# DoubleLine Total Return Bond Fund Webcast Recap
# “Connect The Dots”

Originally aired on March 8, 2016

### About this Webcast Recap

On March 8, 2016, Chief Executive Office Jeffrey Gundlach held a webcast discussing the DoubleLine Total Return Bond Fund (DBLTX/DLTNX) titled “Connect The Dots”

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 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.

---

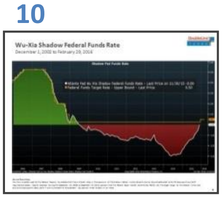
**Slide #** | **Recap**

**The Federal Reserve (“Fed”)**

6


- Fed Rate Hike
  - The Fed’s dot plot projects a 100 basis point (bps) increase in rates during 2016, 2017 and 2018. Mr. Gundlach does not believe this is a wise idea given the divergence from other central bank policies, the current state of the credit market and a lack of traction in nominal and real Gross Domestic Product (GDP).

10

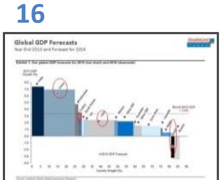



  - According to the World Interest Rate Probability (WIRP) function on Bloomberg, the market is implying a measly 4% chance of a March rate hike despite low unemployment.
  - Wu-Xia Shadow Fed Funds rate effectively shows that the third round of quantitative easing (QE3) program was a stimulus equivalent to taking rates to -300 bps.
  - Why are we raising rates 300 basis points as a base case when there's no traction at all in real or nominal GDP?

12


- U.S. Economy
  - The Instititute for Supply Management (ISM) Manufacturing Index picked up recently but continues to show contraction. The ISM Services Index is one area of optimism but is trending in the wrong direction.
  - Mr. Gundlach believes there will not be a recession as a base case in the near term.
- U.S. Treasuries (UST)
  - The spread between the 2-year and 10-year UST yield continued to tighten as it typically does during rate hikes. The long end of the yield curve wants the Fed to tighten.

16




**The Global Economy**

- GDP
  - Global GDP forecast for 2015 is 3.2%. If China is not growing at the 7% level they are reporting, this number could be well overstated. Chinese GDP at 0% could bring global GDP to just 1.1%.

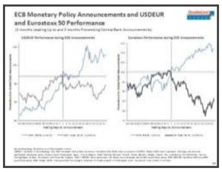
# DoubleLine Total Return Bond Fund Webcast Recap

Originally aired on March 8, 2016

**Slide #** | **Recap**

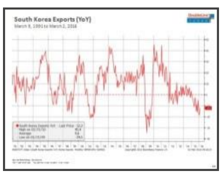
- Risk markets
  - Mr. Gundlach believes risk markets have a poor risk-reward setup. Using the stock market as a proxy, the S&P 500 could have 2% upside and up to 20% downside for a 10:1 risk-reward ratio.

**19**



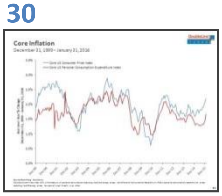

- Monetary Policy
  - Prior to the announcement of further QE, European stocks and the U.S. Dollar (USD) rallied. After QE was announced the rally faded, while we saw the Euro strengthen.
  - Markets are not behaving as they have during previous QE announcements. The reason for this is a fear of negative interest rates.
  - Negative rates, which have been reflected in some European Bank stock markets are bad for the banking system.

**22**




- Asian Markets
  - With the bulk of South Korean exports going to China, a negative double-digit decline in South Korean exports suggest there's some sort of problem in China.
  - Mr. Gundlach: "Explain to me how they can have 7% GDP growth this year with negative imports and negative exports year-over-year (YoY)."
  - A further devaluation of the Yuan may not be a good thing for risk assets.

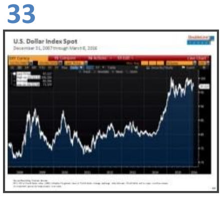
**30**




- Inflation
  - Over the past year, global stocks have remained highly correlated to the 10-year implied inflation rate.
  - Consumer Price Index (CPI) and Personal Consumption Expenditures (PCE) have picked up YoY as energy declines are rolling off.
  - Core CPI and Core PCE have been moving higher. There are signs of rising prices, some of which may be due to wage gains.

