Monthly Commentary

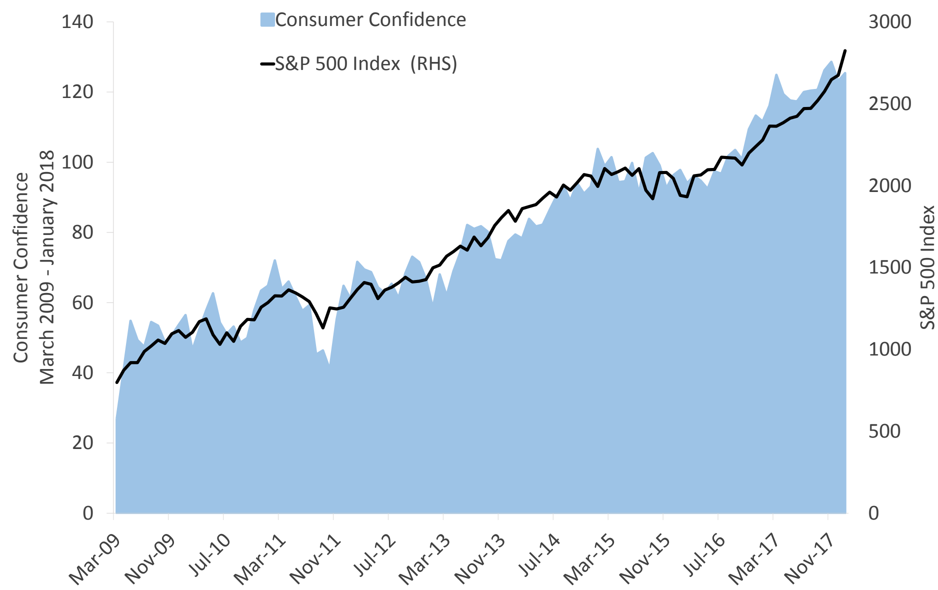
January 2018

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

Overview

January started the ninth year of economic expansion with elevated valuations, credit spreads near cycle tights, and government bonds far from attractive. As the month came to a close, risk assets continued to rally. The performance in risk assets has been driven by continued improvement in corporate earnings, increased global growth expectations, highly accommodative monetary policy from global central banks, and a benign inflation environment. As the U.S. economy appears to be in the later innings of the economic cycle, we remain focused on potential recessionary signs and new economic data.

Conference Board Consumer Confidence Index
March 31, 2009 to January 31, 2018



Source: DoubleLine, Bloomberg

New economic data remains supportive of higher growth expectations the U.S. In January, the Unemployment Rate remained unchanged at 4.1% and Nonfarm Payrolls increased by 200,000. The Conference Board's Consumer Confidence Index continued to follow the U.S. stock market higher rising to 125.4 in January from an upwardly revised 123.1 a month prior. Lastly, the Institute for Supply Management (ISM) Manufacturing Index fell slightly to 59.1 in January relative to its 59.3 reading in December. An Index level above 50 signals expansion across the respective sectors.

In addition to strong economic indicators, nearly all of the recessionary signals we monitor continued to point to expansion over the next three to six months. Central banks have become more optimistic as well. These factors, combined with a lack of recessionary signals and a rosy picture for risk assets, we believe much of this optimism is already priced into the market.

We continue to feel a sense of complacency among investors and the lack of volatility across risk assets reminds us to remain patient. While we do not forecast a recession in the immediate future, further delays and disappointment in economic policy and rising bond yields are all events that could lead to investor uncertainty.

U.S. Government Securities

- The Bloomberg Barclays U.S. Treasury Index posted a loss of 1.36%, the worst monthly performance since November 2016 and also the worst January since 2009.
- Yields rose across the curve, with 5-year and 10-year yields increasing the most. Breakevens climbed higher as well in a revisit to what has been called the Trump trade.

