DoubleLine®

Quarterly Commentary

Third Quarter 2011

DoubleLine

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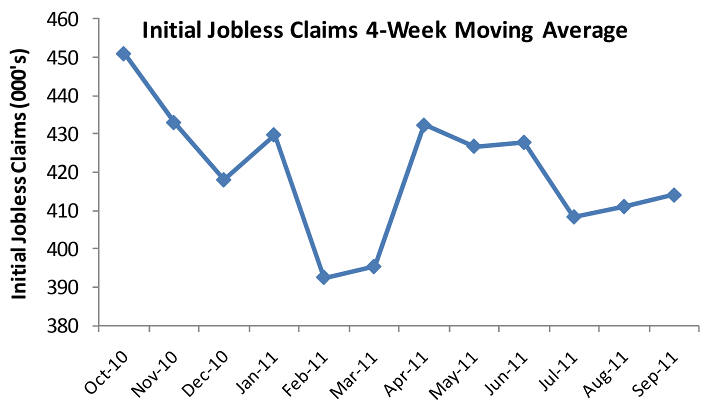
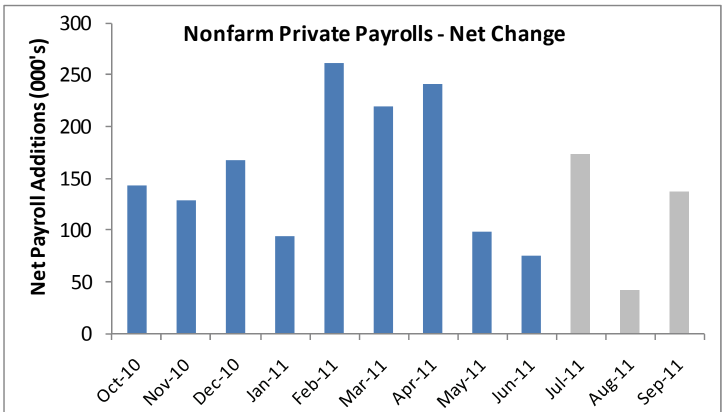
Overview

The employment situation was mixed in the third quarter of 2011: the headline unemployment rate (U3) was flat at 9.1% in July, August and September.



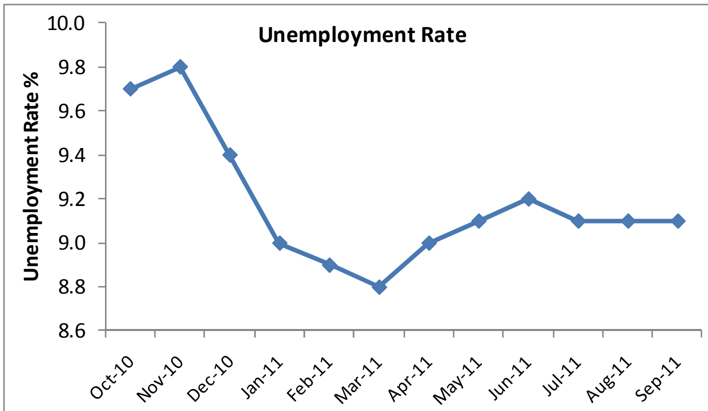
Source: Department of Labor

Private nonfarm payrolls continued to disappoint due to a staggering low jobs number in August. Despite 100k+ months in July and September, nonfarm payrolls need to rise above 200k net jobs added in order to bring down the headline unemployment rate.



Source: Bureau of Labor Statistics

Filings for unemployment compensation reversed in the third quarter with two straight months of net increases in the 4-week moving average on initial jobless claims.



Source: Bureau of Labor Statistics

Emerging Markets

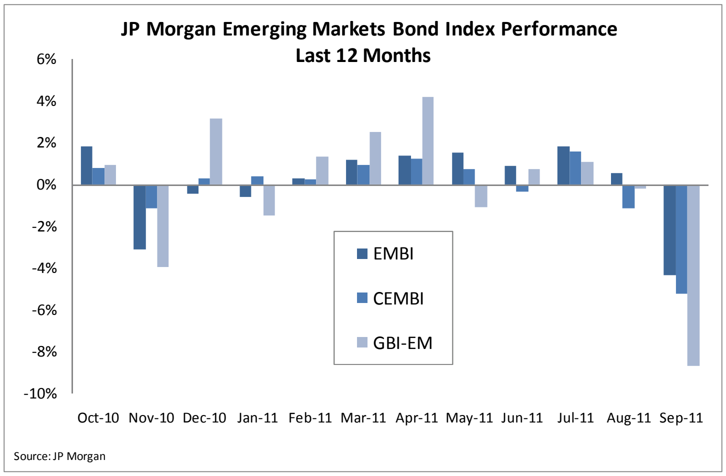
In Emerging Markets Fixed Income, the three sectors of the market – the external sovereign, corporate debt and local currency bonds, represented by the JP Morgan Emerging Markets Bond Index Global Diversified (EMBI), the JP Morgan Corporate Emerging Markets Bond Index Broad Diversified (CEMBI) and the JP Morgan Government Bond Index Emerging Markets Broad Diversified (GBI-EM), respectively – posted negative returns for the month of September.

