

A Smarter 60-40

The Potential Benefits of DBLTX and Real Diversification

Curtis Morrow, CFA, Analyst, Risk Management | October 2025

Fund Information:

Class I (Institutional)

Ticker: DBLTX

Minimum: \$100,000

IRA: \$5,000

Inception: 4-6-2010

Gross Expense Ratio: 0.50%

Primary Benchmark

Bloomberg US Aggregate Bond Index

Secondary Benchmark

Bloomberg US MBS Index

Morningstar Category

U.S. Intermediate Core-Plus Bond

Portfolio Managers

Jeffrey Gundlach
Andrew Hsu, CFA
Ken Shinoda, CFA

By focusing on securitized assets and avoiding corporate bonds, DBLTX exhibits a lower correlation to large-cap equities, potentially boosting risk-adjusted returns of a 60-40 stock-bond portfolio.

The traditional 60-40 stock-bond portfolio is a classic diversified asset allocation, but when the “40” consists primarily of corporate bonds, diversification can fall short. Corporate credit spreads frequently move in tandem with equities, especially during periods of market stress, increasing volatility and reducing risk-adjusted returns.

The Problem: “Double Dipping” Risk

Traditional bond funds hold debt in many of the same companies found in the S&P 500 Index. That means investors can unknowingly own both the equity and debt of the same firm, and a negative headline on a large-capitalization company might impact both sides of the portfolio simultaneously. In such a scenario, instead of smoothing volatility, the bond side compounds it.

The Solution: DBLTX

The Doubleline Total Return Bond Fund (DBLTX) avoids this “double dipping” risk with securitized credit. Unlike traditional core bond funds, DBLTX excludes corporate bonds altogether in favor of securitized credit sectors like mortgage-backed securities (MBS), asset-backed securities (ABS) and collateralized loan obligations (CLOs). This fundamentally different construction results in a lower correlation to the S&P 500, producing greater diversification for the 60-40 investor and potentially improving risk-adjusted returns.

	Portfolio of 60% SPY 40% Bond Fund	Annualized Return	Annualized Volatility	Sharpe Ratio	Max Drawdown	Bond Fund Correlation to S&P 500
	60/40 DBLTX	10.0%	10.7%	0.67	-20.1%	0.08
Diversified Bonds	60/40 AGG	9.6%	11.1%	0.62	-20.8%	0.19
	60/40 ISUB	9.8%	11.1%	0.63	-20.9%	0.25
Corporate Bonds Only	60/40 VTC	9.9%	11.6%	0.62	-22.5%	0.34
	60/40 VCIT	10.2%	11.5%	0.65	-21.8%	0.34
	60/40 USIG	10.0%	11.6%	0.63	-22.3%	0.34

Figure 1

Source: Doubleline, Bloomberg

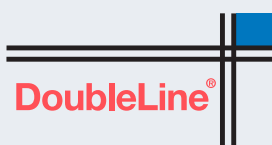
Risk-adjusted returns for 60-40 portfolios, five years ended September 30, 2025 and rebalanced quarterly.

This analysis assumes a 60% allocation to SPY, with various bond funds comprising the other 40%. Looking at the trailing five-year period ended September 30, 2025, a hypothetical portfolio of 60% SPY and 40% DBLTX exhibits the best Sharpe ratio, lowest volatility, and mildest drawdown versus these traditional passive bond funds. Correlation is the key. DBLTX's correlation to the S&P 500 was just 0.08, far lower than both the listed diversified and corporate bond funds. A lower correlation can lead to stronger downside protection and more stable returns.

By replacing corporate bonds with securitized credit, 60-40 investors have historically seen:

- Lower correlation to large-cap equities
- More consistent downside protection
- Superior risk-adjusted returns.

For 60-40 investors, DBLTX has the potential to lead to a portfolio with smoother returns and shallower drawdowns.



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Fund Performance

Quarter-End Returns (%) September 30, 2025	3Q25	YTD	1 Year	Annualized			
				3 Years	5 Years	10 Years	Since Inception
DBLTX	2.06	6.64	3.69	4.97	0.38	1.85	4.00
Bloomberg US Aggregate Index	2.03	6.13	2.88	4.93	-0.45	1.84	2.61
Bloomberg US MBS Index	2.43	6.76	3.39	5.05	-0.14	1.41	2.15
S&P 500® Index	8.12	14.83	17.60	24.94	16.47	15.30	13.91

Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. Current performance of the fund may be lower or higher than the performance quoted. Performance current to the most recent month-end may be obtained by calling (877) 354-6311 or by visiting www.doubleline.com.

The performance information shown assumes the reinvestment of all dividends and distributions. Performance for periods greater than one year is annualized. While the Fund is no-load, management fees and other expenses still apply. Please refer to the prospectus for further details.



Curtis Morrow, CFA
Analyst
Risk Management

Mr. Morrow joined DoubleLine in 2019 as a Risk Analyst on the Risk Management team, specializing in asset allocation and derivatives. Prior to DoubleLine, he was a Senior Associate at State Street. Mr. Morrow holds a B.A. in Finance from California State University, Fullerton, and is a CFA® charterholder.

The [Vanguard Total Corporate Bond ETF](#) (VTC) seeks to track the performance of the Bloomberg U.S. Corporate Bond Index, which provides broad, diversified exposure to the investment-grade U.S. corporate bond market. The expense ratio is 0.03%. Vanguard Marketing Corporation, Distributor.