U.S. Treasury Yield Curve

	12/29/2017	1/31/2018	Change
3 month	1.38%	1.46%	0.08%
6 month	1.53%	1.65%	0.12%
1 year	1.73%	1.88%	0.15%
2 year	1.88%	2.14%	0.26%
3 year	1.97%	2.28%	0.31%
5 year	2.21%	2.51%	0.30%
10 year	2.41%	2.71%	0.30%
30 year	2.74%	2.93%	0.19%

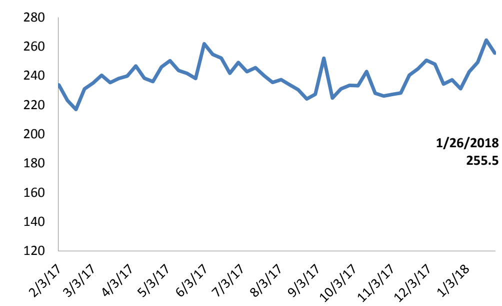
Source: Bloomberg

- The rise in front-end yields has been phenomenal. At January month-end, the 2-year yield touched 2.16, its highest level since 2008, and the 5-year yield reached 2.55, its highest level since 2010. The anticipation of increases in U.S. Treasury (UST) issuance, stronger than expected economic growth, as well as higher inflation expectations due to tax cuts, all contributed to the yield move.
- Two-year breakeven rates went up 40 basis points (bps) from 1.52% to 1.92%, before paring down to 1.83%. A big portion of that increase was oil's impressive rally from $60 to $66. Since energy prices have a strong influence over changes in the Consumer Price Index (CPI), market participants readjusted their near-term inflation expectations accordingly, which was reflected in 2-year breakevens.

Agency Mortgage-Backed Securities

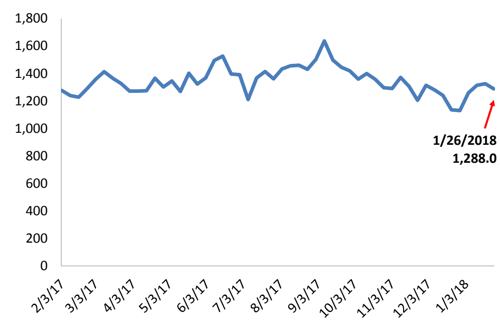
- Aggregate prepayment speeds declined by about 11% month-over-month (MoM); however, as in prior periods, the percentage change can be misleading due to the current low base conditional prepayment rate (CPR) value of 10. Speeds have largely been consistent throughout the last two years and there are no expectations for this to change materially given current mortgage rate levels.
- Thirty-year mortgage rates, based on Freddie Mac Commitment Rates, ended the month at 4.22% while 15-year mortgage rates ended the month at 3.68%. Refinancing rates based on Mortgage Bankers Association (MBA) data increased by about 14% for the period, likely spurred

Mortgage Bankers Association (MBA) Purchase Index
As of January 26, 2018



Source: Bloomberg

MBA Refinance Index
As of January 26, 2018



Source: Bloomberg

Conditional Prepayment Rates (CPR) 2017	Jan	Feb	Mar	Apr	May	June	July	Aug	Oct	Nov	Dec	Jan
Fannie Mae (FNMA)	8.6%	10.6%	9.7%	11.5%	12.3%	11.4%	12.4%	11.2%	12.1%	10.9%	10.6%	9.4%
Freddie Mac (FHLMC)	8.6%	13.6%	12.5%	14.5%	15.4%	14.8%	16.0%	14.6%	15.7%	15.3%	14.3%	12.9%
Ginnie Mae (GNMA)	11.8%	10.2%	9.6%	11.3%	12.1%	11.3%	12.2%	11.0%	11.8%	10.7%	10.1%	9.0%

Bloomberg Barclays Capital U.S. MBS Index	11/30/2017	12/31/2017	1/31/2018	MoM Change
Average Dollar Price	$103.03	$103.12	$101.64	-$1.48
Duration	4.57	4.43	4.99	0.56

Bloomberg Barclays Capital U.S. Index Returns	11/30/2017	12/31/2017	1/31/2018
Aggregate	-0.13%	0.46%	-1.15%
MBS	-0.14%	0.33%	-1.17%
Corporate	-0.09%	0.80%	-0.93%
Treasury	-0.14%	0.31%	-1.36%

Source: eMBS, Barclays Capital

by borrowers trying to take advantage of relatively low rates (from a historical context). Consistent with this is purchasing activity, which increased by about 11% MoM. Consensus opinion is that prepayment rates will likely be influenced more by turnover rather than refinancing activity, as occurred for 2017 due to mortgage rate levels.

- Total gross Agency Mortgage-Backed Securities (MBS) issuance was approximately $110 billion for the month of January. This is consistent with lower prepayment activity relative to January 2017.
- The duration of the Bloomberg Barclays U.S. MBS Index extended to 4.99 with a return of -1.17% for the month of January. The extension and overall return profile was due to increasing UST yields with 10-year yields increasing by about 30 bps.

