DoubleLine®

Quarterly Commentary

Emerging Markets Fixed Income Fund

DBLEX/DLENX

June 30, 2017

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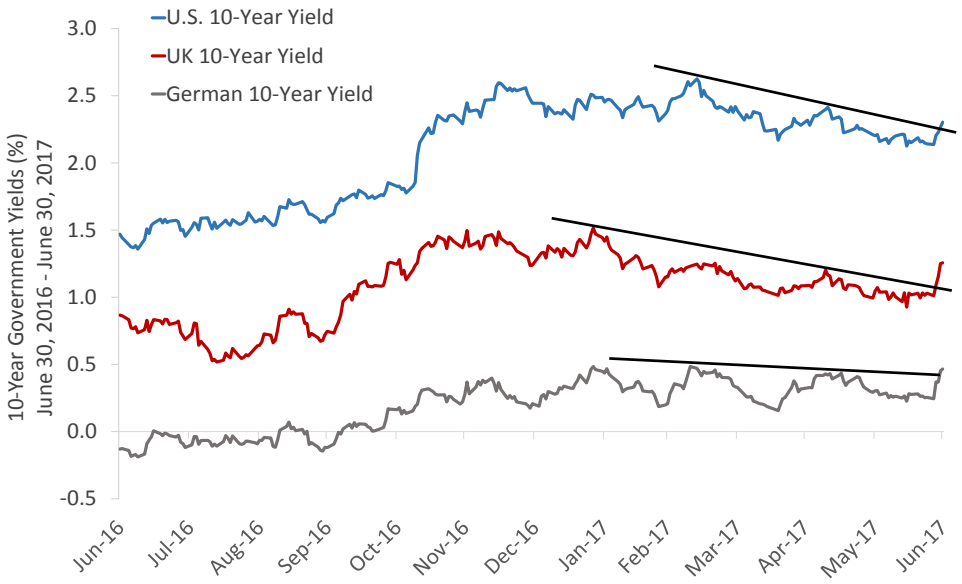
Overview

A few main themes dominated headlines at the close of the second quarter: changes to Federal Reserve (Fed) monetary policy, the direction of U.S. Treasury rates, and persistent low volatility across several asset classes. For the most part, however, the first half of the year was a continuation of the latter half of 2016 as more credit sensitive sectors such as convertible bonds, high yield (HY) and emerging market (EM) debt continued to outperform. Although sectors such as mortgage-backed securities (MBS) and U.S. Treasuries (UST) were the laggards, they too maintained a positive total return.

10-Year Government Yields
June 30, 2016 to June 30, 2017



Source: DoubleLine, Bloomberg

As anticipated, the Fed was all the talk during the second quarter after another successful rate hike during June brought the benchmark target to between 1.00% and 1.25%. After two successful hikes through the first half of the year, it appears that the Fed has finally been able to meet their own expectations after years of disappointing the market. According to Bloomberg's World Interest Rate Probability (WIRP) function, the implied probability of another hike by year-end is just over 50%. We believe the true probability is accurately reflected in the futures market as it will be difficult for the Fed to hike once more by year-end. Aside from subpar Gross Domestic Product (GDP) which came in at 1.4% during the first quarter, the Fed will have to fight falling inflation, which appears to have peaked for the year barring any exogenous shocks to the base effects. Headline Consumer Price Index (CPI) fell to 1.9% year-over-year (YoY) during May after reaching a high of 2.7% in February 2017. Core CPI fell to 1.7% YoY after reaching a high of 2.3% in January 2017. Flat-to-weaker energy prices will likely keep a lid on any higher inflation expectations through the second half of the year.