	Tickers	Monthly Return	Last 3 Months	YTD	YTM	Spread
EMBI	JPGCCOMP	-4.36%	-2.09%	2.57%	6.26%	442
CEMBI	JBCDCOMP	-5.23%	-4.79%	-1.71%	6.79%	517
GBI-EM	JGENBDUU	-8.66%	-7.87%	-2.07%	6.57%	N/A

Source: JP Morgan. Past performance is no guarantee of future results.

Emerging Markets (EM) external sovereign bonds were the best performer during September returning -4.36%, driven by a 103 basis points (bps) spread widening. EM corporate bonds returned -5.23%, with spreads widening 109 bps over the month. In both the EM sovereign and corporate indices, high grade bonds outperformed their high yield counterpart. Europe was the worst performer regionally, returning -5.71% in the EM sovereign index and -8.22% in the

EM corporate index. EM local currency bonds were the worst performing sector for the month at -8.66%. Returns were driven by large negative currency returns from the Brazilian Real, Hungarian Forint and South African Rand.



For the third quarter of 2011, returns retreated to negative territory for the three EM sectors. The quarter's performance for EM external sovereign and corporate bonds was dominated by September's price action theme, where investment grade outperformed high yield and Europe was the regional driver of negative returns. The quarterly performance of EM local currency bonds was also dominated by the negative currency returns out of Europe and Middle East/Africa in September.

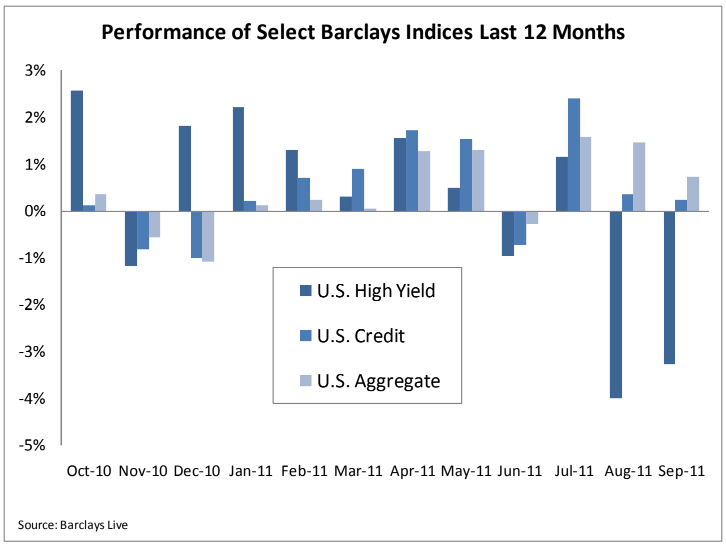
Going into the fourth quarter, the European debt and banking crisis will continue to dominate market sentiment. Greece continues to create noise on three fronts as well: first its parliament continues to pass increasingly tighter austerity measures that seem to never get implemented; second, the troika, International Monetary Fund (IMF)/European Union (EU)/European Central Bank (ECB), have continued to delay the latest €8 billion tranche of funding to Greece, due to non-implementation of austerity measures passed under the first point (payment has now been pushed into November); and third, the EU now seems to be getting more serious about the size of the haircut (currently 21%, proposing 30-50%) and Private Sector Involvement (PSI), in Greek debt exchange. There are still those in the market that believe a 70-80% haircut to Greek debt may be needed to put it back on a sustainable path.

Aside from Greece, the EU still needs a credible plan to insulate Italy and Spain from a Greek default and it needs to recapitalize its banks to cover the €300 billion in credit risk, estimated by the IMF. None of this was helped by Moody's recent 3-notch downgrade of Italy to A2 from Aa2 (negative outlook) and news that Dexia, Belgium's largest bank, will need a bailout less than 5 months after passing the European banks' stress test. In addition, Moody's put all of the eurozone on warning that they are not immune from possible downgrades in the future. We expect a lot of noise out of Europe over the next few months.

Despite all of the negative noise coming from the developed markets, credit fundamentals remain strong for EM countries and EM companies, which we expect to benefit from rating upgrades during the next 12 months.

