DoubleLine® FUNDS

DoubleLine Long Duration Total Return Bond Fund: An Alternative to Long Duration U.S. Treasuries

By

Vitaliy Liberman, Portfolio Manager

Nikhil Rajgopal, Analyst

May 2019

333 S. Grand Ave., 18th Floor || Los Angeles, CA 90071 || (213) 633-8200

DoubleLine FUNDS

DoubleLine Long Duration Total Return Bond Fund: An Alternative to Long Duration U.S. Treasuries

Conventional asset allocation assigns to long U.S. Treasuries the role of safe haven in the event of corrections in the U.S. stock market. Post-2008, the price for the presumed safety of Treasuries has been accepting historically low yields from the sector. The DoubleLine Long Duration Total Return Bond Fund (or "the Fund"), an actively managed approach to Agency mortgage-backed securities (Agency MBS), can serve as an alternative or complement to Treasuries while offering a more attractive yield-to-duration profile. To achieve this yield-to-duration profile, the Fund actively invests in Agency collateralized mortgage obligations (CMOs).

In this briefing, we will define the Agency mortgage securities, cover the historical returns of Agency MBS and long-duration CMOs as passive sectors versus Treasuries during equity drawdowns and then cover the returns of the Fund during equity drawdowns since its inception on December 15, 2014.

Long Duration Total Return Bond Fund

Month-End Returns May 31, 2019	May	Last 3-Months	Year-to-Date	Annualized 1-Year	3-Year	5-Year	Since Inception (12-15-14 to 5-31-19)	Gross Expense Ratio	Net Expense Ratio[1]
I-share (DBLDX)	6.16%	8.79%	7.76%	9.99%	2.63%	-	3.72%	0.81%	0.65%
N-share (DLLDX)	6.03%	8.62%	7.66%	9.61%	2.38%	-	3.45%	1.06%	0.90%
Bloomberg Barclays Long Govt/Credit Index	4.13%	8.58%	10.40%	10.05%	4.48%	-	4.31%		

Quarter-End Returns March 31, 2019	Mar	1Q2019	Year-to-Date	Annualized 1-Year	3-Year	5-Year	Since Inception (12-15-14 to 3-31-19)
I-share (DBLDX)	4.47%	3.48%	3.48%	4.77%	1.51%	-	2.89%
N-share (DLLDX)	4.45%	3.52%	3.52%	4.61%	1.29%	-	2.64%
Bloomberg Barclays Long Govt/Credit Index	4.70%	6.45%	6.45%	5.24%	3.75%	-	3.60%

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 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.

Agency MBS: Pass-Throughs and CMOs

A mortgage-backed security (MBS) is a bond packed by pool of residential mortgage loans. The holder of an MBS receives monthly payments in the form of interest and amortizing principal from the underlying loans. To promote home ownership in the U.S., the federal government established three "agencies" to issue MBS: the Government National Mortgage Association (GNMA or Ginnie Mae), an actual arm of the federal government; the Federal National Mortgage Association (FNMA or Fannie Mae); and the Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac). In the creation of Agency MBS, a lender or lenders present a pool of mortgages to one of the three agencies, which in turn issues MBS backed by the underlying pool. The conventional Agency MBS structure is called a "pass through," with monthly payments being passed through pari passu to all holders of a given bond issue.

Like Treasuries, Ginnie Mae MBS are backed by the full faith and credit of the U.S government. Fannie Mae and Freddie Mac MBS lack the explicit guarantee of the government; however, as both issuers were sponsored by the government, they trade close to levels pricing in the expectation of nearly certain government backing.

Collateralized mortgage obligations (CMOs) are multi-class securities. In the case of an Agency CMO, an issuer aggregates pass-through Agency MBS into the collateral pool. The securities issued by the CMO are divided into different classes, referred to as tranches, which restructure the payout of the cash flows from the collateral pool in accordance with payment priority rules. The ordering of payments of principal and interest will vary for different tranches. In the case of long-duration tranches, principal payment is usually delayed further into future. The delayed repayment of principal, while raising the duration of the bonds in that tranche, also reduces prepayment uncertainty with respect to return of principal.

