DoubleLine Floating Rate Fund Webcast Recap

Originally aired on April 24, 2018

About this Webcast Recap

On April 24, 2018, Robert Cohen and Philip Kenney hosted a webcast discussing the DoubleLine Floating Rate Fund (DBFRX/DLFRX) titled "Loan Survivor".

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 the team's views, please listen to the full version of this webcast on www.doublelinefunds.com under the blue **"Events"** tab. You can use the **"Jump To"** feature to navigate to each slide.

Floating Rate Fund

Quarter-end Returns As of March 31, 2018	March	1Q 2018	Year-to-Date	Annualized 1-Year	3-Year	5-Year	Since Inception (2-1-13 to 3-31-18)	Gross Expense Ratio
I-share (DBFRX)	0.34%	1.23%	1.23%	4.39%	3.11%	3.15%	3.21%	0.71%
N-share (DLFRX)	0.32%	1.07%	1.07%	4.02%	2.82%	2.91%	2.98%	0.96%
S&P/LSTA Leveraged Loan Index	0.28%	1.45%	1.45%	4.43%	4.20%	3.89%	3.99%	

SEC 30-Day Yield	*I-Share*	*N-Share*
Gross	4.53%	4.28%
Net[1]	4.53%	4.28%

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

S&P/LSTA Leveraged Loan Index is comprised of non-investment grade and non-rated loans and strips our defaulted issue at the price directly following the default. You cannot invest directly in an index.

[1] If a Fund invested in an affiliate Fund sponsored by the Adviser during the period covered by this report the Adviser agreed to not charge a management fee to the Fund in an amount equal to the investment advisory fees paid by the affiliated Fund in respect of the Fund's investment in the affiliated fund to avoid duplicate charge of the investment advisory fees to the investors.

Slide #	Recap

Introduction

- DoubleLine believes bank loans are currently attractive relative to high yield (HY)
  - Bank loans tend to have higher recoveries in the event of default, and potentially lower volatility
  - Bank loans, as measured by the S&P/LSTA Leveraged Loan Index, yields only .83% less than HY, as measured by the BAML HY Index (as of April 20, 2018). This is a historically attractive spread for bank loans relative to HY
- DoubleLine believes the fundamentals of the economy are supportive of the bank loan market over the near term

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U.S. Recession

- U.S. Conference Board of Leading Economic Indicators: Current reading of 6.2 is very high
  - This would have to start trending down and go below 0 to show signs of recession
  - Using this metric, it would show we have some time before any indication of economic weakness or recession
- Institute for Supply Management (ISM) Purchasing Manager Index: Current reading in the high 50's
  - This would have to start trending lower relatively quickly to indicate we are 12 months out from a recession

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  - Using this metric, it would show we have some time before any indication of economic weakness or recession
- Strong business & consumer sentiment is an indication of a strong economic environment
- Strong 2.9% Gross Domestic Product (GDP) print in fourth quarter. May soften a touch when first quarter comes out, but nothing that would indicate we are in a real area of economic slowdown

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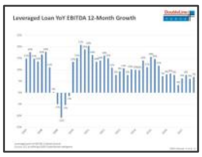

- When unemployment rate crosses over its 24-month moving average it will be an indication that a recession is coming. Right now nowhere near crossing over
- HY spreads are near all-time lows, generally recessions are predicated by a significant spread widening
- Positive growth in the loan market for a very long time which is supportive of leverage credit
- 2s10s spread would be one cautionary yellow flag. Historically, when the spread goes below 50 it goes straight to 0 then inverted which is when you get into a recessionary environment
  - Right now anemic, around 45-50
  - Something to certainly keep an eye on
- Overall, DoubleLine looks at a lot of different recessionary indicators and we do not foresee a recession in the next 6-12 months

Loan Market Overview

- Collateralized Loan Obligations (CLO) make up over 60% of the loan market today

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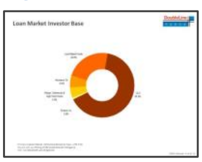

- The view that rates are rising and CLO formation is strong gives us comfort in saying that loans should do well in the foreseeable future
- Loan mutual funds tend to see inflows when rates are rising and outflows when rates are falling
- CLO's no longer have to meet risk retention rules under Dodd-Frank, which will likely be supportive for issuance
  - Ultimately, this should result in continued strength in the CLO market, which will lead to strength in the bank loan market as a whole
- When yield differential between HY and the bank loan market goes below 1% it is usually a condition where you favor loans over HY

Loan Market Fundamentals

- The S&P/LSTA Leveraged Loan Index has $994 billion outstanding and has nearly doubled since 2008 as issuance and demand have steadily increased

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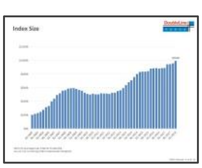

