ACTIVE ETFS CHANNEL

Navigating the Turbulent Waters: DoubleLine's Active ETFs Offer Value Plays in the Challenging Real Estate Market

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If there's one segment of the market that investors seem on edge about, it has to be real estate. Both the housing and commercial sectors of the market have suffered as rising rates have zapped demand, while macroeconomic trends have continued to pressure rents and occupancy rates. All in all, many analysts have postulated that real estate will be dead money for quite some time.

This makes it an odd time to launch a pair of ETFs covering the sector.

But DoubleLine's two new ETFs may just have an edge in the real estate market. As active ETFs, the two new funds could be seen as value plays and buy bargain mortgage-backed securities (MBS). And in that, they could be big winners over the long haul. For investors, the time could be right for the ETFs.

DoubleLine's ETF Suite

For the uninitiated, DoubleLine Capital was founded by Jeffrey Gundlach after leaving TCW. Gundlach has risen to prominence after guiding DoubleLine's Total Return mutual fund to mega-sized gains. Since then, Gundlach has been anointed by financial media as the 'Bond King', taking the crown from PIMCO's now- retired Bill Gross. Gundlach has also become a staple of financial media on TV and in print.

As such, DoubleLine's assets have grown considerably across several investment vehicles. This includes several ETFs. At first, these were management positions for other sponsors such as DoubleLine's deal with State Street for the **SPDR DoubleLine Short Duration Total Return Tactical ETF (STOT)** and **SPDR DoubleLine Total Return Tactical ETF (TOTL).**

Last year, DoubleLine decided to take matters into its own hands by launching its own-branded funds. First was the **DoubleLine Opportunistic Bond ETF (DBND)**, which is a go anywhere vehicle to find the best opportunities among various fixed income sectors. Second was **Shiller CAPE U.S. Equities ETF (CAPE)***, which uses Gundlach's favorite measure for pricing stocks.

***This ETF is different from traditional ETFs.** Traditional ETFs tell the public what assets they hold each day. This ETF will not. This may **create additional risks** for your investment. For example:

- You may have to pay more money to trade the ETF's shares. This ETF will provide less information to traders, who tend to charge more for trades when they have less information.
- The price you pay to buy ETF shares on an exchange may not match the value of the ETF's portfolio. The same is true when you sell shares. These price differences may be greater for this ETF compared to other ETFs because it provides less information to traders.
- These additional risks may be even greater in bad or uncertain market conditions.

The differences between this ETF and other ETFs may also have advantages. By keeping certain information about the ETF secret, this ETF may face less risk that other traders can predict or copy its investment strategy. This may improve the ETF's performance. If other traders are able to copy or predict the ETF's investment strategy however, this may hurt the ETF's performance. For additional information regarding the unique attributes and risks of the ETF, see the Prospectus and SAI available on DoubleLine.com.

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DoubleLine Doubles Its Offerings

This year, DoubleLine launched two more funds, effectively doubling its own suite of ETFs. These two new funds take a very sector-specific approach: real estate. Gundlach has long been a fan of MBS in both the housing and commercial real estate sectors, with MBS featuring prominently among many DoubleLine mutual funds and managed products. So, it's no surprise the fund company would look here for exposure

The **DoubleLine Commercial Real Estate ETF (DCMB)** will invest in senior commercial real estate debt through investment-grade Agency and non-Agency CMBS, as well as commercial real estate collateralized loan obligations (CRE CLOs).

The **DoubleLine Mortgage ETF (DMBS)** will invest high-quality residential mortgage-backed securities (RMBS) among government-backed Agency mortgage-backed securities, as well as non-Agency and bank-issued mortgage bonds.

Active Management Is Key

The timing of the new ETFs could give investors a bit of a pause. Thanks to the Fed's latest tightening cycle, real estate trends have been heading downward.

Thanks to higher borrowing costs—a 30-year fixed mortgage is now at 7.01%—mortgage applications, new home construction, existing home sales, and other data have continued to drop for several quarters. Banks have also stepped up underwriting standards in the wake of recent bank failures. This has hurt the residential side of the equation.

The commercial side doesn't appear much better. Work from home schemes and major layoffs in office-heavy markets have also hurt commercial property values. Delinquencies and defaults have risen as property owners have become strapped for cash. We've already begun to see some owners walk away from retail and office properties in several markets.

