DoubleLine Total Return Bond Fund Webcast Recap

Originally aired on March 9, 2021

About this Webcast Recap

On March 9, 2021, Chief Executive Officer Jeffrey Gundlach and Portfolio Manager Andrew Hsu held a webcast titled "Looking Backward," discussing the current market, and the DoubleLine Total Return Bond Fund (DBLTX/DLTNX).

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 and Mr. Hsu'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 Total Return Bond Fund									
				Annualized					
Month-End Returns February 28, 2021	1 Month	3 Months	Year-to-Date	1 Year	3 Years	5 Years	10 Years	Since Inception (4-6-10 to 2-28-21)	Gross Expense Ratio
I-share (DBLTX)	-0.90%	-0.31%	-0.58%	0.24%	4.07%	3.07%	4.22%	5.54%	0.49%
N-share (DLTNX)	-0.83%	-0.37%	-0.62%	0.08%	3.81%	2.83%	3.97%	5.28%	0.73%
Bloomberg Barclays US Agg Index	-1.44%	-2.02%	-2.15%	1.38%	5.32%	3.55%	3.58%	3.80%	
				Annualized					
Quarter-End Returns December 31, 2020	1 Month	4Q2020	Year-to-Date	1 Year	3 Years	5 Years	10 years	Since Inception (4-6-10 to 12-31-20)	
I-share (DBLTX)	0.27%	0.43%	4.12%	4.12%	3.88%	3.52%	4.50%	5.68%	
N-share (DLTNX)	0.25%	0.36%	3.86%	3.86%	3.65%	3.26%	4.24%	5.42%	
Bloomberg Barclays US Agg Index	0.14%	0.67%	7.51%	7.51%	5.34%	4.44%	3.84%	4.07%	

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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Economic Data

- There is a large disconnect between the market capitalization of some sectors of the S&P 500 Index and their contributions to total employment and nominal gross domestic product. *(slide 8)*
  - As of December 2020, technology represented 38% of the S&P 500's market cap.
  - As of third quarter 2020, technology represented a 6% contribution to GDP.
  - As of November 2020, technology represented only 2% of employment.
- The pandemic-induced recession has led to a large decline in U.S. real GDP growth below its trend of 2.5% year-over-year (YoY) since the fourth quarter of 2016. *(slide 9)*
  - Jeffrey Gundlach believes the U.S. economy is not out of a recession until nominal and real GDP fully recover to pre-recession levels.
  - Extraordinary accommodative monetary policy and fiscal stimulus were enacted to counter the effects of the pandemic.
    - The Federal Reserve expanded its balance sheet to $7.6 trillion, as of Feb. 24, largely due to its monthly purchases of U.S. Treasuries and Agency mortgage-backed securities (MBS) at a combined rate of $120 billion per month. *(slide 10)*
    - Fiscal stimulus will total $6.1 trillion once the American Rescue Plan Act of 2021 passes. This compares to $1.8 trillion of fiscal stimulus following the Great Recession. *(slide 11)*
- Fiscal stimulus has led to volatility in the U.S. savings rate. As of Jan. 31, the personal savings rate as a percentage of disposable income was 20.5% while the percentage of personal income made up by government transfer/assistance payments was 26.9%. Both of these numbers are much higher than those of prior recessions. *(slides 12 and 13)*
- The U.S. current account balance as a percentage of GDP, which has been negative since 1995, narrowed during the current recession to negative 3.4% as of the third quarter of 2020. *(slide 14)*
  - The increase in imports from U.S. trading partners, particularly China, can be observed in rising freight container rates from Hong Kong to Los Angeles, which increased over 300% YoY as of March 3. *(slide 15)*
- Fiscal stimulus has caused the U.S. budget deficit as a percentage of nominal GDP to widen rapidly to negative 16.2% since the onset of the pandemic, as of Jan. 31. *(slide 16)*