The UST curve continued to flatten for most of the second quarter as it has for most of the year. The benchmark yield spread between the long end of the 10-year bond and the short end of the 2-year note (2s10s) began the year at 125 basis points (bps) but later fell as low as 79 bps ahead of the Fed's rate hike. Meanwhile, the 2-year UST ended the quarter at 1.38%, an 8-year high, validating the notion that short-term interest rates have been in a secular rising interest rate environment for the better part of five years. Most notably, price action on the 10-year UST is worth keeping an eye on through the second half of the year as the 10-year yield broke out to the upside during the last week of June to end the month at 2.30%. The move coincided with a jump in global developed sovereign yields as stronger growth and talk of less accommodative policy in Europe led to a 21 bps spike in 10-year German Bund yield and a 23 bps spike in 10-year UK Gilt yields during the last week of June. The 10-year German Bund and 10-year UK Gilt ended the quarter at 0.47% and 1.26%, respectively. All told, it is clear that pressure has remained to the upside for yields as we move into the second half of the year.

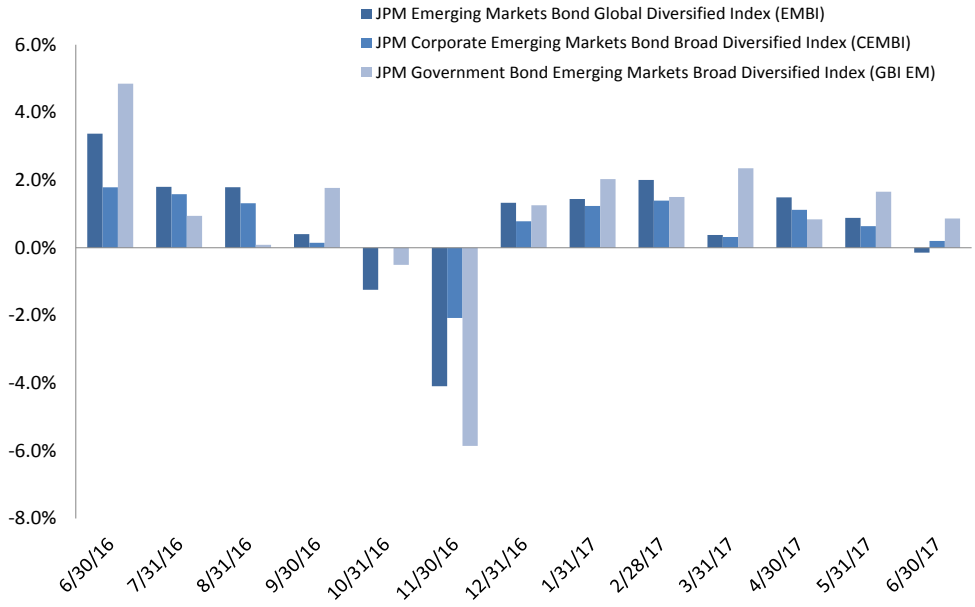
Lastly, we continue to keep an eye on the lack of volatility across risk assets as the quiet summer months could give investors a false sense of calm.

The CBOE Volatility Index (VIX), which measures the volatility across the S&P 500, fell to all-time lows during June and ended the month near levels not seen since 1993. While we do not forecast a recession in the immediate future, further delays and disappointments in economic policy, rising bond yields and subpar growth are all events that could lead to investor uncertainty. Although Fed Chair Janet Yellen does not expect "another financial crisis in our lifetime," we believe any market dislocations and mispricings can be opportunities over the long term.[1]

Emerging Markets

- EM sovereign and corporate external bonds posted positive performance in the second quarter of 2017. Despite a backdrop of heightened geopolitical tension, a sharp drop in oil and iron ore prices, and increasingly hawkish sentiment from many developed market central banks, external conditions remained generally favorable for the EM fixed income asset class with continued investor appetite for higher-yielding emerging market debt.
- Technicals remained supportive on the back of continued inflows into the asset class, despite robust debt issuance, which was mostly used for refinancing, tender or call exercises.
- The JP Morgan EMBI Global Diversified Index's return was driven primarily by accrued interest and a flattening of the UST curve, with the spread over UST remaining flat during the quarter at 310 bps.
- At the regional level, Latin America continues to lead year-to-date (YTD) and quarter-to-date (QTD) performance across both the EM dollar denominated sovereign and corporate indices.
- Factors that may affect risk appetite for the remainder of the year include rising developed market yields, a slowdown in global growth, German elections, early Italian elections, and Brexit negotiations, as well as policy risk stemming from the U.S., Europe and China.

