DoubleLine® FUNDS

DoubleLine Total Return Bond Fund in a Rising Rate Environment

First Quarter 2018

333 S. Grand Ave., 18th Floor || Los Angeles, CA 90071 || (213) 633-8200

An Intermediate-Term Bond Fund for a Rising Rate Environment

Rising rates affect different asset classes in different ways. When it comes to the fixed income world, bond prices and interest rates are inversely related if all else is unchanged. As interest rates rise bond prices typically fall, and as interest rates fall bond prices typically rise.

Due to this inverse relationship, the majority of investors believe that if and when interest rates rise, bonds will automatically lose investor's their money. However, it is important to understand that price change is only one component of total return. The often overlooked component of total return is the income, or dividend yield, that fixed income securities produce.

Effective fixed income managers understand that if they can appropriately identify securities with more attractive yields, relative to their price sensitivity to interest rates, or duration risk, negative returns can be mitigated or even avoided in a rising rate environment. In fact, history provides concrete evidence that the above statement is indeed true.

Since the inception of the Bloomberg Barclays Aggregate Bond Index (the Agg) in 1986, the 10-year U.S. Treasury (UST) yield has moved up by 100 basis points (bps) or more 13 times. Four of those time periods the Agg had a positive total return, and six of those time periods the Bloomberg Barclays U.S. Mortgage Backed-Securities (MBS) Index had a positive total return.

Additionally, there have been some rate increases post financial crisis. Most investors have overlooked the fact that they have been receiving positive annual returns in their bond funds in most calendar years during an environment where rates have been rising. The 2-year UST yield bottomed in September of 2011. The 3, 5, and 7-year UST yield bottomed in July of 2012. During July of 2012 the 10-year UST yield came within 3 basis points (bps) of its ultimate low in 2016. Finally, the 30-year UST yield bottomed along with the 10-year in July of 2016. Across most portions of the UST yield curve rates have been rising, albeit with bouts of volatility, since 2012.

With this backdrop in mind it is clear that negative fixed income returns are not an ultimatum in a rising rate environment. Yet active fixed income portfolio positioning is of paramount importance during periods of rising rates as there are measures investors can take to reduce volatility and downside capture. Investors concerned with interest rate risk should evaluate portfolio yield relative to duration, a measure DoubleLine refers to as the Sherman Ratio. All other variables being equal, historically a bond fund with a higher dividend yield and a shorter portfolio duration has preserved purchasing power versus a bond fund with a longer portfolio duration and lower dividend yield in periods of rising rates. This is evidenced by the Bloomberg Barclays U.S. MBS Index outperforming the Agg 100% of the time during periods in which the 10-year U.S. Treasury (UST) yield moved up by 100 basis points (bps) or more from 1986 to present.

At DoubleLine, our cardinal mandate within all of our strategies focuses on striving to deliver better risk-adjusted returns relative to the respective benchmarks. Risk mitigation is at the core of our investment process as our portfolio management teams employ a robust investment approach based on top-down macro analysis combined with bottom-up security selection. We strive to control the risks of our strategies via sector allocations, security selection, credit quality and duration management, and ongoing monitoring of the portfolio and individual security holdings. We seek to mitigate interest rate risk and preserve principal regardless of the interest rate environment.

Figure 1:
DoubleLine Total Return Bond Fund Standardized Performance

		Annualized				
As of March 31, 2018	**1Q18**	**1-Year**	**3-Year**	**5-Year**	**Since Inception (4-6-10 to 3-31-18)**	**Expense Ratio (Gross)**
I-share (DBLTX)	-0.52%	2.19%	2.03%	2.62%	6.11%	0.48%
N-share (DLTNX)	-0.48%	1.93%	1.78%	2.38%	5.86%	0.73%
Bloomberg Barclays U.S. Aggregate Bond Index	-1.46%	1.20%	1.20%	1.82%	3.27%	

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 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.
The performance information shown assumes the reinvestment of all dividends and distributions.