U.S. Employment Data

- As of Feb. 28, the U-3 unemployment rate was 6.2%, however, Mr. Gundlach believes that might be understated due to government programs. *(slide 19)*
  - Continuing claims showed that the total number of people receiving some form of unemployment insurance benefit was 18 million for the week ended Feb. 19, over 10% of the labor force. *(slide 20)*
- Consumer confidence data could indicate that the U-3 rate is understating true unemployment. As of Feb. 28, the Conference Board Consumer Confidence Index was 91.3, well below its January 2020 peak of approximately 130. *(slide 21)*

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Equities

- The S&P 500 outperformed the MSCI Europe Index from the beginning of 2018 through the middle of 2020 by a wide margin. Since then, the MSCI Europe Index has marginally outperformed the S&P 500. *(slide 22)*
  - Mr. Gundlach believes this pennant formation is a rather important trend.
    - If the S&P 500 were to start outperforming again and break above this pennant, it will likely continue to do so.
    - However, if the MSCI Europe Index outperforms, something Mr. Gundlach believes is more likely than S&P 500 outperformance, the trend of S&P 500 outperformance could reverse in a meaningful way.
- As of March 8, equity valuations were at or near record highs.
  - The S&P 500 current price-to-earnings (PE) ratio was 31.0, an all-time high. The one-year forward PE ratio was 19.3, slightly below its all-time high prior to the dot-com bubble in the early 2000s. *(slide 25)*
  - The S&P 500 Cyclically Adjusted Price-to-Earnings (CAPE) Ratio was two standard deviations above its long-term average going back to 1881. *(slide 26)*
    - Dr. Robert Shiller, who popularized the use of the CAPE Ratio, recently spoke about this on Managing Equity Risk, the latest edition of DoubleLine's Round Table Prime panel discussion, recorded Feb. 25.

Currencies and Commodities

- The U.S. Dollar Index neared an important technical level in early 2021.
  - Mr. Gundlach has been positive in the near term on the dollar based on these technicals, although his long-term view is for the dollar to decline. *(slides 17 and 18)*
- The S&P 500 significantly outperformed the Bloomberg Commodity Index (BCOM) since 2009 after generating approximately the same return from 1995 through 2009. The start of S&P 500 outperformance relative to the BCOM coincided with the Fed increasing its balance sheet as a result of quantitative easing (QE). *(slide 32)*
  - Mr. Gundlach believes this is the result of QE having a much greater impact on financial assets relative to real assets.
- Mr. Gundlach is bullish on commodities long term, coinciding with his long-term bearish view on the dollar, as commodities are historically highly correlated to dollar weakness. *(slide 34)*
- One model DoubleLine developed to assess the fair value of gold uses a five-year rolling regression of the 10-year real yield. This model implied the fair value of gold was $1,761, above its price of $1,734, as of March 2. *(slide 42)*

Inflation

- The U.S. Core Consumer Price Index (CPI) has been relatively stable for the past two decades. As of Jan. 31, Core CPI was 1.4% YoY. *(slide 35)*
  - DoubleLine expects inflation to increase in the coming months due to base effects of depressed economic activity at the onset of lockdowns in March of last year.
  - The ISM Prices Paid Index tends to lead headline CPI by four months. Based upon ISM Prices Paid increasing significantly since April, headline CPI might go above 4% in the next few months. *(slide 36)*
    - Mr. Gundlach believes the Fed welcomes an inflation rate higher than interest rates, as negative real interest rates help to forestall problems with increased U.S. indebtedness.
- The New York Federal Reserve Bank's Underlying Inflation Gauge historically leads inflation by 16 months, and it appears to have bottomed out, which suggests higher Core CPI. *(slide 38)*
- The bond market is pricing in higher inflation as measured by breakevens, the yield differential between nominal Treasuries and Treasury Inflation-Protected Securities (TIPS), with five-year breakevens at 2.5% as of March 8. *(slide 39)*
  - One reason for this might be due to the Fed's involvement in the TIPS market. As of Feb. 24, the Fed owned 20.8% of TIPS outstanding, relative to 8.8% on March 4, 2020.

