DoubleLine ETF Webcast Recap

Originally Aired April 26, 2022

About this Webcast Recap

On April 26, 2022, Chief Executive Officer Jeffrey Gundlach and Deputy Chief Investment Officer Jeffrey Sherman, CFA held a webcast titled “DoubleLine ETF Webcast,” that discussed DoubleLine’s newest production offerings: the DoubleLine Opportunistic Bond ETF (DBND) and the DoubleLine Shiller CAPE® U.S. Equities ETF (CAPE).

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. Sherman’s views, please listen to the full version of this webcast on www.doublelinefunds.com and click on the “Webcasts” tab under “Latest Webcast” or visit DoubleLine’s YouTube channel at YouTube/DoubleLineFunds.

Economic Data

- Prior to the COVID-19 pandemic, consumption of durable goods, nondurable goods and services were increasing at roughly the same pace.
  - As the pandemic has eased, consumption of durable goods has outpaced nondurable goods and services, but Mr. Gundlach believes consumption of durable goods will slow.
- The Atlanta Fed Wage Growth Tracker shows accelerating year-over-year wage growth across all age cohorts, in contrast to declining wage growth in 2020.
- Historically, the target federal funds rate (FFR) has increased as wage growth has accelerated.
  - This relationship has broken down, with wage growth accelerating while the FFR has remained near its lower bound at 0.375%.
    - Mr. Gundlach notes that this is an indication that the Federal Reserve is behind the U.S. Treasury curve.
- DoubleLine believes another example that the Fed is behind the curve is the divergence between the two-year Treasury yield and the FFR.
  - Over the previous 25 years, the two-year Treasury yield has closely guided the FFR, but the gap between them has widened, with the two-year Treasury yield over 200 basis points higher than the FFR.
- U.S. import and export prices, which do not use hedonic adjustments, remain elevated.

Markets

- The Bloomberg Commodity (BCOM) Index has doubled since its 2020 low and has outperformed other risk assets such as global and domestic equities.
  - Mr. Gundlach notes that commodity cycles tend to be long-lived and the relentless nature of the move should be respected.
- A recent trend reversal has been the Nasdaq 100 Index outperforming the S&P 500 Index.
  - Relative outperformance of the Nasdaq 100 versus the S&P 500 peaked late last year near the ’00 high and is now below that level.

Fixed Income Asset Allocation – Key Strengths

- The members of the Fixed Income Asset Allocation (FIAA) Committee have been working together for an average of 20 years.
  - Over this time, the committee has worked through various macroeconomic environments, gaining valuable experience together.
- The committee employs an active management approach to constructing portfolios.
  - During the first quarter of this year, most portfolios had turnover in the 10% range with the mindset that 2022 was going to be a more challenging year.
- Top-down asset allocation decisions are based on our macroeconomic process with a 12-to-18-month horizon.
  - Top-down active management permeates all our FIAA portfolios.
- The committee pairs the top-down process with bottom-up security selection from each of the portfolio sector specialists.
  - The portfolio management team selects the securities it believes offer the best relative value while looking to avoid any potential pitfalls within each sector.

Fixed Income Asset Allocation Investment Process

- Each month, the committee meets to review the macroeconomic and market landscape, including a discussion of interest rates, currencies, commodities, credit spreads and general fixed income market analysis.
- After a review of the global landscape, each sector portfolio manager assesses their respective sector’s outlook and relative attractiveness to other asset classes.
  - These discussions are paramount to the committee’s determination of the most appropriate sector positioning, duration management and credit exposure for the fund given the current environment.

DoubleLine Opportunistic Bond ETF (DBND)

- The DoubleLine Opportunistic Bond ETF (DBND) utilizes the FIAA process with a goal of outperforming its benchmark, the Bloomberg US Aggregate Bond Index, over a full market cycle.
  - While this ETF will have more flexibility compared to other DoubleLine core-plus fixed income strategies, DBND will sit within the same category.
- Currently, as of April 26, 2022, DBND is allocated to government-guaranteed securities, U.S. corporate credit and securitized credit:
  - Government-guaranteed securities account for 40.6% of the portfolio with 22% in Treasuries, 11.5% in Agency mortgage-backed securities (MBS) and 7.1% in cash.
  - The U.S. corporate credit exposure is tilted toward higher quality with investment grade (IG) accounting for 16.3% and below IG accounting for 8.1%.
  - The remaining exposure is invested in securitized credit comprising non-Agency MBS (15.9%), commercial MBS (9.6%) and asset-backed securities (9.5%).
- Overall, this portfolio is high quality with only 12.4% exposure to securities rated below IG.
  - The FIAA Committee prefers high-quality assets given changing monetary policy and the introduction of quantitative tightening, which created challenges for financial markets in 2018.

