DoubleLine Total Return Bond Fund Webcast Recap
"So Far, So Good"

Originally aired on December 5, 2017

About this Webcast Recap

On December 5, 2017, Chief Executive Officer Jeffrey Gundlach held a webcast discussing the DoubleLine Total Return Bond Fund (DBLTX/DLTNX) titled "So Far, So Good".

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.

DoubleLine Total Return Bond Fund – Performance

Month-End Returns October 31, 2017	October	Year-to-Date	Annualized 1-Year	Annualized 3-Year	Annualized 5-Year	Annualized Since Inception (4-6-10 to 10-31-17)	1-Year Std Deviation
I-share (DBLTX)	0.02%	3.58%	2.04%	2.94%	3.06%	6.50%	2.31%
N-share (DLTNX)	0.09%	3.36%	1.87%	2.69%	2.82%	6.24%	2.20%
Bloomberg Barclays U.S. Agg Index	0.06%	3.20%	0.90%	2.40%	2.04%	3.61%	3.04%

Quarter-End Returns September 30, 2017	3Q17	Year-to-Date	Annualized 1-Year	Annualized 3-Year	Annualized 5-Year	Annualized Since Inception (4-6-10 to 9-30-17)
I-share (DBLTX)	1.08%	3.56%	1.66%	3.15%	3.10%	6.57%
N-share (DLTNX)	0.92%	3.27%	1.41%	2.90%	2.84%	6.30%
Bloomberg Barclays U.S. Agg Index	0.85%	3.14%	0.07%	2.71%	2.06%	3.65%

Gross Expense Ratio:
I-share: 0.47%, N-share: 0.73%

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.

Bloomberg Barclays US Aggregate Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the US 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. It is not possible to invest in an index.

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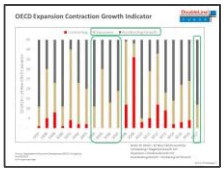
Slide # | **Recap**

Global Economy

7

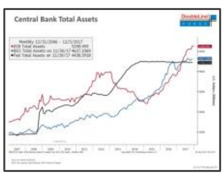


- Developed world (looking at 35 Organization for Economic Co-operation and Development (OECD) countries and 10 others) in 2017 had 0 countries with economies in contraction and the majority displaying accelerating growth
  - First time this has happened since years leading up to the Global Financial Crisis
- The economic data continues to surprise to the upside both in the United States (U.S.) and globally
- China is doing just fine, despite the skepticism around the stats that come out regarding Gross Domestic Product (GDP), other truer indicators seem to show it is justified

Central Banks

- The Federal Reserve (The Fed) has been tightening in a "double-barreled" fashion, both raising interest rates and implementing Quantitative Tightening, or "normalization" as the Fed prefers to call it.

10



- The Bank of Japan (BOJ) and European Central Bank (ECB) continue to provide stimulus to the global economy today
- When you add up the stimulus of all three major central banks (Fed, ECB, BOJ), the aggregate continues to increase steadily despite U.S. tightening. Not a coincidence that global stock markets have gone up as central banks aggregate holdings have increased
  - Strong argument to be made that central bank activity of quantitative easing has indeed helped risk assets and perhaps the economy
- BOJ owns roughly 43% of Japanese Government bonds (JGB). Licensed banks that have regulatory requirements to own JGBs own 45% of them. So roughly 88% of JGB's are owned by central bank or institutions that are forced to own them
- By 2019, it would appear central banks will actually be in a global shrinkage scenario if other central banks (namely ECB and BOJ) join the tapering party
  - If Quantitative Easing (QE) was highly correlated to low volatility gains in world equities, it would make sense to think by 2019 if central balance sheets are going the other way "the good old days of 2017 may not be repeated"