Interest Rates

- DoubleLine uses many metrics to assess the fair value of the 10-Year Treasury yield.
  - The average of nominal GDP (seven-year average) plus the German 10-year yield suggests the 10-year U.S. Treasury should yield 1.5%, 7 basis points (bps) higher than the yield as of March 2, 2021. *(slide 43)*
  - The CPI rolling 10-year growth rate also suggests the 10-year yield should be higher. *(slide 44)*
  - The copper-gold ratio implies the 10-year yield should be 2.9%, as of March 2. *(slide 45)*
- The Fed's balance sheet and three-month-to-10-year Treasury yield curve exhibit a strong correlation. When the Fed engages in quantitative tightening (QT), the yield curve begins to flatten; when the Fed increases its balance sheet, the yield curve starts to steepen. *(slide 48)*
- ISM Manufacturing PMI suggests the 10-year Treasury yield should be at least 3% in the coming months. *(slide 49)*
- The 30-year bond appears oversold from its recent 25% drawdown. *(slide 50)*
  - Part of this is due to extremely bearish Treasury bond sentiment. In the near term, Mr. Gundlach expects a modest to moderate decline in yields at the long end because of this negative sentiment and oversold levels.
- Investment grade (IG) corporate bonds have marked net inflows since August, while Treasuries have experienced cumulative net outflows since October. *(slide 52)*
  - Domestic and foreign entities have been reducing their holdings of Treasuries while the Fed has been the only net buyer of Treasuries over the last year. *(slide 53)*
    - Mr. Gundlach believes this dynamic is what caused some of the liquidity problems in the repo markets because there is a lack of robust and organic demand for Treasuries.
- The seven-year Treasury auction in late February was one of the worst seven-year auctions in history. One of the reasons was mild foreign demand relative to recent history as indicated via the decline in indirect bidders. *(slide 54)*
- There is a strong correlation between the Fed's balance sheet and the slope of the two-year-to-10-year (2s10s) Treasury yield curve. When the Fed has increased its balance sheet, the yield curve starts to steepen. The 2s10s usually bottoms out around zero or at a small inversion before steepening to roughly 250 bps. As of March 8, the 2s10s was 143 bps. Mr. Gundlach believes there is further room for steepening as the Fed continues to anchor the short end of the curve. *(slide 55)*

Corporate Bonds

- The real yield on the Bloomberg Barclays US Corporate Bond Index was negative 1 bp as of March 8, showing corporations can borrow at a lower rate than Core CPI. *(slide 56)*
- The Bloomberg Barclays US Corporate High Yield (HY) Index yield to worst (YTW) was 4.3% as of March 8. *(slide 57)*
- The Bloomberg Barclays US Corporate Baa Bond Index YTW was 2.46% as of March 8, nearly the same yield as the 30-year Treasury. *(slide 58)*
  - Baa-rated corporates exhibit default and downgrade risk, and have roughly half the duration of 30-year Treasuries; 30-year Treasuries have no default risk but much larger interest rate risk due to longer duration.
- One thing broadly supportive of the corporate bond market is the downgrade cycle appears to have bottomed out at roughly the same levels as the last two recessionary periods. *(slide 59)*
- Mr. Gundlach recommended bank loans as one of his top investment ideas in his January "Just Markets" webcast, and he has been unsurprised that bank loans have started to experience inflows with rates moving higher, acting as a tailwind for the sector.
  - Nearly every credit rating cohort of the S&P/LSTA Leveraged Loan Price Index has had price recovery back to pre-COVID-19 levels as of March 8. *(slide 61)*

