DoubleLine Asset Allocation Webcast Recap

Originally aired on May 8, 2018

About this Webcast Recap

On May 8, 2018, Jeffrey Gundlach, CEO & CIO, held a webcast discussing the DoubleLine Core Fixed Income Fund (DBLFX/DLFNX) and the DoubleLine Flexible Income Fund (DFLEX/DLINX) titled “Asset Allocation Webcast.”

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 Core Fixed Income Fund Performance

Quarter-End Returns March 31, 2018	1Q18	YTD	Annualized 1-Year	Annualized 3-Year	Annualized 5-Year	Annualized Since Inception 6-1-10 to 3-31-18
I-share	-0.74%	-0.74%	2.51%	2.20%	2.73%	5.22%
N-share	-0.80%	-0.80%	2.26%	1.92%	2.47%	4.96%
Bloomberg Barclays U.S. Agg Index	-1.46%	-1.46%	1.20%	1.20%	1.82%	3.02%

Expense Ratio	I-Share	N-Share
Gross	0.49%	0.74%

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.

DoubleLine Flexible Income Fund Performance

Quarter-End Returns March 31, 2018	1Q18	YTD	Annualized 1-Year	Annualized 3-Year	Annualized Since Inception 4-7-14 to 3-31-18
I-share	0.23%	0.23%	3.94%	3.29%	3.45%
N-share	0.27%	0.27%	3.69%	3.04%	3.21%
BAML 1-3 Year Eurodollar Index	-0.22%	-0.22%	0.76%	1.16%	1.18%
LIBOR USD 3 Month	0.46%	0.46%	1.44%	0.89%	0.74%

Expense Ratio	I-Share	N-Share
Gross	0.85%	1.10%

Slide # | **Recap**

U.S. Economy

Gross Domestic Product (GDP)

7

- Real GDP is going on seven out of eight quarters of growth in a row and currently near the higher end of the range
- Current expansion is 36 quarters long which is second only to the expansion from 1991-2001 (40 quarters)
  - Current expansion clearly aided by monetary policies, negative interest rates overseas and three rounds of Quantitative Easing (QE) by the U.S.
    - Now we are seeing the opposite: U.S. has raised rates six times, $600 billion of planned Quantitative Tightening (QT) in fiscal 2019 and the likely end of QE out of Europe by end of year. This will all test continued expansion

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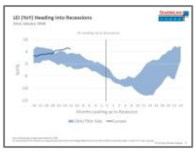
Global Growth

- There has been some slowdown, particularly in Europe. Certainly no recession imminent, but it seems like the peak of economic progress, most likely accelerated by the tax plan and deregulation, may be behind us.

Forward-Looking Indicators in the U.S.

9



Leading Economic Index (LEI)

- Unless negative year-over-year (YoY) almost no chance of recession. Currently, it is well over 5% YoY which is healthy, however a recent downtick is worth watching. When recessions have happened LEI has gone negative YoY 1-8 months before a recession

Institute for Supply Management (ISM) Purchasing Managers Index (PMI)

- When recessions have happened ISM PMI has gone below 50 1-9 months before a recession. Currently, it is well above 50 but it has fallen off pretty sharply in the last couple of months, which is worth watching.

High Yield Spreads

- Historically, recessions are preluded by significant spread widening in the months, and sometimes even a full year before a recession. Significant meaning 400 basis points (bps). Recently, there has been small spread widening, but nothing nearly significant enough to be concerned about.

Economic Surprise Index

- Both soft and hard data are at healthy levels, but have both weakened, which is concerning. Soft data, which skyrocketed after the 2016 election is almost back to where it was before the election. There have been some decline in retail sales and some softness in consumer credit.

2's to 10's

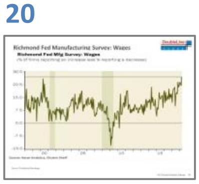
13

- Recessions tend to follow when 10-Year U.S. Treasury (UST) yield minus the 2-Year UST yield is negative. Any spread below 50 bps is certainly worth monitoring. While we are down from the incredibly steep yield where the 2s-10s spread was 250 bps, the narrative that the curve has flattened a lot in 2018 is incorrect. Year-to-date (YTD) the 2-Year, 3-Year, 5-Year, 7-Year and 10-Year have moved in unison. Only the 30-Year has not kept pace. Current 2s-10s spread (as of 5/16/2018) is at 50 bps.