The [iShares Core Total USD Bond Market ETF](#) (IUSB) seeks to track the investment results of an index composed of U.S. dollar-denominated bonds that are rated either investment grade or high-yield. The expense ratio is 0.06%. Vanguard Marketing Corporation, Distributor. The iShares Funds are distributed by BlackRock Investments, LLC (together with its affiliates, "BlackRock").

The [iShares Core U.S. Aggregate Bond ETF](#) (AGG) seeks to track the investment results of an index composed of the total U.S. investment-grade bond market. The expense ratio is 0.03%. The iShares Funds are distributed by BlackRock Investments, LLC (together with its affiliates, "BlackRock").

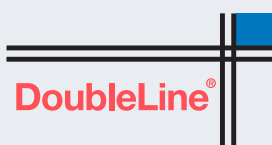
The [Vanguard Intermediate-Term Corporate Bond ETF](#) (VCIT) seeks to provide a moderate and sustainable level of current income by investing primarily in high-quality (investment-grade) corporate bonds with moderate interest rate risk and a dollar weighted average maturity of 5 to 10 years. The expense ratio is 0.03%. Vanguard Marketing Corporation, Distributor.

The [iShares Broad USD Investment Grade Corporate Bond ETF](#) (USIG) seeks to track the investment results of an index composed of U.S. dollar-denominated investment-grade corporate bonds. The expense ratio is 0.04%. The iShares Funds are distributed by BlackRock Investments, LLC (together with its affiliates, "BlackRock").

The [SPDR® S&P 500® ETF Trust](#) (SPY) seeks to provide investment results that, before expenses, correspond generally to the price and yield performance of the S&P 500® Index (the "Index"). The expense ratio is 0.09%. ALPS Distributors, Inc., member FINRA, is distributor for SPDR® S&P 500®, SPDR® S&P MidCap 400® and SPDR® Dow Jones Industrial Average, all unit investment trusts. ALPS Distributors, Inc. is not affiliated with State Street Global Advisors Funds Distributors, LLC. State Street Global Advisors Funds Distributors, LLC, member FINRA, SIPC.

Mutual funds trade once daily at their Net Asset Value (NAV), while exchange-traded funds (ETFs) trade throughout the day on an exchange like a stock, offering real-time pricing. Key differences also include ETFs' generally lower costs, greater tax efficiency due to their trading mechanism, and higher transparency in holdings.

For standardized performance, please see the linked ETF website.



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Funds Referenced in Figure 1: iShares Core Total USD Bond Market ETF (IUSB), Vanguard Total Bond Market Index Fund (BND), iShares Core U.S. Aggregate Bond ETF (AGG), iShares 5-10 Year Investment Grade Corporate Bond ETF (IGIB), Vanguard Intermediate-Term Corporate Bond ETF (VCIT), iShares Broad USD Investment Grade Corporate Bond ETF (USIG), iShares iBoxx \$ Investment Grade Corporate Bond ETF (LQD)

Asset-Backed Securities (ABS) – Investment securities, such as bond or notes, that are collateralized by a pool of assets, such as loans, leases, credit card debt, royalties or receivables.

Bloomberg US Aggregate Bond Index – This index (the “Agg”) represents securities that are SEC registered, taxable and U.S. dollar denominated. It covers the U.S. investment grade, fixed-rate bond market, with 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.

Bloomberg US Mortgage-Backed Securities (MBS) Index – This index measures the performance of investment grade, fixed-rate, mortgage-backed, pass-through securities of the government-sponsored enterprises (GSEs): Federal Home Loan Mortgage Corp. (Freddie Mac), Federal National Mortgage Association (Fannie Mae) and Government National Mortgage Association (Ginnie Mae).

Collateralized Loan Obligation (CLO) – Single security backed by a pool of debt.

Mortgage-Backed Securities (MBS) – Investment similar to a bond that is made up of a mortgage or bundle of mortgages bought from the banks that issued them. Investors in MBS receive periodic payments similar to bond coupon payments.

S&P 500 Index – This unmanaged capitalization-weighted index of the stocks of the 500 largest publicly traded U.S. companies is designed to measure performance of the broad domestic economy through changes in the aggregate market value of the 500 stocks, which represent all major industries.

Sharpe Ratio – Used to help investors understand the return of an investment compared to its risk. The ratio is the average return earned in excess of the risk-free rate per unit of volatility or total risk. Volatility is a measure of the price fluctuations of an asset or portfolio. Subtracting the risk-free rate from the mean return allows an investor to better isolate the profits associated with risk-taking activities. The risk-free rate of return is the return on an investment with zero risk, meaning it’s the return investors could expect for taking no risk. The yield for a U.S. Treasury bond, for example, could be used as the risk-free rate.

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Risk Disclosure

Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. Investments in lower-rated and non-rated securities present a greater risk of loss to principal and interest than higher-rated securities. Investments in ABS and MBS 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 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. Derivatives involve special risks including correlation, counterparty, liquidity, operational, accounting and tax risks. These risks, in certain cases, may be greater than the risks presented by more traditional investments.

Diversification cannot assure a profit or protect against loss in a down market.

The Fund’s investment objectives, risks, charges and expenses must be considered carefully before investing. The statutory and summary prospectus contain this and other important information about the investment company, and may be obtained by calling (877) 354-6311 / (877) DLINE11, or visiting www.doubleline.com. Read them carefully before investing.

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