DoubleLine Shiller CAPE® U.S. Equities ETF (CAPE)

Shiller Barclays CAPE® U.S. Sector Total Return Index Sector-Selection Rules

- The Shiller Barclays CAPE® U.S. Total Return Index (the "Index") employs a rules-based, systematic approach that was developed by Professor Robert Shiller in partnership with Barclays Capital.
- The Index's rules-based systematic approach begins by applying Professor Shiller's valuation methodology to calculate the CAPE® ratio for each of the 11 GICS sectors of the S&P 500.
  - The CAPE® ratio uses the current price of a sector divided by 10 years of inflation-adjusted average earnings for that sector.
- The Index then calculates the relative CAPE® ratio, comparing the current CAPE® ratio of each sector to its 20-year average to determine how each sector's valuation compares relative to its history.
  - This step normalizes CAPE® ratios across sectors to account for the idiosyncratic differences inherent in each sector's valuation multiple and provide a metric to compare valuation among sectors.
- The Index then ranks each sector based on its relative CAPE® ratio and selects the five sectors with the lowest relative ratio.
- Strategies constructed using fundamental valuation metrics might incorporate constituents that are undervalued due to legitimate fundamental reasons, i.e., a "value trap."
  - In an attempt to avoid the value trap, the Index applies a momentum filter to the five most undervalued sectors. The filter eliminates the sector with the lowest trailing 12-month return, which in this environment is the sector with the least positive return.
- This monthly process results in four equally weighted (25% each) sectors.
  - Since the Index went live in September 2012, it has had exposure to each of the S&P 500 GICS sectors except utilities.
- The CAPE® ETF invests in the underlying securities comprising the four sectors of the Index.

Definitions

Basis Points (BPS) – Basis points (or basis point (bp)) refer to a common unit of measure for interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01% or 0.0001, and is used to denote the percentage change in a financial instrument. The relationship between percentage changes and basis points can be summarized as: 1% change = 100 basis points; 0.01% = 1 basis point.

Below Investment Grade/Non-Investment Grade – Term indicating a security is rated below investment grade (IG). These securities are seen as having higher default risk or being prone to other adverse credit events. They typically pay higher yields than higher-quality bonds in order to make them attractive. They are less likely than IG bonds to pay back 100 cents on the dollar.

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.

Bloomberg US Aggregate Bond Index – This index ("the Agg") represents securities that are SEC registered, taxable and dollar denominated. It covers the U.S. investment grade, fixed-rate bond market, with components for government and corporate securities, mortgage pass-through securities and asset-backed securities. These major sectors are subdivided into more specific indexes that are calculated and reported on a regular basis.

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 during different periods of a business cycle. It is also known as the "Shiller P/E ratio" for Yale University Dr. Robert Shiller, who popularized its use.

Duration – Measure of the sensitivity of the price of a bond or other debt instrument to a change in interest rates.

Federal Funds Rate – Target interest rate, set by the Federal Reserve at its Federal Open Market Committee (FOMC) meetings, at which commercial banks borrow and lend their excess reserves to each other overnight. The Fed sets a target federal funds rate eight times a year, based on prevailing economic conditions.

Global Industry Classification Standard (GICS) – Hierarchical industry classification system, created by Morgan Stanley Capital International and S&P Dow Jones Indices in 1999, comprising four tiers going from broadest to narrowest to classify companies by industry: sectors, industry groups, industries and subindustries. The 11 GICS sectors are: energy, materials, industrials, consumer discretionary, consumer staples, healthcare, financials, information technology, real estate, communication services and utilities.

Investment Grade (IG) – Rating that signifies a municipal or corporate bond presents a relatively low risk of default. Bonds below this designation are considered to have a high risk of default and are commonly referred to as high yield (HY) or "junk bonds." The higher the bond rating the more likely the bond will return 100 cents on the U.S. dollar.

Nasdaq 100 Index – This index comprises the 100 largest U.S. and non-U.S. nonfinancial securities based on market capitalization listed on the Nasdaq stock exchange. The index reflects companies across major industry groups including computer hardware and software, telecommunications, biotechnology and retail/wholesale trade.

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.

