

DoubleLine Market Commentary

December 2025

Overview

2025 was a fantastic year for those invested in the public markets, with roaring equity and strong fixed-income returns across geographies and sectors. Despite stickier than hoped for inflation, the Federal Reserve continued its interest-rate cutting cycle in the face of a weakening labor market. With unemployment rising to 4.60% in November from 4.10% at the start of the year and market reactions to the Trump tariff regime unveiled in April, U.S. real gross domestic product (GDP) is expected to decline to 1.9% for 2025 from 2.4% in 2024, according to the Federal Reserve Bank of Philadelphia Survey of Professional Forecasters. In addition, annual inflation has remained stubbornly elevated, with the Consumer Price Index (CPI) at 2.7% as of November. While several traditional economic indicators continued to signal economic contraction throughout the year, strong consumer spending and a robust services sector powered the economy.

2025 marked elevated volatility from the federal government and a weakening U.S. dollar as the scope of the April tariffs took markets by surprise, a temporary tariff escalation war began with China, a deficit-expanding “One Big Beautiful Bill” passed in July, and the government shut down in October. Over the full year, the dollar fell 9.37% from \$108.49 to \$98.32, as measured by the U.S. Dollar Index. (Figure 1) Despite that pain, the S&P 500 Index returned 17.88% for the year, 2.65% in the fourth quarter and negative 0.06% in December. Growth stocks continued their outperformance versus value stocks across the year, as the Russell 1000 Growth Index returned 18.56% versus the Russell 1000 Value Index’s 15.91%. With all but the long bond’s rates moving lower, traditional fixed-income sectors provided robust returns, with the Bloomberg US Aggregate Bond Index up 7.30% for 2025 and 1.10% for the quarter. U.S. Treasury yields fell across the curve on the year as the Fed resumed cutting the federal funds rate (FFR), except for the 30-year, which remained elevated due to a widening federal deficit and eye-popping national debt. (Figure 2)

U.S. Treasury Yield Curve | As of December 31, 2025

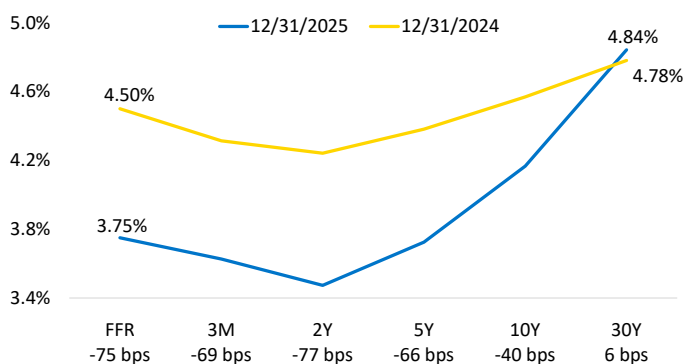


Figure 2
Source: DoubleLine, Bloomberg

Total Return by Asset Class | As of December 31, 2025 Denominated in U.S. Dollars

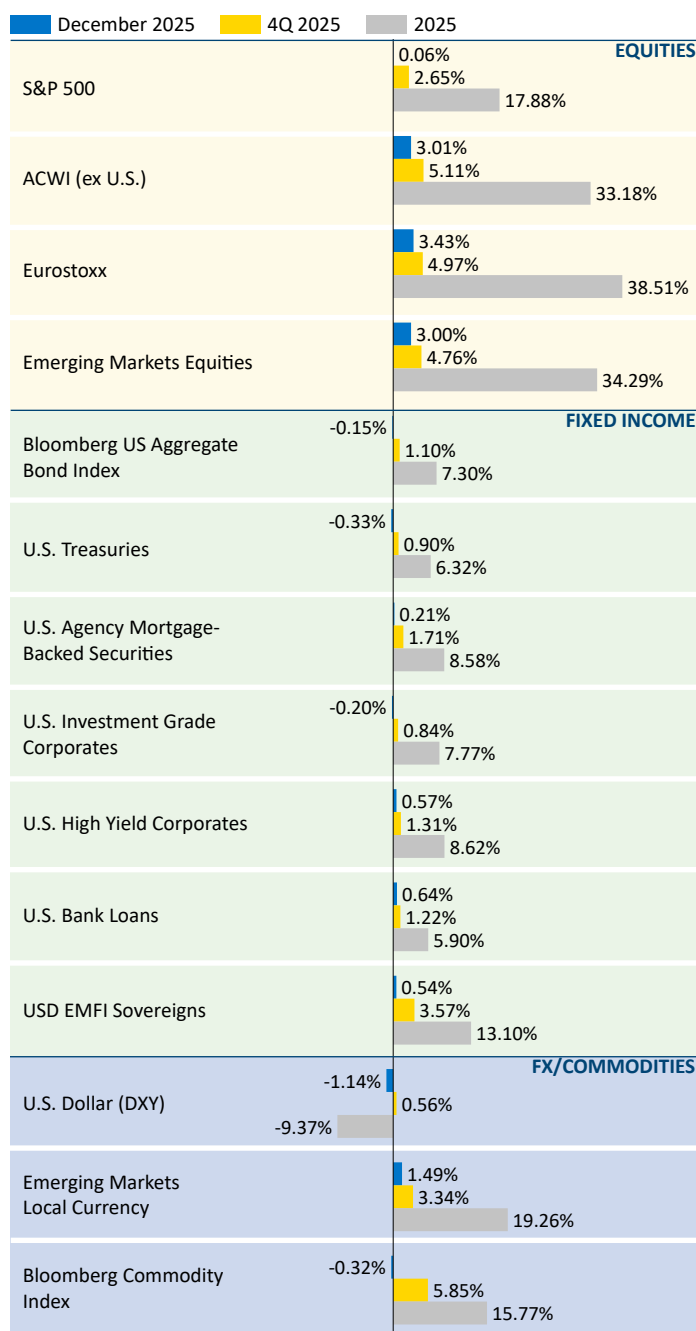
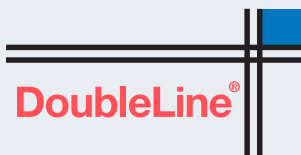