Non-Agency MBS

- Despite the sell-off in the UST curve, spreads across non-Agency MBS were flat during the month of January.
- Approximately $4.4 billion of legacy non-Agencies traded on bid lists during January, compared to $13.4 billion during December. Last month's volume was elevated due to a large bank list.
- Remittance reports in areas impacted by Hurricanes Maria, Harvey and Irma showed improving delinquency roll rates.
- There were approximately $700 million in JPM rep and warranty settlement payouts in January with the remaining expected to be paid out over the next year.

Commercial MBS

- January private-label Commercial MBS (CMBS) issuance volume totaled $5.1 billion, nearly two times higher than the $1.7 billion issued in January 2017. Three conduit deals totaling $2.5 billion and eight single-asset single-borrower (SASB) deals totaling $2.6 billion priced during the month. Conduit spreads tested multi-year tights, with the most recently issued conduit deal pricing at swaps +66 bps and swaps +305 bps for the AAA last cash flow (LCF) and BBB tranches, respectively.
- Secondary Principal & Interest (P&I) CMBS trading totaled $26.8 billion in January, increasing 50% MoM, and 42% above the 2017 monthly average of $18.8 billion. Secondary market cash spreads moved tighter alongside broader equity and debt indices with AAA LCFs tightening by 12 bps to swaps +64 bps and BBB-rated loans tightening by 70 bps to swaps +290 bps. CMBX spreads also rallied, with AAA 2012-2016 reference indices tightening by an average of 7 bps, and BBB-rated loans by an average of 27 bps.
- The outstanding private-label CMBS universe decreased by 0.3% to $456.7 billion in January. Both the outstanding conduit and SASB universes fell in January; while the outstanding conduit universe was down around 9% over the same time period in 2017, the outstanding SASB universe was up nearly 14%. The CMBS delinquency rate continued to decline, falling 6 bps in January to 4.8%. While the delinquency rate moved up in 13 of the 16 months between March 2016 and June 2017, it has now fallen for seven straight months.

Asset-Backed Securities

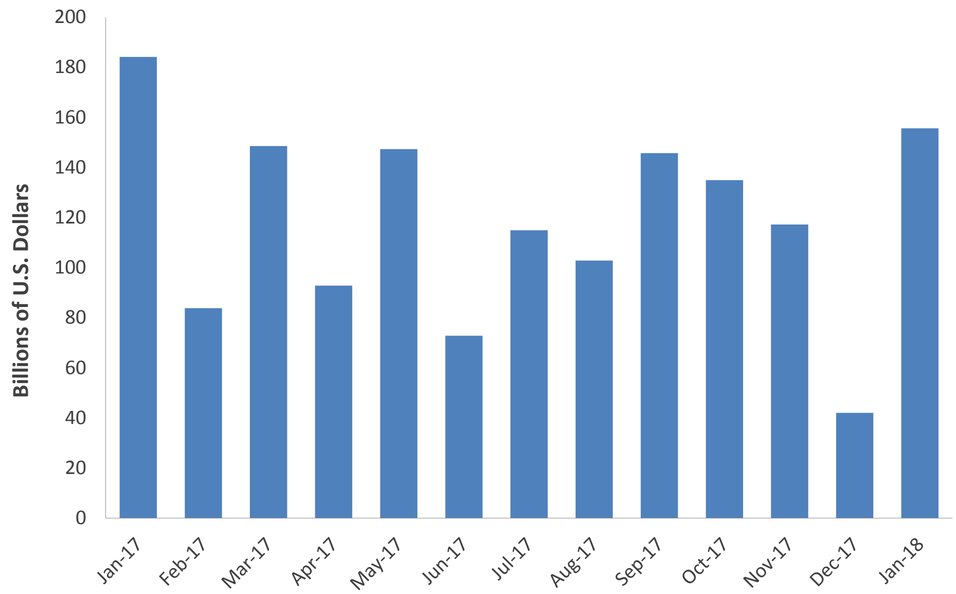
- Primary markets started the year strong with substantial issuance and investor participation in Auto, Consumer and Student Loan based transactions.
- Spread levels continued to compress as buyers outweigh sellers across all collateral types.
- In esoteric ABS, Aviation and Telecom transactions saw new issuance into very strong reception with ultimate spread levels being significantly tighter than initial talk.
- With a dearth of secondary opportunities, the expectation is that the ABS market will continue to be driven by primary markets in the near term.