16

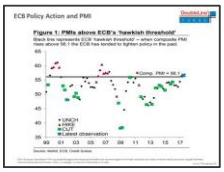
- "The Chart of the Webcast"
  - Total purchases will likely decline as the Fed starts to tighten even more
  - Corporate credit spreads and world stock performance are highly correlated to quantitative easing
  - As quantitative easing is projected to go down, stocks and corporate spreads will most likely be affected
- The contrast in fiscal policy between Europe and the U.S. is surprising, as they maintain a stimulus outlook while we tighten domestically, even though growth in Europe seems stronger, as measured by the following metrics:
  - Manufacturing activity strong in both
  - Retail sales were stronger in Europe
  - Loan growth was stronger in Europe
  - GDP similar
  - Inflation similar
- Mr. Gundlach believes the German Bund is pegged. Mr. Draghi promised to keep QE going through September and will not go off negative rates until "well past the end of QE"

Slide # | **Recap**

- If this rhetoric changes, Mr. Gundlach believes it could be a catalyst for higher interest rates in the U.S. If the German bund is allowed to find its real level, which must be quite higher, it would unanchor the U.S. 10-year interest rate which is undoubtedly being held down on a relative value basis

- Mr. Gundlach believes people trying to explain away the flattening of the yield curve suggests we're getting into the middle innings of this tightening cycle

19



- Recent Purchasing Managers Index (PMI) reading was 56.1 in Europe. The ECB almost never raises rates when PMI is substantially below the 55.0 level and tends to hike when above 55.0. It will be interesting to see if the PMI stays here or pushes higher

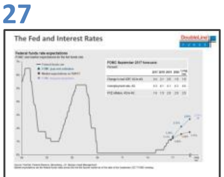
U.S.

- Recessionary Indicators
  - Leading Indicators
    - Right now it is downright strong, best in last 3 years
    - It usually takes about a year for the leading indicators to really go negative from where we are at this point
  - Institute of Supply Management (ISM) Manufacturing and Service PMI - Generally below 50 would be a signal for recession
    - Right now, very strong. Recent reading of 60 is almost unheard of. 20-year high on manufacturing, services at 10-15 year high
    - The levels have come down recently, but would indicate no recession for at least six months from a PMI perspective
    - Correlation of PMI's to GDP is very high, these numbers could indicate GDP could even pick up on a nominal basis
  - Junk bond spreads – generally spreads between junk bond to treasuries widen leading up to a recession
    - Currently not seeing any significant widening, you will know it when it happens, it's generally 200+ basis point spread widening

25

- Dollar
  - Mr. Gundlach believes expectation of the Fed's activity 18-24 months out impacts the price of the U.S. Dollar
    - DoubleLine believes the U.S. Dollar will weaken another leg down, but would not be surprised to see a slight uptick in the short term
    - A weaker U.S. Dollar would be consistent with commodity prices going up
- Inflation
  - Producer Prices are rising at fastest pace since 2012. The Producer Price Index (PPI) moves more quickly and in a more volatile fashion than Consumer Price Index (CPI). We will keep our eyes on this and if it continues to rise the Fed will have ample reason to implement four more rate hikes over the next 13 months

27



Fed Policy

- Fed dots are suggesting 2.43% Fed Funds rate by end of 2018, and 3.00% in 2019
- Bond Market anticipates 1.50% Fed Funds rate at end of 2018, and 1.75% in 2019
- An increasing government deficit is unfriendly for bond investors as the bond supply will grow
  - Tax cuts along with no spending cuts will grow the deficit

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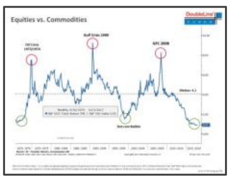
- Without accounting for tax changes- 80% of tax revenues are expected to come from individual households in 2018
- In 2018 $2.70 Trillion (Tn) are expected to be spent by the government on mandatory programs like Social Security and Medicare, while $1.05 Tn going toward defense spending

