

DoubleLine Commodity Strategy ETF

Frequently Asked Questions | September 30, 2024

QUESTION 1:

What is the DoubleLine Commodity Strategy ETF?

The DoubleLine Commodity Strategy ETF seeks to generate total return over a full market cycle through long exposures to commodity-related investments. The ETF seeks to provide long-only exposures to a diversified basket of commodities across the five major sectors of the commodity market: energy, industrial metals, precious metals, agriculture and livestock. The ETF is benchmarked to the Bloomberg Commodity (BCOM) Index. The ETF seeks to outperform the BCOM by utilizing the Barclays Backwardation Tilt Multi-Strategy Index (BBTI). Exposure to the BBTI is expected to be obtained via swap contracts.

QUESTION 2:

What are the distinguishing characteristics of the BBTI versus the BCOM?

The BBTI utilizes a methodology based on market and fundamental signals that is consistent with DoubleLine’s approach to commodity investing. While the BBTI’s investment universe comprises all 24 commodities in the BCOM, it differs in outright exposure due to positioning enhancements through commodity weights and contract selection. Beginning with the weights, the BBTI overweights the 10 commodities with the highest roll yields and underweights the 14 commodities with the lowest roll yields. (Figure 1) Furthermore, for each commodity, the BBTI actively selects the most-attractive contracts along the futures curve using known factors such as carry, seasonality and momentum in order to enhance potential outperformance versus the BCOM.

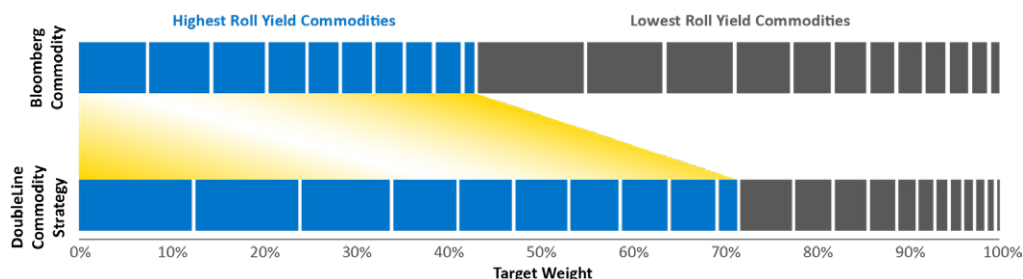


Figure 1
Source: DoubleLine, Bloomberg
You cannot invest directly in an index.

QUESTION 3:

What is backwardation, and why would a commodity investor want their exposure to be focused on commodities that exhibit higher backwardation?

Investors turn to the futures market to get exposure to commodity markets given the inherent challenges of buying and storing commodities. In order to maintain exposures without taking physical delivery of the underlying commodities, investors must “roll” commodity futures contracts. For investors who are long commodity exposures, this involves selling a currently held shorter-dated contract to purchase a longer-dated contract.

Each contract on the futures curve is priced based on the number of days until expiration. Backwardation generally occurs with respect to a commodity when inventory levels are scarce and/or demand is high, thus consumption today will cost *more* than consuming at some point in the future. This typically leads to a backwardated, or downward sloping, term structure of commodity prices and a *positive* “roll” return.

For example, assume hypothetical commodity term structure does not change over the next month. (Figure 2) As time passes, the futures contract with one month to expiration converges to the spot market. The price of that contract “rolls up” the curve toward the spot price. Although the spot price did not change over the month, the futures price went from \$100 to \$105 due to the roll up, resulting in a \$5 gain (+5%).

Term Structure of Hypothetical Commodity

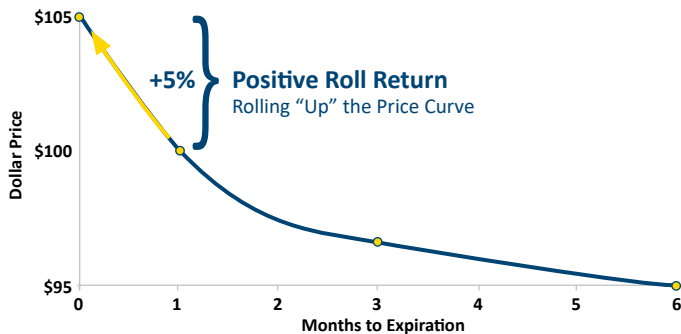


Figure 2
Source: DoubleLine

QUESTION 4:

Regarding futures contract selection, what are the factors that can enhance returns for investors?

