): 28.5%
  - Collateralized loan obligations (CLO): 14.3%
  - Asset-backed securities (ABS): 10.9%
  - Agency mortgage-backed securities (MBS): 6.7%
  - U.S. Treasuries: 6.4%
  - Cash: 3.4%

Positioning Across the Capital Stack

- When investing in structured products, there are different types of risk and return that investors can target in a typical offering. Generally speaking, the higher up in the capital structure, the higher the priority to receive cash flows from the underlying assets, whether they be mortgage loans, consumer loans or different types of receivables. Investors in the more-junior or mezzanine portions of the capital structure are more exposed to potential losses.
- As investors go down the capital structure, there is inherently more credit risk. Investors are generally compensated to take on that additional risk through higher yield spread and potential return relative to higher-rated tranches.
- Many of DoubleLine's strategies utilize securitized credit across the capital structure.
  - The DoubleLine Low Duration Bond Fund is a lower-risk offering and is largely invested in the most-senior portion of the capital structure, or bonds rated AAA.
  - Intermediate-duration funds, such as the Total Return Bond Fund and Core Fixed Income Fund, typically target the intermediate portion of the maturity curve and bonds that are rated, in general, AA, A or BBB.
  - The DoubleLine Income Fund as well as the Flexible Income Fund seek higher returns and take on additional risk, generally targeting bonds rated BBB, BB and B.
- The Global Financial Crisis (GFC) changed the third-party credit rating model for many structured products. Many investors in this market who conduct their own credit underwriting and scenario analysis, including DoubleLine, consider third-party credit ratings as a tertiary input to their analysis. Issuers of structured products recognize this dynamic and may choose to forgo third-party credit ratings of structured products.
  - In DoubleLine's view, nonrated securities are not necessarily indicative of a below-investment-grade asset.

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Structured Products Universe

- The largest part of the structured products universe is the Agency MBS market at nearly $7 trillion, and it is the second-largest U.S. fixed-income market behind Treasuries. The non-Agency RMBS market is nearly $600 billion. CMBS, both Agency and private label, is roughly $1.4 trillion. The ABS and CLO markets are approximately $750 million each.

Structured Products Capital Structure

- Passthroughs are basic structures that receive principal and interest (P&I) payments that are passed through to investors.
- In the securitization market, passthroughs can be structured using time tranching, where three tranches are created: the front cash flow, intermediate cash flow and last cash flow.
  - When principal or prepayments come in, all of it goes to the front cash flow until the tranche is completely paid down. Once the first tranche is paid down, the intermediate cash flow begins receiving payments. The last cash flow tranche is the last to receive principal.
- Because of this priority of payment, the front cash flow is shorter in duration, typically a one- to three-year average life bond. The intermediate cash flow is typically a four- to seven-year average life bond. The last cash flow, or long-duration bond, can be 10-plus years in maturity.
  - Typically, spreads are wider the further out on the interest rate curve as there is a premium to go out on the curve and take more duration risk.
- Additionally, there can be credit tranching: the further up the capital structure, the less risk; the further down the capital structure, the more risk.

Structured Products Post-GFC Evolution

- One of the biggest changes post-GFC is that the underwriting standards have improved in many parts of the structured products market. For example, within Fannie Mae (3.0% exposure within the Income Fund as of November 30, 2020) and Freddie Mac (3.2% exposure within the Income Fund as of November 30, 2020) loans the average credit score of borrowers, and the loan-to-value and debt-to-income (DTI) ratios all look significantly better relative to the pre-GFC era.
- A second change is rating agencies adopted more conservative criteria when assigning bond ratings. Senior-rated bonds issued post-GFC have higher levels of credit enhancement, or subordination, relative to pre-GFC bonds.
- A third change is "skin in the game." With the creation of risk-retention under the Dodd-Frank Act, the issuers of some of these securities must keep 5% of these deals for a certain period of time.
  - Often, first-loss pieces are retained by the issuer.
- In loan origination, representations and warranties have been improved.
- Real estate investment trusts (REITs), business development companies (BDC), non-bank originators, private debt funds, and private credit funds now act as lenders and securitizers in the marketplace, activities that historically were conducted by banks.

