

## **DoubleLine Core Fixed Income Fund**

### **By Bonnie Baha**

Portfolio Manager, Global Developed Credit  
DoubleLine Capital LP

May 10, 2011

The DoubleLine Core Fixed Income Fund (the “Fund”) is DoubleLine’s flagship fixed income asset allocation strategy. The fund seeks to maximize total return through both current income and price appreciation. We seek to accomplish this objective with an emphasis on the preservation of capital and prudent risk management within the context of a highly diversified portfolio.

The Fund can utilize all major sectors of the bond market, including those of Treasury, foreign sovereign, municipal government and corporate issuers as well as mortgage and other asset backed securities. DoubleLine’s Fixed Income Asset Allocation (FIAA) team seeks to generate returns and manage risk through active sector allocation as well as security selection. This approach distinguishes DoubleLine from Core managers who are closet indexers with relatively fixed sector allocations. Over full market cycles, the Fund will exhibit a duration, or interest-rate sensitivity, similar to that of the Barclay’s Aggregate U.S. Bond Index. In general, the team avoids portfolio-wide “bets” on the slope and shape of the yield curve. In other words, the team as a general rule does not invest the fund based on interest rate forecasts. Per prospectus, the portfolio manager intends to seek to construct an investment portfolio with a weighted average effective duration of no less than two years and no more than eight years. Historically, the Fund’s duration has resembled that of the Barclay’s Aggregate U.S. Bond Index.

The Fund is managed by Jeffrey Gundlach, Chief Executive Officer and Chief Investment Officer of DoubleLine Capital. Mr. Gundlach determines the sector allocations of the fund in consultation with Philip Barach, President of DoubleLine Capital; other senior members of the DoubleLine Mortgage-Backed Securities investment team; Bonnie Baha, head of Global Developed Credit; Luz Padilla, head of Emerging Markets Debt; Gregory Whiteley, Government issues; and Sam Garza, Fixed Income Asset Allocation. Although DoubleLine was founded in 2009, the senior members of the Core team have worked together on average for two decades. Over that time, the team members have successfully navigated several market cycles together, including the Asian currency crisis in 1998 as well as the credit meltdown in 2008. DoubleLine possesses breadth and depth not only in the individual experience of its financial professionals, but also their long history of working together as a team. These strengths of longevity and stability distinguish the team at DoubleLine from asset management teams that have less experience or more turnover among key decision makers.

### ***Investment Philosophy***

It is axiomatic that different sectors of the bond market pass through periods of strengthening and weakening fundamentals as well as under- and over-valuation. Thus the DoubleLine Core team rejects fixed sector weightings or reliance on any single sector to dominate returns. The Fund's investment process utilizes both "top-down" and "bottom-up" strategies. Top-down strategies focus on the volatility, relative value and fundamentals of the various fixed income sectors. Bottom-up strategies drive the security selection process and provide the means to identify and analyze undervalued securities for prospective inclusion into the portfolio. These strategies are deployed within the context of DoubleLine's macroeconomic outlook from the standpoint of both cyclical and secular forces which have the ability to influence the economy and financial markets over the intermediate term. The team's goal is to combine perspectives from both the portfolio and security levels to add value over time while managing portfolio risk.

***We believe DoubleLine is positioned to add value.***

### ***Credit Research***

DoubleLine places tremendous importance on independent credit analysis when evaluating corporate and sovereign debt issues. A team of analysts conducts rigorous bottom-up fundamental credit analysis. Research performed by rating agencies, Wall Street firms and third-party research services are utilized to challenge or corroborate DoubleLine's internal view. The process includes meetings with corporate management, site visits and industry conference attendance. In the case of both the Global Developed Credit and Emerging Markets credit teams, a rigorous bottom-up credit analysis results in an independent viewpoint and an actionable investment recommendation.

### ***Quantitative Research***

The complexities of certain sectors of the fixed income market call for the ability to retrieve, parse and analyze statistical data under a variety of macroeconomic and market scenarios. The seasoned analysts of DoubleLine's Mortgage-Backed Securities and Structured Products teams are skilled in the ability to analyze the drivers of return in their sector, including prepayments and default rates, and risk-integrate portfolios in an attempt to perform under a variety interest rate and macroeconomic scenarios.