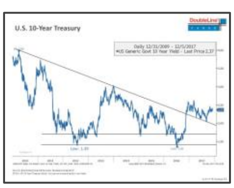
Bloodless Verdict of the Market

38



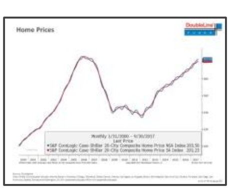
- Commodities
  - DoubleLine is a secular bull on commodities and we think current valuations create an attractive entry point
    - Mr. Gundlach believes the dollar will weaken, causing gold to move up as a “safe haven” asset class, which will further drive commodity prices higher
  - It is historically convincing that you get a huge rise in commodity prices going into a recession
- Fixed Income
  - Year to date (YTD) returns (as of 12/5/2017)
    - Bloomberg Barclays U.S. Aggregate Index (the “Agg”) is up 3.3%
      - Treasuries (BofA Merrill Lynch US Treasury Index (G0Q0)) are worst performing sector YTD up 2.2%
        - 2 year U.S. Treasury (UST) yield is up 65 basis points (bps)

43



        - 3 year UST yield is up 50 bps
        - 10 year UST yield is down 7 bps
        - 30 year UST yield is down 32 bps
      - Agency MBS (BofA Merrill Lynch Mortgage-Backed Securities Index (M0A0)) is up 2.3%
      - Corporate bonds (BofA Merrill Lynch US Corporate Index (C0A0) “Investment Grade”) are up 5.9%
    - U.S. High Yield (BAML High Yield Index) has returned 7.3% (although the sector seems to be in a down trend)
    - Emerging Market (BofA Merrill Lynch US Dollar Emerging Markets Sovereign Plus Index (IGOV)) Debt has returned 9.1% in dollar terms and 16.5% in local currency
    - G7 (Canada, France, Germany, Italy, Japan, the United Kingdom and the U.S.) debt has returned 8.8% in dollar terms

50



    - Municipals (BofA Merrill Lynch U.S. Municipal Securities Index (U0A0)) have returned 4.9%
  - Based on historical correlations of the 10-Year UST yield to both nominal GDP (7-Year average) and the economic surprise index, DoubleLine believes the 10-Year UST yield will move higher
  - The 2’s to 10’s yield curve has flattened to about 52 bps from 2.75% back in 2013
- Housing
  - The Case-Shiller 20 city composite home price index has recovered to its pre-crisis levels last seen in 2006-2007
  - Mortgage origination in 2017 has been heavily concentrated to borrowers with 720+ FICO scores (prime and super prime borrows), a stark contrast from 2004-‘06
  - Only 13% of homes sold in the U.S. are worth $500k+

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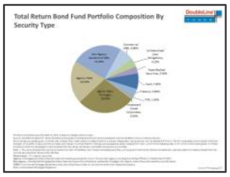
Total Return Bond Fund (DBLTX) (slide 56)

- – Duration is at 3.74 years (as of 10/31/2017)
- – Within DBLTX we manage duration in an effort to provide less interest rate sensitivity, better risk adjusted returns, drawdown, and lower standard deviation than the Agg

57



- Composition (as of 10/31/2017)
  - – 48.5% Agency Mortgage Backed Securities (MBS)
  - – 24.3% Non-Agency MBS
  - – 6.8% Commercial MBS (CMBS)
  - – 4.2% Collateralized Loan Obligations (CLO)
  - – 3.8% Treasuries
  - – 3.3% Asset-Backed Securities (ABS)
  - – 1.0% Treasury Inflation-Protected Securities (TIPS)
  - – 0.5% Investment Grade Corporates
  - – 7.6% Cash

Question and Answer

- **“What are your expectations for the U.S. Dollar?”**
  - – I think the dollar is in a consolidation mode, consolidating its big move down. But first, we believe the dollar has a more to go on the upside- I’ve been targeting something around 96 on U.S. Dollar Index (DXY). Once, and if, it hits 96, then I believe it goes lower, and for that reason I am bullish on emerging markets and commodities
- **“London Interbank Offered Rate (LIBOR) has gone straight up this year. Why have bank loans been mediocre? Fully Priced?”**
  - – Yes, I think they rallied a lot, and for that reason there’s not a lot of juice left in the orange for bank loans. I don’t hate bank loans, I like the fact that they float against a Fed that wants to raise interest rates, but I wouldn’t expect price gains in bank loans.
- **“Are TIPS still for winners?”**
  - – Well, TIPS this year have outperformed nominals by a tiny amount. Nominals were up 2.2%; TIPS were up 2.5%. I’m not really that enthusiastic about TIPS right now. On the margin, I would rate them a little stronger than a “hold”, but I don’t have the view I had back in 2016 on TIPS, partly due to the fact that the Fed is back in the building ande seems to be preemptively raising interest rates. Although, PPI doesn’t show a deflationary trend any longer.

