DoubleLine Total Return Bond Fund Webcast Recap
“Inflation is Inflationary”

Originally aired on March 13, 2018

About this Webcast Recap

On March 13, 2018, Chief Executive Officer Jeffrey Gundlach held a webcast discussing the DoubleLine Total Return Bond Fund (DBLTX/DLTNX) titled “Inflation is Inflationary”.

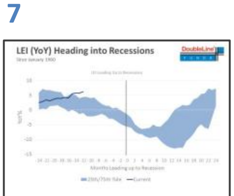
This recap is not intended to represent a complete transcript of the webcast. It is not intended as solicitation to buy or sell securities. If you are interested in hearing more of Mr. Gundlach’s views, please listen to the full version of this webcast on www.doublelinefunds.com on the **“Webcasts”** tab under **“Latest Webcast”**. You can use the **“Jump To”** feature to navigate to each slide.

DoubleLine Total Return Bond Fund – Performance

			Annualized				
Month-End Returns February 28, 2018	**Feb**	**YTD**	**1-Year**	**3-Year**	**5-Year**	**Since Inception (4-6-2010 to 2-28-2018)**	**1-Yr Std Deviation**
I-share	-0.28%	-1.11%	1.82%	2.01%	2.56%	6.10%	1.85%
N-share	-0.30%	-1.06%	1.66%	1.79%	2.30%	5.84%	1.77%
Bloomberg Barclays U.S. Agg Index	-0.95%	-2.09%	0.51%	1.14%	1.71%	3.23%	2.30%

			Annualized			
Quarter-End Returns December 31, 2017	**4Q17**	**YTD**	**1-Year**	**3-Year**	**5-Year**	**Since Inception (4-6-2010 to 12-31-2017)**
I-share	0.23%	3.79%	3.79%	2.76%	2.98%	6.38%
N-share	0.16%	3.44%	3.44%	2.47%	2.71%	6.12%
Bloomberg Barclays U.S. Agg Index	0.39%	3.54%	3.54%	2.24%	2.10%	3.58%

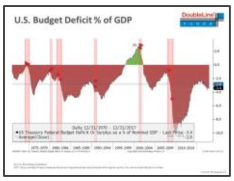
Gross Expense Ratio
I-share: 0.48%, N-share: 0.73%
Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less 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.

Slide #	Recap
	U.S. Markets: Recession?
7 	• DoubleLine’s leading economic indicators showing no recession imminent – The Conference Board Leading Economic Index® (LEI) year-over-year (YoY) has historically always been negative heading into a recession; it is currently positive, near 6%, and climbing. This is a slow moving indicator so it would almost be impossible to go negative within the next few months or even 2018 – Currently Institute for Supply Management (ISM) PMI is above 60, recessions typically take place when PMI is below 50. So we would have to see this retract significantly to indicate recession.

Slide #	Recap

- Business and Consumer Sentiment: Generally declines substantially in a year or two leading into a recession.
- Spread of High Yield (HY) bonds to Treasury bonds: Spreads widen significantly before the front edge of a recession. We have not seen nearly enough widening to give us any kind of a scare signal for a recession coming.

12



Federal Reserve (the Fed) and the Deficit

- Going back to the 1960s, generally the government deficit shrinks as a percentage of Gross Domestic Product (GDP) in non-recessionary periods. Not surprisingly, the deficit expands rather sharply during and shortly after recessionary periods.
  - In summation, we are heading into a compounding cycle with the entitlement programs. This will become a real problem in beginning of fiscal 2019, which starts in October 2018, while taxes decrease and spending increases. The deficit is going to worsen and there is going to be a large supply of Treasury bonds being issued to cover the budget deficit.
- Quantitative Tightening (QT)
  - Fiscal 2019 could see as much as $600 billion of Treasuries (UST) and Mortgage-Backed Securities (MBS) rolling off the Fed's balance sheet with less demand from foreign investors due to expensive currency hedging.
    - Add this $600 billion to the anticipated deficit in 2019 of $1.1 trillion - $1.3 trillion, we could be seeing up to nearly $2 trillion of bond issuance, which would be triple the issuance than fiscal 2017. If we hit a recession, Mr. Gundlach believes we would cease QT.
    - Japan has been net sellers of UST for the past three years
  - The market pricing is in a 37% or so chance of four rate hikes in 2018, up from almost 0% chance back in fourth quarter 2017

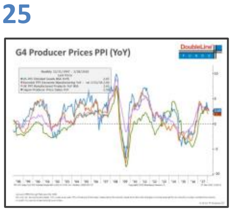
19

- Housing Prices
  - DoubleLine sees a very unaffordable housing situation given higher interest rates and higher home prices.
  - Since 2010-2011, incomes have not kept pace with the increase in housing prices.
  - Housing statistics have also decreased very sharply to the downside in recent readings.