For each of the 24 commodities, the BBTI seeks to provide exposure to the most-attractive futures contracts based on a variety of factors including carry, momentum and seasonality:

- **The carry factor:** Every month it selects the futures contract that is expected to offer the highest roll return the following month.
 - Commodities utilizing the carry factor include:
 - Energy: Brent Crude Oil, Gasoline, WTI Crude Oil
 - Industrial Metals: Aluminum, Copper, Lead, Nickel, Zinc
- **The momentum factor:** Every month it selects the futures contract whose tenor has outperformed the most over the past year.
 - Commodities utilizing the momentum factor include:
 - Agriculture: Coffee, Corn, Cotton, Kansas Wheat, Soybean Meal, Soybean Oil, Soybeans, Sugar, Wheat
 - Livestock: Lean Hogs, Live Cattle
- **The seasonality factor:** Every year it selects a static futures contract based on historical seasonal patterns for each underlying commodity.
 - Commodities utilizing the seasonality factor include:
 - Energy: Gasoil, Natural Gas, NY Harbor ULSD

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QUESTION 5:

How has the BBTI performed relative to the BCOM?

The BBTI launched on Aug. 5, 2011. (Figures 3-5) During this period of live performance, the BBTI had a correlation of 0.94 relative to the BCOM. The BBTI has outperformed the BCOM by 4.0% per annum with a similar level of annualized volatility, resulting in a superior risk-adjusted return. During this time, the worst peak-to-trough performance for the BBTI was negative 49.6% vs negative 61.6% for the BCOM.

Total Returns	BBTI	BCOM	S&P GSCI	DBLCI-OY
Annualized Geometric Return	1.94%	-2.03%	-2.47%	-1.55%
Annualized Standard Deviation	14.29%	14.25%	21.30%	18.30%
Annualized Sharpe Ratio	0.12	N/A	N/A	N/A
Maximum Drawdown	-49.63%	-61.62%	-76.81%	-65.64%
Correlation to BCOM	0.94	1.00	0.87	0.87

Figure 3
Source: DoubleLine, Bloomberg

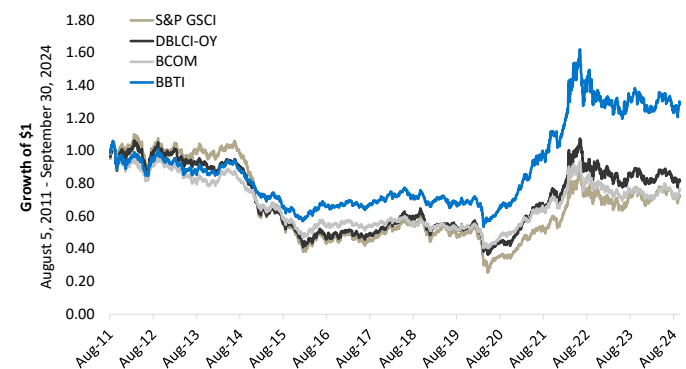


Figure 4
Source: DoubleLine, Bloomberg

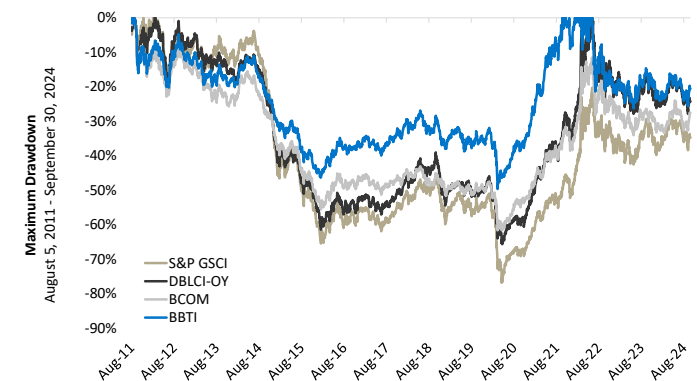
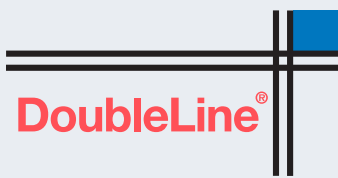


Figure 5
Source: DoubleLine, Bloomberg



DoubleLine Commodity Strategy ETF

Frequently Asked Questions

QUESTION 6:

How often does the BBTI rebalance and reallocate?

The BBTI reallocates and rebalances the commodity weights and contract exposures on a monthly basis.

QUESTION 7:

Why should an investor consider an allocation to commodities as part of their overall portfolio?