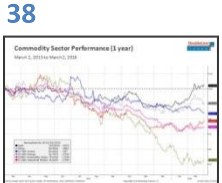
**Bloodless Verdict of the Market**

**33**




- Performance
  - Fundamentals aren't very good. This rally has the characteristics of a bear market rally. Risk/Reward 10:1 losing proposition.
  - Junk bonds (+1.8%), as measured by the BofA Merrill Lynch U.S. High Yield Cash Pay Index (J0A0), outperformed Investment Grade (IG) (+1.2%), as measured by the BofA Merrill Lynch U.S. Corporate Index (COAO), year-to-date (YTD).
  - Agency mortgage-backed securities (MBS), as measured by the BofA Merrill Lynch MBS Index (MOA0), up 1.4% due to their shorter duration.
  - Winners: G7 bonds, especially Japanese bonds, as measured by the BofA Merrill Lynch International Government Index (NOGO).
  - Losers: Bank Loans, as measured by the S&P/LSTA Leveraged Loan Index.
  - USD remained in a long-term bull market, short term there is likely not progress to be made.

**38**




- Commodities
  - There could be a great buying opportunity, but time is not your friend with commodity prices this low.
  - Mr. Gundlach still believes gold could hit 1400,, but could be due for a pullback over the short-term.

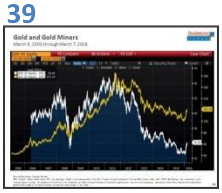
# DoubleLine Total Return Bond Fund Webcast Recap

Originally aired on March 8, 2016

**Slide #**

## Recap

39




- Negative interest rates do seem to be harmful to the banking system, and gold generally does well when the banking system is called into question and when confidence in central banks starts plumbing new lows.
- Oil inventories remain at an all-time high. There is no way you can have a sustainable rally until inventories come down

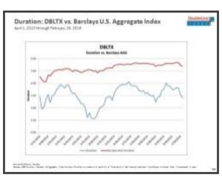
47


- High Yield (HY) & Equities
  - There is a huge divergence between HY bonds and the S&P 500, a bad sign for risk assets. Mr. Gundlach believes the gap between high yield and the S&P could converge at some point.
  - Mr. Gundlach believes S&P 500 profit margins have peaked. We could see them fall further if average hourly wages continue to grow.

53


  - Excluding Energy, HY leverage is at an all-time high; current levels are similar to leverage ex-telecom in the late 1990s.
  - YoY Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) growth has been anemic even without Energy.
  - Lending standards are becoming tighter. This is a good leading indicator for higher default rates.
  - Recent rally in IG and HY retraced only the loses from earlier this year.

66




**DoubleLine Total Return Bond Fund (DBLTX/DLTNX) As of February 29, 2016**

- Statistics
  - Duration of DBLTX is 2.29 vs. 5.40 of Barclays Aggregate Bond Index.
  - Cash position close to 12%.
  - No corporate credit exposure.

## Question and Answer

- What will happen if the U.S. moves to negative interest rates?
  - The markets will likely backfire like a model T. It will cause significant stress on the banking system.  The Japanese stock market has been going south with negative interest rates. The European equity market has been going south with negative interest rates.
- What could perform well if we go to negative rates?
  - We believes the Long Duration strategy, which has a duration over 10.
- Do you think Emerging Market (EM) currencies need to bottom before we see the equity market recover?
  - Yes, that is necessary for a durable bottom.

