DoubleLine FUNDS

DoubleLine News

DoubleLine Infrastructure Income Fund (BILDX/BILTX)

By Ted Hospodar

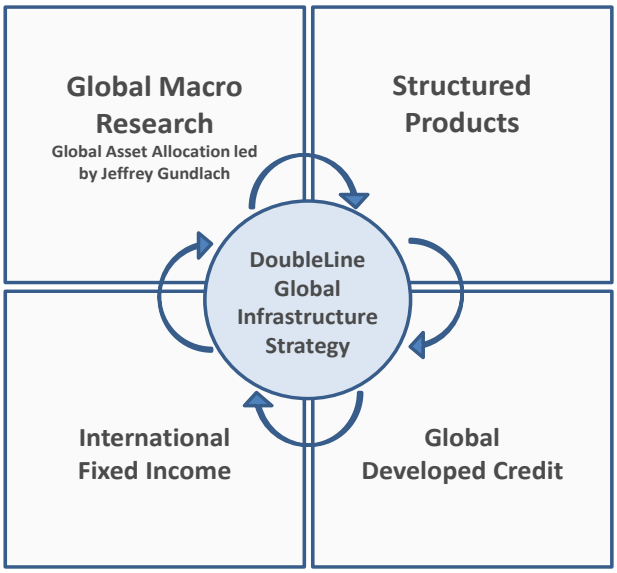
As of November 10, 2016

Infrastructure debt investments finance hard asset projects and companies that provide essential services in strategic sectors of the economy. Investments can include debt that finances airports, toll roads, power plants and renewable energy. Additionally, it can also include investments secured by infrastructure related assets, such as aircraft and telecom towers.

Historically, institutional investors have invested in the infrastructure sector mostly through private equity transactions. Infrastructure debt, however, is a growing investment opportunity that has arisen over the past several years due to increasing regulatory constraints on infrastructure lending (such as Basel III). Commercial banks, which have traditionally been the largest lenders to infrastructure projects, are reducing their exposure leaving a funding gap that needs to be filled by other means.

On April 1st 2016, we launched the DoubleLine Infrastructure Income Fund ("the Fund") allowing investors to directly take advantage of this growing investment opportunity and nascent asset class. The Fund is a new offering at DoubleLine, utilizing our investment team, which currently manages over $2 billion in infrastructure debt and has done so through several market cycles.

Figure 1: DoubleLine's Investment Process



Investment Process subject to change without notice.

Historically, we have used infrastructure debt within our multi-sector and asset allocation portfolios for its diversification benefits, relative value opportunities and attractive credit profiles. We believe the sector provides an interesting investment opportunity for investors looking for investment grade credit without the longer duration of corporate bonds or as a complement to their existing fixed income strategies.

At DoubleLine, we currently favor infrastructure debt over corporate bonds. Corporate spreads tightened this year even while rates were falling. Typically falling rates are associated with stress within corporate bonds and in the economy broadly. The relative longer duration in the corporate bond space, along with spread tightening in a declining rate environment, make the corporate bond sector less attractive in our opinion.

At DoubleLine, we believe investors can potentially benefit from infrastructure's favorable attributes:

- Historically lower default rates than traditional corporates bonds[1]
- Historically higher recovery rates than traditional corporates bonds[1]
- Strong underlying fundamentals
  - High barriers to entry, often monopolistic assets
  - Inelastic demand for essential services
  - Predictable cash flows due to project contracts

1. Moody's, "Infrastructure Default and Recovery Rates, 1983-2015." Cumulative Default Rates for Baa Corporate Infrastructure Debt Securities is 2.74% compared to 3.39% for Non-Financial Corporate Issuers. Average Corporate Senior Secured Infrastructure Debt Securities recovery rate is 74 % compared to Average Non-Financial Corporate Issuers 54%. Average Corporate Senior Unsecured Infrastructure Debt Securities recovery rate is 56 % compared to Average Non-Financial Corporate Issuers 38%. as measured by Moody's.

Why Add Infrastructure Debt to Your Portfolio?

- Potential for attractive incremental yield vs. similarly rated credits
- Strong defensive attributes through hard asset collateral
- Lower duration through amortizing structure
- Focus on strategic sectors of the economy
- Provides diversification from traditional core fixed income strategies

If you are interested in learning more about the Fund, please click here for a recent webcast held by the Infrastructure Debt investment team. Additionally, if you would like to set up a call with a member of our investment team, please reach out to us at fundinfo@doubleline.com.

Definitions

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 - The US Credit component of the U.S. Government/Credit Index. This index consists of publically-issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. To qualify, bonds must be SEC-registered. The US Credit Index is the same as the former US Corporate Investment Grade Index. One cannot invest directly in an index.

Disclosures

The fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The summary and statutory prospectus 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. Investments in 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 great 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 including credit risk, prepayment risk, possible illiquidity and default, as well as increased susceptibility to adverse economic developments. Investments in foreign securities involve political, economic, and currency risks, greater volatility, and differences in accounting methods. These risks are greater for investments in emerging markets. The Infrastructure Income Fund may use certain types of investment derivatives. 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 was not used. The value of the Fund's infrastructure investments may be entirely dependent upon the successful development, construction, maintenance, renovation, enhancement or operation of infrastructure-related projects. Accordingly, the Fund has significant exposure to adverse economic, regulatory, political, legal, demographic, environmental, and other developments affecting the success of the infrastructure investments in which it directly or indirectly invests. The Fund is non-diversified meaning it may concentrate its assets in fewer individual holdings than a diversified fund.

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

The DoubleLine Funds are distributed by Quasar Distributors, LLC.

Disclaimers

Important Information Regarding This Report

Issue selection processes and tools illustrated throughout this presentation are samples and may be modified periodically. Such charts 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.

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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. All investments involve risks. Please request a copy of DoubleLine's Form ADV Part 2A to review the material risks involved in DoubleLine's strategies. Past performance is no guarantee of future results.

Important Information Regarding DoubleLine

To receive a complimentary copy of DoubleLine Capital's current Form ADV (which contains important additional disclosure information, including risk disclosures), 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 client's 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 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.

DoubleLine Group is not a registered investment adviser with the Securities Exchange Commission (SEC).