Potential Advantages of the DoubleLine Total Return Bond Fund (DBLTX/DLTNX)

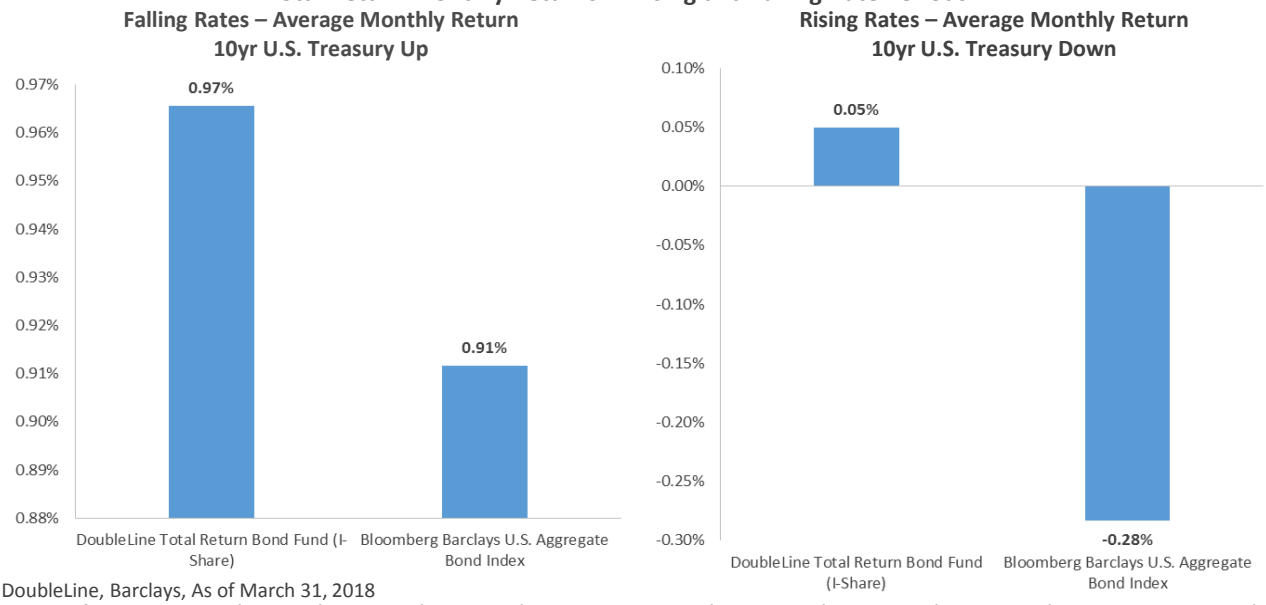
- **Seasoned Portfolio Managers:** Lead Portfolio Managers, Jeffrey Gundlach and Phil Barach, have worked together for 30+ years successfully navigating through several credit, interest rate, and business cycles.
- **Active Management:** Actively-managed duration, credit and sector exposure, and security selection based upon DoubleLine's macro views
  - **Duration**: Ranges from 1 to 8 years and has historically been shorter than the Bloomberg Barclays U.S. Aggregate Bond Index
  - **Credit and Sector Exposure:** The fund mimics the 2/3 government exposure and 1/3 credit exposure similar to the Agg, but our credit exposure is through the use of Agency Mortgage Backed-Securities and Structured Product credit sectors vs. the Agg exposure to investment grade corporate credit
  - **Security Selection:** DoubleLine focuses on securities that will potentially outperform in both up and down rate environments
  - **Low Turnover:** Trailing 12-month turnover ratio at 22%
- **Enhanced Cash Flow Profile**: Over 2/3 of the fund is comprised of bonds that amortize and pay principal and interest to shareholders on a monthly basis, providing cash-flow and reinvestment opportunities when compared to corporate and treasury bonds
- **History of Outperformance**: DBLTX ranks as the number 1 intermediate-term bond fund out of 858 funds in its Morningstar Category for performance since inception as of 3/31/2018 based on total returns, and has outperformed its benchmark, by 284 basis points annually over the same time period. DBLTX has outperformed the Agg in both rising and falling rate environments since inception (see Figures 3 and 4).
- **Performance During Rising Rate Environments**: Since its inception, DBLTX has outperformed the Agg, as well as the three largest sectors of the Agg, in five time periods when the 10 Year UST yield moved up by 80 bps or more (from trough to peak) (Bloomberg Barclays U.S. Treasury Index, Bloomberg Barclays U.S. MBS Index, Bloomberg Barclays U.S. Corporate Index)
- **Better Risk-Adjusted Returns**: DBLTX ranks in the top 1.5% of its Morningstar category for Sharpe ratio since inception (4/6/2010-3/31/2018)
- **Lower Volatility**: DBLTX has a lower standard deviation than 85.3% of its Morningstar category since inception (4/6/2010-3/31/2018)
- **Attractive Sherman Ratio**: DBLTX has a lower duration as compared to the Agg, as well as the three largest sectors of the Index