Figure 1
Source: DoubleLine, Bloomberg

Indices used in this chart: S&P 500 Index, MSCI ACWI ex U.S., Euro Stoxx 50, Emerging Markets Equities - MSCI EM Index, Bloomberg US Aggregate Bond Index, U.S. Treasuries - Bloomberg US Treasury Index, U.S. Agency MBS - Bloomberg US MBS Index, U.S. Corporate IG - Bloomberg US Corporate Index, U.S. Corporate HY - Bloomberg US Corporate High Yield Index, U.S. Bank Loans - Morningstar LSTA US Leveraged Loan TR USD, USD EMFI Sovereign - Bloomberg EM USD Aggregate Sovereign Index, U.S. Dollar Index, Emerging Markets Local Currency - J.P. Morgan Government Bond Index Emerging Markets Global Diversified, Bloomberg Commodity Index.



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2025 continued the dovish monetary policy of 2024, which marked 100 bps of rate cuts. After no action in the first eight months, maintaining a target range of 4.25% to 4.50%, Federal Open Market Committee (FOMC) members responded to weakening labor market data, enacting three 25-bp cuts in the last four months of the year. In December, the FOMC updated its Summary of Economic Projections (SEP), with members expecting lower inflation, higher growth and an unchanged labor market in 2026 relative to the September SEP. The most recent SEP also projected one 25-bp cut in the new year while market expectations in December were for two such cuts, according to the Bloomberg World Interest Rate Probability (WIRP) function. Looking ahead, investors will closely monitor the Fed's willingness to reduce rates based on incoming labor market data as well as the anticipated announcement of a dovish Fed chair to take the seat in May.

The U.S. economy added 50,000 jobs in December, according to the nonfarm payrolls report, versus a consensus estimate of 70,000, bringing the three-month moving average of private payroll gains to 29,000 jobs. The U-3 unemployment rate declined month-over-month (MoM) to 4.38% from 4.56%. The Job Openings and Labor Turnover Survey data for November, released in December, came in weaker than expected, as job openings decreased MoM to 7.2 million from 7.5 million, below a 7.7 million consensus estimate. The ratio of job vacancies to unemployed job seekers declined to 0.91x, the first monthly figure to register below 1x since August, pointing to a labor market coming back into balance. The quits rate increased to 2.0% as the market continued to exhibit a "low hire low fire" environment. Other U.S. economic data was mixed. The ISM Manufacturing PMI decreased MoM in December to 47.9 from 48.2 while the ISM Services PMI increased to 54.4 from 52.6, extending quarterly trends in which manufacturing contracted (a number below 50) and services expanded (a number above 50). Notably, November headline CPI inflation came in softer than expected at 2.7%, although several inputs to the reading were impacted by the government shutdown.

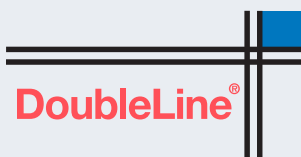
Eurozone inflation came in at 2.0% annualized in December, according to Eurostat's initial flash estimate, down MoM from 2.1% and matching the policy target of the European Central Bank (ECB). The eurozone's third quarter GDP beat market expectations and grew 0.3% quarter-over-quarter (QoQ), according to European Union data, driven by fixed investment and government spending. The S&P Global Eurozone Manufacturing Purchasing Managers' Index (PMI) fell MoM in December to 48.8 from 49.6 while the services PMI print fell to 52.4 from 53.6, in expansionary territory for the seventh consecutive month. The ECB met twice in the fourth quarter, holding its policy rate steady at 2% since the last cut in June. Following the ECB's Dec. 18 meeting, ECB President Christine Lagarde stated, "There was

a unanimous decision that was taken today concerning the rates that we decided to hold. But there was also a unanimous view that all optionality should remain on the table and that we would stick to the meeting-by-meeting data-dependent approach." With on-target inflation and moderate but positive GDP growth, the ECB rate could be on hold for some time.

