DoubleLine Rising Rates Webcast Recap

Originally aired on July 10, 2018

About this Webcast Recap

On July 10, 2018, Portfolio Manager Philip Barach and Director of Global Developed Credit Robert Cohen held a webcast discussing the DoubleLine Low Duration Bond Fund (DBLSX/DLSNX) and the DoubleLine Floating Rate Fund (DBFRX/DLFRX) titled "DoubleLine Fund Offerings for a Rising Rate Environment."

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 portfolio managers' 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.

Low Duration Bond Fund

Month-End Returns June 30, 2018	Jun	YTD	Annualized 1-Year	Annualized 3-Year	Annualized 5-Year	Annualized Since Inception (9-30-11 to 6-30-18)	1-Yr Std Deviation
I-share	0.15%	0.47%	1.43%	1.94%	1.96%	2.20%	0.44%
N-share	0.13%	0.34%	1.18%	1.65%	1.69%	1.94%	0.44%
ICE BAML 1-3 Yr. Treasury	0.02%	0.09%	0.08%	0.42%	0.58%	0.53%	0.68%

Quarter-End Returns June 30, 2018	2Q18	YTD	Annualized 1-Year	Annualized 3-Year	Annualized 5-Year	Annualized Since Inception (9-30-11 to 6-30-18)
I-share	0.43%	0.47%	1.43%	1.94%	1.96%	2.20%
N-share	0.37%	0.34%	1.18%	1.65%	1.69%	1.94%
ICE BAML 1-3 Yr. Treasury	0.22%	0.09%	0.08%	0.42%	0.58%	0.53%

Expense Ratio: I-share (Gross) 0.45%; N-share (Gross) 0.70%

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 Fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The statutory and summary prospectus 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 it carefully before investing.

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

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.

The ICE BofA/Merrill Lynch 1-3 Year Treasury Index is an unmanaged index that tracks the performance of the direct sovereign debt of the U.S. Government having a maturity of at least one years and less than three years. It is not possible to invest directly in an unmanaged index.

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DoubleLine Floating Rate Fund

			Annualized				
Month-End Returns June 30, 2018	**Jun**	**YTD**	**1-Year**	**3-Year**	**5-Year**	**Since Inception (2-1-2013 to 6-30-18)**	**1-Yr Std Deviation**
I-share	-0.10%	1.48%	3.65%	2.95%	3.18%	3.11%	1.07%
N-share	-0.02%	1.35%	3.49%	2.70%	2.92%	2.89%	1.07%
S&P/LSTA Leveraged Loan Index	0.12%	2.16%	4.37%	4.21%	4.00%	3.93%	0.98%
			Annualized				
Quarter-End Returns June 30, 2018	**2Q18**	**YTD**	**1-Year**	**3-Year**	**5-Year**	**Since Inception (2-1-2013 to 6-30-18)**	
I-share	0.24%	1.48%	3.65%	2.95%	3.18%	3.11%	
N-share	0.28%	1.35%	3.49%	2.70%	2.92%	2.89%	
S&P/LSTA Leveraged Loan Index	0.70%	2.16%	4.37%	4.21%	4.00%	3.93%	

Expense Ratio: I-share (Gross) 0.71%; N-share (Gross) 0.96%

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 does not reflect the 1% redemption fee on shares held less than 90 days and if deducted the fee would reduce the performance data 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.

Diversification does not assure a profit or protect against loss in a declining market. Please refer to the prospectus for further details.

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Recap

Market Overview

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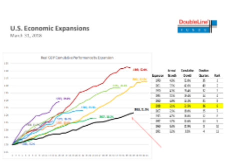

- Over the last year:
  - Short term rates are up 100 basis points (bps)
  - The Federal Reserve (the Fed) increased rates three times
  - S&P 500 is up 16.8%
- We are amidst the second longest economic recovery as measured by duration, while it is only the sixth highest recovery as measured by cumulative Gross Domestic Product (GDP) growth
- Economic Indicators illustrate a healthy U.S. Economy and little chance of imminent recession

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  - U.S. Conference Board of Leading Economic Indicators posting a print of 6.1%
  - Both business and consumer sentiment are close to pre-crisis highs on the back of tax cuts, strong GDP prints, and impressive employment numbers
  - Atlanta Fed GDP Now and Real GDP forecasts are showing strong results relative to previous quarters and years respectively

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Recap

Market Overview (cont'd)

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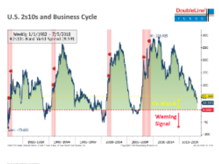

- The flattening of the U.S. Treasury (UST) yield curve, as measured by the 10-year UST yield minus the 2-year UST yield, does cause concern and is a key signal to watch in anticipation of a recession
  - The Fed is expected to raise rates at least one more time in 2018, and the market is roughly pricing in a 50% chance of two more hikes in 2018
- U.S. Consumer Price Index (CPI) is at 2.8% year-over-year (YOY), and Mr. Barach believes the Fed Funds target rate upper bound will not exceed YOY CPI

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  - The New York Fed Underlying Inflation Gauge (UIG) has historically led Core CPI by 16 months. If correlation between the two remains at historic levels inflation should move higher over the coming months
- While the U.S. unemployment rate has been steadily declining, wage inflation has not kept pace

DoubleLine Low Duration Bond Fund (DBLSX/DLSNX)

- A multi-sector asset allocation fixed income fund that strives to mitigate risk and achieve better risk adjusted returns than its benchmark, the ICE BofA Merrill Lynch 1-3 year U.S. Treasury Index
- The fund generally maintains a duration of less than three years