Agency MBS Versus Treasuries

- Agency MBS does not represent a large allocation in the DoubleLine Income Fund, but it is generally a larger allocation in many of our other strategies.
- To manage prepayment risk, the investment team seeks to invest in securities that have a better convexity profile. The team's tendency is to focus on lower-coupon Agency MBS, as these securities generally have lower prepayment risk and better convexity profiles than securities with higher coupons.
- Different types of collateral can offer different convexity profiles and prepayment risk mitigation. Agency CMBS tends to exhibit a better convexity profile relative to Agency MBS because of yield maintenance for those bonds.
- Our investment team also utilizes the collateralized mortgage obligation market as we believe we can add value through individual security selection.

Agency MBS in Periods of Rising Rate Environment

- Agency MBS had tended to outperform other traditional fixed-income sectors during rising interest rate environments. Since the inception of the Bloomberg Barclays US Aggregate Bond Index (Agg) in 1986, the 10-year Treasury yield has risen by 100 basis points (bps) or more on 13 separate occasions. Agency MBS (as represented by the Bloomberg Barclays US MBS Index) provided positive returns in six of the 13 time periods and:
  - outperformed Treasuries (as represented by the Bloomberg Barclays US Treasury Total Return Index) 13 out of 13 times;
  - outperformed the Agg 13 out of 13 times;
  - and outperformed corporates (as represented by the Bloomberg Barclays US Corporate Index) nine out of 13 times.
- The times when Agency MBS did not outperform corporates were typically when spreads were wide and corporates benefitted from spread tightening as rates rose, such as in the aftermath of the GFC.
  - As of December 3, the option-adjusted spread (OAS) of the Bloomberg Barclays US Corporate Index was 99 bps. With spreads at historically tight levels, the potential for further spread compression may be limited.
- Unlike bullet maturity, semiannual coupon-paying Treasuries and corporate bonds, investors in Agency MBS receive P&I every month. When rates fall, investors must reinvest into a lower-yield environment. But when rates rise, Agency MBS investors receive P&I to reinvest into a higher-rate environment.

Non-Agency RMBS Market

- The non-Agency RMBS market comprises bonds that are not government guaranteed by Fannie Mae, Freddie Mac, or Ginnie Mae. The market was about $500 billion in the early 2000s; prior to the GFC in 2007, it surpassed $2 trillion. Following the GFC, the market size has shrunk back down to approximately $600 billion.
- Issuance has slowly picked up over time. There was almost no issuance in this market for a few years after the GFC.
  - Issuance in 2019 was $120 billion; this year issuance has been strong considering the COVID-19 crisis.

RMBS Sectors

- Legacy loans are securities that were issued pre-GFC. These mortgage borrowers have been paying their mortgages for over a decade, increasing the amount of homeowner equity which leads to lower default probability as time passes.
  - Legacy loans can also include loans that weren't securitized, including re-performing loans (RPL) and non-performing loans (NPL). These are primarily distressed borrowers who are either delinquent (NPL) or have experienced a credit event in the past but are largely current on their loans (RPL).
- New origination:
  - Prime jumbo securities issued post-GFC are generally the highest quality and lowest yielding of the RMBS sectors.
  - Credit risk transfer (CRT) securities transfer Agency credit risk to the private market. Fannie Mae and Freddie Mac take reference pools of Agency MBS and then sell off the credit risk to create the CRT.
  - Non-qualified mortgages (QM) are loans that don't fit a regulatory box created post-GFC. These are generally borrowers with alternative income documentation or a prior credit event, or those with lower FICO scores or higher DTI ratios and do not meet the requirements for a qualified mortgage.
  - Additionally, there are single-family rental (SFR) bonds and residential transition loans (RTL).

Residential Fundamentals

- Housing has been one of the bright spots of the U.S. economy in 2020. The S&P CoreLogic Case-Shiller National Home Price Index increased nearly 7% year-over-year (YoY) in September, while the Federal Housing Finance Agency (FHFA) US House Price Index increased nearly 8% YoY.
- Prior to COVID-19, housing supply was historically low. As of September, the existing inventory of homes was the lowest it has ever been since this data statistic has been calculated going back to 1983.
  - While low supply contributed to rising home price appreciation (HPA), affordability has remained high on a relative basis largely due to historically low mortgage rates.
- Given the combination of stricter underwriting standards for mortgage loans and the broad appreciation of home prices, homeowners have record equity in their homes, potentially indicating lower future defaults and/or losses.