But according to DoubleLine portfolio manager **Morris Chen**, "It's a perfect time, because with all this negative sentiment, you're seeing a lot of unique opportunities." This is where both ETFs can find a real footing.

Both funds are actively managed. Investors buying the indexed **iShares CMBS ETF** are stuck with everything: the good, the bad, and everything in-between. This is not the case, with the new DoubleLine funds. For example, the CMBS portfolio is managed through security selection across property types and subsectors. This includes analysis at the individual property level. The same could be said for the residential fund, which can shift between Agency and non- Agency bonds, while managing credit and prepayment risks.

Because the new ETFs don't have to look like their benchmarks, the teams at DoubleLine can comb through the wreckage and find the best opportunities. This can be bonds trading for higher-than-normal yields, those that feature strong cash flow fundamentals, or property types that have good long-term prospects. Given the fragmented nature of fixed income markets, active management can play a serious role in building a better portfolio and produce higher returns in the asset class.

And DoubleLine has done a pretty good job at that.

While the fund company doesn't offer any exclusive MBS or CMBS mutual funds, real estate bonds dot nearly all its portfolios and, in many, account for the bulk of the assets. For example, the previously mentioned Total Return has about 82% of its portfolio in various MBS/CMBS bonds. The fund has also managed to crush the Bloomberg U.S. Aggregate Bond Index.

The same teams that managed the MBS bond exposure will also be managing it in the two new ETFs.

Here's a list of some top-performing DoubleLine Funds as of June 30, 2023:

Name	Ticker	Type	Actively Managed?	AUM	YTD Ret (%)
DoubleLine Shiller CAPE U.S. Equities ETF	CAPE	ETF	Yes	$274.8 MM	16.9%
DoubleLine Opportunistic Bond ETF	DBND	ETF	Yes	$154.2 MM	3.2%
SPDR DoubleLine Total Return Tactical ETF	TOTL	ETF	Yes	$3.08 B	3.2%
SPDR DoubleLine Short Duration Total Return Tactical ETF	STOT	ETF	Yes	$127.7 MM	2.7%
DoubleLine Total Return Bond Fund	DBLTX	Mutual Fund	Yes	$39.3 B	2.5%
DoubleLine Commercial Real Estate ETF	DCMB	ETF	Yes	$27.2 MM	1.46%
DoubleLine Mortgage ETF	DMBS	ETF	Yes	$99.6 MM	-0.9%

Please see distributor information at end of this document.

The Bottom Line

DoubleLine's new ETFs underscore how active management can be applied in downtrodden sectors. With both residential and commercial real estate bonds facing headwinds, it takes an active touch to find the opportunities. With a long history of doing that, DoubleLine may have some big hits on their hands. For investors looking to spice up their real estate portfolios or add some bonds to their fixed income sleeves, the new active ETFs could be solid winners. ■

Standardized Performance as of June 30, 2023	2Q23	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date	Gross Expense Ratio
CAPE (Market)	8.30	16.85	19.04	-	-	-	-0.81	3/31/2022	0.65
CAPE (NAV)	8.03	16.86	18.67	-	-	-	-0.96	3/31/2022	
S&P 500® Index	6.61	16.89	19.59	-	-	-	-0.76		
DBND (Market)	-0.08	3.16	0.13	-	-	-	-2.93	3/31/2022	0.50
DBND (NAV)	-0.17	3.18	0.16	-	-	-	-2.99	3/31/2022	
Bloomberg US Aggregate Bond Index	-0.84	2.09	-0.94	-	-	-	-4.50		
TOTL (Market)	-0.03	3.27	0.88	-2.94	0.34	-	0.83	2/23/2015	0.55
TOTL (NAV)	-0.10	3.16	0.49	-2.94	0.28	-	0.80	2/23/2015	
Bloomberg US Aggregate Bond Index	-0.84	2.09	-0.94	-3.96	0.77	-	0.97		
STOT (Market)	1.08	2.58	3.23	0.10	1.35	-	1.31	4/13/2016	0.45
STOT (NAV)	1.15	2.67	3.24	0.08	1.36	-	1.30	4/13/2016	
Bloomberg U.S. Aggregate 1-3 Year Index	-0.36	1.15	0.52	-0.92	1.08	-	0.92		
DBLTX	-0.79	2.49	-1.94	-3.05	0.17	1.59	3.74	4/6/2010	0.49
Bloomberg US Aggregate Bond Index	-0.84	2.09	-0.94	-3.96	0.77	1.52	2.24		
DCMB (Market)	1.46	1.46	-	-	-	-	1.46	3/31/2023	0.39
DCMB (NAV)	1.25	1.25	-	-	-	-	1.25	3/31/2023	
Bloomberg 1-3yr US Aggregate Bond Index	-0.36	1.15	-	-	-	-	-0.36		
DMBS (Market)	-0.66	-0.66	-	-	-	-	-0.66	3/31/2023	0.49
DMBS (NAV)	-0.91	-0.91	-	-	-	-	-0.91	3/31/2023	
Bloomberg US Mortgage-Backed Securities Index	-0.64	-0.64	-	-	-	-	-0.64		