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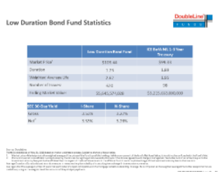

- DBLSX as of May 31, 2018
  - Roughly 80% of the portfolio is invested in investment grade securities
  - Duration: 1.23
  - Weighted average life: 2.62
  - 30-Day SEC Yield: 3.53%
- The portfolio managers are actively managing and monitoring spread duration in the portfolio by investing in the top end of the capital structure

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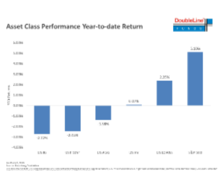
Bank Loan Market



- The S&P LSTA Leveraged Loan Index is the best performing domestic corporate debt asset class year-to-date
- The spread between high yield bonds and bank loans is the tightest it's been since December of 2010, causing DoubleLine to favor bank loans over high yield bonds
- The size of the S&P LSTA Leveraged Loan index is $1.048 Trillion
  - The loan market has grown to roughly the same size as the high yield market

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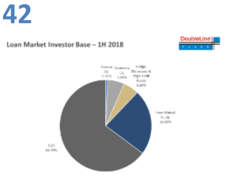

- As of 6/30/2018, 64.83% of the investor base in the bank loan market is made up of Collateralized Loan Obligations (CLOs), while 23.05% are loan based mutual fund investors
  - Quarterly CLO volume is close to record highs

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- New issue bank loan volume is keeping pace with demand
  - 56% of First Half (H1) 2018 financing went to Merger & Acquisition activity
  - 33% of H1 2018 financing went to refinancing activity
  - 10% of H1 2018 financing went to dividend funding

Slide #

Recap

Bank Loan Market (cont'd)

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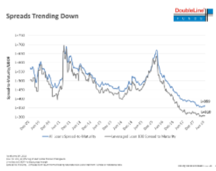

- Spreads relative to the London Interbank Offering Rate (LIBOR) have been compressing in the bank loan market since early 2016
    - However LIBOR has been on the rise since early 2017, ultimately lifting yields in the bank loan market
- Defaults in the bank loan market are roughly 2% are below their historic averages
- The current leverage in bank loans does not worry DoubleLine in the near term as interest coverage levels look healthy as corporate earnings are rising faster than LIBOR

DoubleLine Floating Rate Fund (DBFRX/DLFRX)

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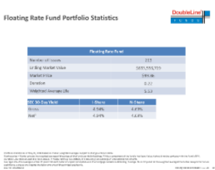

- DBFRX as of May 31, 2018
    - The fund has 213 holdings with concentrations typically between 20 and 80 bps
        - No large bets are taken on any single credit
    - Duration of 0.22
    - 69.42% of the DBFRX's credit quality is B rated as DoubleLine currently views it as the "sweet spot" in the loan market

Question and Answer

- Are you tilting your allocation to higher credit quality given how late we are in the economic cycle?
    - The answer is yes, we are. I mentioned some of the asset classes we've improved credit quality. We've shortened duration. If you take a look at, for example, the bank loans in the Low Duration Fund, they yield substantially less than the bank loans in the bank loan fund because the bank loan fund is a sector-specific fund. People are looking for higher yields. I think when people go into a low duration fund, they're looking for something close to a cash equivalent. So, we focus on higher credit quality, lower-yielding securities.
- Can you talk about the covenant light issues in the loan market?
    - The bank loan market is roughly 70% covenant-light. So, the vast majority of the issues in the market lack normal or historical credit protection. It's an important thing to consider, but I don't think it's the number one thing. I think the number one consideration when looking at a bank loan or high yield security to determine if it will perform well is loan-to-value. You can apply that to other asset classes too. If there is subordinated cushion below you, then in the event of problems there's something to absorb those losses. In bank loans, we typically like to have a loan-to-value no greater than 50%. So, when loans have leverage higher than that, you start to see more problems. In fact, we looked at some slides that showed leverage, and they're not at peak levels right now. So, I look at that as the number one key consideration, but there's no doubt that investor protections are loosening and we need to watch out it for it.

Question and Answer (cont'd)

- Can you talk about LIBOR versus a replacement rate?
  - Eventually LIBOR will be replaced with a different benchmark reference rate. There's some time before that happens. The expectation is that bank loans would have an adjustment mechanism. So, the switch from LIBOR to this new index would be on sort of a yield-neutral basis. There's already a mechanism for this for prime loans. So, bank loan borrowers can actually switch to prime rate if they choose. So, this is not a new idea to allow borrowers in the bank loan market to use a replacement or alternative index. When the new index replaces LIBOR at some point in the future, I don't expect much to happen. The yield or the spread on those assets will just be adjusted to handle the new benchmark when that happens.

Definitions

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

BofA Merrill Lynch 1-3 year U.S. Treasury Index: An unmanaged index that tracks the performance of the direct sovereign debt of the U.S. Government having a maturity of at least one year and less than three years. It is not possible to invest directly in an unmanaged index. One cannot invest directly in an index.

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.

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

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.

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.

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 - 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.

Spread – Spread is the percentage point difference between yields of various classes of bonds compared to treasury bonds.

S&P 500® Index - Is the American stocks market index based on market capitalizations of 500 largest companies having common stocks listed on NYSE and NASDAQ.

Weighted Average Life: The average number of years for which each dollar of unpaid principal on a loan or mortgage remains outstanding.

Yield: The income return on an investment. This refers to the interest or dividends received from a security and is usually expressed annually as a percentage based on the investment's cost, its current market value or its face value.