

DoubleLine Total Return Bond Fund Webcast Recap

Originally Aired June 7, 2022



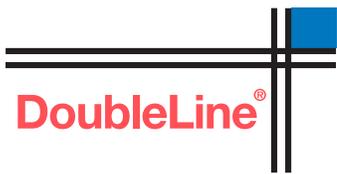
About this Webcast Recap

On June 7, 2022, Chief Executive Officer Jeffrey Gundlach and Portfolio Manager Andrew Hsu held a webcast titled “It’s Not Unusual,” 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.”

Total Return Bond Fund (%)									
Month-End Returns May 31, 2022	1 Month	3 Months	Year-to- Date	Annualized				Since Inception (4-6-10 to 5-31-22)	Gross Expense Ratio
				1 Year	3 Years	5 Years	10 Years		
I-share (DBLTX)	-0.14	-5.63	-7.63	-7.03	-0.51	0.98	2.33	4.34	0.50
N-share (DLTNX)	-0.27	-5.79	-7.82	-7.36	-0.79	0.70	2.07	4.08	0.75
Bloomberg US Agg Index	0.64	-5.86	-8.92	-8.22	0.00	1.18	1.71	2.66	
Annualized									
Quarter-End Returns March 31, 2022	1 Month	1Q2022	Year-to- Date	1 Year	3 Years	5 Years	10 years	Since Inception (4-6-10 to 3-31-22)	
I-share (DBLTX)	-2.77	-4.83	-4.83	-3.14	1.01	1.90	2.76	4.66	
N-share (DLTNX)	-2.80	-4.89	-4.89	-3.38	0.76	1.64	2.52	4.41	
Bloomberg US Agg Index	-2.78	-5.93	-5.93	-4.15	1.69	2.14	2.24	2.97	

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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Fed Funds Rate

- The Federal funds rate (FFR) less the year-over-year (YoY) growth of the Consumer Price Index (CPI) was near its all-time low at negative 7.49% as of May 31, as the CPI has continued to print at levels not seen since the early 1980s.
- Looking at previous monetary cycles, the two-year U.S. Treasury yield led the Fed in tightening and easing monetary conditions via the FFR.
 - As of June 6, the two-year yield was approximately 173 basis points (bps) higher than the upper bound of the FFR, signaling the market's expectations of significant future increases to the FFR.

Inflation & Consumption

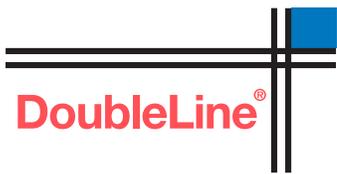
- U.S. import and export prices, which unlike the CPI are not subject to hedonic adjustments, remain elevated, suggesting potentially higher inflation than the reported CPI.
- Commodities are in a secular uptrend after bottoming in April 2020 and continue to put upward pressure on inflation, as measured by the Bloomberg Commodity (BCOM) Index.
- Prior to the pandemic, the durable goods, nondurable goods and services components of the U.S. Personal Consumption Expenditures Index were all increasing in lockstep. However, in the wake of the pandemic's arrival, durable goods spending has grown at approximately 25% above trend while services spending has lagged.
 - Jeffrey Gundlach notes this as his "chart of the year" and expects spending on goods to normalize back to their pre-pandemic trends, which could be a drag on economic growth.

Headwinds for the Consumer and Housing

- Consumer sentiment is deteriorating and is at levels consistent with past recessions.¹
 - Elevated auto and home prices likely contributed to the recent decline in consumer sentiment.
- Consumers are taking on more credit, as shown by the record net monthly increase in consumer credit (revolving) in March.
- The costs associated with owning or renting property have significantly increased.
 - Monthly mortgage payments on the median sales price of an existing home have increased significantly year-to-date (YTD).² Meanwhile, the average 30-year mortgage rate is at its highest level since 2009.
 - The average mortgage payment as a percentage of median household income using a 30-year mortgage is roughly 30% above its pre-pandemic level.
 - Home prices have appreciated 37% in the two years since the onset of the pandemic in March 2020.³
 - The U.S. house price-to-rent ratio is at its highest level of all time at 139 and is up 30% from its pre-pandemic level.⁴

Employment and Small-Business Formations

- The number of job openings relative to unemployed individuals in the labor force is at a record level with roughly twice as many job openings as unemployed workers.
 - Mr. Gundlach posits that the large amount of job openings could be due to record growth in small-business formation, as applications for small businesses are running at double the pre-pandemic level.⁵



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Financial Markets Performance

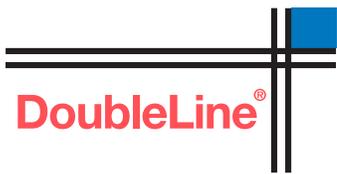
- YTD through June 6, financial markets are generally experiencing some of their worst returns on record:
 - The Bloomberg US Aggregate Bond Index (“the Agg”) was down 9.8%.
 - This is the worst start to a year for the Agg going back to 1977.
 - The S&P 500 Index was down 13.0%.
 - The MSCI Emerging Markets (EM) Index was down 12.2%.
- Commodities have been a bright spot this year, as the BCOM was up 37.8%.
 - Mr. Gundlach believes commodities could be a better investment than stocks in an inflationary environment.
- The trend of growth stocks outperforming value stocks has reversed, as the S&P 500 Value Index has outperformed the S&P 500 Growth Index by approximately 20% YTD.
- The S&P 500 has outperformed the MSCI EM by approximately 400% since the end of the Global Financial Crisis (GFC).
 - For this relationship to reverse, Mr. Gundlach believes the dollar needs to weaken. The U.S. Dollar Index is trading at 102.4, and Mr. Gundlach notes that once it breaks below 100, he would begin advocating for emerging markets equities to outperform.