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 hares, 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 (213) 633-8200 or by visiting www.doubleline.com.

Investing involves risk. Principal loss is possible.

The Funds are a "non-diversified" investment company and therefore may invest a greater percentage of their assets in the securities of a single issuer or a limited number of issuers than funds that are "diversified." Accordingly, the Funds are more susceptible to risks associated with a single economic political or regulatory occurrence than diversified funds might be.

DoubleLine Opportunistic Bond ETF (DBND)

Investments in debt securities typically decline in value when interest rates rise. This risk is usually greater for longer-term debt securities. Investments in asset-backed and mortgage-backed securities include additional risks that investors should be aware of including credit risk, prepayment risk, possible illiquidity and default, as well as increased susceptibility to adverse economic developments. The Fund may invest in foreign securities which involve greater volatility and political, economic and currency risks and differences in accounting methods. These risks are greater for investments in emerging markets. Investments in lower rated and non-rated securities present a greater risk of loss to principal and interest than higher rated securities. 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 Fund may invest in other asset classes and investments such as, among others, REITs, credit default swaps, short sales, derivatives and smaller companies which include additional risks.

DoubleLine Shiller CAPE® U.S. Equities ETF (CAPE)

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 a fund's ability to sell its shares.

For additional information regarding the unique attributes and risks of the ETF, see the Prospectus and SAI, which are available on the ETF's website.

DoubleLine Mortgage ETF (DMBS)

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 a fund's ability to sell its shares.

Investments in debt securities change in value because of changes in interest rates. The value of an instrument with a longer duration (whether positive or negative) will be more sensitive to changes in interest rates than a similar instrument with a shorter duration. There is the risk that the Fund may be unable to sell a portfolio investment at a desirable time or at the value the Fund has placed on the investment. Illiquidity may be the result of, for example, low trading volume, lack of a market maker, or contractual or legal restrictions that limit or prevent the Fund from selling securities or closing derivative positions. There is risk that borrowers may default on their mortgage obligations or the guarantees underlying the mortgage-backed securities will default or otherwise fail and that, during periods of falling interest rates, mortgage-backed securities will be called or prepaid, which may result in the Fund having to reinvest proceeds in other investments at a lower interest rate. 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.

DoubleLine Commercial Real Estate ETF (DCMB)

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 a fund's ability to sell its shares.

Investments in debt securities change in value because of changes in interest rates. The value of an instrument with a longer duration (whether positive or negative) will be more sensitive to changes in interest rates than a similar instrument with a shorter duration. There is the risk that the Fund may be unable to sell a portfolio investment at a desirable time or at the value the Fund has placed on the investment. Illiquidity may be the result of, for example, low trading volume, lack of a market maker, or contractual or legal restrictions that limit or prevent the Fund from selling securities or closing derivative positions. There is risk that borrowers may default on their mortgage obligations or the guarantees underlying the mortgage-backed securities will default or otherwise fail and that, during periods of falling interest rates, mortgage-backed securities will be called or prepaid, which may result in the Fund having to reinvest proceeds in other investments at a lower interest rate. 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.

Bloomberg US Aggregate 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 1-3yr US Aggregate Bond Index – This index tracks the one- to three-year component of the Bloomberg US Aggregate Bond Index.

iShares CMBS ETF – The iShares CMBS ETF seeks to track the investment results of an index composed of investment-grade commercial mortgage-backed securities.

Distributor Information

DoubleLine ETFs (CAPE, DBND, DCMB & DMBS) are distributed by Foreside Fund Services, LLC.

DoubleLine Funds (DBLTX) are distributed by Quasar Distributors, LLC.

STOT and TOTL are distributed by State Street Global Advisors Funds Distributors, LLC, member FINRA, SIPC, an indirect wholly owned subsidiary of State Street Corporation.

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