COVID Delinquencies Versus Natural Disasters

- Mortgage delinquencies were roughly 3% in March 2020, in line with the unemployment rate at the time.
  - Mortgage delinquencies this year peaked in late May at slightly over 8% and have since trended downward to 7.7% as of September 30.
- Historically, not every borrower that is delinquent ultimately defaults. Looking at prior periods of distress – including natural disasters and during the GFC – many borrowers that became delinquent did not ultimately default on their mortgages:
  - Historically after hurricanes, nearly 95% of borrowers did not default out of the total delinquent pool.
  - Of borrowers that took out a mortgage in the early 2000s, over 80% ultimately did not default following the GFC. These borrowers generally had larger down payments and more equity in their homes relative to the 2005 through 2007 cohort of borrowers.
  - Of borrowers that took out a mortgage at the top of the market in the years leading up to the GFC – 2005 through 2007 – approximately 65% ultimately did not default.

CMBS Conduit versus SASB

- The CMBS market consists of bonds that are backed by commercial real estate (CRE) properties. The two biggest parts of that market are the conduit and single-asset, single-borrower (SASB) securities.
  - Conduit bonds are typically 10-year, fixed-rate loans, with average loan balances of roughly $20 million. Historically, 50 to 80 loans are securitized with varying exposures to different sectors of the CRE market.
- SASB bonds are larger loans backed by larger sponsors, like private equity and REITs. They can be fixed or floating rate and have differing maturity terms.
  - During the GFC, losses on SASB were less than 1%, in part due to the backing of those large institutional sponsors.

CMBS Delinquency

- The CRE market, given its diversity, has certain sectors that have been impacted by COVID-19 more acutely than others.
  - State-mandated orders for the closure of nonessential businesses uniquely impacted the retail and hospitality sectors. As such, these property types have seen delinquencies rise sharply from the end of March.
  - Industrial properties, which have benefitted from increased e-commerce activity, have experienced almost no increase in delinquencies.
  - Multifamily delinquencies also remained low. Multifamily rent collections in October nearly matched the same period last year.

Closed-End Private Real Estate Dry Powder

- Currently, there's a lack of CRE transactions. As transaction volumes pick up, that will help provide more clarity on CRE property prices.
- A historically large amount of money remains on the sidelines to support the CRE market.
  - This dry powder is likely a net positive for the value of CRE assets, as it may provide a floor for property prices.

Asset-Backed Securities Market

- The ABS market largely comprises what is often called "flow product": securities backed by credit cards, auto loans and student loans.
- The non-flow market comprises more esoteric collateral: securitized aircraft lease receivables, franchise receivables, timeshare receivables, data center receivables, whole business cash flows and other unsecured consumer debt.

Consumer Delinquencies

- U.S. disposable income and personal income steadily increased in the years following the GFC. However, in March and April of this year, disposable income spiked as a result of transfer payments from fiscal stimulus. Disposable income has recently come down as the transfer payments expired on July 31.
  - Excluding these transfer payments, disposable incomes would have declined.
- Fiscal transfer payments also helped increase household savings.
- Historically, consumer delinquencies have increased during recessions. However, consumer loan and credit card delinquencies have declined throughout the year, likely attributable to the increased disposal income and household savings from transfer payments.

Transportation Fundamentals

- Used-car prices have increased significantly during the pandemic due to plant shutdowns and changing consumer preferences.
- Air traffic in the U.S. remained significantly depressed relative to 2019, as measured by total travelers. Until an effective vaccine is widely available it's likely air traffic will remain depressed.
  - Transportation-related sectors have been uniquely impacted as a result of COVID-19. Aviation ABS bonds likely have a lot of potential upside if air traffic improves.