JP Morgan Emerging Markets Bond Index Performance
June 30, 2016 to June 30, 2017



Source: JP Morgan

1. Source: Fox Business, "Yellen: I 'don't believe' we'll see another financial crisis in our lifetime."

Fund Performance

Month-End Returns June 30, 2017	June	Year-to-Date	Annualized 1-Year	3-Year	5-Year	Since Inception (4-6-10 to 6-30-17)	1-Yr Std Deviation[2]
I-share	0.33%	5.94%	9.97%	4.27%	5.08%	6.36%	3.61%
N-share	0.31%	5.81%	9.70%	4.01%	4.81%	6.10%	3.68%
Benchmark[1]	-0.14%	6.19%	6.04%	5.38%	5.72%	7.00%	5.99%

Quarter-End Returns June 30, 2017	2Q17	Year-to-Date	Annualized 1-Year	3-Year	5-Year	Since Inception (4-6-10 to 6-30-17)	Expense Ratio	Gross
I-share	2.64%	5.94%	9.97%	4.27%	5.08%	6.36%	I-share	0.90%
N-share	2.58%	5.81%	9.70%	4.01%	4.81%	6.10%	N-share	1.15%
Benchmark[1]	2.24%	6.19%	6.04%	5.38%	5.72%	7.00%		

Calendar Year Returns	2016	2015	2014	2013	2012	2011	2010[3]
I-share	15.03%	-4.71%	6.49%	-2.52%	13.77%	4.51%	8.97%
N-share	14.74%	-5.04%	6.33%	-2.77%	13.50%	4.26%	8.81%
Benchmark[1]	10.15%	1.18%	7.43%	-5.25%	17.44%	7.35%	7.42%

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.doubleline.com.

1. Benchmark - JP Morgan Emerging Markets Bond Global Diversified Index is a uniquely-weighted version of the EMBI Global. It 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. It is not possible to invest in an index. 2. 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. 3. The Fund's inception date is 4/6/2010, thus the calendar year performance for 2010 is an unannualized partial year return.
The performance information shown assumes the reinvestment of all dividends and distributions.

Performance Attribution

For the second quarter, the DoubleLine Emerging Markets Fixed Income Fund outperformed the JP Morgan EMBI Global Diversified Index (EMBI) return of 2.24%. The quarter saw positive external bond performance as investors' appetite for EM continued to improve, as evidenced by another quarter of strong inflows into the asset class. The portfolio benefited from an overweight position in Latin American (Latam) corporate credits. Latam corporate credits outperformed regional corporate peers in Central Europe and Asia. In addition, the portfolio benefited from the sector rotation over the last 12 months from the EM corporate sector to the EM sovereign and quasi-sovereign sector. Corporate exposure has been reduced from 81.1% as of June 30, 2016 to 40.7% as of June 30, 2017. The lower corporate exposure benefited the portfolio quarterly performance, as EM sovereign bonds outperformed EM corporate bonds. The positive performance was partially offset by the portfolio's larger weighting of investment grade (IG) credits relative to the index. EM IG corporate credits underperformed their high yield counterparts over the quarter.