[1] The Adviser has contractually agreed to waive fees and reimburse expenses through July 31, 2019. Net expense ratios are applicable to investors.

Long-Duration Agency CMO Performance versus Treasuries during U.S. Stock Market Drawdowns

DoubleLine compared the rolling 12-month returns of the Bloomberg Barclays MBS Index (an index of Agency MBS), ICE Bank of America -Merrill Lynch 10+ Year U.S. Agency CMO Index, Bloomberg Barclays US Government/Credit Index, Bloomberg Barclays US Corporate Index and Bloomberg Barclays US Treasury Index during the following return profiles of the S&P 500 of the common stocks of 500 large-capitalization, publicly traded companies from January 1997 through May 2019:

In stock markets losing more than 20%, the average rolling 12-month return for the Agency MBS sector was 8.70%, short of the 10.03% return for Treasuries. Long duration Agency MBS, however, outperformed all the bond sectors in this study with an average rolling 12-month return of 15.45%.

Long duration Agency MBS also outperformed the other bond sectors during stock declines of lesser magnitude. (Figure 1)

Long Agency MBS underperformed Treasuries in the equity drawdown of the global financial crisis of 2008-2009 (Figure 2) but outperformed Treasuries during the risk sell-off in the fourth quarter of 2018 (See next page for Figure 3) and the recent April-May 2019 sell-off (See next page for Figure 4).

Figure 1: Average Rolling 12-Month Return (January 1997 - May 2019)

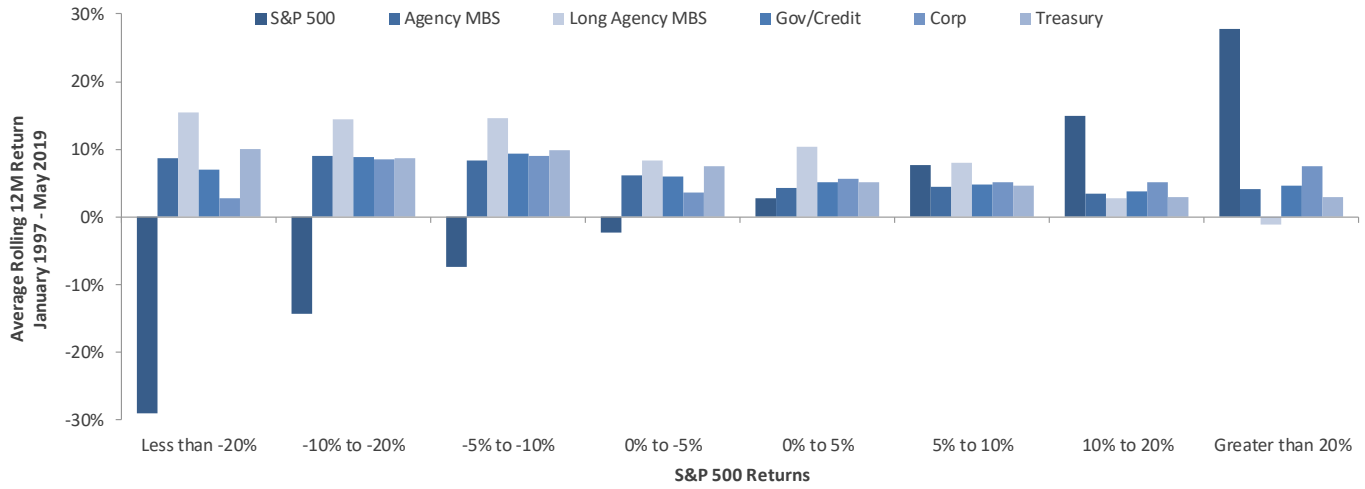
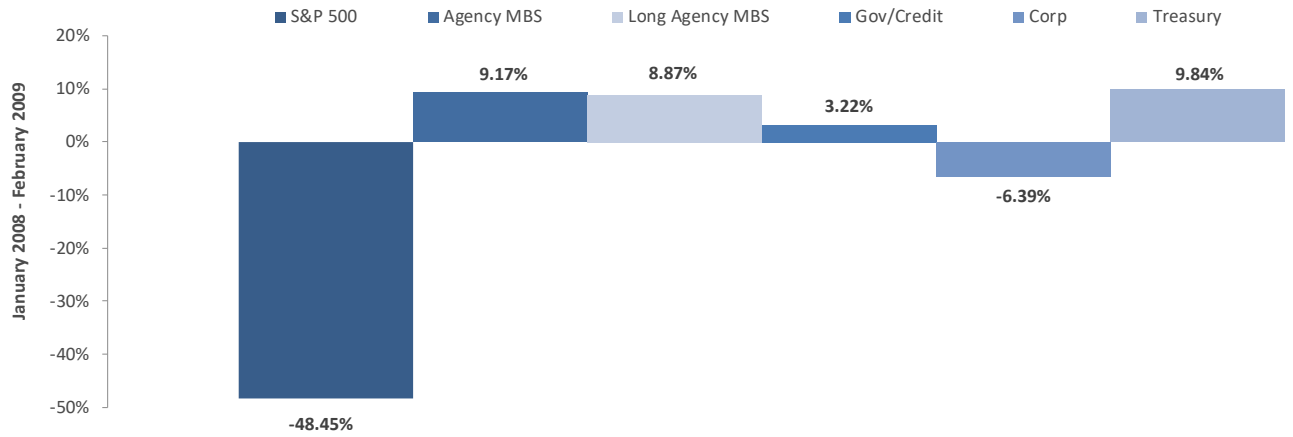