Collateralized Loan Obligation Market

- CLOs are actively managed bonds comprising U.S. floating-rate bank loans as collateral.
- In 2006, the CLO market was roughly $200 billion. Now it's a nearly $600 billion market.
- The rating agencies have gotten more conservative. Pre-GFC, AAA-rated CLOs required 24% credit support. Today, AAA CLOs are required to have 34% to 38% credit support.
  - Pre-GFC CLOs included allocations to other CLOs, collateralized debt obligations (CDO) and even high-yield bonds. CLOs issued post-GFC, often referred to as CLO 2.0, contain almost entirely bank loans.
  - CLO 2.0 have a maximum allowance of 7.5% to CCC-rated bank loans; in 2007, it was 10% to 15%. That's helped to lower the credit risk of CLOs.

CLO Default Rates

- U.S. bank loan default rates in 2020 hit their highest levels since spring 2014, however, October marked the first month of decline after seven months of increases.
- In comparison, the default rate for CLOs is much lower at 0.9%. Part of this is likely because CLOs are actively managed, and part of it is probably attributable to the mandate of the structures, i.e., CLO 2.0 cannot have more than 7.5% of CCC-rated bank loans.

Structured Products Offer Compelling Risk-Adjusted Returns in Today's Market

- Agency MBS: Offer a spread over Treasuries and comparable spread to corporate bonds with lower volatility and no credit risk. Historically outperformed Treasuries and corporate bonds in periods of rising interest rates.
- Non-Agency RMBS: Housing continues to be one of the stronger parts of the pandemic economy supported by low inventory, increased demand and above-average affordability. Spreads are wide relative to pre-COVID-19 levels and the supply-demand technical remains favorable.
- CMBS: Industrial and multifamily performance has remained resilient driven by e-commerce and housing demand while hospitality and retail have struggled due to consumer behavior during the pandemic. Opportunities exist for security selection in sub-sectors of the market that remain depressed in price and should benefit from a broader re-opening of the economy.
- ABS: Consumer credit performance remains resilient with an increase in the savings rate and support through government programs. Certain sectors of the market, like travel, are more exposed to COVID-19-related economic shocks and should benefit most from a cyclical recovery.
- CLOs: Default expectations are trending downward as corporate balance sheets improve and economic activity increases. CLO managers have been actively de-risking portfolios as loan prices have recovered. Losses on select BB-rated and the BBB-rated bonds or higher are unlikely. Spreads on more-subordinated tranches look attractive as they are wide on a historical basis.

Definitions of Terms and Indexes

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.

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 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.

Bloomberg Barclays US Corporate Index – This index measures the investment grade, fixed-rate taxable corporate bond market. It includes U.S. dollar-denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers.

Bloomberg Barclays U.S. Mortgage-Backed Securities (MBS) Index – This index measures the performance of investment-grade fixed-rate mortgage-backed pass-through securities of the government-sponsored enterprises (GSEs): Federal Home Loan Mortgage Corporation (Freddie Mac), Federal National Mortgage Association (Fannie Mae) and Government National Mortgage Association (Ginnie Mae).

Bloomberg Barclays U.S. Treasury Total Return Index – This index measures U.S. dollar-denominated fixed-rate nominal debt issued by the U.S. Treasury with a remaining maturity of one year or more.

Convexity – A measure of the curvature, or the degree of the curve, in the relationship between bond prices and bond yields. Convexity demonstrates how the duration of a bond changes as the interest rate changes. Portfolio managers will use convexity as a risk-management tool, to measure and manage the portfolio's exposure to interest rate risk.

Debt-to-Income Ratio – A personal finance measure that compares an individual's monthly debt payment to their monthly gross income.

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.

Federal Housing Finance Agency (FHFA) House Price Index (HPI) – Broad measure of the movement of single-family house prices. The FHFA HPI is the nation's only collection of public, freely available house price indexes that measure changes in single-family home values based on data from all 50 states and over 400 American cities that extend back to the mid-1970s. The FHFA HPI incorporates tens of millions of home sales and offers insights about house price fluctuations at the national, census division, state, metro area, county, ZIP code and census tract levels.

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.

Loan-to-Value Ratio – Assessment of lending risk that financial institutions and other lenders examine before approving a mortgage. Typically, loan assessments with high LTV ratios are considered higher-risk loans. Therefore, if the mortgage is approved, the loan has a higher interest rate.