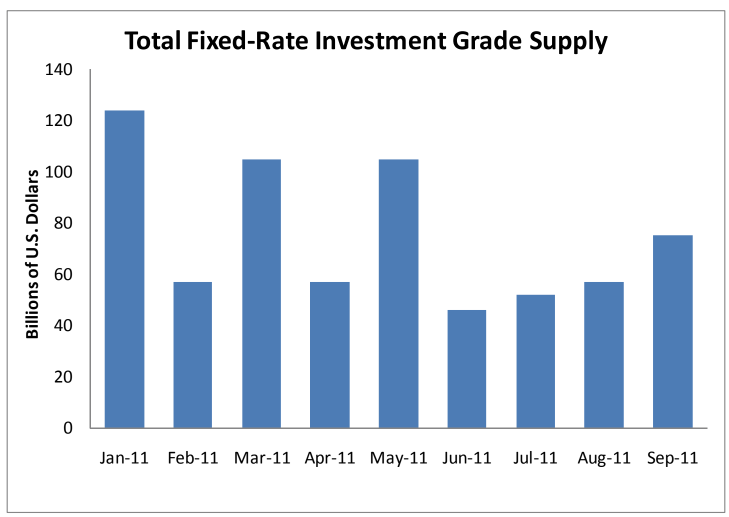
Global Developed Credit

Pressure on risk assets was in evidence through the third quarter of 2011. Ongoing signs of U.S. economic weakness along with an increasingly dire fiscal situation in Greece and continuing deterioration in the economies of other eurozone countries battered the credit markets. Amid this backdrop, during the third quarter the Barclays Capital U.S. Credit Index returned 3.03% and the Barclays Capital U.S. Corporate High Yield Index returned -6.06%. Year-to-date (YTD) the Barclays Capital U.S. Credit Index has returned 6.54% and the Barclays Capital U.S. Corporate High Yield Index has returned -1.39%. Excess returns for both indices versus U.S. Treasury securities were negative during the quarter, with the Barclays Capital U.S. Credit Index posting an excess return of -4.75% compared to the -10.35% excess return posted by the Barclays Capital U.S. Corporate High Yield Index.



Among investment grade corporate bonds, the best performing sectors on a relative basis during the third quarter, as measured by excess return in bps, included Lodging (-93 bps), Pharmaceuticals (-96 bps), Transportation Services (-101 bps) and Restaurants (-135 bps). The worst performing sectors on a relative basis were Life Insurers (-1,118 bps), Refining (-885 bps), Metals and Mining (-862 bps) and Banking (-763 bps). Performance by rating category was skewed in favor of higher credit quality with higher rated (single -A or higher) debt outperforming. Excess returns for Baa-rated debt averaged -6.44% during the third quarter with returns on Aa-rated debt averaging -3.44%. With respect to the high yield market, higher beta credits were the big underperformers in that space as well, consistent with the flight to higher quality credit. All high yield sectors generated negative excess returns during the quarter. The best performing sectors on a relative basis included Railroads (-3.00%), Health Insurers (-3.30%), Lodging (-5.51%) and Restaurants (-5.58%). The worst performers included Home Construction (-20.42%), Life Insurers (-19.03%), Non-Captive Consumer Financial (-18.26%) and Banking (-17.71%). In line with the investment grade market, lower rated issues generally underperformed their higher-rated counterparts.

Issuance in both the investment grade and high yield sectors slowed noticeably during the third quarter from the torrid pace registered earlier in the year. YTD, however, gross supply in investment grade corporates stands at $677.7 billion which trails the $715.8 billion issued by the end of the third quarter in 2010. High yield issuance YTD now stands at $191.5 billion which still represents a mildly healthy increase above last year's third quarter tally of $179.2 billion.



High yield default forecasts are beginning to tick up on the back of ongoing equity volatility as U.S. economic growth decelerates and concern mounts that Europe's debt crisis will spill over into credit markets, making it more difficult for weaker companies to obtain capital. The option-adjusted spread of the Barclays Capital U.S. Credit Index stood at 218 bps at quarter-end, representing a widening of 73 bps YTD. The spread on the Barclays Capital U.S. Corporate High Yield Index ended the quarter at 807 bps, incorporating a YTD spread widening of 281 bps with 99 bps in the month of September alone. While there appears to be value in credit on a 12-month view at these levels, the question remains as to whether the risk-adjusted value is appropriate to make this an optimal entry point. Investors are well aware that risk assets have little chance of outperforming while fear of systemic risk fallout from the situation in Europe is the dominant factor in the marketplace. The spread widening experienced thus far in 2011 is substantial, though not close to what was seen at the height of the 2008-2009 sell-off on the back of the last round of systemic shock. If 2008 taught the market anything, it was that too much is not necessarily enough in a systemically unstable world. We maintain a defensive posture in the corporate credit markets as we head into the fourth quarter and continue to favor investment grade over high yield issuers.

Mortgage-Backed Securities

The potential settlement between Bank of America and 22 institutional accounts over impropriety on 530 trusts remains in the news. The 50 attorneys general are not in agreement as to how they want to settle this issue and currently there are at least 5 different interveners in the proposed settlement. Included in this intervention is the Federal Deposit Insurance Corporation (FDIC). This issue will not be resolved quickly; in fact the whole process could take 12-18 months. In addition, the Federal Housing Finance Agency (FHFA, conservator of Freddie Mac and Fannie Mae) announced in August that it would sue 17 different financial institutions over misrepresentations in their respective underwriting.