Investment Grade Credit

- The positive trends in the Investment Grade (IG) credit market continued with the Bloomberg Barclays U.S. Credit Index tightening 7 bps in January to an all-time post-crisis low of 82 bps, outperforming durationmatched UST by 0.69%. Total return was -0.93% as the rise across the curve in UST yields more than offset the spread tightening. The more cyclical sectors of Metals & Mining and Energy remained the best performing sectors. Metals & Mining returned 0.27% and Midstream returned 0.18%. The worst performing sector, Finance Co., returned -1.72%, driven by pressure on spreads in GE Capital as they face idiosyncratic challenges.

- Fundamentals look strong with both top and bottom line growth accelerating. Based on numbers aggregated by Bank of America/ Merrill Lynch, earnings of IG companies are expected to grow by 11.4% in the fourth quarter 2017 up from 5.8% growth in the third quarter 2017. Revenue is also accelerating with a 7.1% expected growth in the fourth quarter 2017, compared to 5.6% in the third quarter 2017.
- Technicals remain positive in the space. The new issue market was active in January, with $155.6 billion in gross new issuance; however, net supply increase $74.9 billion lower than the $136 billion in net supply during January 2017. Flows into IG mutual funds continued at a strong pace, with $17.9 billion going into funds during January. This is on the heels of the strongest flows into the asset class in 2017.

Total Fixed-Rate Investment Grade Supply
January 2017 to January 2018

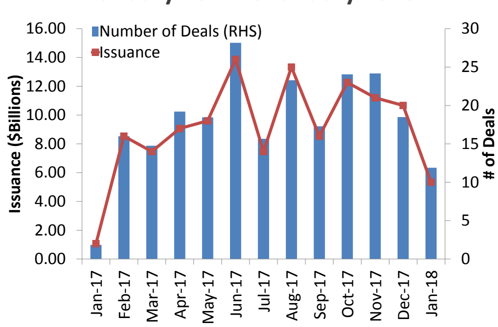


Source: Bloomberg, DoubleLine

Collateralized Loan Obligations

- Collateralized Loan Obligations (CLO) issuance is typically slow during the first month of the year with January of past years having around $1 billion in CLO issuance. January 2018, however, started strong with $6.34 billion in issuance across 10 deals. CLO researchers expect another $100+ billion year in issuance for the sector. January's large issuance numbers give total issuance a nice head start.

U.S. CLO Monthly Issuance
January 2017 to January 2018



Source: S&P Capital IQ
RHS = Right Hand Side

- On the secondary trading side, bid wanted in competition (BWIC) activity was relatively muted as most investors were focused on the primary side.
- Spreads continued to tighten and are at post-crisis tights up and down the capital structure. At the end of 2017, AAA new issue spreads were at LIBOR +110 bps and by the end of January, spreads marched to inside of LIBOR +100 bps. This is the first time since pre-crisis that AAAs have been inside of LIBOR +100 bps.

Bank Loans

- The S&P/LSTA Leveraged Loan Index posted a very strong return of 0.96% in January, the highest level in 13 months. This easily topped the 0.34% average monthly return in 2017. Secondary prices surged, with the market value component of returns gaining 0.55%. The weighted average bid price of the Index gained 63 bps from the end of 2017 to $98.68, the highest level since July 2014. The percentage of loans trading at par or higher rose to 78%, the highest reading since May 2013.
- Strong monthly returns were driven by a lack of new loan supply. Just $9.3 billion of mergers & acquisitions (M&A)-related loans allocated in January, among the lowest level in the last 18 months.
- The rally was especially pronounced among the lower-rated parts of the market, with CCC-rated loans rising 2.30% relative to returns of 1.02% for single-B-rated loans and 0.74% for BB-rated loans.
- The default rate remained very low at just 1.83%.
- The strongest sector returns were Home Furnishings, Food and Drug Retailers, Retailers (Not Food and Drug) and Nonferrous Metals-Minerals, with returns of 4.93%, 2.45%, 2.29% and 2.05%, respectively. There were no negative returning sectors in the month.