### ***Portfolio Management***

The portfolio managers are responsible for strategy, policy and investment decision-making within their respective areas of expertise and the implementation of those decisions. Portfolio managers are ultimately responsible for portfolio surveillance and monitoring risk relative to the

market and portfolio objectives. They are also responsible for making judgments on the relative market value of their respective sectors, an integral part of the allocation positioning across the entire multi-sector portfolio.

### ***Trading***

DoubleLine strives to achieve best execution when completing every trade. By having portfolio managers seated on the trading desk, the broker-dealer community has direct access to DoubleLine's key decision makers, thereby allowing for efficient and timely action. Transaction costs are factored into the valuation decision to help ensure that the benefit of each trade outweighs its opportunity cost.

### ***Investment Process***

The Core Fixed Income investable universe includes: U.S. Government, Municipal, Agency Mortgage-Backed, non-Agency Mortgage-Backed, Commercial Mortgage-Backed, Investment Grade Credit, High Yield Credit, International and Emerging Markets fixed income securities. Drawing upon both qualitative and quantitative analyses, the DoubleLine Asset Fixed Income Allocation (FIAA) Committee, led by Jeffrey Gundlach and composed of the heads of DoubleLine's sector-focused groups, meets on a monthly basis to determine investment weightings to the different sectors. If market conditions warrant, ad hoc meetings may be convened directly on our integrated trading desk where over 30 investment professionals work and communicate together on a daily basis.

The FIAA Committee utilizes a dynamic process to develop its distinct fundamental market outlook during the course of these formal meetings. Regular group discussions incorporate an overview of relevant macroeconomic factors and include topics such as interest rates, currencies, credit spreads and the yield curve. Research and analysis performed by the sector teams are presented and discussed, thereby helping to discern the relative attractiveness of the various sectors following the team's consideration of fundamental and technical valuation metrics. Upon review of the requisite data, including historical asset class spreads and relative growth trends, the determination is made to overweight or underweight specific sectors following the input of each sector specialist. Upon implementation, the team consistently reviews the Fund for portfolio and sector risk relative to the market and portfolio objectives.

### ***Current Positioning***

DoubleLine recently scaled back the Fund's positions in U.S. Treasuries and Agency Mortgage-Backed Securities in favor of Investment Grade Corporate bonds. The determination was made on a fundamental as well as relative valuation basis. The Fund's overweight position in non-Agency Mortgage Backed Securities was maintained as was the Fund's underweight position in High Yield Corporate bonds.

**Sector Breakdown as of March 31, 2011**

Treasury and Agency Debt	23.0%
Emerging Markets Fixed Income	10.0%
Investment Grade Corporate Bonds	21.5%
Mortgage-Backed Securities	42.0%
Commercial MBS	2.0%
High Yield Corporate Bonds	1.5%

**Portfolio Statistics**

# of Issues	353
Ending Market Value	\$186,884,236
Average Market Price <sup>i</sup>	\$101.90
Duration	5.27
Weighted Average Life	7.20

**Retail and Institutional Class**

No Load Mutual Fund

	<b>Retail N-share</b>	<b>Inst. I-share</b>
Ticker	DLFNX	DBLFX
Min Investment	\$2,000	\$100,000
Min IRA Investment	\$500	\$5,000
Net Expense Ratio	0.74%	0.49%
Benchmark	Barclays US Aggregate Bond Index	
Fund Inception Date	6/1/2010	

---

Must be preceded or accompanied by a current prospectus.

**Investments in debt securities typically decrease in value 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 such as credit risk, prepayment risk, possible illiquidity and default, as well as increased susceptibility to adverse economic developments. The Fund invests 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. Investments in lower-rated and non-rated securities present a greater risk of loss to principal and interest than higher-rated securities.**

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

While the Fund is no-load, management fees and other expenses will apply. Please refer to the prospectus for further details.

Barclays Aggregate U.S. Bond Index represents securities that are taxable and dollar denominated. The index covers the US 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. It is not possible to invest in an index.

The DoubleLine Funds are distributed by Quasar Distributors, LLC.

---

<sup>1</sup> Market price is 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.