DoubleLine®

DoubleLine Emerging Markets Fixed Income Fund
Ticker: DBLEX/DLENX
As of June 30, 2017

Fund Statistics

Portfolio Characteristics

# of Issues	146
Ending Market Value	$1,109,164,953
Market Price[1]	$100.43
Duration[2]	6.72
Weighted Avg Life[3]	9.25

Sector Breakdown[4]

(Percent of Portfolio)	
Corporate	41.16%
Sovereign	31.50%
Quasi-Sovereign	25.52%
Cash & Accrued	1.82%
Total:	**100.00%**

Duration Breakdown[2]

(Percent of Portfolio)	
Less than 1	3.68%
1 to 3 years	9.61%
3 to 5 years	15.61%
5 to 7 years	22.63%
7 to 10 years	37.97%
10+ years	10.50%
Total:	**100.00%**

Country Breakdown

(Percent of Portfolio)	
Mexico	13.60%
Chile	12.54%
India	9.08%
Brazil	8.05%
China	6.14%
Dominican Republic	4.93%
Panama	4.90%
Malaysia	4.70%
Argentina	4.02%
Peru	4.00%
Indonesia	3.62%
Costa Rica	2.75%
Philippines	2.75%
Guatemala	2.61%
Hong Kong	2.49%
Israel	2.42%
Singapore	2.21%
Korea	2.03%
Qatar	1.88%
Jamaica	1.54%
Colombia	1.54%
Poland	0.20%
Trinidad And Tobago	0.17%
Paraguay	0.04%
Cash & Accrued	1.82%
Total:	**100.00%**

Industry Breakdown

(Percent of Portfolio)	
Sovereign	31.50%
Oil & Gas	19.22%
Banking	11.23%
Telecommunication	5.63%
Transportation	4.68%
Finance	4.50%
Utilities	4.39%
Consumer Products	3.36%
Media	2.77%
Conglomerate	2.49%
Pulp & Paper	2.18%
Travel & Lodging	1.96%
Petrochemicals	1.28%
Regional/Local Gov't	0.79%
Cement	0.51%
Construction	0.38%
Retail	0.37%
Steel	0.36%
Bottling	0.31%
Technology	0.18%
Real Estate	0.09%
Cash & Accrued	1.82%
Total:	**100.00%**

Current Quality Credit Distribution[5]

(Percent of Portfolio)	
AAA	0.87%
AA	7.86%
A	18.24%
BBB	38.75%
BB	19.06%
B and Below	13.07%
Not Rated	0.05%
Other[6]	0.27%
Cash & Accrued	1.82%
Total:	**100.00%**

Current Currency Exposure

(Percent of Portfolio)	
U.S. Dollar-Denominated	100.00%
Total:	**100.00%**

SEC 30-Day Yield	I-Share	N-Share
Gross	3.94%	3.69%
Net[7]	3.94%	3.69%

Past performance does not guarantee future results.

1.Market price - The weighted average of the prices of the Fund's portfolio holdings. While a component of the fund's Net Asset Value, it should not be confused with the Fund's NAV. 2 Duration - A commonly used measure of the potential volatility of the price of a debt securities, prior to maturity. Securities with a longer duration generally have more volatile prices than securities of comparable quality with a shorter duration. 3 Weighted Average Life - The average number of years for which each dollar of unpaid principal on a loan or mortgage remains outstanding. 4 Sector Breakdown - Figures shown represent the net assets invested in a particular asset class as a percentage of total net assets. 5 Credit distribution is determined from the highest available credit rating from any Nationally Recognized Statistical Rating Agency ("NRSRO", generally S&P, Moody's and Fitch). DoubleLine chooses to display credit ratings using S&P's rating convention, although the rating itself might be sourced from another NRSRO. 6 Consists of equity shares received from debt restructuring. 7. If a Fund invested in an affiliate Fund sponsored by the Adviser during the period covered by this report the Adviser agreed to not charge a management fee to the Fund in an amount equal to the investment advisory fees paid by the affiliated Fund in respect of the Fund's investment in the affiliated fund to avoid duplicate charge of the investment advisory fees to the investors.

Sector allocations are subject to change at any time and should not be considered a recommendation to buy or sell any security. Portfolio holdings generally are made available fifteen days after month-end by calling 1-877-DLine11. The source for the information in this report is DoubleLine Capital, which maintains its data on a trade date basis.

Definitions

Basis Point -A basis point (bps) equals to 0.01%.