High Yield

- Most of January saw strong performance by High Yield (HY) bonds amid attractive gains for equities and oil prices; however, inflation fears and a rising 10-year UST yield began to weigh on sentiment toward month-end. The Bloomberg Barclays U.S. Corporate High Yield Index had a total return of 0.60% in January, with lower-rated bonds far outpacing higher-rated ones.
- The best-performing sectors were Oilfield Services, Wirelines, Retailers, Supermarkets, and Healthcare. The worst-performing were Cable Satellite, Wireless, Restaurants, Banking, and Packaging. Meanwhile, the HY asset class experienced the largest stretch of outflows for the HY exchange-traded funds (ETF) in almost a year.
- January’s $30.7 billion of HY bond issuance was the heaviest start to a calendar year since 2014, according to JPM. But with 74% of proceeds going towards refinancing, net HY issuance of $7.9 billion was considerably below normal ($11.9 billion average per month since 2011) after producing the lightest activity since 2011 last year. This lack of supply is one area of support for prices in the HY market.

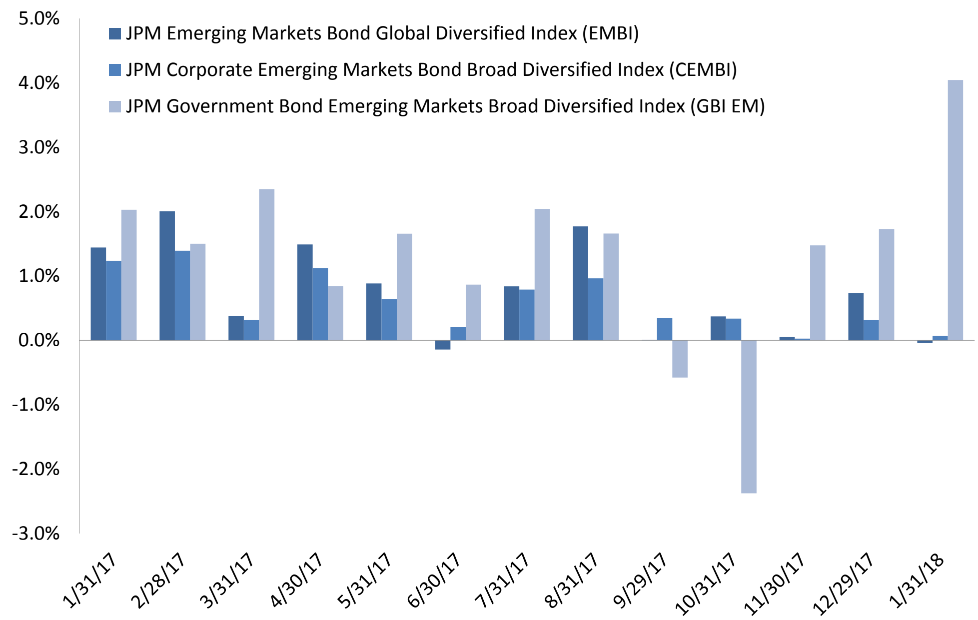
Commodities

- In January 2018 the broad commodity market appreciated by 1.85% and 3.28%, as measured by the Bloomberg Commodity Index (BCOM) and S&P Goldman Sachs Commodity Index (GSCI), respectively.
- The best performing sector in January was Energy, with a return of 4.91%, as Brent crude and WTI crude led the entire distillate complex higher with returns of 3.74% and 7.28%, respectively.
- The Precious Metals sector rallied 2.03% with Gold and Silver both appreciating by 2.21% and 0.56%, respectively.
- Industrial Metals, with a return of -0.02%, were mixed during the month with Aluminum and Copper declining 2.48% and 2.01%, respectively, while Nickel, Lead, and Zinc rallied with returns of 6.42%, 5.34% and 6.85%, respectively.
- The Agriculture sector increased 1.35% as all four grains appreciated while softs were mixed with Sugar, Coffee, and Cotton declining, with returns of -12.73%, -3.45% and -1.72%, respectively, while Cocoa rallied 5.50%.
- Livestock was the worst performing sector in January with an overall return of -1.15% with Lean Hogs and Live Cattle declining by 3.68% and 0.50%, respectively.

Emerging Markets

- EM sovereign external bonds posted modest negative performance and corporate external bonds posted modest positive performance in the month of January. The performance of external EM debt was against the headwind of rising UST yields.
- The JP Morgan Emerging Markets Bond Global Diversified Index (EMBI) negative return during January was driven by higher UST yields, which offset tighter credit spreads. 10-year UST yields rose 30 bps to 2.70% and credit spreads tightened 21 bps to 264 bps over the month of January.
- EM issuers continued to take advantage of low borrowing rates and investor demand, with gross external issuance at an all-time high of over $79 billion during the month.
- During the course of 2018, we see the potential for higher volatility, possibly driven by inflation surprises or the withdrawal of developed market central bank liquidity, which could cause a sell-off in global rates. We also see the potential for geopolitical and policy risks, and a heavy election calendar across EM where negative surprises may drive credit spreads wider.