Structured Products

- At the outset of the pandemic there was an influx of borrowers requesting forbearance relief. While borrowers are staying in forbearance longer during this cycle relative to history, borrowers that have exited forbearance are much more likely to return to current status relative to prior forbearance periods. *(slide 63)*
  - Mr. Hsu believes this can likely be attributed to a few factors:
    - The payment deferral program was extended by three months to June 2021. This will give borrowers time to accumulate money to make a lump sum payment at the tail end of their mortgage, either after becoming employed again if they lost their jobs or through continued government stimulus.
    - The housing market has been exceptionally strong. If borrowers exit forbearance without the financial wherewithal to make their payment, they can sell their home and likely make a profit due to price appreciation.
- Commercial mortgage-backed securities (CMBS) include a number of collateral types that have been particularly sensitive to pandemic lockdowns. Many employees that normally worked in office buildings started working from home, consumers stopped visiting malls in favor of shopping online and hotels emptied as business travel depressed relative to 2019 levels. *(slide 64)*
  - Because of this, there were sizable drawdowns in CMBS securities. More recently, the senior parts of the capital structure had fully recovered and were trading at pre-COVID-19 levels while the junior tranches had not yet retraced to pre-COVID-19 levels.
    - The Total Return Bond Fund (the "Fund") has been an active buyer of CMBS throughout the pandemic-induced recession and subsequent recovery. The DoubleLine team continues to believe there is additional upside in CMBS, especially as the economy continues to normalize.
- The recovery in collateralized loan obligations (CLOs) is similar to that in the CMBS sector. The senior parts of the CLO capital structure recovered much faster relative to CLO mezzanine tranches and senior CMBS bonds. *(slide 65)*
  - DoubleLine believes part of the reason was due to government programs that helped stabilize the IG and HY corporate bond markets. As a result, there were some knock-on effects coupled with improving economic fundamentals.
  - Recently, with rates rising, there has been a large demand for floating-rate bonds, which bodes well for CLOs.

Housing Market

- Accordingly to Zillow, it took an average of 140 days to sell a home in 2010. During the depths of the COVID-19 pandemic, it took only 25 days. This is one reason why new inventory declined 7.0% YoY and existing inventory declined 25.7% YoY as of Jan. 31.
  - Recently, new inventory has been uptrending as homebuilders have started to build new homes after dealing with pandemic-induced supply chain disruptions last year. *(slide 66)*
- Consumer debt service ratios have declined since the onset of the pandemic as lower mortgage rates have reduced the cost of financing while stimulus programs have helped boost income. *(slide 67)*
- Consumer hardship assistance increased in March 2020 as many borrowers requested forbearance. However, similar to mortgagors, borrowers have been migrating out of a modified status into a current status while delinquencies have not grown meaningfully and have remained a small percentage of consumer loans. *(slide 68)*
  - DoubleLine believes overall consumer delinquencies are very minimal. Additionally, further fiscal stimulus that is likely to be implemented soon could help consumers who are facing some financial difficulties.
- Largely driven by the low home inventory, prices increased 8% to 12% YoY, as of Feb. 26, across some major cities in the U.S. *(slide 69)*
  - There were roughly 1 million existing units available as of Jan. 31 relative to July 2007 availability of over 4 million units. Even if demand were to fall off substantially, DoubleLine believes it is unlikely home prices would decline in a meaningful way with 1 one million units of spare capacity. *(slide 70)*
- Hotel and retail CMBS have the highest shares of 60-day-or-longer delinquencies. Unsurprisingly, there was an initial large spike in delinquencies in April. Since then, 60-day-or-longer delinquencies have leveled off for CMBS overall, and hotel and retail in particular. *(slide 71)*
  - One reason is that as the economy normalizes, these assets will likely be better utilized.
  - Another reason is that 30-day delinquencies have also improved. DoubleLine believes that is going to cause a plateau in 60-day-or-longer delinquencies as no new assets roll into that category.
- DoubleLine remains constructive on the CMBS space. The Fund has been obtaining this exposure via the conduit; single asset, single borrower; and commercial real estate CLO markets.
  - Conduit CMBS is a diversified pool of property types. DoubleLine is constructive on these securities because they contain assets such as hotels and retail that are more levered to a recovery but also include more-stable sectors such as industrial and multifamily.
- Credit card delinquencies actually declined in 2020 and remain below periods when the economy was arguably much stronger, such as 2017 and 2018. *(slide 72)*