In China, 2025 was marked by on again, off again trade negotiations with the U.S., including President Donald Trump and President Xi Jinping meeting face-to-face on the sidelines of the October APEC Summit in South Korea, the first such meeting since 2019. The first estimate of third quarter growth came in at 4.8% year-over-year, according to the National Bureau of Statistics of China, the slowest pace in a year and matching expectations. China Manufacturing PMI increased MoM in December to 50.1 from 49.2, the first expansionary reading since March, while services PMI increased to 50.2 from 49.5. The People's Bank of China (PBOC) held rates steady at its December meeting and over the quarter, in line with market expectations. Following the annual Central Economic Work Conference in December, Chinese leaders and the PBOC promised to maintain proactive fiscal policy in 2026 that would stimulate consumption and investment to maintain high economic growth.

In Japan, manufacturing and services PMI data was mixed on the month, according to S&P Global, with manufacturing PMI up MoM to 50.0 from 48.7 and services PMI down to 51.6 from 53.2, both numbers extending quarterly trends. Headline inflation moved lower MoM in November to 2.9% from 3.0%, the 43rd consecutive month above the 2.0% target of the Bank of Japan (BOJ). The BOJ raised the policy rate to 0.75% at its December meeting, the highest level since 1995. With higher than target inflation and a weakening yen, the market at the end of the quarter was anticipating about two hikes in 2026, according to WIRP.

2025 was a year that challenged many traditional economic assumptions and models, marked by elevated volatility from government policy, including tariffs and a federal shutdown. An anticipated inflation spike from the unexpected tariff regime never materialized, with companies heavily frontloading inventories to mitigate impacts to corporate earnings, leading to a whipsawing of QoQ GDP growth projections. Investors are anticipating a steady-as-she-goes market for 2026, with markets anticipating a new dovish Fed chair amid weakening labor market data. As we look to the new year, investors face a dynamic mix of factors – from rising geopolitical tensions and an ever-widening deficit in the U.S. to a resiliently bullish AI sentiment driving equity markets. Risk-asset valuations, corporate AI capital expenditures and geopolitical tensions should factor prominently in outlooks for the coming year.



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U.S. Government Securities

The Bloomberg US Treasury Index declined 0.33% in December, bringing fourth quarter and full-year performance to 0.90% and 6.32%, respectively. U.S. Treasury Inflation-Protected Securities (TIPS) also posted a negative return in December, down 0.40%, and underperformed nominal Treasuries for the quarter, returning only 0.13%. Despite the late-year weakness, TIPS finished 2025 modestly ahead, returning 7.01%.

Intermediate to long-end U.S. Treasury yields rose on the month, extending a late-year rebound in longer-dated rates and resulting in a pronounced steepening of the yield curve. The 10-year yield increased 16 basis points (bps) to 4.17% while the 30-year rose 18 bps to 4.84%, more than reversing declines the previous month. Front-end yields were comparatively stable, leaving the curve significantly steeper at year-end. The spread between two- and 10-year yields (2s10s) widened to nearly 70 bps while the spread between the five- and 30-year yields (5s30s) moved above 110 bps, marking some of the steepest levels in 2025. Over the quarter, declining front-end yields alongside rising long-end rates reinforced a bear-steepening trend.

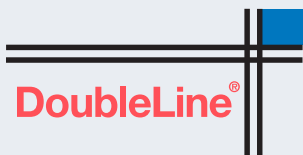
The Federal Open Market Committee (FOMC) delivered a widely anticipated 25-bp cut at its December meeting, bringing the federal funds rate to a range of 3.50% to 3.75%. However, the policy decision was accompanied by an unusually high degree of internal disagreement. While the December Summary of Economic Projections reflected a more cautious outlook for further easing than the September publication with fewer cuts projected for 2026, multiple member dissents underscored divisions within the FOMC. The Federal Reserve also announced the launch of reserve-management purchases that focused on Treasury bills, signaling a shift toward stabilizing money-market conditions rather than providing additional policy accommodation.

Economic data released late in the month reinforced a mixed but slowing macroeconomic backdrop. Labor market indicators pointed to slower hiring momentum, though not a sharp deterioration, while inflation data showed continued moderation. However, distortions stemming from the federal shutdown complicated assessment of the disinflationary path. Breakeven inflation rates compressed further, particularly at the front end of the Treasury curve, reflecting these distortions and confidence that tariff-induced inflation pressures will likely fade into 2026.

U.S. Treasury Yield Curve

	Dec. 31, 2025 (%)	Nov. 30, 2025 (%)	Sept. 30, 2025 (%)	Dec. 31, 2024 (%)	Monthly Change (bps)	Quarterly Change (bps)	Yearly Change (bps)
3 Month	3.63	3.80	3.93	4.32	-17	-30	-69
2 Year	3.47	3.49	3.61	4.24	-2	-14	-77
5 Year	3.73	3.60	3.74	4.39	13	-1	-66
10 Year	4.17	4.01	4.15	4.57	16	2	-40
30 Year	4.84	4.66	4.73	4.78	18	11	6

Source: Bloomberg



Agency Residential and Agency Commercial Mortgage-Backed Securities

Agency residential mortgage-backed securities (RMBS) closed out the year on a steady note, supported by healthy demand and a modest rally in front-end yields on the U.S. Treasury curve. The Bloomberg US MBS Index returned 0.21% on the month and 1.71% for the fourth quarter, lifting full-year performance to 8.58%. Agency commercial MBS (CMBS) fared similarly, with the Bloomberg US Agency CMBS Index gaining 0.30%, 1.27% and 7.74%, respectively.