- 53% of new loans in the first quarter of 2018 have come to market financing Merger and Acquisition (M&A) activity, followed by refinancing activity at 37% and dividend loans at 9% of new issuance
- Given the high percentage of refinancing, maturity walls in the loan space have pushed out as far as 2026
- As prices have moved higher over the last year in the loan market, spreads have compressed as a result of both bond math and refinancing taking place at lower coupons
  - However, as the London Inter-bank Offering Rate (LIBOR) rises, the yield on the leveraged loan asset class is also trending upward
  - Loan yield is a component of the underlying rate, LIBOR and the spread
- Roughly 89% of the leveraged loan market is rated below investment grade
- The current default rate is below its historic average at right around 2%, and DoubleLine currently sees no reason for it to move materially higher in the near term

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- In the case of default or bankruptcy, leveraged loans are senior in the capital structure and over the last 30 years have historically recovered 75% of their principal amount
- The current leverage in the bank loan asset class does not worry DoubleLine in the near term as both loan-to-value ratios and interest coverage looks healthy as measured by our internal credit research

• 76.58% of loans are covenant light (as of 3/31/2018), which DoubleLine views as a negative for the loan market

• Bank loans have only had two negative years of performance since 1999

DoubleLine Floating Rate Fund (DBFRX/DLFRX)

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• General Statistics (as of 3/31/2018)

- Assets Under Management (AUM): $571,969,264
- Market Price: $101.21
- Duration: 0.26 years

• The fund diversifies across a multitude of corporate sectors with the top ten sectors making up 64.41%

Question and Answer

• **Can you talk about LIBOR replacement?**

- That's a hot topic now. LIBOR is going to be replaced sometime in the near future with another base rate benchmark for the loan market. I think the bottom line is we don't expect this to be much of anything. Actually, most credit agreements today in the market allow for not only different LIBOR contracts but for at least one replacement index, and that's prime. And so, what I would expect to happen is whatever replaces LIBOR will be engineered to generate a roughly equivalent yield on bank loans.

• **Are there any sectors of the loan market that you're avoiding?**

- The loan market, as well as the high yield market, typically get into trouble when there's a new sector that gets a lot of money thrown at it. In high yield, that was most recently in the energy space. In the loan market, there was less of an exposure to energy, but the performance of the borrowers in the energy space in the loan market were pretty weak; in particular, coal. So we're not seeing anything like that right now. There isn't a sector like energy or real estate or autos in the past or telecom back in the early 2000s. We're not seeing emerging out of nowhere a sector that is getting sort of over financed and at risk of some sort of stress. And so, I would add that to our comments that we've made in the past that we don't see any major red flags in the bank loan market.

Definitions:

2's10's - This difference in yields, otherwise known as the "2s10s" spread or curve, historically has been viewed as a barometer of the economic outlook.

Conference Board Leading Economic Indicator Index® (LEI) - The composite economic indexes are the key elements in an analytic system designed to signal peaks and troughs in the business cycle. The leading, coincident, and lagging economic indexes are essentially composite averages of several individual leading, coincident, or lagging indicators. They are constructed to summarize and reveal common turning point patterns in economic data in a clearer and more convincing manner than any individual component – primarily because they smooth out some of the volatility of individual components.

Covenant-Lite - A type of loan whereby financing is given with limited restrictions on the debt-service capabilities of the borrower.

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.

ICE BofA US High Yield Constrained Index - The index measures the performance of high yield bonds.

Investment Grade - A level of credit rating for stocks regarded as carrying a minimal risk to investors. Ratings are based on corporate bond model. The higher the rating the more likely the bond will pay back par/100 cents on the dollar.

Below Investment Grade - A term indicating that a security is rated below investment grade. These securities are seen as having higher default risk or other adverse credit events, but typically pay higher yields than better quality bonds in order to make them attractive. They are less likely to pay back 100 cents on the dollar.

Institute of Supply Management (ISM) Manufacturing Index - The index is based on surveys of more than 300 manufacturing firms by the Institute of Supply Management. The ISM Manufacturing Index monitors employment, production, inventories, new orders and supplier deliveries. The ISM Non-Manufacturing Index accounts for the services industry.

LIBOR – London InterBank Offering Rate - An indicative average interest rate at which a selection of banks known as the panel banks are prepared to lend one another unsecured funds on the London money market.

Spread - The difference between yields on differing debt instruments, calculated by deducting the yield of one instrument from another. The higher the yield spread, the greater the difference between the yields offered by each instrument. The spread can be measured between debt instruments of differing maturities, credit ratings and risk.

Disclaimer

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Diversification does not assure a profit or protect against loss in a declining market.

Fund holdings and sector allocations are subject to change and are not recommendations to buy or sell any security.

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