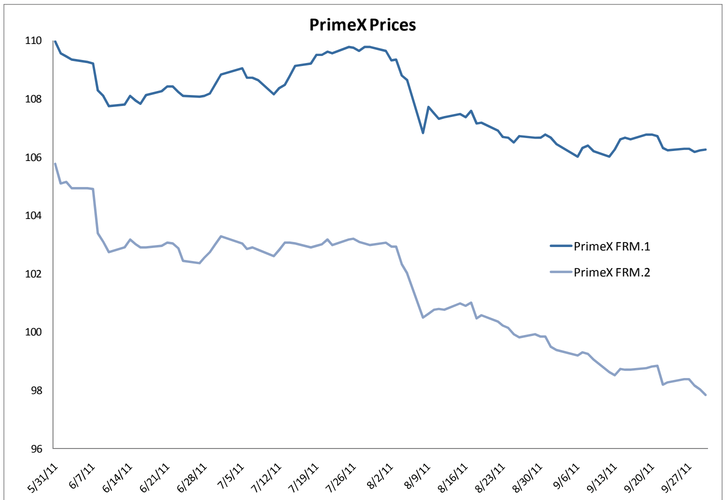
The U.S. Securities and Exchange Commission (SEC) issued a concept release asking for comments on the application of Section 3(c)(5)(C) of the Investment Company Act of 1940 to companies that are engaged in the business of acquiring mortgages and mortgage-related instruments, including a focus on Real Estate Investment Trusts (REITs) and their ability to lever up multiple times. REITs are active participants in the mortgage market and the potential for removal of this leverage capability would remove significant buying interest in the mortgage market and could cause a lot of selling by the REITs to comply with resultant changes. Currently, this issue is the "comment" stage of an overall review process and it is far too early to predict the SEC's plans.

We participated in a conference call with the FHFA on what to do with the REO (real estate owned) positions of both agencies. They are seeking counsel from investors as how to best remove these assets from their balance sheets and not disrupt the foreclosure markets. In other words, they want investors' help to finance a "rental-turned-eventual homeownership" program that they are contemplating. In our view, this concept has merit but its execution may be extremely difficult.

Lastly, there is talk again of an all encompassing settlement, not unlike a tobacco type or asbestos type, between the banks, investors, and consumer groups. This would then create the need for a mortgage type "czar" who could marshal all of the interested parties and would have the power to dictate terms to the interested parties. We continue to monitor these developments closely.

Non-Agency MBS

The third quarter ended on a lower note in the non-Agency market with the PrimeX FRM 1 Index closing down 3.43% at 102.6 in September versus 106.24 in August, and the PrimeX FRM 2 Index closing down 6.81% at 93.05 in September versus 99.85 in August. Quarter-over-quarter (QoQ), the PrimeX FRM 1 Index was down 6.51% and the PrimeX FRM 2 Index was down 9.88%.



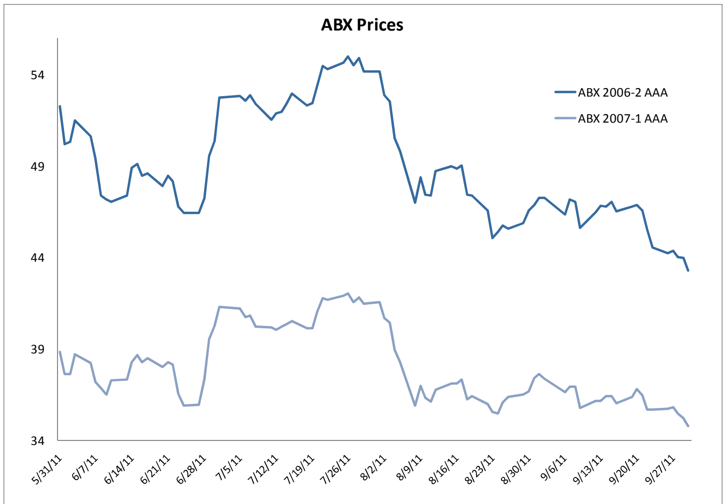
Source: Morgan Stanley

The ABX 07-1 AAA Index closed the month of September at 34.77 versus 37.39 for August, down 7.01% month-over-month (MoM), and the ABX 06-2 AAA Index closed September at 43.29 versus 46.88 for August, down 7.66%. QoQ the ABX 07-1 AAA Index was down 13.6% and the ABX 06-2 AAA Index was down 13.83%.

Bid list volume increased by a significant amount, almost doubling since August month-end, as the site of liquidations increased significantly.

Current Face Traded		
	August 2011	September 2011
Total	8,000,303,665	14,517,135,343
Liquidation	501,026,448	4,382,764,408
BWIC	7,499,277,217	10,134,370,935

Source: Deutsche Bank; Bid Wanted In Competition (BWIC)



Source: Morgan Stanley

During September, there was a slightly negative tone in non-Agencies with the exception of the most sought-after prime names (such as WFMBS), where insurance companies and money managers' demand seemed to increase. As referenced from the indices' chart, both subprime and alt-B products have suffered the highest amount of decline, while seasoned product has held up better. At the beginning of 2011, the non-Agency market was approximately $1.3 trillion in current par and this month it appears that the current supply has been reduced to merely $1.13 trillion.

September also saw the announcement and sale of another Sequoia securitization, this time by Credit Suisse First Boston with approximately 368 million in par amount. Coupons were struck at 3.9% pricing at 100. Demand was strong for the new issue that had mortgages from First Republic Bank, PHH, Wells Fargo, and SunTrust. Subordination was 7.4% to AAA and the weighted average loan-to-value (WLTV) was 60.71% with an average FICO of 773, making this an easy-to-sell securitization with quality underlying loans.