Inflation

- German Consumer Price Index (CPI) is hovering around 1.4%, but Capacity Utilization is near its highest since 1980 at 88%.
- DoubleLine sees no deflationary trends of significance for Germany or Japan.
- G4 (U.S., UK, Eurozone and Japan) Producer Prices are near local highs, all in the 2% - 3% range, so not deflationary but it has stopped rising.

25



- G3 (U.S., UK, Eurozone) wages are also not deflationary, as they are all above 1.6 and trending higher.
- Core CPI
  - Core CPI have been deflationary (Amazon effect) at around -0.5% while Core Services much higher at around 2.6%.
  - In DoubleLine's view, overall Core CPI is going sideways.
  - Core CPI is at 1.8% and Headline CPI is at 2.2%.
- Will inflation go higher?
  - Jay Powell has said he is ok with inflation at 2.5%.

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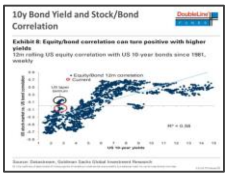
Slide # | **Recap**

  - Real GDP with a 19-month lead overlaid with Core CPI shows 79% correlation. Expectations for GDP is to move higher, based on this indicator, Core CPI is not likely to move lower as Core CPI YoY is lower than Real GDP YoY with an 18-month lead.
  - NY Fed Underlying Inflation Gauge (FIG) with a 16-month lead is also showing Core CPI should be rising.
  - As long as PMI holds up, Core CPI should be expected to go to 2.5%.

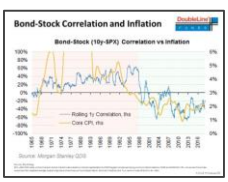
Bloodless Verdict of the Market

35



- Since the bottom in rates on July 8, 2016, DoubleLine Total Return Bond Fund (DBLTX) has outperformed the Bloomberg Barclays U.S. Aggregate Bond Index (the Agg) by over 200 basis points (bps) annualized net of fees.
- Year-to-date (YTD) as of March 31, 2018
  - Treasuries down 2.00%
  - Treasury Inflation Protected Securities (TIPS) down 1.70%
  - Investment Grade Corporates down 3.00%
    - Due to high duration and rising rates
  - MBS down 1.70%
  - High Yield down 0.40%
  - Emerging Markets (EM) debt down 1.60%
    - Local Currency EM debt up 5.40%
  - G7 debt up 1.60%

36



- When the 10-year UST yield broke above 2.63%, 12-month correlations between stocks and bonds changed from negative to positive during both the taper tantrum and in 2018.
  - Since 1981, these types of positive correlations typically don't become present in the marketplace until the 10-year UST yield is above 5.00%.
  - If the 10-year UST yield moves above 3.00%, Mr. Gundlach expects correlations amongst stocks and bonds to be positive.
- Since 1965, correlations between stocks and bonds has historically been positive with CPI above 3% and negative with CPI below 3%. If CPI heads higher that should increase the correlation between stocks and bonds.
- Equities
  - Since 1990, the Price-to-Sales ratio for both the S&P 500 Index and the S&P 500 Equal Weighted Index are near historic highs.
    - The CAPE® ratio on the S&P 500 Index remains elevated and near all-time highs at 31.88 as of March 31, 2018.

41

  - EM equities look very undervalued relative to U.S. Equities as measured by the CAPE® ratios of the MSCI EM and S&P 500 Index respectively.
    - Mr. Gundlach expects this gap to converge over time as EM equities no longer look like a value trap.
  - European Equities continue to look like a value trap from a technical perspective.
  - Historically, the price of U.S. equities and Junk bonds has been highly correlated, but since September of 2017 that correlation has started to diverge.
  - Bitcoin started to drive market sentiment in September of 2017 and has since been a leading indicator of equity performance.
    - The dislocation in Junk bond and U.S. equity price correlations, coupled with a recent downward move in Bitcoin could be a potential warning signal for equities

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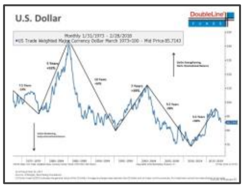
Slide # | **Recap**

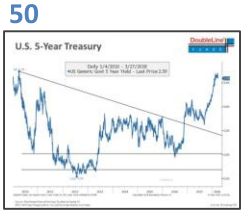
- U.S. Dollar (USD)

45



  – DoubleLine is currently neutral on the USD as it seems to be at an important inflection point.
    - o USD has historically traded in long term trends, typically lasting anywhere from 5 to 10 years. It has seemingly broken to a downtrend starting in 2017. However, it is currently hovering around a very important support level which could cause a technical reaction to the up or downside depending on its next move
- Gold
  – DoubleLine also remains neutral on Gold as it broke through its downtrend line in mid-2017 and has been unable to break above its resistance level of $1,350.
    - o If Gold breaks above this resistance level it could lead to a bull market as it would be breaking out of a five-year base. It has the potential to move up as yields on the 10-year UST move up if there is a move higher in core inflation.
- U.S. Fixed Income
  – The ratio between the 10-year UST yield and the S&P 500 price broke a downtrend in late 2016 and is trading around a key resistance level that could be broken by yields going up or equity prices going down, or both.
    - o If the resistance is broken this will most likely lead to a large uptick in rates while simultaneously noticing a large sell-off in equities.