Spread dynamics were constructive across the month and quarter. Agency RMBS option-adjusted spreads (OAS) tightened 1 basis point (bp) on the month and 6 bps on the quarter to 28 bps, signaling improved liquidity and risk sentiment. Agency CMBS OAS held firm at 34 bps for both the month and quarter. Current-coupon Agency OAS edged in 2 bps on the month and 4 bps on the quarter to 122 bps, reflecting lower rate volatility.

Prepayment activity remained muted on the month, consistent with holiday seasonality and still-elevated mortgage rates. The 30-year mortgage rate slipped 4 bps on the month and 19 bps on the quarter to 6.15%, per the Freddie Mac U.S. Mortgage Market Survey 30-Year Homeowner Commitment National Index, its lowest level of the year.

Agency RMBS gross issuance slowed into year-end, coming in at \$118.5 billion on the month, increasing quarterly issuance to \$352.5 billion. Net issuance moderated to \$12.0 billion and \$59.6 billion, respectively. Paydowns on the Federal Reserve's Agency MBS portfolio eased month-over-month to \$13.8 billion from \$14.4 billion.

Non-Agency Residential Mortgage-Backed Securities

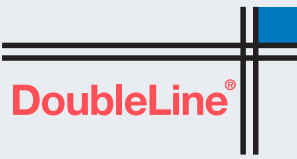
Performance of non-Agency residential mortgage-backed securities (RMBS) was generally positive across subsectors in December, with the exception of re-performing loans. Activity was largely driven by a rally in short-end interest rates after the Federal Reserve reduced the federal funds rate another 25 basis points (bps) in December. Non-Agency RMBS performance was positive across subsectors in the fourth quarter, supported by easing Fed policy and credit spread tightening as housing fundamentals remained strong.

Credit fundamentals were mixed versus November remittance as delinquencies increased while prepayments and mortgage rates decreased. The Freddie Mac U.S. Mortgage Market Survey 30-Year Homeowner Commitment National Index fell 4 bps month-over-month (MoM) in December and 19 bps quarter-over-quarter (QoQ) to 6.15%.

December marked \$11.1 billion in new issuance, down approximately \$5.7 billion MoM, according to BofA Global Research, with activity concentrated in non-qualified mortgages (non-QMs). Issuance decreased approximately \$4.9 billion QoQ to \$48.3 billion, with activity also concentrated in non-QMs.

While mortgage rates have steadily decreased in recent months, sales activity and housing supply have trended upward, slowing home price appreciation. Home prices declined 0.29% MoM but were up 1.31% year-over-year (YoY) in October, the most recent month for which data was available for the S&P CoreLogic Case-Shiller 20-City Composite Home Price NSA Index. Existing-home sales increased 0.5% in November, the most recent month for which data was available as measured by the National Association of Realtors Existing-Home Sales Report. YoY sales remained steady in the Northeast and South but declined in the Midwest and West.

For charts and tables on mortgage market activity, please see the following page.



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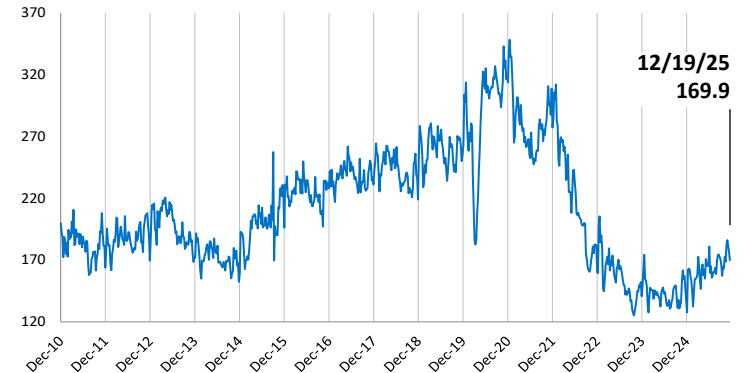
Mortgage Market Activity

MBA U.S. Refinancing Index | As of December 19, 2025



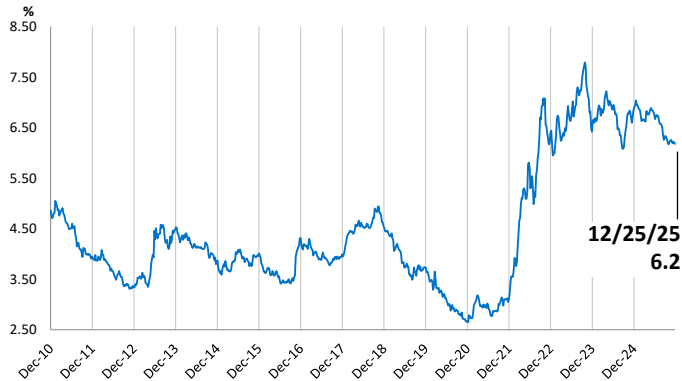
Source: Bloomberg
Base = 100 on 3/16/1990, Seasonally Adjusted