DoubleLine Total Return Bond Fund

- Over the last year, the investment team actively maintained the Fund's duration of roughly 3.5 years. Since the beginning of 2021, there has been a sharp move higher in Treasury yields, especially at the longer end of the curve. *(slide 73)*
  - As of Feb. 28, the Fund's duration was 4.7 years. The year-to-date increase was partly due to a larger allocation to Treasuries given the magnitude of the movement higher in rates and overall curve steepening. The team is looking to take advantage of a potential retracement from near-term levels coupled with the natural extension of the Fund's Agency MBS positions.
    - The Fund was roughly 1.6 years shorter than the Bloomberg Barclays US Aggregate Bond Index (the Agg) duration of 6.3 years as of Feb. 28.
- The Fund continues to be heavily allocated to non-Agency residential mortgage-backed securities (RMBS). Two areas where the Fund has added to exposure over the past year are CMBS and asset-backed securities (ABS). Both asset classes traded at relatively deep discounts during the peak of the crisis in the spring of 2020 but have rebounded sharply since. *(slide 74)*
  - Given the quick recovery in AAA-rated CLOs, the Fund reduced its exposure last year and redeployed capital into CMBS and ABS that the team expected to provide better relative value.
- While the fundamentals of the Fund's securitized credit sectors have continued to improve, another important aspect is the structure of these bonds. *(slide 75)*
  - Credit enhancement, as it relates to structured products, is essentially the cushion of how much losses a bond can absorb before its first dollar principal loss.
    - The Fund's RMBS positions have an average of 27.5% credit enhancement relative to a 16% serious delinquency rate of securities owned within the Fund. Even if all delinquent securities owned in the portfolio defaulted, the Fund would be able to withstand that shock without principal loss.
    - The same applies across CMBS, ABS and CLOs, with all of them experiencing strong credit support and low delinquencies at this point in time.
- The DoubleLine team is focused on managing portfolio convexity. In its simplest form, convexity measures upside relative to downside of a security or portfolio. When there are call risks, investors generally don't want to own high-premium-priced securities, as principal would be eroded should the security be called back at par.
  - As of Feb. 28, the Fund had an average price of $101.28 relative to the Agg's average price of $106.85. By managing the Fund's convexity and maintaining its lower duration relative to its benchmark, the team believes this puts the Fund in a position to generate attractive risk-adjusted returns for investors.
- The investment team often refers to the Fund as a "barbell portfolio," with roughly half of the exposure in government-backed assets and the other roughly half invested across various securitized credit sectors.
  - As of Feb. 28, government-backed securities accounted for 56.1% of the portfolio. *(slide 77)*

Definitions

Bloomberg Barclays US Corporate Baa Bond Index – This index measures the performance of corporate bonds rated Baa as tracked by the Bloomberg Barclays US Corporate Bond Index. It includes U.S. dollar-denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers.

Bloomberg Barclays US Corporate Bond 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 US Corporate High Yield (HY) Index – This index measures the U.S. dollar-denominated, HY, fixed-rate corporate bond market. Securities are classified as HY if the respective middle ratings of Moody's, Fitch and S&P are Ba1, BB+ or BB+ or below. The Bloomberg Barclays US HY Long Index, including bonds with maturities of 10 years or greater, and the Bloomberg Barclays US HY Intermediate Index, including bonds with maturities of 1 to 9.999 years, are subindexes of the Bloomberg Barclays US Corporate HY Index.

Bloomberg Commodity (BCOM) Index – This index (formerly the Dow Jones-UBS Commodity Index) is calculated on an excess return basis and reflects the price movements of commodity futures. It rebalances annually, weighted two-thirds by trading volume and one-third by world production, and weight caps are applied at the commodity, sector and group levels for diversification. The roll period typically occurs from the sixth to 10th business day based on the roll schedule.

Conference Board Consumer Confidence Index (CCI) – This index (published the last Tuesday of every month) measures U.S. consumers' optimism in the economy based on their saving and spending activity.

Copper-Gold Ratio (CGR) – Calculated by dividing the market price of a pound of copper by the market price of an ounce of gold.

