Emerging Markets Webcast Recap

"Global Outlook: Introducing the International Fixed Income Team"

Originally aired on July 11, 2017

About this Webcast Recap

On July 11, 2017, the DoubleLine Emerging Markets team held a webcast discussing the Emerging Markets Fixed Income Fund (DBLEX/DLENX), the Low Duration Emerging Markets Fixed Income Fund (DBLLX/DELNX) and the Global Bond Fund (DBLGX/DLGBX) titled "Global Entry: Introducing the International Fixed Income Team."

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 Ms. Padilla views, please listen to the full version of this webcast on www.doublelinefunds.com under "Latest Webcasts" under the "Webcasts" tab. You can use the **"Jump To"** feature to navigate to each slide. You can also learn more about future webcasts by viewing the 2017 webcast schedule at www.doublelinefunds.com under "Webcasts".

Slide # | **Recap**

Global Outlook Overview, International Fixed Income

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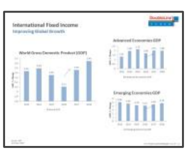

- Global growth expectations have continued to rise for 2017 in both developed and emerging markets.
- Near term inflationary pressures have peaked as the base effects of oil are rolling off. We believe this is likely to continue over the near term and inflationary pressures will be relatively contained.
- Concern over European political risk has sharply been reduced with the results of the Dutch and French elections.
- China's first quarter Gross Domestic Product (GDP) came in at 6.9% above the expected 6.5%. Moving forward we expect GDP to be maintained around 6.5%, as President Xi has been able to institute changes.

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- The commodity pricing cycle should be relatively stable moving forward. There may be some swing, but DoubleLine expects them to be within a normalized range which should allow Emerging Markets (EM) countries to continue to thrive.
- Emerging Market Debt (EMD) has had inflows of $64.3B year-to-date surpassing the inflows for all of 2016, which was $43.5B.

Emerging Market Spreads

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- As of December 31, 2016:
  - 10-Year U.S. Treasury (UST) Yield were at 2.44%
  - JP Morgan Emerging Markets Bond Index Global Diversified (EMBI GD) spread at 342 bps.
  - JP Morgan Investment Grade Corporate Bond Index (CEMBI BD) spread at 314 bps.
- As of June 30, 2017:
  - 10-Year U.S. Treasury (UST) Yield was at 2.30%
  - JP Morgan Emerging Markets Bond Index Global Diversified (EMBI GD) spread at 310 bps.
  - JP Morgan Investment Grade Corporate Bond Index (CEMBI BD) spread at 292 bps.
- Looking at the back drop at the end of 2016, we continued increasing our overall duration and taking advantage of the pickup in spread by allocating more to sovereign bonds.

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Recap (continued)

Developed Markets Fixed Income

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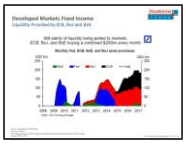

- Gridlock in Washington has led monetary policy abroad to become a bigger area of focus than domestic fiscal policy which dominated headlines post-election.
- While the Federal Reserve (Fed) has stopped purchases of assets, it's a different story abroad with the European Central Bank (ECB) and Bank of Japan (BoJ) continuing quantitative easing (QE) and increasing the purchasing of assets. The ECB and BoJ have been buying a combined $200B every month.
- Central banks outside the US recently turned to more hawkish (ECB, BoE, BoC), with the exception of the BoJ which remains neutral to dovish.

Central Bank Policy Expectations

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- ECB
  - Policy Bias: Turning Hawkish
  - Market Expectation: The market expects the ECB to discuss a Taper policy this year, likely at the September meeting.
- Bank of England (BoE)
  - Policy Bias: Hawkish
  - Market Expectation: Recent Statements by Monetary Policy Members have been focused on the potential for a hike to address inflation concerns.
- Bank of Canada (BoC)
  - Policy Bias: Hawkish
  - Market Expectation: The last monetary policy statement removed any potential for a cut in interest rates and turned more hawkish.
- BoJ
  - Policy Bias: Neutral/Dovish
  - Market Expectation: The BoJ appears to be committed to their yield targeting policy, focusing on keeping 10-yr Generic Government Bond yields around 0% +/- 10 basis points (bps).

Euro

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- The Euro has appreciated year-to-date (YTD) and is close to peak levels that we saw in 2015 and 2016. Tapering would push the Euro up. As the ECB moves towards potential tapering this is likely a strong tailwind for the Euro.