We believe there are several benefits that an allocation to commodities can bring to investor portfolios. On top of the potential for incremental return, allocating to a broad basket of commodities can offer diversification benefits to portfolios, as commodity returns have historically had a low to negative correlation to those of traditional assets such as equities and fixed income. (Figure 6) Adding this distinct return source can lead to better risk-adjusted returns over traditional portfolio allocations that don't include commodity exposure. Additionally, commodities can offer protection against unexpected increases in broad inflation measures, as commodities serve as the primary inputs in manufactured goods. (Figure 7) Finally, as world economies transition toward cleaner sources of energy and a goal of carbon neutrality, we believe there are structural demand drivers in place for the commodities that will be required to build the infrastructure necessary for these green energy projects.

Correlation Matrix of Various Asset Classes

January 31, 2000 - September 30, 2024	Commodities	U.S. Large Cap	U.S. Small Cap	Int'l Equities	U.S. Aggregate	U.S. Treasury	MBS	U.S. Inv. Grade	U.S. High Yield	EM Corporates	EM Sovereigns	Dollar Index
Commodities	1.00	0.39	0.36	0.50	0.01	-0.15	-0.03	0.21	0.43	0.36	0.34	-0.48
U.S. Large Cap		1.00	0.84	0.87	0.13	-0.14	0.11	0.37	0.69	0.57	0.57	-0.35
U.S. Small Cap			1.00	0.78	0.09	-0.18	0.08	0.32	0.69	0.54	0.54	-0.31
Int'l Equities				1.00	0.19	-0.10	0.16	0.45	0.73	0.65	0.65	-0.58
U.S. Aggregate					1.00	0.91	0.92	0.87	0.33	0.60	0.56	-0.35
U.S. Treasury						1.00	0.83	0.63	-0.03	0.31	0.29	-0.22
MBS							1.00	0.71	0.22	0.50	0.47	-0.30
U.S. Inv. Grade								1.00	0.63	0.79	0.74	-0.40
U.S. High Yield									1.00	0.76	0.74	-0.37
EM Corporates										1.00	0.99	-0.46
EM Sovereigns											1.00	-0.45
Dollar Index												1.00

Figure 6

Source: DoubleLine

For a full list of indices, see disclosures at the end of this document.

BCOM Excess Returns vs. Unexpected Inflation

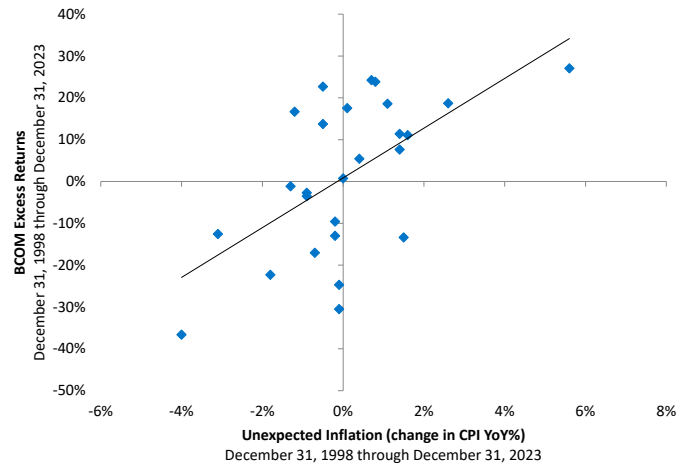


Figure 7

Source: DoubleLine, Bloomberg

QUESTION 8:

What is the DoubleLine investment team's experience in managing commodities?

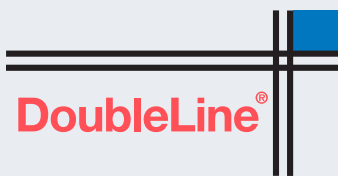
DoubleLine Alternatives portfolio management team members have worked together for an average of 21 years with an average of 22 years of industry experience. The team has been running a long-short commodity strategy since February 2012, and it has also managed the DoubleLine Strategic Commodity strategy since May 2015.

QUESTION 9:

What is the tax treatment for the DoubleLine Commodity Strategy ETF? Is there a K1?

Income is reported on IRS Form 1099 and not via K-1. ■

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Frequently Asked Questions



Jeffrey Sherman, CFA

DoubleLine Deputy Chief Investment Officer

As DoubleLine's Deputy Chief Investment Officer, Jeffrey Sherman oversees and administers DoubleLine's Investment Management sub-committee coordinating and implementing policies and processes across the investment teams. He also serves as lead portfolio manager for multi-sector and derivative-based strategies. He is a member of DoubleLine's Executive Management and Fixed Income Asset Allocation Committees. He can be heard regularly on his podcast "The Sherman Show" (@ShermanShowPod) where he interviews distinguished guests, giving listeners insight into DoubleLine's current views. In 2018, Money Management Executive named Jeffrey Sherman as one of "10 Fund Managers to Watch" in its yearly special report. Prior to joining DoubleLine in 2009, he was a Senior Vice President at TCW where he worked as a portfolio manager and quantitative analyst focused on fixed income and real-asset portfolios. Mr. Sherman was a statistics and mathematics instructor at both the University of the Pacific and Florida State University. He taught Quantitative Methods for Level I candidates in the CFA LA/USC Review Program for many years. He holds a BS in Applied Mathematics from the University of the Pacific and an MS in Financial Engineering from the Claremont Graduate University. He is a CFA® charterholder.