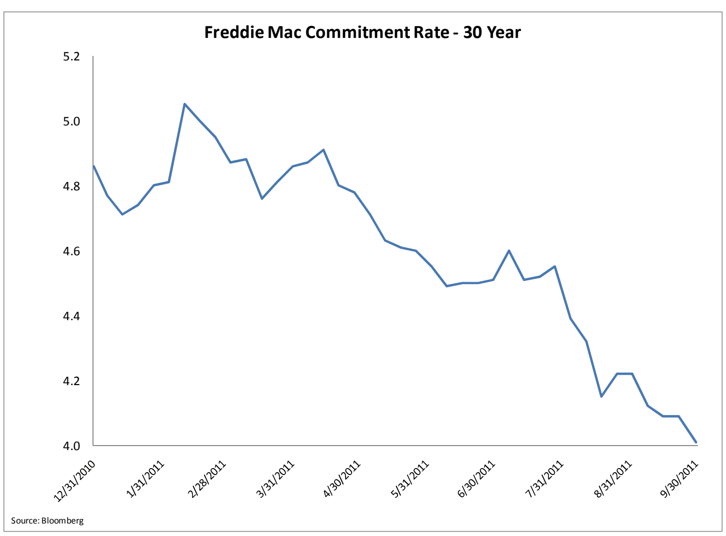
Conditional Prepayment Rates (CPR)									
2011	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept
FNMA	19.4	15.2	15.2	13.2	12.8	15.0	15.2	17.3	22.6
FHLMC	21.0	17.4	14.4	12.9	12.2	14.2	14.9	17.0	22.3
GNMA	13.4	12.0	10.2	9.1	8.4	9.6	9.6	11.5	13.9

Mortgage Index	8/31/2011	9/30/2011	Change
Avg Dollar Price	107.68	107.58	-0.10
Duration	3.66	3.01	-0.65
Index Returns	**Jul 2011**	**Aug 2011**	**Sept 2011**
Aggregate	1.59%	1.46%	0.73%
MBS	0.93%	1.25%	0.17%
Corporate	2.52%	0.07%	0.26%
Treasury	1.82%	2.78%	1.75%

Source: eMBS, Barclays Capital

Agency MBS

For the third quarter, the U.S. MBS market had a return of 2.36%. That MBS underperformed compared to other subsectors of the Barclays Capital U.S. Aggregate Bond Index should come as no surprise as the MBS market has a much shorter duration than the other sectors and rates declined substantially throughout the quarter. The end of quarter average dollar price for the Barclays Capital U.S. MBS index was 107.58, which is very close to the all-time high month-end price of 107.68 for August.



Two separate incidents during the third quarter caused price movements different from what would be expected due to changes in interest rates. In July, the mortgage market became concerned over a potential downgrade of the U.S. government, though the downgrade actually occurred on August 5. The concern was if the downgrade would cause investors to shy away from Agency mortgage paper and within a few days of the announcement, it became clear that investors' interest level in owning Agency mortgages was unchanged.

The second event that occurred in mid-August was an article in the New York Times about a possible "great refi" event in the mortgage market. The mortgage market has been dealing with many issues to help the housing market for the last couple of years. There is no easy solution to this problem. The "great refi" event has been looked into by market participants and deemed unlikely to happen under current conditions. The article brought this topic front and center raising concern among mortgage market participants. It appears that the likely action from Washington DC will be an extension and expansion of Home Affordability Refinance Program (HARP). This would bring about an increase in prepayments, but nothing like what would have happened if the "great refi" had been announced.

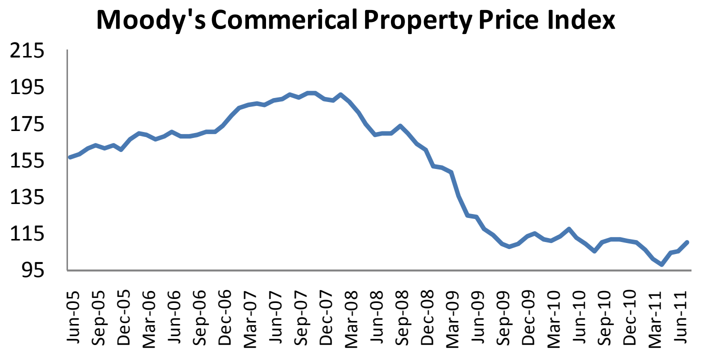
Prepayment speeds increased during the quarter. This was primarily due to the drop in rates over the past 6 months. An additional factor was that September was the last month where the conforming jumbo limit was $729 million. This was the last chance for these borrowers to refinance under conforming Government-Sponsored Enterprise (GSE) guidelines. It is important to note that prepayment speeds are still below where they were back in December when rates were 150 bps higher than they are now.

There are conflicting stories with regards to actual prepayments. The further the mortgage market's price varies from par, the greater the variability in the yields for given changes in prepayment speeds. As previously mentioned the mortgage market is close to an all-time high price so different prepayment speeds will bring about vastly different yields. Currently, more than 90% of mortgage borrowers have an economic incentive to refinance. Underwriters have tightened their standards over the past couple of years and nationwide real estate valuations are down 35%. As a result, less than one-half of mortgage borrowers have the economic incentive to refinance without having to put more money into the loan. This has and will continue to lower prepayment speeds from where they otherwise would be. On the other side of the ledger is the concern of further government involvement in the mortgage process. We believe that HARP will be the immediate focus of governmental policy. Further weakening of the housing market could lead to more action by the government in the future.