MBA Purchase Index | As of December 19, 2025



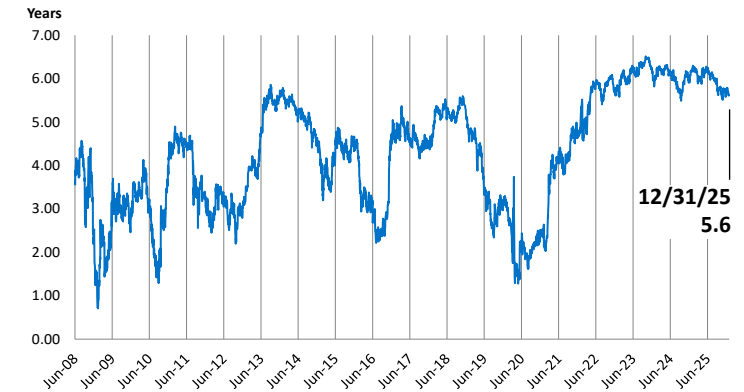
Source: Bloomberg
Base = 100 on 1/14/2011. Seasonally Adjusted

Freddie Mac Commitment Rate - 30 Year | As of December 25, 2025



Source: Bloomberg, DoubleLine
As of 1/4/2024, new methodology for gathering this data was implemented. Instead of surveying lenders, the Primary Mortgage Market Survey® results are now based on actual applications from lenders across the country submitted to Freddie Mac when a borrower applies for a mortgage.

Duration of Bloomberg US MBS Bond Index | As of December 31, 2025



Source: Bloomberg
Base = 100 on 1/14/2011, Seasonally Adjusted

Conditional Prepayment Rates (CPR)

2025	January	February	March	April	May	June	July	August	September	October	November	December
Fannie Mae (FNMA)	5.2	5.1	6.5	7.3	7.3	7.1	7.4	7.2	7.8	10.1	8.1	8.6
Ginnie Mae (GNMA)	7.7	7.2	9.6	11.2	10.4	8.8	9.1	9.7	11.2	14.4	11.9	12.4
Freddie Mac (FHLMC)	5.2	5.1	6.5	7.6	7.5	7.3	7.6	7.4	8.2	11.1	8.8	9.2

Bloomberg U.S. MBS Index	Oct. 30, 2025	Nov. 31, 2025	Dec. 31, 2025	Change
Average Dollar Price (\$)	91.99	92.28	92.21	-0.07
Duration (Years)	5.65	5.61	5.63	0.02

Source: eMBS, Barclays Capital
FHLMC Commitment Rate Source: Bloomberg
As of December 31, 2025

Bloomberg U.S. Index Returns (%)	Oct. 30, 2025	Nov. 31, 2025	Dec. 31, 2025
Aggregate	0.62	0.62	-0.15
MBS	0.86	0.62	0.21
Corporate	0.38	0.65	-0.20
Treasury	0.62	0.62	-0.33

Non-Agency Commercial Mortgage-Backed Securities

In December, the primary non-Agency commercial mortgage-backed securities (CMBS) market priced \$11.63 billion across 15 transactions, pushing quarterly totals to \$41.66 billion and 55 and 2025 volume up 138% year-over-year (YoY) to \$155.22 billion. (Figure 3) Conduit benchmark last-cash-flow bonds rated AAA tightened 3 basis points (bps) to 77 bps on the month compared to duration-matched U.S. Treasuries. Bonds rated BBB- tightened 35 bps to 422 bps compared to duration-matched Treasuries.

Private-Label New Issuance (\$ Billions)	Monthly		Quarter-to-Date	
	Deals	Volume	Deals	Volume
Conduit	6	\$4.68	13	\$9.73
Single Asset, Single Borrower	8	\$5.55	29	\$24.21
Commercial Real Estate CLO	1	\$0.95	8	\$7.27
Other*	0	\$0.45	0	\$0.45
Private-Label Total	5	\$11.63	50	\$41.66

Private-Label New Issuance (\$ Billions)	Year-to-Date		Comparable to YTD 2024	
	Deals	Volume	Volume	% of YTD 2024
Conduit	47	\$34.31	\$33.36	103
Single Asset, Single Borrower	126	\$90.36	\$70.17	129
Commercial Real Estate CLO	31	\$28.50	\$8.47	336
Other*	0	\$2.05	\$0.86	238
Private-Label Total	204	\$155.22	\$112.86	138

Figure 3

Source: DoubleLine, J.P. Morgan, as of December 31, 2025

*In this row, only dollar volume is provided, not the number of deals.