Terms and Definitions

Figure 6 indices: Commodities: Bloomberg Commodity Index, U.S. Large Cap: S&P 500 Index, U.S. Small Cap: Russell 2000 Index, International Equities: Morgan Stanley Capital International Europe, Australasia and Far East Index and Morgan Stanley Capital International All Country World Index, U.S. Aggregate: Bloomberg US Aggregate Bond Index, U.S. Treasury: Bloomberg US Treasury Index, MBS: Bloomberg Mortgage-Backed Securities Index, Investment Grade: Bloomberg US Corporate Bond Index, High Yield: Bloomberg US Corporate High Yield, EM Corporates: J.P. Morgan Emerging Market Bond Index Global Diversified, EM Sovereigns: Bloomberg Emerging Markets USD Aggregate Sovereign Index, Dollar Index: U.S. Dollar Index

Backwardation – When the current price of an underlying asset is higher than prices trading in the futures market. Backwardation can occur as a result of a higher demand for an asset currently than the contracts maturing in the coming months through the futures market. Traders use backwardation to make a profit by selling short at the current price and buying at the lower futures price.

Barclays Backwardation Tilt Multi-Strategy Index – This index seeks to capture two potential sources of outperformance in commodity markets: curve carry returns from opportunistically taking positions in longer-tenor futures and carry returns from overweighting commodities expected to have a lower cost of carry over commodities expected to have a higher cost of carry.

Bloomberg Commodity (BCOM) Index – This index is calculated on an excess return basis and reflects the price movements of commodity futures. It rebalances annually, weighted two-thirds by trading volume and one-third by world production, and weight caps are applied at the commodity, sector and group levels for diversification. The roll period typically occurs from the sixth to 10th business day based on the roll schedule.

Bloomberg Emerging Markets (EM) USD Aggregate Sovereign Index – This index tracks fixed- and floating-rate, U.S. dollar-denominated debt issued by EM governments. Country eligibility and classification as an emerging market is rules based and reviewed annually using World Bank income group and International Monetary Fund country classifications.

Bloomberg US Aggregate Bond Index – This index (the "Agg") represents securities that are SEC registered, taxable and 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 indexes that are calculated and reported on a regular basis.

Bloomberg US Corporate Bond Index – This index measures the investment grade, fixed-rate taxable corporate bond market. It includes U.S. dollar-denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers.

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Bloomberg US Corporate High Yield (HY) Bond Index – This index measures the U.S. dollar-denominated, HY, fixed-rate corporate bond market. Securities are classified as HY if the respective middle ratings of Moody's, Fitch and S&P are Ba1, BB+ or BB+ or below. The Bloomberg US HY Long Bond Index, including bonds with maturities of 10 years or greater, and the Bloomberg US HY Intermediate Bond Index, including bonds with maturities of 1 to 9.999 years, are subindexes of the Bloomberg US Corporate HY Bond Index.

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).

Bloomberg US Treasury Index – This index measures U.S. dollar-denominated, fixed-rate nominal debt issued by the U.S. Treasury with a remaining maturity of one year or more. Treasury bills are excluded by the maturity constraint but are part of a separate Short Treasury Index.

Brent Crude Oil – Major trading classification of sweet light crude oil that serves as a benchmark price for purchases of oil worldwide. Brent is known as a light, sweet oil because it contains 0.24% sulfur, making it "sweet," and has a low density, making it "light."

Consumer Price Index (CPI) – This index, compiled by the U.S. Bureau of Labor Statistics, examines the weighted average of the prices of a basket of consumer goods and services, such as transportation, food and medical care. It is calculated by averaging price changes for each item in the basket. Changes in the CPI are used to assess price changes associated with the cost of living. The CPI is one of the most frequently used statistics for identifying periods of inflation or deflation.

Contango – Situation where the futures price of a commodity is higher than the spot price. In all futures market scenarios, the futures prices will usually converge toward the spot prices as the contracts approach expiration. Advanced traders can use arbitrage and other strategies to profit from contango.