Commercial Mortgage-Backed Securities

CMBS sector performance continues to remain volatile amidst market expectations of a broader economic slowdown. In addition, without much of a firm resolution plan in the eurozone, broader markets including CMBS continue to trade on a technical basis rather than based on fundamentals. That being said, market performance in the CMBS space has been somewhat lackluster as prices continued to trade down, albeit at a very slow pace, as investors remain on the sidelines. Much of the trading activity in the sector remains at the top of the capital structure as generic last cash flow super senior bonds continue to remain liquid with solid two-way flows due to the 30% credit support. For the month of September, the CMBS component of the Barclays Capital U.S. Aggregate Bond Index was up 0.01%; however, it posted a third quarter return of -0.86% due to the August sell-off.

On the commercial real estate (CRE) fundamental side, we have yet to see any meaningful improvement in delinquency rates, though the pace of deterioration has continued to slow. In September, the 30-day plus delinquency rate increased 19 bps to 9.95%, which cancels out August's delinquency rate improvement. On the commercial property valuation side, the latest Moody's Commercial Property Price Index (CPPI) showed a rather large improvement reflecting a 5% increase in July. This data point may be a bit skewed, however, as transaction volume continues to remain low such that any large transaction may cause significant change in the Index whether positive or negative.



Source: Bloomberg

Our investment focus for this sector remains largely the same with emphasis on security selection and focus in shorter duration assets including securities with a more "storied" basis as our ability to drill down to collateral/borrower level allows us to adequately assess risk. Looking forward, our outlook for the sector continues to remain cautious despite a slight improvement in the lending environment as a majority of loans that are able to obtain financing in new vintage CMBS are predominantly higher in quality off seasoned transactions. Interest rate risk and unemployment continue to be large contributing factors for CRE fundamentals and without any real improvement in the unemployment picture, real recovery in CRE will be limited.

U.S. Government Securities

The Treasury market rallied strongly through the third quarter, resulting in the biggest three month yield decline since late 2008 and reaching all-time low yields on most benchmark issues. The 10-year note yield fell from 3.16% on June 30 to 1.92% at quarter-end after reaching an intra-day low of 1.67% on September 23. The two-year note reached an intra-day low yield of 0.14% on September 19. The 30-year bond yield declined the most, falling 146 basis points from 4.37% on June 30 to 2.91% at quarter-end.

Yield Curve

	6/30/2011	9/30/2011	3Q11 Change
3 month	0.01	0.02	0.01
6 month	0.10	0.05	-0.05
1 year	0.18	0.10	-0.08
2 year	0.46	0.24	-0.22
3 year	0.80	0.40	-0.40
5 year	1.76	0.95	-0.81
10 year	3.16	1.92	-1.24
30 year	4.37	2.91	-1.46

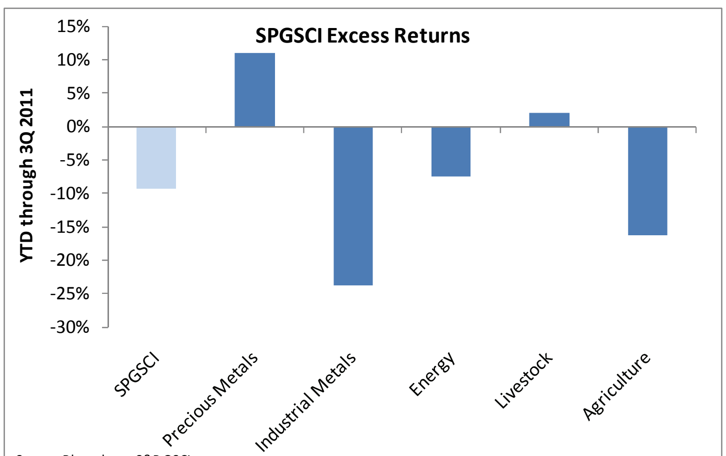
Source: Bloomberg

The rally was fueled by the same factors that have driven the Treasury market throughout 2011 – the sovereign debt and banking crisis in Europe, disappointing domestic economic growth, and speculation about potential Fed policy moves. The Fed, following its September 21 Federal Open Market Committee (FOMC) meeting, unveiled a new program to sell $400 billion of short maturity Treasuries in its portfolio to fund the purchase of longer maturity issues. The program was somewhat larger than the market consensus called for, with greater emphasis on the purchase of 30-year bonds and thus added impetus to the yield curve flattening.

The Barclays Capital U.S. Government Index returned 1.53% in September and 5.85% for the third quarter. The 30-year bond was the star performer, returning 13.55% in September and 31.07% for the quarter. The five-year note returned just 0.09% in September but 4.57% for the quarter. Inflation-adjusted Treasuries again lagged as inflation expectations continue to be adjusted downward. The Barclays Capital U.S. Treasury Inflation-Protected Securities (TIPS) Index returned -0.24% in September and 4.51% for the quarter. The tax-exempt market also lagged Treasuries as low absolute yields discouraged traditional buyers and supply began to build. The Barclays Capital Municipal Bond Index returned 1.03% in September and 3.81% for the quarter.