Inflation

- Consumer Price Index (CPI) goes up leading into a recession. We have seen, in the past couple of years, a rise in CPI YoY. We believe that is indicative of being a late cycle
- Mr. Gundlach believes that Core CPI, which excludes food and energy components, is worth monitoring. If Core CPI gets above 2.25% by an observable amount, the entire inflation narrative and attitude is going to change because we have not seen a level like that since 2007 & 2008
  - Using the NY Fed Underlying Inflation Gauge with a 16-month lead as an indicator for Core CPI, it looks like Core CPI is heading up
- Core services & core goods both have been moving up since late 2017. This is significant because core goods has been in a deflationary mode for the past four years or so (Amazon Effect: Causing aggressive cost cutting). If this recent move turns into a trend Mr. Gundlach suspects Core CPI would have to go above 2.25%

20



Wages

- Wage growth is currently at a 20-year high, as measured by the Richmond Fed Manufacturing Survey

Production

- U.S. factories wait time, or backlog, due to high demand is at a 30-year high

Dollar

- Mr. Gundlach is long term negative on the dollar, but has been saying all of 2018 the dollar is overdue for a short term rally. Historically, the dollar experiences 6-8 year cycles. The dollar has been on a 6-8 year rally but it looks like it has rolled over. Mr. Gundlach believes we will see a rally to 94 or 95 then reverse course. A rallying dollar is, and has been, bad for gold (Dollar has rallied 4-5%, thus gold has dropped 4-5%)

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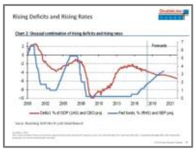
Oil

- Oil has been very strong while the dollar has been rallying, which means oil is up big in many non-dollar currencies. Emerging Market (EM) countries that are oil importers and have increasingly weak currencies could be in trouble at higher oil prices.

24



Deficit

- Historically, tightening has led to a shrinking deficit and easing has led to an increasing deficit. Today, the Fed is tightening and the deficit is expanding, which is abnormal and something to keep an eye on

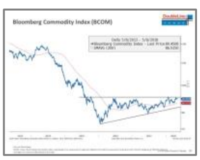
Fed Balance Sheet

- The Feds Balance Sheet and the 10-Year UST yield have shown incredible correlation. As the Fed continues to tighten the 10-Year continues to rise

Summary

- DoubleLine does not portend a recession for the next six months, but Mr. Gundlach could envision one in 2019. DoubleLine will continue to monitor our recessionary indicators

38



Bloodless Verdict of the Market

Commodities

- Gold has recently declined in value as the dollar has rallied, but it remains range bound between its 200-day moving average and its resistance level set back in March of 2014 (roughly $1,310 and $1,370 respectively)
- Broad basket commodities are also range bound between their 200-day moving average and resistance level set back in mid-2015, as measured by the Bloomberg Commodity Index
- DoubleLine will continue to monitor both gold and broad basked commodities as an indicator for dollar strength/weakness

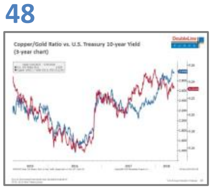
Equities

- As measured by price-to-sales, forward price-to-earnings and the CAPE ratio, the S&P 500 is near the valuation levels of the year 2000
- The 1-Year Treasury bill yield is now greater than that of the S&P 500

Fixed Income

- With rising interest rates DoubleLine uses the Sherman Ratio (yield per unit of duration) as one measure to gauge asset class attractiveness
- Since September 7th of 2017 the 2-Year UST yield has been rising at a rate close to 200 bps annualized

48

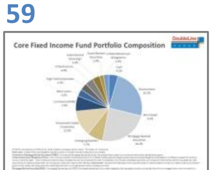


- While the 10-Year UST yield is hovering around its resistance level of 3.00%, Mr. Gundlach believes the important indicator to track is the resistance level on the 30-Year UST yield at 3.22%
  - The Copper-Gold ratio is currently suggesting the 10-Year treasury rate should be lower
  - Historically, when the 10-Year UST has been at these oversold levels it rallies
- The German 10-Year Bund yield continues to be contained by the European Central Bank's QE

Asset Allocation

- Corporate bonds look historically overvalued relative to Treasuries
- Mortgages look slightly rich relative to Treasuries
- Emerging Markets bonds look slightly rich relative to Treasuries
- High Yield looks historically overvalued relative to Treasuries

59



DoubleLine Funds Overview

- DoubleLine Core Fixed Income Fund (DBLFX) - As of 3/31/2018
  - DoubleLine remains defensive and diversified in DBLFX
  - Average Price: $100.88, Duration: 5.0, Average Life: 7.12

Recap

- DoubleLine Flexible Income Fund (DFLEX) - As of 3/31/2018
  - Positioned defensively against rising rates, but taking on credit risk
  - Average Price: $99.95, Duration: 1.38, Average Life: 4.41