Figure 2: Global Financial Crisis (January 2008 - February 2009)



Source: DoubleLine, Bloomberg
Past performance does not guarantee future results.
Agency MBS is represented by Bloomberg Barclays MBS Index; Long Agency MBS is represented by ICE Bank of America-Merrill Lynch 10+ Year U.S. Agency CMO Index; Gov/Credit is represented by Bloomberg Barclays US Government/Credit Index; Corp is represented by Bloomberg Barclays US Corporate Index; Treasury is represented by Bloomberg Barclays US Treasury Index

Figure 3: Fourth Quarter 2018

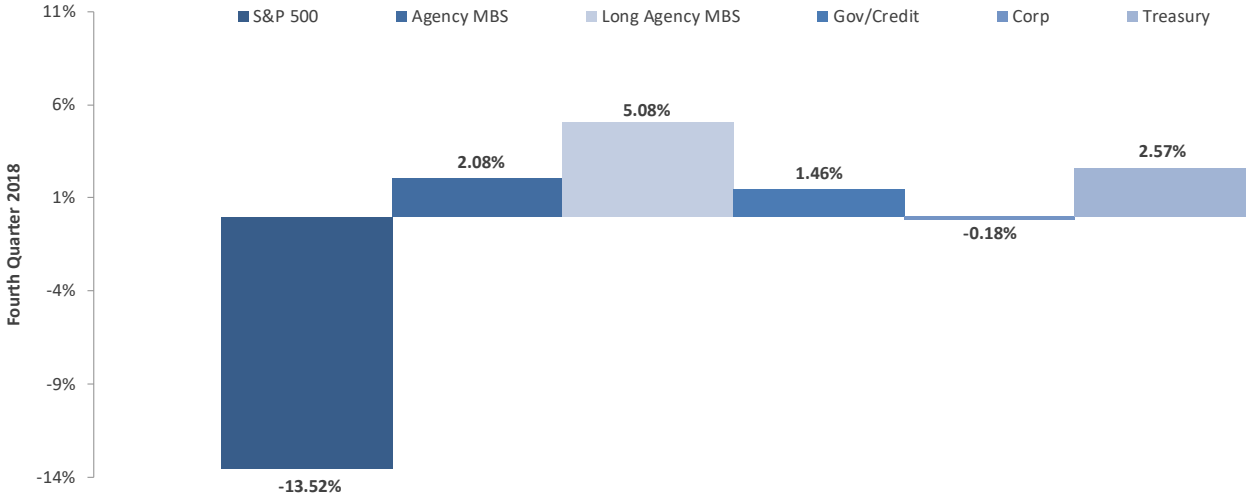
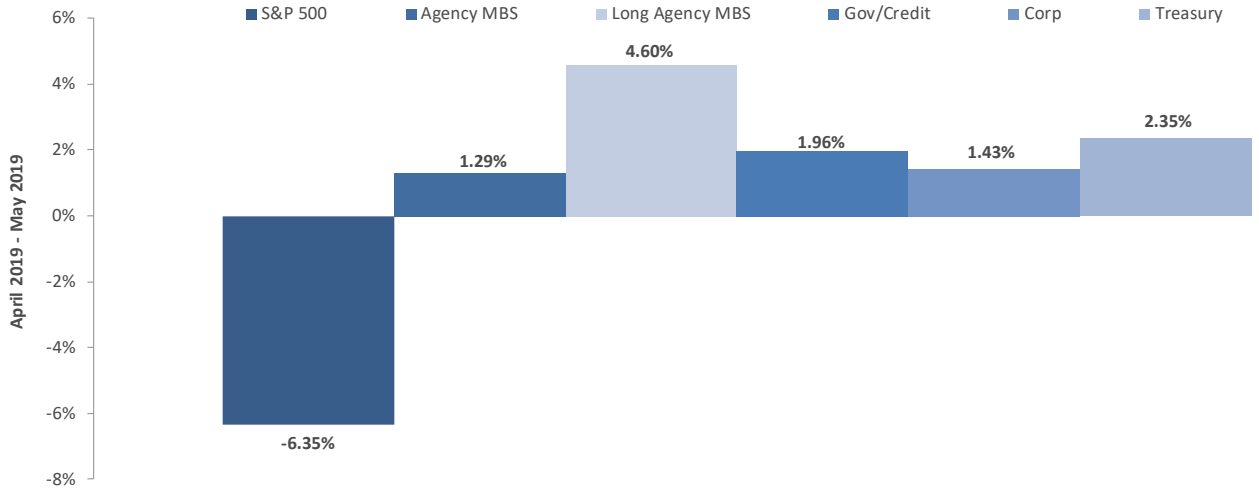


Figure 4: Most Recent Equity Drawdown (April 2019 - May 2019)



DoubleLine Long Duration Total Return Bond Fund

Thanks to the U.S. government guarantee of Ginnie Mae MBS and the guarantees by Fannie Mae and Freddie Mac of their issuance, Agency CMOs have higher credit quality than even investment grade-rated corporate bonds. At present, there are fewer natural buyers of long-duration tranches of Agency CMOs compared to the natural demand for the intermediate-to-short duration tranches. Long-duration agency CMOs typically trade at attractive yields and spreads relative to comparable-duration Treasuries and provide diversification relative to comparable-duration corporate bonds. Through active management, the MBS team at DoubleLine seeks to enhance the returns available in long-duration Agency CMOs in the pursuit of superior long-term returns and risk-adjusted performance versus the Bloomberg Barclays U.S. Government/Credit Index.