Commodities

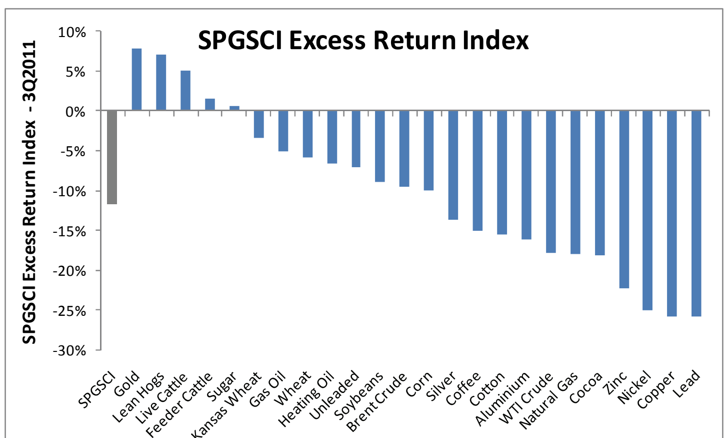
Volatility was the apparent theme throughout the commodities complex during the third quarter of 2011 with the S&P Goldman Sachs Commodity Excess Return Index (SPGSCI ER) losing almost 12% for the quarter. The quarter started out promising with the SPGSCI ER up close to 5% over the first few weeks on the back of strong global economic data. The subsequent ride was bumpy over the next few weeks, however, as the U.S. budget deficit debate and corresponding debt ceiling limits dominated the headlines and caused investors to reassess the outlook for global growth. After the debt ceiling debacle was resolved, the commodities markets started to march higher through the first week of September. From there the macroeconomic back drop and the mounting Eurpoean debt crisis began to cause market participants to refocus on where, if any, global growth will come from in the coming quarters.



Source: Bloomberg, S&P GSCI

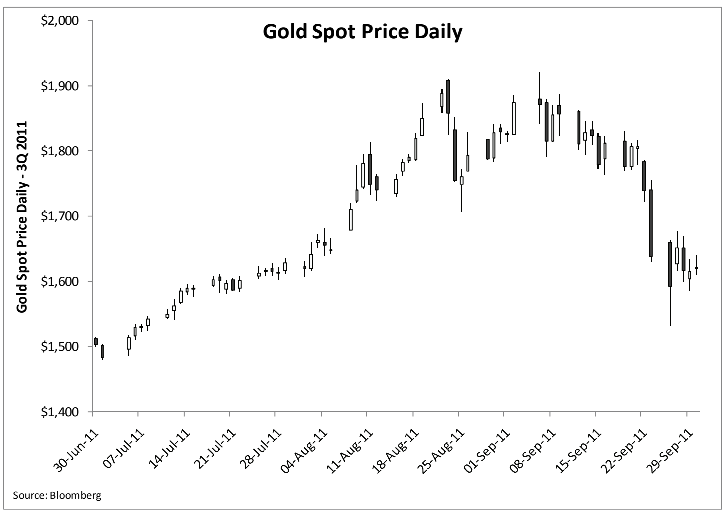
When global growth concerns become paramount, the industrial metals sector is typically the first to take the hit – losing over 22% in the third quarter – as it is viewed as the barometer for forward-looking economic activity. Not surprisingly, the four worst performing commodities during the quarter (lead, copper, nickel and zinc) were from the industrial metals complex. The lone sectoral bright spot in the commodities complex was the livestock sector which erased most of the gains from the second quarter and is now up a little more than 2% YTD through the end of the third quarter.

The best performing commodity during the quarter was once again gold, returning almost 8%, but it was also not immune to bouts of volatility. After starting the quarter at $1502 per ounce, gold consistenly marched upward until hitting a little over $1900 per ounce intraday. There was a sharp reversal in prices towards the end of August and after testing the intraday high of $1900 per ounce once again, the price began to drop significantly before ending the quarter at $1620 per ounce. Although gold spot prices could face some downward movement as deflationary pressures mount, gold continues to be used as a storage of wealth. Thus, gold should continue to march higher over the forthcoming quarters as the developed world tries to tackle its debt burden by any means necessary.