Industrial properties were the only commercial real estate (CRE) type to improve month-over-month (MoM) in November, the latest month for which data was available, while all other types dipped. The 6.26% decline for central business district office was the biggest MoM decrease for the type ever. The RCA U.S. All-Property Commercial Property Price Index was down 2.67% MoM and 0.65% YoY, continuing trends of recent months. CRE transaction volume was down 19% YoY to \$30.1 billion. (Figures 4 and 5)

Property Type	MoM Price Change (%)	YoY Price Change (%)
Apartment	-1.81	-0.78
Retail	-1.60	1.80
Industrial	0.12	3.43
Office - Central Business District	-6.26	-5.47
Office - Suburban	-1.95	-0.81
National All-Property	-2.67	-0.65

Figure 4

Source: Real Capital Analytics, as of November 30, 2025

RCA U.S. CPPI Indexes | As of November 30, 2025

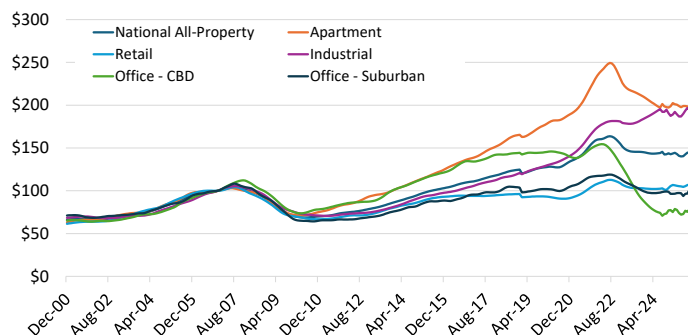


Figure 5

Source: Real Capital Analytics

The 30-day-plus delinquency rate for non-Agency CMBS ticked up 4 bps MoM to 7.30%. (Figure 6) The percentage of loans that were seriously delinquent (60 days or longer, in foreclosure, real estate owned or non-performing) was unchanged at 7.00%. Delinquencies in the heavily watched office segment dipped 25 bps to 11.31%. Except for office and multifamily, all other property types experienced delinquency rate increases, led by lodging's 52-bp increase to 6.61%. The overall YoY delinquency rate decreased to 0.73%.

30-Day-Plus Delinquency Rates | As of December 31, 2025

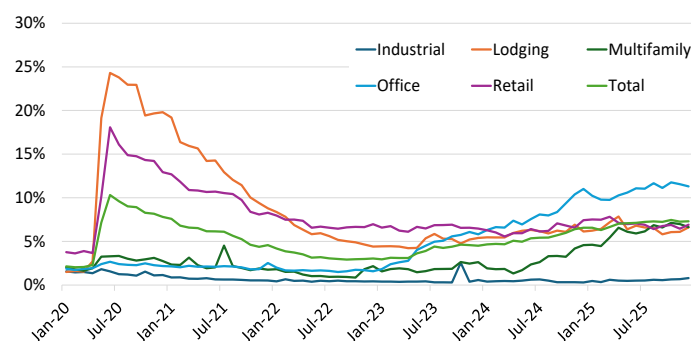


Figure 6

Source: Trepp

Asset-Backed Securities

The asset-backed securities (ABS) market delivered positive returns in December, helped by the relatively short duration of the asset class. Short-duration and high-credit-quality ABS, such as those held in the Bloomberg US ABS Index, returned 0.30% while more off-the-run sectors, such as those held in the ICE BofA U.S. Fixed-Rate Miscellaneous ABS Index, returned 0.26%. The broader fixed-income market, as measured by the Bloomberg US Aggregate Bond Index, returned negative 0.15%. For the fourth quarter, the ABS market generally delivered positive returns in a period when the U.S. Treasury curve steepened, with significant declines across the front end. The indices returned 1.25%, 1.13% and 1.10%, respectively.

Primary market issuance totaled \$7.9 billion on the month and \$82.8 billion on the quarter, bringing the year-to-date total to \$340.1 billion, supported by a record issuance pace and robust investor demand.

Spreads were flat across ABS subsectors on the month. The best performers among subsectors were aircraft securitizations, as underlying collateral fundamentals continued to improve. The worst performers were residential solar securitizations, as concerns over elevated delinquencies weighed on performance. For the quarter, the best performers were hard asset securitizations, such as aircraft and data infrastructure, supported by their duration in a period when Treasury yields rallied. The worst performers were auto securitizations due to concerns over the health of subprime auto loan ABS, leading to wider spreads across the capital stack.

Investment Grade Credit

The U.S. investment grade (IG) corporate credit market was impacted in December by a rise in yields for intermediate to long U.S. Treasuries in response to a cut to the federal funds rate at the start of the month. The Bloomberg US Corporate Index was down 0.20% on the month but up 0.84% in the fourth quarter. U.S. IG corporate spreads, as measured by the index, tightened 2 basis points (bps) to 78 bps on the month, outperforming duration-matched Treasuries by 26 bps. Spreads widened 6 bps on the quarter, underperforming duration-matched Treasuries by 4 bps.

Short-duration IG corporates returned 0.41% on the month, outperforming a 0.20% for intermediate-duration corporates and negative 1.04% for long-duration corporates. Intermediate-duration corporates returned 1.29% on the quarter, outperforming 1.23% for short-duration corporates and negative 0.11% for long-duration corporates.