Definitions

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

BofA Merrill Lynch US Treasury Index (G0Q0) -The Merrill Lynch US Treasury Index tracks the performance of US dollar denominated sovereign debt publicly issued by the US government in its domestic market. Qualifying securities must have at least one year remaining term to final maturity, a fixed coupon schedule and a minimum amount outstanding of $1 billion.

BofA Merrill Lynch Mortgage-Backed Securities Index (MOA0) - This index tracks the performance of US dollar denominated fixed rate and hybrid residential mortgage pass-through securities publicly issued by US agencies in the US domestic market. 30-year, 20-year, 15-year and interest only fixed rate mortgage pools are included in the Index provided they have at least one year remaining term to final maturity and a minimum amount outstanding of at least $5 billion per generic coupon and $250MM per production year within each generic coupon.

BofA Merrill Lynch US Corporate Index (COAO) "Investment Grade"- The Merrill Lynch Corporate Index tracks the performance of US dollar denominated investment grade corporate debt publicly issued in the US domestic market. Qualifying securities must have an investment grade rating (based on an average of Moody's, S&P and Fitch) and an investment grade 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 term to final maturity, a fixed coupon schedule and a minimum amount outstanding of $250MM.

BAML High Yield Index - An index that tracks the performance of U.S. dollar denominated below investment grade corporate debt, currently in a coupon paying period, that is 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 Firth foreign currency long term sovereign debt ratings). Must have one year remaining to final maturity and a minimum outstanding amount of $100MM.

BofA Merrill Lynch US Dollar Emerging Markets Sovereign Plus Index (IGOV) - This index tracks the performance of US dollar denominated emerging market and cross-over sovereign debt publicly issued in the eurobond or US domestic market. Qualifying countries must have a BB1 or lower foreign currency long-term sovereign debt rating (based on an average of Moody's, S&P, and Fitch).

Citigroup Economic Surprise Index - The Citigroup Economic Surprise Indices are objective and quantitative measures of economic news. They are defined as weighted historical standard deviations of data surprises (actual releases vs Bloomberg survey median). A positive reading of the Economic Surprise Index suggests that economic releases have on balance beating consensus. The indices are calculated daily in a rolling three-month window. The weights of economic indicators are derived from relative high-frequency spot FX impacts of 1 standard deviation data surprises. The indices also employ a time decay function to replicate the limited memory of markets.

Case-Shiller 20 composite - Includes: Atlanta, Boston, Charlotte, Chicago, Cleveland, Dallas, Denver, Detroit, Las Vegas, Los Angeles, Miami, Minneapolis, New York City, Phoenix, Portland, San Diego, San Francisco, Seattle, Tampa and Washington, DC. SA = seasonally adjusted. NSA= non-seasonally-adjusted.

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.

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

DXY - U.S. dollar spot index indicates the general international value of the US dollar by averaging the exchange rates between the USD and major world currencies.

Pegged - Where a currency's value is fixed against either the value of another single currency, to a basket of other currencies, or to another measure of value, such as gold.

PPI - Producer Price Index measures the average change over time in selling prices received by domestic producers of goods and services.

Purchasing Managers' Index (PMI) – Is an indicator of the economic health of the manufacturing sector.

Spread – Spread is the percentage point difference between yields of various classes of bonds compared to treasury bonds.

Standard Deviation - A measure of the dispersion of a set of data from its mean. The more spread apart the data, the higher the deviation. Calculated by the square-root of the variance.

Yield Curve – A curve on a graph in which the yield of fixed-interest securities is plotted against the length of time they have to run to maturity.

Disclaimer

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Certain data discussed in this report is publicly available only on a time delayed basis. DoubleLine strives to analyze data as it becomes available, but makes no representation that all data is reviewed contemporaneously to its release.

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