# DoubleLine Total Return Bond Fund Webcast Recap

Originally aired on March 8, 2016

## Definitions:

**S&P 500 (SPX)**- S&P 500 is a free-float capitalization-weighted index published since 1957 of the prices of 500 large-cap common stocks actively traded in the United States.
**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.
**BofA Merrill Lynch US Corporate Index (COAO) "Investment Grade"-** The Merrill Lynch Corporate Index tracks the performance of US dollar denominated investment grade corporate debt publicly issued in the US domestic market. Qualifying securities must have an investment grade rating (based on an average of Moody's, S&P and Fitch) and an investment grade rated country of risk (based on an average of Moody's, S&P and Fitch foreign currency long term sovereign debt ratings). Securities must have at least one year remaining term to final maturity, a fixed coupon schedule and a minimum amount outstanding of $250MM.
**BofA Merrill Lynch U.S. High Yield Cash Pay Index (J0A0) "Below Investment Grade"-** The Merrill Lynch High Yield Index tracks the performance of US dollar denominated below investment grade corporate debt, currently in a coupon paying period, that is publicly issued in the US domestic market. Qualifying securities must have a below investment grade rating (based on an average of Moody's, S&P and Firth foreign currency long term sovereign debt ratings). Must have one year remaining to final maturity and a minimum outstanding amount of $100MM.
**BofA Merrill Lynch Mortgage-Backed Securities Index (MOA0) -** This index tracks the performance of US dollar denominated fixed rate and hybrid residential mortgage pass-through securities publicly issued by US agencies in the US domestic market. 30-year, 20-year, 15-year and interest only fixed rate mortgage pools are included in the Index provided they have at least one year remaining term to final maturity and a minimum amount outstanding of at least $5 billion per generic coupon and $250MM per production year within each generic coupon.
**BofA Merrill Lynch International Government Index (NOGO) -** The Merrill Lynch International Index tracks the performance of Australia, Canadian, French, German, Japan, Dutch, Swiss and UK investment grade sovereign debt publicly issued and denominated in the issuer's own domestic market and currency. Qualifying securities must have at least one year remaining term to final maturity, a fixed coupon schedule and a minimum amount outstanding.
**Barclays U.S. Aggregate Bond Index** - An index that represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis.
**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.
**ISM Manufacturing Index -** An index made up of data from 300 manufacturing firms collected by the Institute of Supply Management (ISM). It indicates the economic health of the manufacturing sector.
**ISM Services Index -** An index made up of data from 400 non-manufacturing firms collected by the Institute of Supply Management (ISM). It indicates the economic health of the non-manufacturing sector.
**S&P/LSTA Leveraged Loan Index -** An index designed to track the market-weighted performance of the largest institutional leveraged loans based on the market weightings, spreads and interest payments.
**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.
**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.

One cannot invest directly in an index.

# DoubleLine Total Return Bond Fund Webcast Recap

Originally aired on March 8, 2016

## Disclaimer

***The fund's 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 investment company, and may be obtained by calling 1 (877) 354-6311 / 1 (877) DLine11, or visiting www.doublelinefunds.com. Read carefully before investing.***

**Investments in debt securities typically decrease in value 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. Investments in Asset-Backed and Mortgage-Backed Securities include additional risks that investors should be aware of such as credit risk, prepayment risk, possible illiquidity and default, as well as increased susceptibility to adverse economic developments. The Funds may use certain types of 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 risk 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 Funds 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 Total Return Bond Fund intends to invest more than 50% of its net assets in mortgage-backed securities of any maturity or type.**

**Credit Distribution is determined from the highest available credit rating from any Nationally Recognized Statistical Rating Organization (S&P, Moody's and Fitch).**

**Diversification does not assure a profit or protect against loss in a declining market.**

Fund Holdings and sector allocations are subject to change at any time and should not be considered a recommendation to buy or sell any security.

Opinions expressed are subject to change at any time, are not forecasts and should not be considered investment advice.

While the Funds are no-load, management fees and other expenses still apply.

## Important Information Regarding This Report

DoubleLine assumes no obligation to provide revised assessments in the event of changed circumstances. While this information based on sources believed to be reliable, DoubleLine does not guarantee the accuracy of the information provided. DoubleLine assumes no duty to update this information, which is not a complete discussion of all economic factors reviewed by DoubleLine. DoubleLine reserves the right to change its investment perspective and outlook without notice as market conditions dictate or as additional information becomes available. The opinions of any individual portfolio manager does not necessarily reflect the opinions of all DoubleLine portfolio managers.

Certain data discussed in this report is publicly available only on a time delayed basis. DoubleLine strives to analyze data as it becomes available, but makes no representation that all data is reviewed contemporaneously to its release.

DoubleLine Funds are distributed by Quasar Distributors, LLC.