Bloomberg US Corporate Index

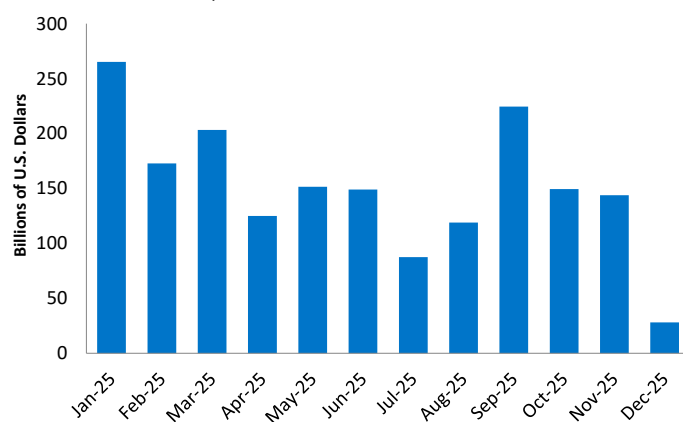
As of December 31, 2025

Total Return by Rating Category (%)	One Month	Quarter-to-Date	Year-to-Date	Last 12 Months
US IG Corporate Index	-0.20	0.84	7.77	7.77
AAA	-1.06	0.09	6.38	6.38
AA	-0.60	0.39	6.66	6.66
A	-0.23	0.92	7.84	7.84
BBB	-0.08	0.85	7.93	7.93

Source: Barclays Live

Total Fixed-Rate Investment Grade Supply

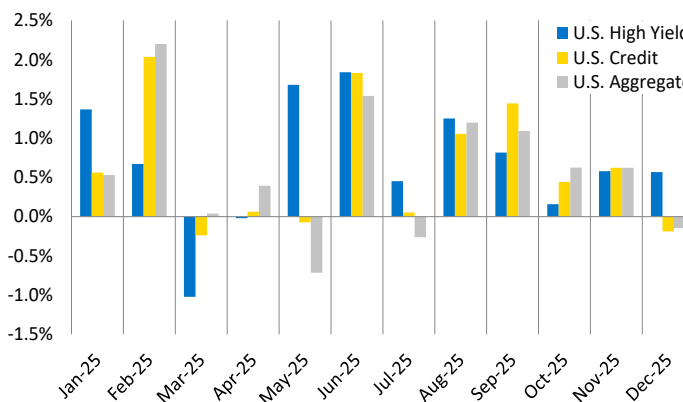
As of December 31, 2025



Source: Barclays Live

Performance of Select Barclays Indices

January 2025 through December 2025



Source: Barclays Live

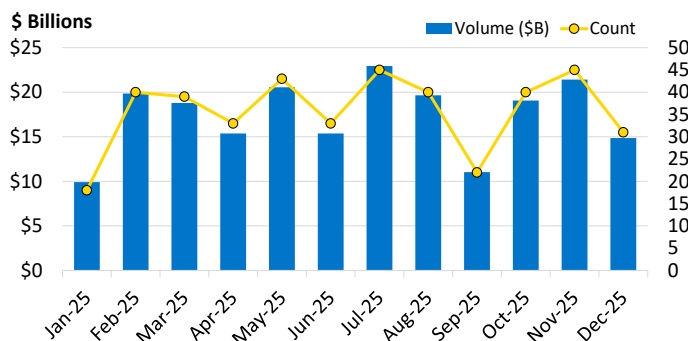
The best-performing sectors on the month were finance companies, other financial and real estate investment trusts (REITs); the worst performers were other industrial, communications and technology. The best performers on the quarter were other financial, REITs and banking; the worst performers were technology, communications and other industrial.

U.S. dollar-denominated IG new issuance in December was down 19% year-over-year (YoY) on a gross basis to \$28.1 billion, according to Barclays, and on a net basis was negative \$26.4 million versus negative \$12 million a year ago. Gross issuance was \$321 billion on the quarter, up 35% YoY, and net issuance was \$85 billion versus negative \$24 billion a year ago. IG fund inflow was \$23.6 billion on the month, up 189% YoY, according to EPFR Global as reported by J.P. Morgan, and \$118.1 billion on the quarter, up 40% YoY.

Collateralized Loan Obligations

December capped a historic year for U.S. broadly syndicated loan (BSL) collateralized loan obligations (CLOs) with record issuance across new-issue deals, resets and refinancings. The J.P. Morgan CLO Total Return Index gained 0.51% on the month, pushing fourth quarter return to 1.26% and full-year return to 5.87%. CLO spreads remained flat to tighter across the capital stack on the year, with spreads for CLOs rated AAA ending the period where they began at SOFR +120.