Option-Adjusted Spread (OAS) – Measurement of the spread of a fixed-income security rate and the risk-free rate of return, which is then adjusted to take into account an embedded option. Typically, an analyst uses U.S. Treasury yields for the risk-free rate. The spread is added to the fixed-income security price to make the risk-free bond price the same as the bond.

S&P 500 Index – This unmanaged capitalization-weighted index of the stocks of the 500 largest publicly traded U.S. companies is designed to measure performance of the broad domestic economy through changes in the aggregate market value of the 500 stocks, which represent all major industries.

S&P CoreLogic Case-Shiller 20-City Composite Home Price NSA Index – This index measures the value of residential real estate in 20 major U.S. metropolitan areas: Atlanta; Boston; Charlotte; Chicago; Cleveland; Dallas; Denver; Detroit; Las Vegas; Los Angeles; Miami; Minneapolis; New York City; Phoenix; Portland, Oregon; San Diego; San Francisco; Seattle; Tampa; and Washington, D.C.

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.

DoubleLine Flexible Income Fund Risks

Investments in debt securities typically decrease in value 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 ABS and MBS include additional risks that investors should be aware of such as credit risk, prepayment risk, possible illiquidity and default, as well as increased susceptibility to adverse economic developments. The Fund invests in foreign securities which involve greater volatility and political, economic and currency risks and differences in accounting methods. These risks are greater for investments in emerging markets. The Fund may use leverage which may cause the effect of an increase or decrease in the value of the portfolio securities to be magnified and the Fund to be more volatile than if leverage was not used. Derivatives involve special risks including correlation, counterparty, liquidity, operational, accounting and tax risks. These risks, in certain cases, may be greater than the risks presented by more traditional investments. Investing in ETFs involve additional risks such as the market price of the shares may trade at a discount to its net asset value ("NAV"), an active secondary trading market may not develop or be maintained, or trading may be halted by the exchange in which they trade, which may impact a Funds ability to sell its shares. The fund may make short sales of securities, which involves the risk that losses may exceed the original amount invested.

DoubleLine Income Fund Risks

Investments in debt securities typically decrease in value 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 ABS and MBS include additional risks that investors should be aware of such as credit risk, prepayment risk, possible illiquidity and default, as well as increased susceptibility to adverse economic developments. The Fund may use leverage which may cause the effect of an increase or decrease in the value of the portfolio securities to be magnified and the Fund to be more volatile than if leverage was not used. Derivatives involve special risks including correlation, counterparty, liquidity, operational, accounting and tax risks. These risks, in certain cases, may be greater than the risks presented by more traditional investments. Diversification does not assure a profit, nor does it protect against a loss in a declining market.

DoubleLine Total Return Bond & DoubleLine Core Fixed Income Funds Risks

Investments in debt securities typically decrease in value 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 ABS and MBS include additional risks that investors should be aware of such as credit risk, prepayment risk, possible illiquidity and default, as well as increased susceptibility to adverse economic developments. The Fund may use leverage which may cause the effect of an increase or decrease in the value of the portfolio securities to be magnified and the Fund to be more volatile than if leverage was not used. Derivatives involve special risks including correlation, counterparty, liquidity, operational, accounting and tax risks. These risks, in certain cases, may be greater than the risks presented by more traditional investments.

DoubleLine Low Duration Bond Fund

Investments in debt securities typically decrease in value 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. The Fund invests in foreign securities which involve greater volatility and political, economic and currency risks and differences in accounting methods. These risks are greater for investments in emerging markets. The Fund may use leverage which may cause the effect of an increase or decrease in the value of the portfolio securities to be magnified and the Fund to be more volatile than if leverage was not used. Derivatives involve special risks including correlation, counterparty, liquidity, operational, accounting and tax risks. These risks, in certain cases, may be greater than the risks presented by more traditional investments. Investing in ETFs involve additional risks such as the market price of the shares may trade at a discount to its net asset value ("NAV"), an active secondary trading market may not develop or be maintained, or trading may be halted by the exchange in which they trade, which may impact a Funds ability to sell its shares.

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

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While the Funds are no-load, management fees and other expenses still apply. Please refer to the prospectus for further details.

Fund holdings are subject to change and should not be considered a recommendation to buy or sell any security.

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