DoubleLine Total Return Bond Fund
Webcast Recap "Push Me, Pull You"

Originally aired on June 12, 2018

About this Webcast Recap

On June 12, 2018, Chief Executive Officer Jeffrey Gundlach held a webcast discussing the DoubleLine Total Return Bond Fund (DBLTX/DLTNX) titled "Push Me, Pull You."

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

Month-End Returns May 31, 2018	May	YTD	Annualized 1-Year	Annualized 3-Year	Annualized 5-Year	Annualized Since Inception 4/6/2010 – 5/31/2018	1-Yr Std Deviation
I-share	0.70%	-0.30%	0.83%	2.06%	2.63%	6.01%	1.86%
N-share	0.67%	-0.31%	0.58%	1.83%	2.39%	5.76%	1.77%
Bloomberg Barclays U.S. Aggregate Index	0.71%	-1.50%	-0.37%	1.39%	1.98%	3.20%	2.37%

Quarter-End Returns March 31, 2018	1Q18	YTD	Annualized 1-Year	Annualized 3-Year	Annualized 5-Year	Annualized Since Inception 4/6/2010 – 3/31/2018
I-share	-0.52%	-0.52%	2.19%	2.03%	2.62%	6.11%
N-share	-0.48%	-0.48%	1.93%	1.78%	2.38%	5.86%
Bloomberg Barclays U.S. Aggregate Index	-1.46%	-1.46%	1.20%	1.20%	1.82%	3.27%

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.

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U.S. & Global Markets

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- Both real and nominal U.S. Gross Domestic Product (GDP) have been steadily rising for roughly 18 months pushing the 10-year U.S. Treasury (UST) yield to move higher
  - Meanwhile, the 10-year German bund yield at 50 basis points (bps) is pulling the 10-year UST yield down.

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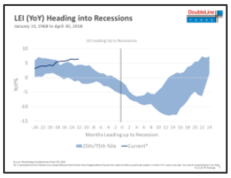

- DoubleLine monitors numerous economic indicators to identify signs of a weakening economy. Although global growth has slowed since the start of the year, we see no indicators that portend U.S. recession for the next 6-9 months
  - Leading Economic Indicators (LEI) are around a level of 6%, and historically recessions occur when LEIs are negative
  - Institute for Supply Management (ISM) Purchase Manager's Index (PMI) looks healthy at 58.7, and historically recessions occur when ISM PMI is below 50
  - Consumer, CEO, home builders confidence, and small business optimism prints are all near record highs since 2002
  - High yield spreads relative to UST historically rise roughly 400 bps leading into a recession, and spreads have been quite stable as of late
  - Energy prices have risen into the last 3 recessions, and with the recent rise in prices, energy may potentially be signaling a recession 12 months in the future

Government Deficit

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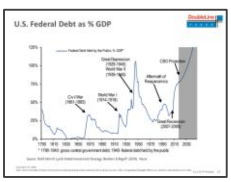

- Longer term, a major concern revolves around an increasing government deficit
  - Historically, the Federal Reserve (the Fed) has cut interest rates when the deficit was expanding
  - Today, the Fed is hiking rates as the deficit expands
  - Mr. Gundlach believes the deficit could expand to as high as 7% of GDP, or $1.4 trillion over the next few years
  - Increasing debt levels while increasing the cost of servicing the debt could be the cause of future fiscal solvency problems
  - The Fed dot plot suggests the Fed will attempt to keep short term rates lower for longer in an effort to service massive debt loads. Meanwhile the Taylor Rule is suggesting short term rates should be around 4.8%, implying that the Fed will need to hike rates on auto-pilot once a quarter

Equities

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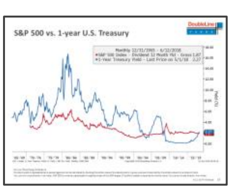

- For the first time since mid-2008, the 1-year UST yield moved higher than the S&P 500 dividend yield
  - The Dow Jones Internet Commerce Index is starting to display bubble-like characteristics

Commodities & the Dollar

- Broadly speaking, Mr. Gundlach continues to favor the commodity market, and is encouraged with the resilience in the commodity complex despite a rising dollar (DXY)
- Mr. Gundlach continues to believe the dollar will ultimately weaken, providing support for commodities and gold
- Mr. Gundlach believes this late in the cycle, much like broader commodities, that oil will resume its uptrend and meet a lot of resistance up around $80 to $90 a barrel

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Italy

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- Mr. Gundlach does not believe that Italy will leave the European Union any time soon
- The Italian scare sent the Italian 10-year yield almost 175 bps higher while pushing the German 10-year yield lower
    - One of the only buyers of Italian debt today is the European Central Bank

