

“Contradictionism”:

Jeffrey Gundlach Joins Jeffrey Sherman and Sam Lau on The Sherman Show

LOS ANGELES, August 20, 2018 /PRNewswire/ – Jeffrey Gundlach, CEO and chief investment officer of DoubleLine Capital, discusses his outlook on interest rates, takes the lid off a few less-than-flattering truths about the asset management industry and clears up a couple popular misconceptions about his approach to markets in the latest edition of The Sherman Show podcast.

To listen to the complete podcast hosted by Deputy CIO Jeffrey Sherman and Portfolio Manager Sam Lau, please go to the DoubleLine podcast page: <https://doubleline.com/podcasts/>

Among other topics, Mr. Gundlach notes that while more active bond managers outperform the Bloomberg Barclays Aggregate Bond Index (“the Agg”) than active stock managers outperform their stock market benchmarks, this difference owes less to bond manager skill than one might believe.

First, for reasons Mr. Gundlach details in the podcast, while market cap-weighted indexes have a certain logic when applied to stocks, they are “suboptimal” as proxies of the bond market. Second, most active bond managers, Mr. Gundlach observes, perpetually overweight corporate credit relative to “the Agg.” Very few active managers generate excess risk-adjusted return once one controls for credit risk. Mr. Gundlach explains why he expects the yield on the 10-year Treasury is “fully on track” to reach 6% in 2021.

The asset management and consulting industries receive some criticism during the podcast. In particular, Mr. Gundlach questions the use of composite return data based on managers’ self-reported, unregulated returns rather than relying on highly regulated, audited, indisputable daily mutual fund returns of those managers.

Mr. Gundlach also takes aim at reliance on statistical models used to attribute investment results to specific factors. Such performance attribution relies “on monthly or even quarterly data” rife with “all kinds of slippage and false signals. After all, if you are an active manager, what if you change your duration in the middle of the quarter?”

“Most attribution models are basically black-box systems,” Mr. Gundlach says. “They put in various aspects that don’t even come into the thought process or the decision tree of the active manager. I have to laugh when I see [attribution to] stuff like ‘skew’ ... In my life, I have never met a bond manager that is intentionally taking a ‘skew’ bet.... Everything’s duration and what percentage you have of credit and to a certain extent [the yield] curve.”

Mr. Gundlach also tries to correct some misunderstandings of his philosophical approach to markets. While people sometimes refer to him as a “contrarian” investor, Mr. Gundlach coins the word “contradictionist” to describe himself. “I’m looking for ideas that contradict logic or contradict sober thinking, and yet have become warmly embraced.”

And on another misconception about him, Mr. Gundlach notes that some people “say that I find seven risks for every one that exists, but that’s my job. My job is to risk-manage, to be out there worrying about my clients’ money – and my money, because it’s my money, too.”



About DoubleLine Capital LP

DoubleLine Capital LP is a registered investment adviser under the Investment Advisers Act of 1940. DoubleLine Capital and its related companies (“DoubleLine”) managed \$120 billion in assets across all vehicles, including open-end mutual fund, closed-end fund, exchange-traded fund, hedge fund, variable annuity, UCITS, collective investment trust and separate account as of the June 30 close of the second quarter 2018. DoubleLine’s offices can be reached by telephone at (213) 633-8200 or by e-mail at info@doubleline.com. Media can e-mail DoubleLine at media@doubleline.com. DoubleLine® is a registered trademark of DoubleLine Capital LP.