JP Morgan Emerging Markets Bond Index Performance January 2017 to January 2018



Source: JP Morgan

International Sovereign

- Global government bonds posted positive returns in the month of January, driven primarily by foreign currency gains against the U.S. Dollar (USD), but rising global rates partially offset the currency returns over the month.
- The USD, as indicated by the U.S. Dollar Index (DXY), fell sharply against all its G-10 peers, and touched its lowest level since late 2014. U.S. fourth quarter GDP growth came in below expectation at 2.6%. UST yields rose sharply during the month, with the 2-year UST yield reaching its highest level since 2008. The Fed left rates unchanged in Chair Janet Yellen's final meeting, but increased expectations for a rate hike in March.
- The Euro rose against the USD over the month touching 1.25 against the USD for the first time since 2014. The Euro's gain was driven by the backdrop of mostly positive economic data. The European Central Bank (ECB) left rates and forward guidance unchanged at its January meeting, but the minutes of the December ECB meeting raised market expectations for an earlier-than-expected shift in its forward guidance.
- The Japanese Yen rallied against the USD this month. The Bank of Japan (BoJ) trimmed its monthly asset purchases in early January and BoJ Governor Kuroda commented at Davos that the BoJ may be close to its 2% inflation target, which some market participants viewed as a signal of a possible exit from an extremely accommodative monetary policy.

Infrastructure

- Securitized markets got off to a blistering pace in 2018 with an aviation transaction being announced and pricing very shortly after the third week into the New Year. Several other transactions have been announced in the area of Telecom, Aviation, Maritime Shipping, and Renewable Energy and are looking to price in February.
- Within securitized markets investor sentiment has been strong with more buyers than sellers, leaving the bulk of the activity in the primary markets and little supply within secondary flow.
- Internationally, primary markets were quiet in January as no new Infrastructure-related assets came to market. Secondary trading was active however, as spreads tightened and the sector benefited from a weak USD and a rally in Commodities.
- Utilities underperformed the broader Bloomberg Barclays U.S. Credit Index during the month, as Utilities sold-off in line with UST as rates moved higher across all tenors in January.

U.S. Equities

- On the surface, the equity market trends of 2017 continued into January. The S&P 500 Index gained an impressive 5.7% during the month, led by a continued outperformance by growth stocks. For the month, the Russell 1000 Growth Index gained over 7%. The Technology sector continued its run of outperformance, gaining over 7% (second only to the 9.3% return of the Consumer Discretionary sector) to bring its trailing twelve month return to 39.0%.
- Earnings estimates for the fourth quarter 2017 and full-year 2018 continued to rise as the earning season kicked off late in the month. By the end of January, approximately one quarter of the S&P 500 constituent companies had reported fourth quarter results. The early indication was the S&P 500 would post total earnings growth of 12% for the final quarter of 2017, on revenue growth of 7% according to FactSet.
- Concurrently, estimates for 2018 equity fundamentals rose: by month-end, analyst projections for full-year earnings had risen to 16.3%, on revenue growth of 6.0%. While approximately six to seven points of that growth are likely due to the tax bill signed into law in late December, the underlying growth rate also reflects the synchronized growth being enjoyed across much of the developed and emerging world as well as the earnings benefits of a weak USD.
- Market volatility picked up in the month, rising above 15 (intraday) for the first time since August 2017. Despite this higher volatility, the market seemed to mostly shrug off the spike in interest rates and fall of the USD throughout the month.

Global Equities

- Global equities started the year off strong with the Morgan Stanley Capital International All-Country World Index (MSCI ACWI) up 5.66% during January.
- In Europe, equities underperformed global equities with the Eurostoxx 50 up 3.11% during the month. Core European equities produced positive returns with the DAX returning 2.10% and CAC returning 3.21%. In the periphery, equities performed better with the FTSEMIB was up 7.86% and the IBEX up 4.50%. UK equities underperformed with the FTSE 100 down 1.96%.
- Asian equities rallied in January. Japanese equities, as measured by the Nikkei, rallied 1.47%. Chinese equities, as measured by the Shanghai Composite, returned 5.26%. Korean equities, as measured by the KOSPI, returned 4.01%.
- EM equities generally outperformed developed markets with the MSCI EM Index returning 9.32%. Brazil's Ibovespa rallied 11.14%. Russian equities, as measured by the MSCI Russia Index, rallied 12.58%. Indian equities, as measured by the MSCI India, returned 3.08%.