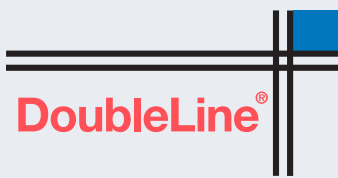
Deutsche Bank Liquid Commodities Index Optimum Yield (DBLCI-OY) – This index tracks on an optimal yield basis the performance of the DBLCI, which gauges the performance of six commodities in the energy, precious metals, industrial metals and grain sectors. The DBLCI has constant weightings for each of the six commodities and the index is rebalanced annually in the first week of November. Consequently, the weights fluctuate during the year according to the price movement of the underlying commodity futures. The DBLCI-OY designed to select the futures contracts that either maximizes the positive roll yield in backwardated term structures or minimizes the negative roll yield in contangoed markets from the list of tradeable futures that expire in the next 13 months.

Excess Return – Return achieved above and beyond the return of a proxy such as a benchmark index.

Geometric Return – The average of a set of products, the calculation of which is commonly used to determine the performance results of an investment or portfolio. Technically defined as the Nth root product of N numbers.

Morgan Stanley Capital International All Country World Index (MSCI ACWI) – This market capitalization-weighted index is designed to provide a broad measure of stock performance throughout the world. It comprises stocks from 23 developed countries and 24 emerging markets.

Morgan Stanley Capital International (MSCI) Europe, Australasia and Far East (EAFE) Index – This index is designed to represent the performance of mid- and large-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East, excluding the U.S. and Canada. The index is available for a number of regions, market segments/sizes and covers approximately 85% of the free float-adjusted market capitalization in each of the 21 countries.



DoubleLine Commodity Strategy ETF

Frequently Asked Questions

Roll Yield – Difference between the profit or loss of a futures contract and the change in the spot price of the underlying asset of that futures contract.

Russell 2000 Index – This market capitalization-weighted index comprises 2,000 small-cap U.S. companies and is considered a bellwether index for small-cap investing.

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.

S&P GSCI – This index (formerly the Goldman Sachs Commodity Index) measures investment in the commodity markets and commodity market performance over time.

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

Standard Deviation – Measure of the variation or dispersion of a set of data from its mean or expected/budgeted value. A low standard deviation indicates that the data points tend to be very close to the mean, whereas a high standard deviation indicates that the data is spread out over a large range of values. A measure of an investment's volatility.

Tenor – Length of time remaining before a financial contract expires. It is sometimes used interchangeably with the term maturity, although the terms have distinct meanings. Tenor is used in relation to bank loans, insurance contracts and derivative products.

U.S. Dollar Index (DXY) – A weighted geometric mean of the U.S. dollar's value relative to a basket of six major foreign currencies: the euro, Japanese yen, British pound, Canadian dollar, Swedish krona and Swiss franc.

West Texas Intermediate (WTI) Crude Oil– Specific grade of crude oil and one of the main three benchmarks, along with Brent and Dubai Crude, in oil pricing. WTI is known as a light sweet oil because it contains 0.24% sulfur, making it "sweet," and has a low density, making it "light." It is the underlying commodity of the New York Mercantile Exchange's (NYMEX) oil futures contract and is considered a high-quality oil that is easily refined.

You cannot invest directly in an index.

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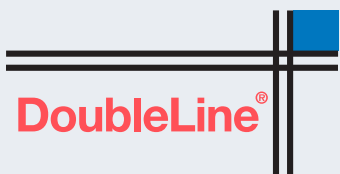
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DoubleLine Commodity Strategy ETF

Frequently Asked Questions

The ETF'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 (855) 937-0772, or visiting www.doubleline.com. Read them carefully before investing.

Investing involves risk. Principal loss is possible. Equities may decline in value due to both real and perceived general market, economic and industry conditions.

ETF investments involve additional risks such as the market price trading at a discount to its net asset value, an active secondary trading market may not develop or be maintained, or trading may be halted by the exchange in which they trade, which may impact an ETF's ability to sell its shares.

Investments in commodities or commodity related instruments may subject the ETF to greater risks and volatility as commodity prices may be influenced by a variety of factors including unfavorable weather, environmental factors, and changes in government regulations. The ETF 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 ETF 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. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. The ETF invests in foreign securities which involve greater volatility and political, economic and currency risks and differences in account methods. These risks are greater for investments in emerging markets. Any index used by the ETF may be too widely used and information regarding its components and/or its methodology may be generally known to industry participants, it may be more difficult for the ETF to find willing counterparties to engage in total or excess return swaps or other derivative instruments based on the return of the index. The ETF is non-diversified meaning it may concentrate its assets in fewer individual holdings than a diversified ETF. Therefore, the ETF is more exposed to individual stock volatility than a diversified ETF.

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