Fixed Income

- The 18.6% drawdown of the J.P. Morgan EMBI Global Diversified YTD has nearly matched the pandemic-induced drawdown of 2020.
- U.S. investment grade (IG) and high yield (HY) bonds have experienced substantial spread widening YTD but are far from reaching their March 2020 wide levels.
 - Mr. Gundlach recommends watching spread levels for HY bonds rated CCC relative to other rating cohorts within HY. When this gap widens, it typically means financial conditions are tightening and potentially signals economic weakness.
- The 14.1% drawdown of the Bloomberg US Corporate Bond Index YTD has nearly matched the pandemic-induced drawdown of 2020 and the 16% drawdown during the GFC.
- Mr. Gundlach is bullish on Agency mortgage-backed securities (MBS), as the current-coupon zero-volatility spread relative to the option-adjusted spread of IG corporate bonds is near its cheapest level of all time.
 - Agency MBS can be attractive in rising-rate environments as refinancing activity slows.

U.S. Treasuries

- The velocity with which Treasury rates have increased YTD is staggering.
 - The yield on the 12-month Treasury has increased nearly 200 bps YTD.
 - The yield on the 2-year Treasury has increased nearly 260 bps YTD.
- The 38.0% drawdown of the 30-year Treasury YTD through June 6 was the worst ever going back to 1987.

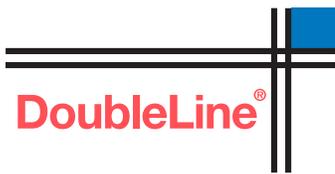


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DoubleLine Total Return Bond Fund

- Looking at the largest 180-day increases in the 10-year Treasury yield over the last decade reveals three distinct periods in which DBLTX has outperformed the Agg considerably:
 - During the Taper Tantrum from May 5, 2013, to January 8, 2014, DBLTX outperformed by 94 bps.
 - During the energy crisis recovery from July 5, 2016, to March 13, 2017, DBLTX outperformed by 226 bps.
 - During the post-COVID-19 recovery from July 23, 2020, to March 31, 2021, DBLTX outperformed by 268 bps.
 - DBLTX outperformance during these periods could be attributed to its duration positioning, as the Fund has consistently maintained a lower duration than the Agg.
- As of May 31, DBLTX had an average price of \$94.35 relative to the Agg's \$94.28.
 - The Fund's portfolio management team has actively managed duration positioning. As of May 31, the Fund's duration was 5.07 years relative to the Agg's 6.51 years.
 - As rates have risen YTD, the Fund's duration has increased due in part to our mortgage-related holdings, which have generally extended.
 - The DoubleLine team believes it is likely that interest rate volatility will continue, and by positioning the Fund with a lower duration relative to its benchmark, the team attempts to dampen overall volatility for its investors.
- Since the end of 2021 through the first quarter, the Fund rotated out of retail and hospitality commercial MBS (CMBS) assets in favor of multifamily and industrial CMBS assets, as DoubleLine anticipates these assets will be more resilient as rates and volatility increase.
 - Industrial and multifamily commercial real estate (CRE) property prices have outperformed other areas of CRE, increasing 27.9% and 22.4% YoY, respectively, as of March 31.
- Delinquency rates have started to flatten or tick up in certain consumer-related areas such as student loans, auto loans, credit cards and mortgages.
- Credit enhancement, as it relates to structured products, is essentially the cushion of how much loss a bond can absorb before its first dollar of principal loss.
 - Most sectors within the Fund have higher credit enhancement relative to the serious delinquency rate of their underlying assets. The serious delinquency rate is defined as a loan that has been delinquent for 60 days or longer.
 - Another factor to consider is average dollar price, which equates to additional potential protection. For example, the Fund's legacy residential MBS (RMBS) positions were purchased at an average price of \$75, which means there is an additional 25 points of potential protection relative to a par-priced security.
- Roughly half of the Fund's exposure remains in government-backed assets such as Agency MBS, Agency CMBS and Treasuries, and roughly half in a diversified pool of securitized credit, including non-Agency RMBS, non-Agency CMBS, asset-backed securities (ABS) and collateralized loan obligations (CLOs).