Figure 2:
Duration Comparison

As of March 31, 2018	Duration
DoubleLine Total Return Bond Fund	4.05
Bloomberg Barclays U.S. Aggregate Bond Index	6.34
Bloomberg Barclays U.S. Treasury Index	6.16
Bloomberg Barclays U.S. MBS Index	5.86
Bloomberg Barclays U.S. Corporate Index	7.55

Morningstar Rankings represent a fund's total-return rank relative to all funds that have the same Morningstar Category. The highest rank is 1 and the lowest is based on the total number of funds ranked in the category. It is based on Morningstar total return, which includes both income and capital gains or losses and is not adjusted for sales charges or redemption fees. **Past performance does not guarantee future results.** Morningstar ranked DBLTX 14%, 12% and 10% out of 1,036 and 960 and 925 Intermediate-Term Bond Funds for the one-, three- and five-year periods ending 3/31/2018, respectively.

Figure 3:
Total Return Monthly Returns in Rising and Falling Rate Periods

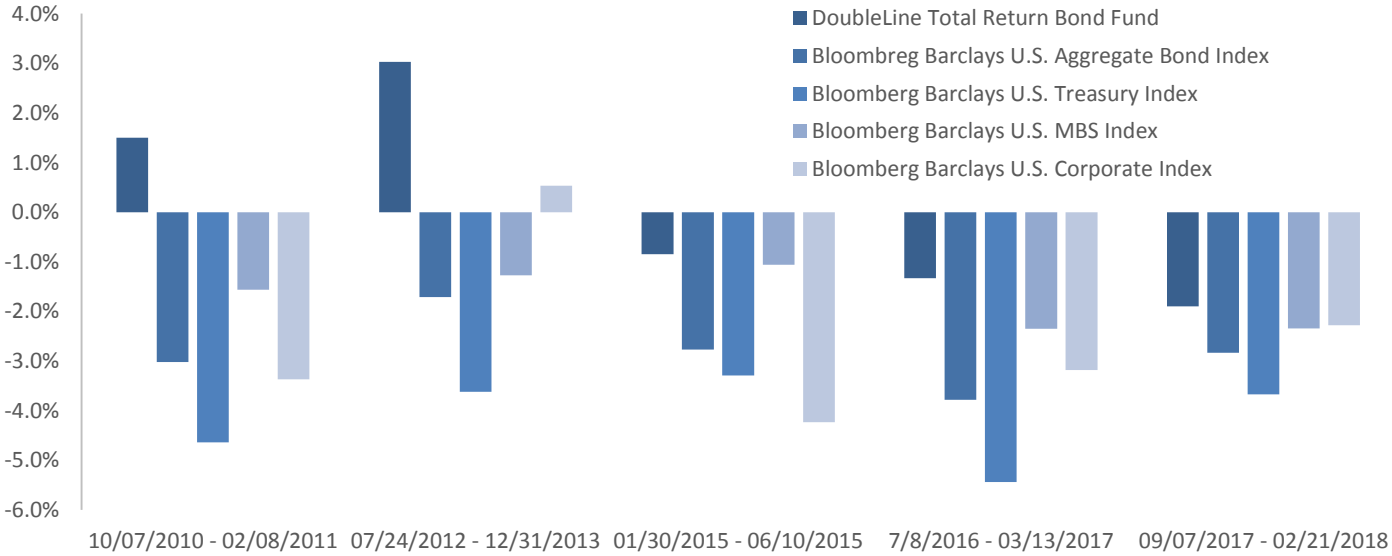


Source: DoubleLine, Barclays, As of March 31, 2018

Rising Rate Months: 2010: September, October, November, December; 2011: January, February, March, June, October; 2012: February, August, September, October, December; 2013: January, May, June, July, August, November, December; 2014: February, March, July, September, December; 2015: February, April, May, June, August, October, November, December; 2016: March, April, May, August, September, October, November, December; 2017: January, June, September, October, November; 2018: January, February.

Falling Rate Months: 2010: April, May, June, July, August; 2011: April, May, July, August, September, November, December; 2012: January, April, May, July, November; 2013: February, March, April, September, October; 2014: January, April, May, June, August, October, November; 2015: January, March, July, September; 2016: January, February, June, July; 2017: February, March, April, May, July, August, December; 2018: March.