Question and Answer

- Jamie Dimon, J.P. Morgan, said we should all be preparing for a 4% 10-Year note. Is that inevitable?
  - Probably yes, but what would the time frame be? I think that if we break above 3.22% in a meaningful way that the 30-Year, anyway, will go to 4% relatively quickly. And so, I think that level would be really problematic for competing assets. So, I do think that we have observed that above 2.63% on the 10-Year the stock market got wobbly, the dollar started rallying. I think if we break out to the upside, we'll get more of the same.
- How does the massive corporate private and government debt overload/overhang alter your investment decision?
  - That's the argument again that there's too much debt in the economy. With higher interest rates, we won't be able to handle it and it will cause real problems. I think that argument is sensible, and it's in the back of my mind all the time. But as I've talked about, it hasn't been helpful from a quarter-to-quarter basis, even a year-to-year basis, recently because we've had big swings in interest rates, and you can make this argument the whole time.
  - The 10-Year was at 3% at the end of 2013 and then it went to 1.32% and then it went back to 3%. All this is happening. So, these big swings in interest rates are happening while this argument sits there as valid as ever. So, back last summer- back last March, go way back to March of '17, I was on CNBC. The 10-Year was under pressure; it was up around 2.60%. Everyone was bearish that it was going to 3%. I said no, it's going to go below 2.25%, but not below 2%, here in 2017. And then we're going to take a peek at 3%. Well, it took a little longer to take a peek at 3% than I thought. I thought it would happen by year-end 2017; it happened in the first quarter of 2018. I'm going to call that "close enough" close enough for government work. So, we're right up against that key level right now. This idea that the debt is going to cause economic slowdown is valid, but I think it takes more Fed hikes and probably higher long-term interest rates.
- Do you use Elliot Wave Theory in your Analysis?
  - I use everything that I can possibly think of in my analysis, including Elliot Wave Theory, which, in and of itself, I put very little credibility in. I think you need corroboration with sentiment- although Elliot Wave does use sentiment in the background. But you need other things. You need momentum, you need trade location, you need macroeconomics, you need positioning, all of the above. And when they all fit together, that's when you have that beautiful feeling, like you're a baseball player and the thing looks like a beach ball coming right at you.

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Definitions:

Bloomberg Barclays U.S. Aggregate Bond 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.

Consumer Price Index - 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.

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.

ISM Non-Manufacturing Index - An index made up of data from 400 non-manufacturing firms collected by the Institute of Supply Management (ISM).

ISM Manufacturing Index - An index made up of data from 300 manufacturing firms collected by the Institute of Supply Management (ISM). It indicates the economic health of the manufacturing sector.

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

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.

U.S. Dollar Index (DXY) - Is an index (or measure) of the value of the United States dollar relative to a basket of foreign currencies, often referred to as a basket of U.S. trade partners' currencies.

London Interbank Offering Rate (LIBOR) - Is 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.

BAML 1-3 Year Eurodollar Index - Is a subset of the BAML Eurodollar Index including all securities with a remaining term to final maturity less than 3 years. The BAML Eurodollar Index tracks the performance of US dollar-denominated investment grade quasigovernment, corporate, securitized and collateralized debt publicly issued in the eurobond markets.

Leading Economic Indicators - Is a measurable economic factor that changes before the economy starts to follow a particular pattern or trend.

Spread - The difference between the yields of two bonds with differing credit ratings.

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

Hard data - Such as that from government statistical agencies used in constructing real gross domestic product (GDP).

Soft data - Such as business, consumer confidence and sentiment surveys, financial market variables, and labor statistics.

Citi Economic Surprise Index - Measures actual data against Wall Street estimates and is thus a gauge of optimism about the economy.

Price-to-Earnings - The ratio for valuing a company that measures its current share price relative to its per-share earnings. The price-earnings ratio is also sometimes known as the price multiple or the earnings multiple.

Price-to-Sales ratio - P/S ratio, or PSR, 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 stockprice by the per-share revenue.

Shiller Barclays CAPE® Ratio - CAPE® stands for Cyclically Adjusted Price-Earnings. The CAPE® Ratio is a valuation metric that takes the current price of an equity or index divided by its inflation adjusted average of ten years of earnings.

Bloomberg Commodity Index – Bloomberg Commodity Index is calculated on an excess return basis and reflects commodity futures price movements with monthly rebalancing.

Copper-Gold Ratio – The ratio between Copper and Gold Spot prices. The Gold Spot price is quoted as US Dollar per Troy Ounce; Copper is the world's third most used metal behind iron and aluminum primarily used in highly cyclical industries including construction and industrial machinery manufacturing. Spot price quoted in USD/lb.

One cannot invest directly in an index.

Disclaimer

The fund's 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 investment company, and may be obtained by calling 1 (877) 354-6311 / 1 (877) DLine11, or visiting www.doublelinefunds.com. Read carefully before investing.

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 Funds 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 Funds 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 Core Fixed Income Fund invests in foreign securities which involve greater volatility and political, economic and currency risks and differences in accounting methods. These risks are greater for investments in emerging markets.

The Flexible Income Fund may use leverage which may cause the effect of an increase or decrease in the value of the portfolio securities to be magnified and the fund to be more volatile than if leverage was not used.

Credit distributions are determined from the highest available credit rating from any Nationally Recognized Statistical Rating Organization (S&P, Moody's, and Fitch).

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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.

Absolute return funds are not intended to outperform stocks and bonds during strong market rallies, and may underperform during periods of strong positive market performance.

As of April 30, 2018, the DoubleLine Core Fixed Income Fund and the DoubleLine Flexible Income held 0.00% in Amazon.