50



  – The 2-year and 5-year UST yields have been rising at over a 200 bps annualized rate for the last 6 months and have been moving higher since they bottomed at 15 bps in 2011 and 54 bps in 2012 respectively.
  – If the 10-year UST yield breaks 3%, Mr. Gundlach believes the 5-year UST yield will follow suit and break 2.74%, and ultimately cause the USD, Gold, Equities, and Yields to reveal their next true direction.
  – There is little to no incentive for foreign investors to currently buy UST as the cost of hedging currencies would deplete most spread differentials for European and Japanese investors, which could cause bond yields to rise.
  – Since the late 80's, the average of U.S. nominal GDP and the German 10-year Bund yield has historically been a very accurate indicator of where the 10-year UST yield will trade.
    - o With U.S. nominal GDP and the German 10-year Bund yield both in an uptrend, Mr. Gundlach believes that will lead to a continued rise in the 10-year UST yield
  – Key resistance level on 30-year UST yield is 3.22%
  – High Yield price movement has been declining since Nov 1, while most other risk assets have moved higher
    - o The 50-day moving average declined below the 100-day moving average, which declined below the 200-day moving average, which is declining- a very bad set up for High Yield

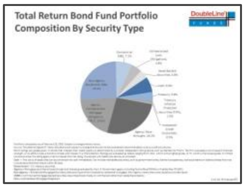
DBLTX

62

- Duration is at 3.99 years (as of February 28, 2018)
- Within DBLTX, we manage duration in an effort to provide less interest rate sensitivity, better risk-adjusted returns, lower drawdown and lower standard deviation than the Agg.
- Composition (as of February 28, 2018)
  – 26.2% Agency Pass-throughs
  – 19.6% Agency Collateralized Mortgage Obligation

Slide # | **Recap**

65



- 25.4% Non-Agency Residential MBS
- 7.2% Commercial MBS (CMBS)
- 4.8% Collateralized Loan Obligations (CLO)
- 3.8% Asset-Backed Securities (ABS)
- 3.9% Treasury
- 1.0% Treasury Inflation Protected Securities (TIPS)
- 0.5% Investment Grade Corporates
- 6.9% Cash

Question and Answer

- **What would it take for the world to realize paying negative 60 basis points for two-year paper in Germany with European Central Bank (ECB) that's starting to blink is insanity?**
  - "Well, I think the ECB needs to blink. These rates are pegged is clearly the issue. The German rates are clearly pegged. Nobody in their right mind is buying them. You absolutely make a good point. But until they change policy and free the market of the manipulation, then it is insane to buy them. And I don't think anybody really is. I think these are being bought by institutions that must own them for regulatory reasons and, of course, by the ECB themselves."
- **If rates continue on the path that they're on, could I see a point where DBLTX has the same yield as the five- or 10-year U.S. Treasury?**
  - "No, I really can't. I think the yield would definitely be higher in DBLTX. The one thing that could change that is if we got a very steep yield curve and the 10-year yield became very high versus the five-year yield and we were very defensive because rates were soaring. Maybe under that scenario, but not under kind of a base case, which is I think what you're trying to suggest."
- **How high again is your conviction the S&P will end the year negative?**
  - "It will become very high if the 10-year Treasury breaks above 3% and we continue this regime of more positively correlated stock and bond situation."

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.

CAPE Ratio - A measure of the price of a company's stock relative to average earnings growth over the past 10 years.

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. Core CPI excludes food and energy components.

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.

G7 - A grouping of the seven wealthiest major developed nations: the United States, Canada, France, Germany, Italy, Japan, and the United Kingdom.

Morgan Stanley Capital International-Emerging Markets Index (MSCI EM) - A float-adjusted market capitalization index designed to measure equity market performance in global emerging markets. The index consists of 26 emerging economies, including but not limited to, Argentina, Brazil, China, India, Poland, Thailand, Turkey, and Venezuela.

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.

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

Price-to-Sales Ratio - is a valuation metric for stocks. It is calculated by dividing the company's market cap by the revenue in the most recent year; or, equivalently, divide the per-share stock price by the per-share revenue.

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.

S&P 500 Index - S&P 500 Index is based on the market capitalizations of 500 large companies having common stock listed on the NYSE or NASDAQ. The S&P 500 index components and their weightings are determined by S&P Dow Jones Indices.

S&P 500 Index Equal Weighted Index - This index is the equal-weight version of the widely-used S&P 500. The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight - or 0.2% of the index total at each quarterly rebalance.

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.

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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 market place.

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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