Figure 4:
DoubleLine Total Return Bond Fund Performance During >80 bps Rise in 10yr UST Yield



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Disclaimer

Definitions

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

Bloomberg Barclays U.S. Aggregate Index - An index that 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. Corporate Total Return Index - An index that represents the total return measure of the corporates portion of the Barclays U.S. Aggregate Index.

Bloomberg Barclays U.S. MBS Index - The MBS Index covers the mortgage-backed pass-through securities of Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). The MBS Index is formed by grouping the universe of over 600,000 individual fixed rate MBS pools into approximately 3,500 generic aggregates.

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

Cash Flow - A measure of the cash generating capability of a company by adding non-cash charges (e.g. depreciation) and interest expense to pretax income.

Dividend Yield - A financial ratio that indicates how much a company pays out in dividends each year relative to its share price. Dividend yield is represented as a percentage and can be calculated by dividing the dollar value of dividends paid in a given year per share of stock held by the dollar value of one share of stock.

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.

Sherman Ratio - A reward-to-variability ratio and a measure of the excess return (or Risk Premium) per unit of duration in an investment asset or a trading strategy.

Yield Curve - A yield curve is simply a graph that plots bond yields against their length of time to maturity. The curve will show whether short-term interest rates are higher or lower than long-term rates.

It is not possible to invest directly in an index.

The Funds' investment objectives, risks, charges and expenses must be considered carefully before investing. The statutory prospectus and summary prospectus 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 it carefully before investing.

Diversification foes not assure a profit, not does it protect against a loss in a declining market.

Mutual fund investing involves risk; Principal loss is possible. 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 Asset-Backed and Mortgage-Backed Securities 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 certain types of investment derivatives. Derivatives involve risks different from, and in certain cases, greater than the risks presented by more traditional investments. Derivatives may involve certain costs and risk such as liquidity, interest rate, market, credit, management and the risk that a position could not be closed when most advantageous. Investing in derivatives could lose more than the amount invested. The Fund may also invest in securities related to real estate, which may decline in value as a result of factors affecting the real estate industry. The DoubleLine 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. These risks are greater for investments in emerging markets. The Fund may invest in foreign securities which involve volatility and political, economic and currency risks different from, and in certain cases, greater than the risks presented by more traditional investments.

Disclaimer

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Important Information Regarding DoubleLine

In preparing the client reports (and in managing the portfolios), DoubleLine and its vendors price separate account portfolio securities using various sources, including independent pricing services and fair value processes such as benchmarking.

To receive a complimentary copy of DoubleLine Capital's current Form ADV (which contains important additional disclosure information, including risk disclosures), a copy of the DoubleLine's proxy voting policies and procedures, or to obtain additional information on DoubleLine's proxy voting decisions, please contact DoubleLine's Client Services.

Important Information Regarding DoubleLine's Investment Style

DoubleLine seeks to maximize investment results consistent with our interpretation of client guidelines and investment mandate. While DoubleLine seeks to maximize returns for our clients consistent with guidelines, DoubleLine cannot guarantee that DoubleLine will outperform a client's specified benchmark or the market or that DoubleLine's risk management techniques will successfully mitigate losses. Additionally, the nature of portfolio diversification implies that certain holdings and sectors in a client's portfolio may be rising in price while others are falling; or, that some issues and sectors are outperforming while others are underperforming. Such out or underperformance can be the result of many factors, such as but not limited to duration/interest rate exposure, yield curve exposure, bond sector exposure, or news or rumors specific to a single name.

DoubleLine is an active manager and will adjust the composition of client's portfolios consistent with our investment team's judgment concerning market conditions and any particular sector or security. The construction of DoubleLine portfolios may differ substantially from the construction of any of a variety of market indices. As such, a DoubleLine portfolio has the potential to underperform or outperform a bond market index. Since markets can remain inefficiently priced for long periods, DoubleLine's performance is properly assessed over a full multi-year market cycle.

Important Information Regarding Client Responsibilities

Clients are requested to carefully review all portfolio holdings and strategies, including by comparing the custodial statement to any statements received from DoubleLine. Clients should promptly inform DoubleLine of any potential or perceived policy or guideline inconsistencies. In particular, DoubleLine understands that guideline enabling language is subject to interpretation and DoubleLine strongly encourages clients to express any contrasting interpretation as soon as practical. Clients are also requested to notify DoubleLine of any updates to Client's organization, such as (but not limited to) adding affiliates (including broker dealer affiliates), issuing additional securities, name changes, mergers or other alterations to Client's legal structure.

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