Basis Point -A basis point (bps) equals to 0.01%.

Bloomberg Barclays U.S. ABS Index - The ABS component of the Bloomberg Barclays U.S. Aggregate Index. It includes securities whose value and income payments are derived from and collateralized ('or backed") by a specified pool of underlying assets including credit cards, auto loans, etc.

Bloomberg Barclays U.S. Credit Index—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.

Bloomberg Barclays U.S. Corporate High Yield Index - A market value-weighted index which covers the U.S. non-investment grade fixed-rate debt market. The index is composed of U.S. dollar-denominated corporate debt in Industrial, Utility, and Finance sectors with a minimum $150 million par amount outstanding and a maturity greater than 1 year. The index includes reinvestment of income.

Bloomberg Barclays U.S. MBS Index—An index that measures the performance of investment grade fixed-rate mortgage-backed pass-through securities of the Government-Sponsored Enterprises (GSEs): Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).

Bloomberg Barclays U.S. Treasury Index -The Barclays Capital U.S. Treasury Index is the U.S. Treasury component of the U.S. Government Index. Public obligations of the U.S. Treasury with a remaining maturity of one year or more.

Bloomberg Commodity Index (BCOM) - An index calculated on an excess return basis that reflects commodity futures price movements. The index rebalances annually weighted 2/3 by trading volume and 1/3 by world production and weight-caps are applied at the commodity, sector and group level for diversification. Roll period typically occurs from 6th-10th business day based on the roll schedule.

Citi High-Yield Cash-Pay Capped Index -This index represents the cash-pay securities of the Citigroup High-Yield Market Capped Index, which represents a modified version of the High Yield Market Index by delaying the entry of fallen angel issues and capping the par value of individual issuers at $5 billion par amount outstanding.

Cotation Assistee en Continu 40 (CAC) - The CAC 40 Index which is a French stock market index. It tracks 40 of the largest French stocks on the Paris Bourse, or stock exchange.

Conditional Prepayment Rate (CPR) - The CPR measures prepayments as a percentage of the current outstanding loan balance.

Conference Board's Consumer Confidence Index - An index that measures the degree of optimism that consumers feel and future expectations about the overall economy.

Deutsche Borse AG German Stock Index (DAX) - The German stock index, which represents 30 of the largest and most liquid German companies that trade on the Frankfurt Exchange.

Dow Jones Industrial Average (DJIA) - A price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the Nasdaq.

Earnings Before Interest, Taxation, Depreciation and Amortization (EBITDA) - Net income with interest, taxes, depreciation, and amortization added back to it. This measure can be used to analyze and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions.

Eurostoxx 50 Index - A stock index of Eurozone stocks designed by STOXX, an index provider owned by Deutsche Borse Group and SIX group, with the goal of providing a blue-chip representation of Supersector leaders in the Eurozone.

Financial Times Stock Exchange 100 (FTSE 100) - A capitalization-weighted index of the 100 most highly capitalized companies traded on the London Stock Exchange.

Financial Times Stock Exchange Milano Italia Borsa (FTSE MIB) - The benchmark stock market index for the Borsa Italiana, the Italian national stock exchange, which superseded the MIB-30 in September 2004. The index consists of the 40 most-traded stock classes on the exchange.

G-10 - A grouping of 10 countries identified by the World Trade Organization which are "vulnerable" to imports due to ongoing reform in the agricultural sector. This grouping includes Switzerland, Japan, South Korea, Taiwan, Liechtenstein, Israel, Norway, Iceland, Bulgaria and Mauritius.

Hang Seng Index - A free-float capitalization-weighted index of a selection of companies from the Stock Exchange of Hong Kong. The components of the index are divided into four subindices: Commerce and Industry, Finance, Utilities, and Properties.

Ibovespa - This accumulation index represents the present value of a portfolio begun on 2 January 1968, with a starting value of 100 and taking into account share price increases plus the reinvestment of all dividends, subscription rights and bonus stocks received.

Indice Bursatil Espanol (IBEX) - The official index of the Spanish Continuous Market. The index is comprised of the 35 most liquid stocks traded on the Continuous market. It is calculated, supervised and published by the Sociedad de Bolsas.

JP Morgan Corporate Emerging Markets Bond Broad Diversified 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 Government Bond Emerging Markets Broad Diversified Index (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.