Shiller Barclays CAPE® U.S. Sector Total Return Index – This index that incorporates the principles of long-term investing distilled by Dr. Robert Shiller and expressed through the CAPE® (Cyclically Adjusted Price Earnings) Ratio (the "CAPE® Ratio"). It aims to identify undervalued sectors based on a modified CAPE® Ratio, and then uses a momentum factor to seek to mitigate the effects of potential value traps.

Wage Growth Tracker – Measure of the nominal wage growth of individuals published by the Federal Reserve Bank of Atlanta. It is constructed using microdata from the Current Population Survey and is the median percent change in the hourly wage of individuals observed 12 months apart.

You cannot invest directly in an index.

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A fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The statutory prospectus and summary prospectus (if available) contain this and other important information about the fund and may be obtained by visiting the DoubleLine website. In addition, a free hard-copy is available by calling (855) 937-0772. Please read the prospectus carefully before investing.

Barclays Bank PLC and its affiliates ("Barclays") is not the developer or implementer of the DoubleLine Shiller CAPE® U.S. Equities ETF (the "ETF") and Barclays has no responsibilities, obligations or duties to investors in the ETF. The Shiller Barclays CAPE® US Sector USD Index (the "Index") is a trademark owned by Barclays Bank PLC and licensed for use by DoubleLine. While DoubleLine may execute transaction(s) with Barclays in or relating to the ETF or the Index, investors acquire interests solely in their account and investors neither acquire any interest in the ETF or the Index nor enter into any relationship of any kind whatsoever with Barclays upon making an investment. The ETF is not sponsored, endorsed, sold or promoted by Barclays and Barclays makes no representation regarding the advisability of investing in the ETF or the use of the Index or any data included therein. Barclays shall not be liable in any way to investors or to other third parties in respect of the use or accuracy of the ETF, the Index or any data included therein.

The Shiller Barclays CAPE® US Index Family (the "Index Family") has been developed in part by RSBB-I, LLC, the research principal of which is Robert J. Shiller. RSBB-I, LLC is not an investment advisor and does not guarantee the accuracy and completeness of the Index Family or any data or methodology either included therein or upon which it is based. RSBB-I, LLC shall have no liability for any errors, omissions or interruptions therein and makes no warranties expressed or implied, as to the performance or results experienced by any party from the use of any information included therein or upon which it is based, and expressly disclaims all warranties of the merchantability or fitness for a particular purpose with respect thereto, and shall not be liable for any claims or losses of any nature in connection with the use of such information, including but not limited to, lost profits or punitive or consequential damages even, if RSBB-I, LLC is advised of the possibility of same. Shiller Barclays CAPE US Sector TR USD Index incorporates the principles of long-term investing distilled by Dr. Robert Shiller and expressed through the CAPE® (Cyclically Adjusted Price Earnings) ratio (the "CAPE® Ratio"). It aims to identify undervalued sectors based on a modified CAPE® Ratio, and then uses a momentum factor to seek to mitigate the effects of potential value traps.

DoubleLine Shiller CAPE® U.S. Equities ETF

This ETF is different from traditional ETFs. Traditional ETFs tell the public what assets they hold each day. This ETF will not. This may create additional risks for your investment. For example:

- You may have to pay more money to trade the ETF's shares. This ETF will provide less information to traders, who tend to charge more for trades when they have less information.
- The price you pay to buy ETF shares on an exchange may not match the value of the ETF's portfolio. The same is true when you sell shares. These price differences may be greater for this ETF compared to other ETFs because it provides less information to traders.
- These additional risks may be even greater in bad or uncertain market conditions.

The differences between this ETF and other ETFs may also have advantages. By keeping certain information about the ETF secret, this ETF may face less risk that other traders can predict or copy its investment strategy. This may improve the ETF's performance. If other traders are able to copy or predict the ETF's investment strategy, however, this may hurt the ETF's performance.

For additional information regarding the unique attributes and risks of the ETF, see the Prospectus and SAI, which are available on the ETF's website.

A Word About Risk

Investing involves risk. Principal loss is possible. Equities may decline in value due to both real and perceived general market, economic and industry conditions.

The Fund is a "non-diversified" investment company and therefore may invest a greater percentage of its assets in the securities of a single issuer or a limited number of issuers than funds that are "diversified." Accordingly, the Fund is more susceptible to risks associated with a single economic, political or regulatory occurrence than a diversified fund might be.

ETF investments involve additional risks such as the market price trading at a discount to its net asset value, an active secondary trading market may not develop or be maintained, or trading may be halted by the exchange in which they trade, which may impact a fund's ability to sell its shares.

DoubleLine Group LP is not an investment adviser registered with the Securities and Exchange Commission (SEC).

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