United Kingdom (UK) Growth and Inflation

- The concern that Brexit would have immediate detrimental impacts on growth have not come to fruition.
- The BOE Official Bank Rate was last cut immediately following Brexit. This was an emergency measure to try to help the anticipated impact on growth post-Brexit that never came about.

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- UK growth has remained stable, although at the 2% level.
- UK Inflation has spiked since mid- to late-2015.
- Brexit and the immediate cut of the BoE Official Bank Rate led to investor concern about holding the British pound. Additionally, in 2016 the pound experienced a meaningful decline.
- The fall in exchange rate is partly attributed to the rise in inflation. As a result, the BoE is discussing the need to hike rates, take out the post-Brexit rate cut and try to stabilize inflation by stabilizing the exchange rate outlook.

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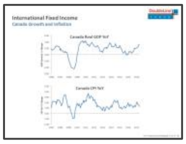

Canada Growth and Inflation

- Canada's growth is markedly up since the end of 2015 while inflation has remained stable.
- Growth in asset price appreciation has caused the Central Bank to take notice.
  - BoC implemented two "emergency" cuts in 2015.
- We are neutral on Canadian rates and favorable on Canadian currency.

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EM Elections

- Key elections in next 18 months to keep an eye on: Argentina, Chile, Colombia, Mexico, Brazil, El Salvador, Costa Rica, and potentially Venezuela.

Global Bond Fund (DBGLX)

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- Portfolio breakdown as of June 30, 2017
  - Duration 6.79 years
  - Average Life 7.38 years
  - Rating Allocation
    - Investment Grade: 94.94%
    - Below Investment Grade: 5.06%
  - Currency Allocation
    - U.S. Dollar-Denominated: 24.17%
    - Non-U.S. Dollar-Denominated: 71.05%

Emerging Market Fixed Income (DBLEX)

- Portfolio Breakdown as of June 30, 2017
  - Duration: 6.7 years

Low Duration Emerging Markets Fixed Income (DBLLX)

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- Portfolio Breakdown as of June 30, 2017
  - Duration: 2.8 years
  - Average Life: 3.1
  - Rating Allocation
    - Investment Grade: 88.46%
    - BB: 9.6%
    - B and Below: 1.9%
    - Not Rated: 0.00%
  - 100% U.S. Dollar-Denominated

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Definitions

10-Year U.S. Treasury (UST) Yield: The Bloomberg Barclays Capital U.S. Treasury 10-Year Index is the 10-year component of the U.S. Government index.
Average Life: The estimate of the number of terms to maturity, taking the possibility of early payments into account. Average life is calculated using the weighted average time to the receipt of all future cash flows.
Basis Point: A unit that is equal to 1/100th of 1%, and is used to denote the change in a financial instrument.
Below Investment Grade: A term indicating that a security is rated below investment grade. These securities are seen as having higher default risk or other adverse credit events, but typically pay higher yields than better quality bonds in order to make them attractive. They are less likely to pay back 100 cents on the dollar.
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.
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.
JP Morgan Emerging Markets Bond Index Global Diversified (EMBI GD): A uniquely-weighted version of the EMBI Global. This index limits the weights of those index countries with larger debt stocks by only including specified portions of these countries' eligible current face amounts of debt outstanding. The countries covered in the EMBI Global Diversified are identical to those covered by EMBI Global.
JP Morgan Investment Grade Corporate Bond Index (CEMBI BD): A market capitalization weighted index consisting of US-denominated Emerging Market corporate bonds. It is a liquid global corporate benchmark representing Asia, Latin America, Europe and the Middle East/Africa.
Spread: The difference between yields on differing debt instruments, calculated by deducting the yield of one instrument from another. The higher the yield spread, the greater the difference between the yields offered by each instrument. The spread can be measured between debt instruments of differing maturities, credit ratings and risk.
One may not invest directly in an index.

Disclosures

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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. The funds Invest in debt securities in lower-rated and non-rated securities present a greater risk of loss to principal and interest than higher-rated securities. The Funds 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. Derivatives may involve certain costs and risks such as liquidity, interest rate, market, credit, management and the risk that a position could not be closed when most advantageous. Investments in asset-backed and mortgage-backed include additional risks that investors should be aware of including credit risk, prepayment risk, possible liquidity and default as well as increased susceptibility to adverse economic developments.
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