Source: Bloomberg, S&P GSCI

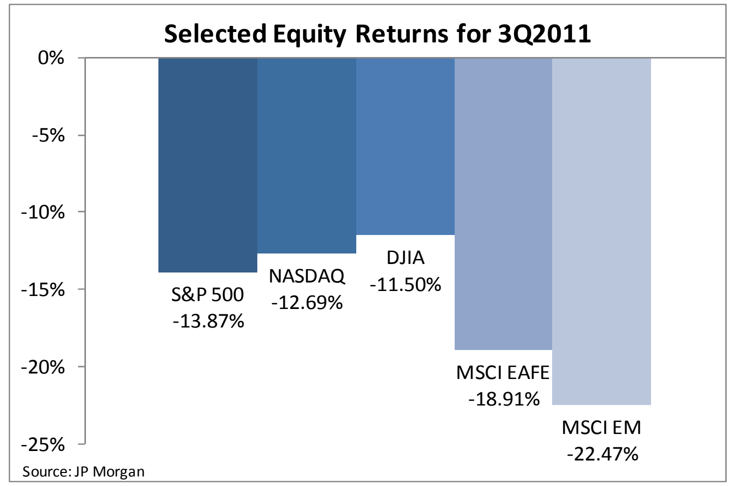
Thematically, the rout in the third quarter is indicative of the performance YTD across the various commodity sectors. Industrial metals were basically flat through the second quarter and the declines in September accelerated the losses in that market. Agriculture also continues to be a loser as an overall sector; rotating crops to maximize yield creates a winner at the expense of a loser. Energy performance continues to be bifurcated between the distillates outperforming the raw energy of crude oil and natural gas. Precious metals have been the obvious winner for the year against the mounting concerns about fiscal prudence in the developed world and investors looking to diversify their wealth against fiat currencies.



The remainder of the year should continue to be volatile in the commodities complex as the market continues to assess the current global economic slowdown versus the prospects of a recovery.

Global Equities

Global equity markets finished a miserable quarter down substantially with the S&P 500 ending with the worst quarterly performance since 2008. A combination of fears of the debt problems in Europe, the after effects of a debt standoff in the U.S. and resulting downgrade of U.S. sovereign credit and a hardening view that the U.S. economy is slowing down all worked against equity investors as the S&P 500 ending its fifth straight losing month in September. Record low bond yields combined with a VIX Index that spent most of the quarter with a reading above 30 with several spikes above 40, typically an indication of very high levels of investor fear.



The three major U.S. equity indices all suffered large declines during the quarter as the Dow Jones Industrial finished down -11.50%, the NASDAQ composite down -12.69% and the S&P 500 finished down -13.87%. Meanwhile the proxy for global developed ex-U.S. equities the MSCI EAFE (Europe, Australasia, and Far East) Index was down -18.91% reflecting the major weakness in European markets. Interestingly, the dividend yield for the S&P 500 finished the quarter at 2.30% while the yield for the U.S. 10-year Treasury was 1.92%.

If developed markets' equities had a rough quarter, then Emerging Markets (EM) equities were absolutely pummeled. The MSCI EM Index finished down -22.47% with an unraveling of the global growth story hitting commodity-based nations' equity and currency markets the hardest. A striking example of this is demonstrated by the observation of Brazil's largest stock market the Bovespa which finished down -16.15% in local currency but down -29.61% in USD terms as the currency fell dramatically during the quarter. The combination of fears about Europe, a looming recession in the U.S. were intensified within EM as real concern about the state off the Chinese economy gained steam during the quarter.

Definitions

ABX Index

This index consists of the 20 most liquid credit default swaps (CDS) on U.S. home equity asset-backed securities (ABS) and is used to hedge asset-backed exposure or to take a position in the asset class.

Barclays U.S. Aggregate Bond Index

The Barclays US Aggregate Bond Index represents securities that are SEC-registered, 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.

Barclays U.S. Credit Index

This index is the US Credit component of the US Government/Credit Index and consists of publically issued US 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.

Barclays U.S. Government Index

This index is the US Government component of the US Government/Credit Index and includes securities issued by the US Government, including treasuries and agencies. This includes public obligations of the US Treasury with a remaining maturity of one year or more and publically issued debt of US Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the US Government.

Barclays U.S. High Yield Index

This index covers the universe of fixed rate, non-investment grade debt. Eurobonds and debt issuer from countries designated as emerging markets (e.g. Argentina, Brazil, Venezuela, etc.) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-EMG countries are included. Original issue zeros, step-up coupon structures, 144-As and pay-in-kind (PIK, as of October 1, 2009) are also included.

JP Morgan Corporate Emerging Market Bond 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 (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.

Moody's REAL/Commercial Property Price Index (CPPI)

This index tracks fluctuations in value by measuring the sale price of specific properties that have been sold at different points in the real estate cycle.

Morgan Stanley Capital International EAFE Index (MXEA)

The MSCI EAFE (Europe, Australasia and Far East) is a market-capitalization weighted stock market index designed to measure equity market performance of developed markets outside of the U.S. and Canada. This index includes a selection of stocks from 21 developed markets, excluding the U.S. and Canada.

Morgan Stanley Capital International Emerging Markets Index (MXEF)

The MSCI Emerging Markets Index is a float-adjusted market capitalization index designed to measure equity market performance in global emerging markets. It consists of indices in 26 emerging economies, including but not limited to, Argentina, Brazil, China, India, Poland, Thailand, Turkey, and Venezuela.

Morgan Stanley Capital International All Country World Index (MXWD)

The MSCI All Country (AC) World Index is a market-capitalization-weighted index designed to provide a broad measure of stock performance throughout the world, including both developed and emerging markets.

PrimeX

The PrimeX index is a synthetic credit default swap (CDS) index which references non-Agency Prime residential mortgage-backed securities (RMBS). There are 20 prime RMBS deals referenced in each sub-index from 2005, 2006, and 2007.

An investment cannot be made in an index.

Disclaimer

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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.

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