Core Consumer Price Index (CPI) – The CPI examines the weighted average of the prices of a basket of consumer goods and services, such as transportation, food and medical care; the Core CPI excludes the volatility of energy and food prices. "Headline CPI" is another term for the CPI. It is calculated by averaging price changes for each item in the basket. Changes in the CPI are used to assess price changes associated with the cost of living. The CPI is one of the most frequently used statistics for identifying periods of inflation or deflation.

Cyclically Adjusted Price-to-Earnings (CAPE) Ratio – This ratio measures valuation by using real earnings per share (EPS) over a 10-year period to smooth out fluctuations in corporate profits that occur over different periods of a business cycle. It is also known as the "Shiller P/E ratio" for Yale University professor Robert Shiller, who popularized its use.

Gross Domestic Product (GDP) – Market value of all final goods and services produced within a country in a given period. GDP is considered an indicator of a country's standard of living.

ISM Manufacturing Purchasing Managers Index (PMI) – This index is compiled by the Institute for Supply Management and tracks the economic health of the manufacturing sector. The index is based on five major indicators: new orders, inventory levels, production, supplier deliveries and employment environment.

ISM Prices Paid Index – This index is a subindex of the ISM Manufacturing Purchasing Managers Index (PMI), which is compiled by the Institute for Supply Management and tracks the economic health of the manufacturing sector. The index is based on five major indicators: new orders, inventory levels, production, supplier deliveries and employment environment. The Prices Paid Index is a diffusion index calculated by adding the percent of responses indicating managers paid more for inputs plus one-half of those responding that they paid the same for inputs. The resulting single index number is then seasonally adjusted.

Morgan Stanley Capital International (MSCI) Europe Index – This index is U.S. dollar denominated and represents the performance of large- and mid-cap equities across 15 developed countries in Europe. It covers approximately 85% of the free float-adjusted market capitalization in each country.

Pennant – Type of continuation pattern formed when there is a large movement in a security, known as "the flagpole," followed by a consolidation period with converging trend lines – "the pennant" – followed by a breakout movement in the same direction as the initial large movement, which represents the second half of the flagpole.

Price-to-Earnings (P/E) Ratio – This ratio for valuing a company measures current share price relative to earnings per share (EPS). The P/E ratio is also sometimes known as the "price multiple" or the "earnings multiple." A high P/E ratio could mean that a company's stock is overvalued, or investors are expecting high growth rates in the future.

Quantitative Easing (QE) – An unconventional monetary policy used by central banks to stimulate the economy when standard monetary policy has become ineffective. A central bank implements quantitative easing by buying specified amounts of financial assets from commercial banks and other private institutions, thus raising the prices of those financial assets and lowering their yield, while simultaneously increasing the monetary base.

Quantitative Tightening (QT) – Reverse of quantitative easing (QE); a central bank that acquired financial assets under QE undertakes steps to reduce its balance sheet.

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/LSTA Leveraged Loan Price Index – This index tracks the prices of institutional weighted loans based on market weightings, spreads and interest payments.

Standard Deviation – A measure of the variation or dispersion of a set of data from its mean or expected/budgeted value. A low standard deviation indicates that the data points tend to be very close to the mean, whereas a high standard deviation indicates that the data is spread out over a large range of values. A measure of an investment's volatility.

U-3 Unemployment Rate – Officially recognized rate of unemployment, compiled and released monthly by the U.S. Bureau of Labor Statistics, measuring the number of unemployed people as a percentage of the labor force.

Underlying Inflation Gauge (UIG) – This gauge, compiled and published by the Federal Reserve Bank of New York, measures sustained movements in inflation using information contained in a broad set of price, real activity and financial data. The "prices-only" UIG is derived from a large number of disaggregated price series in the Consumer Price Index (CPI). The "full data set" incorporates additional macroeconomic and financial variables.

U.S. Dollar Index (DXY) – A weighted geometric mean of the U.S. dollar's value relative to a basket of six major foreign currencies: the euro, Japanese yen, British pound, Canadian dollar, Swedish krona and Swiss franc.

Yield to Worst (YTW) – The lowest yield of a bond that can be received short of default.

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 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.

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

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