Source: DoubleLine, Bloomberg
Past performance does not guarantee future results.
Agency MBS is represented by Bloomberg Barclays MBS Index; Long Agency MBS is represented by ICE Bank of America-Merrill Lynch 10+ Year U.S. Agency CMO Index; Gov/Credit is represented by Bloomberg Barclays US Government/Credit Index; Corp is represented by Bloomberg Barclays US Corporate Index; Treasury is represented by Bloomberg Barclays US Treasury Index

DoubleLine Long Duration Total Return Bond Fund, cont'd

The investment team actively manages the portfolio in order to construct a portfolio that delivers the following:

- Long-duration exposure
- exposure to Agency Mortgage-Backed Security spread and,
- diversification from traditional corporate credit

The team achieves the above objectives through superior security selection by purchasing Agency Mortgage-Backed securities which the team has determined are mispriced and are positively convex (i.e., appreciate more in price when rates rally than depreciate in price when rates fall).

Fund Performance versus Benchmark and Treasuries during Equity Drawdowns

	Fourth Quarter 2018	April 2019 - May 2019
DoubleLine Long Duration Total Return Bond Fund	4.37%	6.16%
Bloomberg Barclays U.S. Long Government / Credit Index	0.78%	4.13%
Bloomberg Barclays U.S. Treasury Index	2.57%	2.35%

Source: DoubleLine, Bloomberg
Past performance does not guarantee future results.
In addition to pass-through MBS issued by the agencies, private issuers private-label residential mortgage-backed securities which by definition are not guaranteed by Ginnie Mae, Fannie Mae or Freddie Mac and thus have credit risk. The DoubleLine Long Duration Total Return Bond Fund holds no private-label MBS; all MBS held in the fund, including both pass-through and CMO securities, were issued and are guaranteed by Ginnie Mae, Fannie Mae or Freddie Mac.

Biographies

Vitaliy Liberman, CFA
Portfolio Manager, Mortgage-Backed Securities
Mr. Liberman joined DoubleLine in 2009. He is part of the portfolio management and trading team specializing in trading mortgages and mortgage credit securities. He also participates on the Fixed Income Asset Allocation committee. Prior to DoubleLine, he was a Vice President at TCW for the previous six years where he also worked in portfolio management and trading. Mr. Liberman graduated from the California State University at Northridge earning both a BS and an MS in Applied Mathematics. He is a CFA charterholder.

Nikhil Rajgopal
Analyst, Risk Management
Mr. Rajgopal joined DoubleLine in 2015 as a member of the Risk Analytics group. Prior to joining DoubleLine, he spent 2 years at BNY Mellon as Vice President in the Treasury Market Risk group. Before BNY Mellon, Mr. Rajgopal was an Associate in the Financial Advisory Services practice at Houlihan Lokey focused on valuations for hedge fund clients and private equity firms as well as corporate transactions. Previously, he has also worked at Barclays Capital and Bank of America focusing on fixed income and mortgage-backed securities modeling and analytics. Mr. Rajgopal has a BS in Computer Science with minors in Mathematics and Economics from Penn State University, an MA in Statistics from Columbia University and an MBA from Yale University.

Definitions of Terms

Bloomberg Barclays US Mortgage Backed Securities (MBS) Index - The tracks agency mortgage pass-through securities (no longer incorporates hybrid ARM) guaranteed by Ginnie Mae (GNMA), Mae (FNMA), and Freddie Mac (FHLMC). The index is constructed by grouping individual TBA- deliverable MBS pools into aggregates or generics based on program, coupon and vintage.
Bloomberg Barclays Long US Government/Credit Index - The index includes publicly issued U.S. Treasury debt, U.S. government agency debt, taxable debt issued by U.S. states and territories and their political subdivisions, debt issued by U.S. and non-U.S. corporations, non-U.S. government debt and supranational debt.
Bloomberg Barclays Long US Treasury Index - The Bloomberg Barclays US Treasury Index measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury. Treasury bills are excluded by the maturity constraint, but are part of a separate Short Treasury Index.
Bloomberg Barclays Long US Corporate Index - Includes dollar-denominated debt from U.S. and non-U.S. industrial, utility, and financial institutions issuers with a duration of 10+ years.
ICE BofA Merrill Lynch 10+ Year US Agency CMO Index - Is a subset of The BofA Merrill Lynch US Agency CMO Index including all securities with an average life greater than or equal to 10 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.
Spread – Spread is the percentage point difference between yields of various classes of bonds compared to treasury bonds.
Duration – Duration is a commonly used measure of the potential volatility of the price of a debt security, or the aggregate market value of a portfolio of debt securities, prior to maturity. Securities with a longer duration generally have more volatile prices than securities of comparable quality with a shorter duration.
Yield-to-Duration - Investors can see how much duration risk they are accepting for every % in yield they are receiving.
Cash Flows - Is the net amount of cash and cash-equivalents being transferred into and out of a business.
Drawdown - The peak-to-trough decline during a specific record period of an investment, fund or commodity. A drawdown is usually quoted as the percentage between the peak and the trough.
It is not possible to invest in an index.