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.

Korea Composite Stock Price Index (Kospi) - A market capitalization weighted index of all common stocks traded on the Stock Market Division—previously, Korea Stock Exchange—of the Korea Exchange. It is the representative stock market index of South Korea, similar to the Dow Jones Industrial Average or S&P 500 in the United States.

Last Cash Flow (LCF) – The last revenue stream paid to a bond over a given period.

An investment cannot be made directly in an index.

London Interbank-Offered Rate (LIBOR) - An indicative average interest rate at which a selection of banks known as the panel banks are prepared to lend one another unsecured funds on the London money market.

Markit CMBX Index (CMBX) - A synthetic tradable index with 6 subindices referencing a basket of 25 commercial mortgage-backed securities offerings issued in 2012.

Morgan Stanley Capital International All Country World Index (MSCI ACWI) -A market-capitalization-weighted index designed to provide a broad measure of stock performance throughout the world, including both developed and emerging markets.

Mortgage Bankers Association (MBA) Purchase Index - An index that includes all mortgage applications for purchases of single-family homes. It covers the entire market, both conventional and government loans and all products.

Mortgage Bankers Association (MBA) Refinance Index - An index that covers all mortgage applications to refinance an existing mortgage. It includes conventional and government refinances.

MSCI Emerging Markets (MSCI EM)- An index that covers 23 Emerging Market countries and is designed to capture the large and mid-cap representation across those countries.

MSCI Russia Index - A free-float capitalization-weighted index used to track the equity market performance of Russian securities on the MICEX Stock Exchange.

NASDAQ - A stock market index of the common stocks and similar securities (e.g. ADRs, tracking stocks, limited partnership interests) listed on the NASDAQ stock market with over 3,000 components. This index is highly followed in the U.S. as an indicator of the performance of stocks of technology companies and growth companies. Since both U.S. and non-U.S. companies are listed on the NASDAQ stock market, the index is not exclusively a U.S. index.

Nikkei 225 Index - A price-weighted index comprised of Japan's top 225 blue-chip companies on the Tokyo Stock Exchange. The Nikkei is equivalent to the Dow Jones Industrial Average Index in the U.S.

Russell 2000 Index - A subset of the Russell 3000 Index representing approximately10% of the total market capitalization and measuring the performance of the small-cap segment of the U.S. equity universe.

Shanghai Composite Index - A capitalization-weighted index that tracks the daily performance of all A-shares and B-shares listed on the Shanghai Stock Exchange. The index was developed on December 19, 1990 with a base value of 100.

S&P Goldman Sachs Commodity Index (GSCI) - Standard & Poor's Goldman Sachs Commodity Index, or GSCI, is a composite index of commodity sector returns which represents a broadly diversified, unleveraged, long-only position in commodity futures.

S&P GSCI Precious Metals - A sub-index of the S&P GSCI that represents the Precious Metals sector, currently comprised of gold and silver.

S&P GSCI Industrial Metals - A sub-index of the S&P GSCI that represents the Industrial Metals sector, currently comprised of aluminum, copper, zinc, nickel and lead.

S&P GSCI Energy - A sub-index of the S&P GSCI that represents the Energy sector, currently comprised of West Texas Intermediate (WTI) light sweet crude oil, brent crude oil, gas oil, heating oil, RBOB gasoline and natural gas.

S&P GSCI Livestock - A sub-index of the S&P GSCI that represents the Livestock sector.

S&P GSCI Agriculture - A sub-index of the S&P GSCI that represents the Agriculture sector, currently comprised of wheat, Kansas wheat, corn, sugar, soybean, coffee, cocoa, and cotton.

S&P 500 Index - Standard & Poor's US 500 Index, a capitalized-weighted index of 500 stocks.

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.

Spread - The difference between yields on differing debt instruments, calculated by deducting the yield of one instrument from another. The higher the yield spread, the greater the difference between the yields offered by each instrument. The spread can be measured between debt instruments of differing maturities, credit ratings and risk.

U.S. Dollar Spot Index (DXY) -A weighted geometric mean of the United States dollar's value relative to a basket of 6 major foreign currencies, including the Euro, Japanese yen, Pound sterling, Canadian dollar, Swedish krona and Swiss franc.

An investment cannot be made directly in an index.

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.

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. 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, and/or news or rumors.

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 security. The construction of DoubleLine portfolios may differ substantially from the construction of any of a variety of bond 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.