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Citations

- ¹ As measured by the University of Michigan Consumer Sentiment Index
- ² National Association of Realtors (sales price); Freddie Mac (30-year mortgage rate)
- ³ S&P CoreLogic Case-Shiller U.S. National Home Price Index
- ⁴ Organization for Economic Co-Operation and Development
- ⁵ U.S. Census Bureau

Definitions

Basis Points (BPS) – Basis points (or basis point (bp)) refer to a common unit of Agency – Mortgage securities whose principal and interest are guaranteed by a U.S. government agency such as Fannie Mae (FNMA) or Freddie Mac (FHLMC).

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.

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.

Bloomberg 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.

Consumer Price Index (CPI) – This index, compiled by the U.S. Bureau of Labor Statistics, examines the weighted average of the prices of a basket of consumer goods and services, such as transportation, food and medical care. 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.

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.

Freddie Mac U.S. Mortgage Market Survey 30-Year Homeowner Commitment National Index – This index tracks the 30-year fixed-rate mortgages component of the Freddie Mac Primary Mortgage Market Survey (PMMS), which tracks the most-popular 30- and 15-year fixed-rate mortgages, and 5-1 hybrid amortizing adjustable-rate mortgage products among a mix of lender types.

Growth Stock – Any share in a company that is anticipated to grow at a rate significantly above the average growth for the market. These stocks generally do not pay dividends. This is because the issuers of growth stocks are usually companies that want to reinvest any earnings they accrue in order to accelerate growth in the short term. When investors invest in growth stocks, they anticipate that they will earn money through capital gains when they eventually sell their shares in the future.

J.P. Morgan Emerging Markets Bond Index Global Diversified (EMBI GD) – This index is a uniquely weighted version of the EMBI. The EMBI tracks bonds from emerging markets (EM), and comprises sovereign debt and EM corporate bonds. The EMBI GD limits the weights of index countries with larger debt stocks by only including specified portions of those countries’ eligible current face amounts of debt outstanding.

Legacy RMBS – Name for private-label, aka non-Agency, residential mortgage-backed securities (RMBS) issued before the shift to stricter post-Global Financial Crisis (guidelines). RMBS issued post-GFC are referred to as “RMBS 2.0.”

Morgan Stanley Capital International Emerging Markets Index (MSCI EMI) – This index captures large- and mid-cap representation across 26 emerging markets countries. With 1,385 constituents, the index covers approximately 85% of the free-float-adjusted market capitalization in each country.

Option-Adjusted Spread (OAS) – Measurement of the spread of a fixed-income security rate and the risk-free rate of return, which is then adjusted to take into account an embedded option. Typically, an analyst uses U.S. Treasury yields for the risk-free rate. The spread is added to the fixed-income security price to make the risk-free bond price the same as the bond.

Personal Consumption Expenditures (PCE) Price Index – This index, published by the U.S. Bureau of Economic Analysis, measures price changes in consumer goods and services exchanged in the U.S. economy to reveal underlying inflation trends.

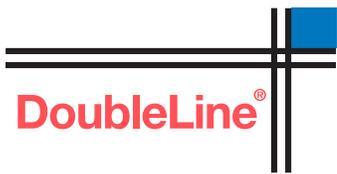
S&P CoreLogic Case-Shiller U.S. National Home Price Index – This index tracks the value of single-family housing within the United States and is a composite of single-family price indexes for the nine Census Bureau divisions.

S&P 500 Growth Index – This index includes the stocks with growth characteristics from the S&P 500 Index. If a stock does not have pure value or pure growth characteristics, its market cap is distributed between the S&P 500 Growth and Value indexes.

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 500 Value Index – This index includes the stocks with value characteristics from the S&P 500 Index. If a stock does not have pure value or pure growth characteristics, its market cap is distributed between the S&P 500 Value and Growth indexes.

Taper Tantrum – The 2013 surge in U.S. Treasury yields as a result of the Federal Reserve’s announcement that it would be reducing the pace of its purchases of Treasury bonds, thus, reducing the amount of money it was feeding into the economy. The ensuing rise in bond yields in reaction to the announcement was referred to as the “Taper Tantrum” in financial media.



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University of Michigan Consumer Sentiment Index – This index rates the relative level of current and future economic conditions through monthly surveys of about 500 U.S. households (ex Alaska and Hawaii). There are two versions of this data released two weeks apart, preliminary and revised. The preliminary data tends to have greater impact. A higher-than-expected reading should be taken as positive/bullish for the U.S. dollar; a lower-than-expected reading should be taken as negative/bearish.

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.

Value Stock – Shares of a company that appear to trade at a lower price relative to its fundamentals, such as dividends, earnings or sales, making it appealing to value investors.

Zero-Volatility Spread (Z-Spread) – Constant spread that makes the price of a security equal to the present value of its cash flows when added to the yield at each point on the spot rate U.S. Treasury curve where cash flow is received. In other words, each cash flow is discounted at the appropriate Treasury spot rate plus the Z-spread. The Z-spread is also known as a static spread.

You cannot invest directly in an index.

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.

Opinions expressed are subject to change, are not intended to be a forecast of future events, a guarantee of future results, nor investment advice.

Fund holdings are subject to change and should not be considered a recommendation to buy or sell any security.

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