Bloomberg World Interest Rate Probability (WIRP) - A Bloomberg function based on futures trading data that gives probabilities of rate increases by central bank meeting date.

Chicago Board Options Exchange (CBOE) Volatility Index (VIX) - An index that represents the cash-pay securities of the Citigroup High-Yield Market Capped Index, a modified version of the High Yield Market Index, by delaying the entry of fallen angel issues and capping the par value of individual issuers at $5 billion par amount outstanding.

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.

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 Corporate Emerging Markets Bond Broad Diversified Index (CEMBI) -This index is 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.

JP Morgan Emerging Markets Bond Global Diversified Index (EMBI) -This index is uniquely-weighted version of the EMBI Global. It 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 Government Bond Emerging Markets Broad Diversified Index (GBI EM) -This index is the first comprehensive, global local Emerging Markets index, and consists of regularly traded, liquid fixed-rate, domestic currency government bonds to which international investors can gain exposure.

S&P 500 Index - Standard & Poor's US 500 Index, a capitalized-weighted index of 500 stocks.

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.

An investment cannot be made in an index.

Disclaimers

The fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The statutory and summary prospectuses contains this and other important information about the investment company, and it may be obtained by calling 1 (877) 354-6311/ 1 (877) DLINE11, or visiting www.doublelinefunds.com. Read it carefully before investing.

Mutual fund investing involves risk; Principal loss is possible. The principal value of debt securities typically decrease 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. The Emerging Markets Fixed Income Fund will also invest in foreign securities, which involve political, economic, and currency risks, greater volatility, 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. Investing in derivatives could lose more than the amount invested. The 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 were not used.

Fund portfolio characteristics and holdings are subject to change without notice. The Advisor may change its views and forecasts at anytime, without notice.

Disclaimers

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Ratings shown for various indices reflect the average for the indices. Such ratings and indices are created independently of DoubleLine and are subject to change without notice.

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In preparing the client reports (and in managing the portfolios), DoubleLine and its vendors price separate account portfolio securities using various sources, including independent pricing services and fair value processes such as benchmarking.

To receive a complimentary copy of DoubleLine's current Form ADV (which contains important additional disclosure information), a copy of the DoubleLine's proxy voting policies and procedures, or to obtain additional information on DoubleLine's proxy voting decisions, please contact DoubleLine's Client Services.

Important Information Regarding DoubleLine's Investment Style

DoubleLine seeks to maximize investment results consistent with our interpretation of client guidelines and investment mandate. While DoubleLine seeks to maximize returns for our clients consistent with guidelines, DoubleLine cannot guarantee that DoubleLine will outperform a client's specified benchmark. Additionally, the nature of portfolio diversification implies that certain holdings and sectors in a client's portfolio may be rising in price while others are falling; or, that some issues and sectors are outperforming while others are underperforming. Such out or underperformance can be the result of many factors, such as but not limited to duration/interest rate exposure, yield curve exposure, bond sector exposure, or news or rumors specific to a single name.

DoubleLine is an active manager and will adjust the composition of client's portfolios consistent with our investment team's judgment concerning market conditions and any particular security. The construction of DoubleLine portfolios may differ substantially from the construction of any of a variety of bond market indices. As such, a DoubleLine portfolio has the potential to underperform or outperform a bond market index. Since markets can remain inefficiently priced for long periods, DoubleLine's performance is properly assessed over a full multi-year market cycle.

Important Information Regarding Client Responsibilities

Clients are requested to carefully review all portfolio holdings and strategies, including by comparing the custodial statement to any statements received from DoubleLine. Clients should promptly inform DoubleLine of any potential or perceived policy or guideline inconsistencies. In particular, DoubleLine understands that guideline enabling language is subject to interpretation and DoubleLine strongly encourages clients to express any contrasting interpretation as soon as practical. Clients are also requested to notify DoubleLine of any updates to Client's organization, such as (but not limited to) adding affiliates (including broker dealer affiliates), issuing additional securities, name changes, mergers or other alterations to Client's legal structure.