Tariffs

- It is too early to determine the impact of potential tariffs as there are too many unknowns
    - We don't know what tariffs are going to be sanctioned, how long they're going to last, and whether or not they actually will be imposed
- The tariff uncertainty has attributed to the stymied market

UST

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- The scare in Italy caused the first rally across most of the UST yield curve since September 7, 2017 as investors fled to quality
- The spread between the 2-year UST yield and the 10-year UST yield is an indicator that is on watch when below 50 bps. Currently it is less than 42 bps
- Record short positioning on 10-year UST futures could make it harder for the 10-year UST yield to break above its resistance level of 3.10%
- Two consecutive closes on the 30-year UST yield above 3.22% would be a significant signal indicating a breakout above its several year resistance point

Copper/Gold Ratio

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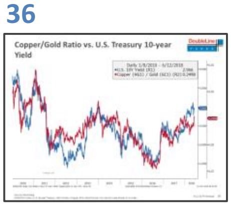

- The Copper/Gold ratio indicates that the 10-year UST yield is appropriately priced at roughly 2.96%

Fed Treasury Holdings vs. 10-Year UST Yield

- The amount of Fed Treasury holdings seems to have a correlation to an inverted 10-year UST yield. This means as the Fed continues to tighten and shrink their balance sheet it has the potential to continue to put further pressure on higher interest rates.
    - $600 billion of bond supply roll-off from the Fed's balance sheet is scheduled for fiscal 2019

Corporate Bonds

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- Both investment-grade corporate bonds and high yield corporate bonds are extremely overvalued when compared to Treasuries

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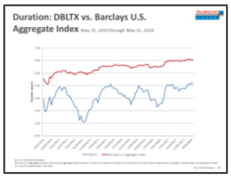

Emerging Market Bonds

- Emerging market (EM) bonds rarely yield more than U.S. high yield bonds when analyzing data from 2005 to today. However, today EM bonds yield more than U.S. high yield bonds
- Mr. Gundlach believes it is a good time to move high yield bond exposure into EM bonds, especially given his longer-term structurally bearish view on the dollar

DBLTX

- As of May 31, 2018, DBLTX has a lower duration (4.16 years) than its benchmark (6.04 years), the Bloomberg Barclays U.S. Aggregate Bond Index (the Agg) by almost 2 years
- 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 May 31, 2018)
    - 26.02% Non-Agency Residential Mortgage-Backed Securities
    - 25.10% Agency Collateralized Mortgage Opportunities
    - 22.63% Agency Pass-Throughs
    - 7.72% Commercial Mortgage-Backed Securities
    - 5.23% Collateralized Loan Obligations
    - 4.72% Cash
    - 3.92% Asset-Backed Securities
    - 3.64% Treasury
    - 1.01% Treasury Inflation-Protected Securities

Question and Answer

- **Do I think the Feds Quantitative Tightening will be as harmful to the economy as Quantitative Easing was helpful?**
    - I just think that that’s purely logical. It seems that it should be symmetric.
- **Does the long bond still want a Fed hike?**
    - The long bond wants them to raise 50 tomorrow and then 50 the next meeting and 50 the next meeting, because that’s the perfect way of getting rid of what’s incipient inflation. The Consumer Price Index (CPI) is at 2.8%. The core number is at 2.2%. It’s so funny how people keep saying we can’t get to 2% inflation, and yet we’re almost at 3% on the headline CPI. “Oh, well, ignore the headline CPI because that’s why we have the ex-food and energy.” But that’s above 2%. So, I think that the Fed behind the curve, if we break out above 3.22%, is pretty likely to happen.

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.

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.

Copper-Gold Ratio - The ratio prices copper in gold and it represents the number of ounces of gold it takes to buy an ounce of copper.

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.

Dividend Yield - A dividend expressed as a percentage of a current share price.

Dow Jones Internet Commerce Index - Is a modified cap-weighted index that tracks the performance of companies involved in internet commerce.

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.

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

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.

Leading Economic Indicators (LEI) - Phenomena, such as the unemployment and new construction rates, used by the Conference Board to predict the financial condition of a particular industry or the economy in general.

Nominal Gross Domestic Product - Nominal GDP can be measured by one of three ways: the expenditure, production or income approach . The expenditure approach adds up the market value of all domestic purchases of final goods and services in a single year.

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.

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.

Taylor Rule - Is a reduced form approximation of the responsiveness of the nominal interest rate, as set by the central bank, to changes in inflation, output, or other economic conditions.

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.

Disclaimer

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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.

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