Disclosure

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.

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. Investments 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. The fund may also invest in securities related to real estate, which may decline in value as a result of factors affecting the real estate industry. The fund may use certain types of exchange traded funds or investment derivatives. Derivatives involve risks different from, and in certain cases, greater than the risks presented by more traditional investments. Derivatives may involve certain costs and risks such as liquidity, interest rate, mar-ket, 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. ETF investments involve additional risks such as the mar-ket price trading at a discount to its net asset value, an active secondary trading market may not develop or be maintained, or trading may be halted by the exchange in which they trade, which may impact a fund's ability to sell its shares. 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 was not used. The Fund may make short sales of securities, which involves the risk that losses may exceed the original amount invested.
DoubleLine Funds are distributed by Quasar Distributors, LLC
All investments involve risk. Principal loss is possible. Treasury notes are guaranteed by the U.S. government and thus they are considered to be safer than other asset classes.
Fund holdings are subject to change and should not be considered a recommendation to buy or sell any security.
As of May 31, 2019, the DoubleLine Long Duration Total Return Fund held 26.39% in FHLMC, 7.07% in GNMA, and 32.16% in FNMA.

Additional Disclosure

Important Information Regarding This Material

Issue selection processes and tools illustrated throughout this presentation are samples and may be modified periodically. Such tools are not the only tools used by the investment teams, are extremely sophisticated, may not always produce the intended results and are not intended for use by non-professionals.

DoubleLine has no obligation to provide revised assessments in the event of changed circumstances. While we have gathered this information from sources believed to be reliable, DoubleLine cannot guarantee the accuracy of the information provided. Securities discussed are not recommendations and are presented as examples of issue selection or portfolio management processes. They have been picked for comparison or illustration purposes only. No security presented within is either offered for sale or purchase. DoubleLine reserves the right to change its investment perspective and outlook, as well as portfolio construction, without notice as market conditions dictate or as additional information becomes available. This material may include statements that constitute "forward-looking statements" under the U.S. securities laws. Forward-looking statements include, among other things, projections, estimates, and information about possible or future results related to a client's account, or market or regulatory developments.

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.

Important Information Regarding Risk Factors

Investment strategies may not achieve the desired results due to implementation lag, other timing factors, portfolio management decision-making, economic or market conditions or other unanticipated factors. The views and forecasts expressed in this material are as of the date indicated, are subject to change without notice, may not come to pass and do not represent a recommendation or offer of any particular security, strategy, or investment. Past performance (whether of DoubleLine or any index illustrated in this presentation) is no guarantee of future results. You cannot invest directly in an index.

Important Information Regarding DoubleLine

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 or the market or that DoubleLine's risk management techniques will successfully mitigate losses. 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 clients' portfolios consistent with our investment team's judgment concerning market conditions and any particular sector or security. The construction of DoubleLine portfolios may differ substantially from the construction of any of a variety of 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 comparison of 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 information, 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.