Last 12 Months Issuance | January 2025 to December 2025



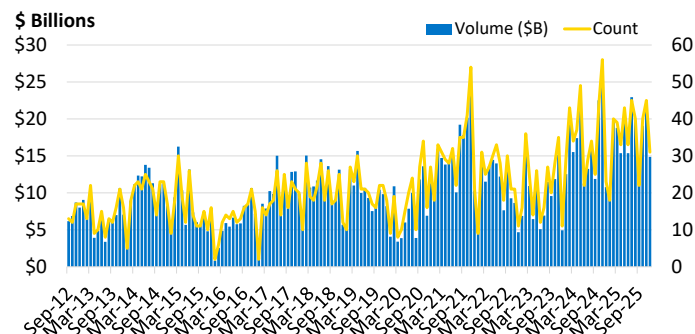
Source: LCD-CLO Global Databank

On the month, \$14.9 billion priced across 31 new deals. Also pricing were seven refinancing (refi) and 27 reset transactions, totaling \$16.3 billion in aggregate. Full-year new issuance totaled a record \$208.8 billion via 429 deals, a 3% increase in volume year-over-year. Refi and reset volume ended the year at \$105.0 billion via 261 deals and \$232.4 billion via 459 deals, respectively.

In the secondary market, the monthly supply of bids wanted in competition rose 28% month-over-month (MoM) to \$5.1 billion in December. Investment grade (IG) trading

volume fell 64% MoM to \$5.7 billion, per Trade Reporting and Compliance Engine data, and below-IG volume fell 80% to \$1.0 billion. Full-year trading volume totaled \$227.6 billion, beating 2023's record \$200.4 billion by 14%.

CLO New Issuance | September 2012 to December 2025



Source: LCD-CLO Global Databank

CLO credit fundamentals showed some weakness on the month as minimum overcollateralization cushions worsened alongside an uptick in concentrations rated CCC and defaulted assets within CLOs. The last 12-month U.S. leveraged loan default rate by principal amount ended December at 1.23%, 2 basis points (bps) lower MoM but 32 bps higher than where it began the year. The dual-track default rate, which includes distressed transactions, ended the month at 3.35%, its lowest reading since October 2023. Ratings-based metrics were mixed, with Moody's Weighted Average Rating Factor improving while collateral concentrations rated CCC worsened as the rolling three-month ratio of downgrades to upgrades increased MoM to 2.14x from 1.73x. Loan repricings continued throughout December, albeit at a slower rate, driving weighted average spread results down another 1 bp MoM on average.

Market-based metrics were slightly up MoM alongside the Morningstar LSTA US Leveraged Loan PR USD Index, which rose 0.19%. However, the share of performing leveraged loans priced below \$80 (the distressed ratio) worsened for the third consecutive month, rising 28 bps to 4.34%. While the loan market bounced back considerably since the post-"Liberation Day" volatility in April, the 12-month return of the index ended the year at negative 0.71%.

2026 CLO market outlooks call for another robust issuance year for U.S. BSL CLOs despite slightly tempered demand by recent Federal Reserve rate cuts and lingering macroeconomic headwinds. Performance dispersion is expected to rise as liability management exercises persist within the leveraged loan market and continue to test managers' ability to navigate complex restructurings.

Bank Loans

The bank loan market returned 0.64% in December, per the Morningstar LSTA US Leveraged Loan TR USD Index, driven almost entirely by interest income. For the fourth quarter, bank loans returned 1.22%, bringing full-year return to 5.90%. After four consecutive months of negative price returns (August through November), loans found their footing in December and delivered 0.01% of market price improvement. The weighted average bid price of the Morningstar LSTA US Leveraged Loan PR USD Index ended the month at \$96.64, up month-over-month (MoM) from \$96.46, due in part to a change in index constituents, but down from \$97.06 at the start of the quarter. The bank loan market ended the month with a spread to maturity of 394 basis points and a yield to maturity of 7.86%. While short-term interest rates have moved lower in response to Federal Reserve cuts to the federal funds rate, bank loans have continued to offer elevated yields relative to other areas of fixed income, though these could moderate if Fed cuts persist.

Overall stability in December masked a cautionary tone beneath the surface, as riskier segments of the market lagged on the month and quarter. In December, loans rated BB and B returned 0.65% and 0.67%, respectively, while loans rated CCC returned 0.22%. For the quarter, CCC loans underperformed materially, down 1.59%, compared to returns of 1.47% and 1.40% for BB and B loans, respectively.

In a similar vein, as investors gravitated toward higher-quality loans, the percentage of the market trading above par rose to 58.32% from 49.25% MoM and 36.88% at the start of the quarter. On the flip side, the distressed ratio (the percentage of the market trading below \$80) rose to 4.34% from 4.06% MoM and 2.59% at the start of the quarter. (Figure 7)

With no new defaults on the month, the default rate remained subdued at just 1.23%, little changed MoM and down from 1.50% in September. (Figure 8) This compares to a 10-year average default rate of 1.52%. Including out-of-court exchanges, the default rate would have been 3.35%, markedly below 4.70% at the start of the year. Credit ratings continued to point to higher future default rates, with the rolling three-month downgrade-to-upgrade ratio rising MoM to 2.14x from 1.73x. However, falling interest rates and a generally healthy economy are likely to forestall defaults.

Distressed Ratio | January 2024 to December 2025

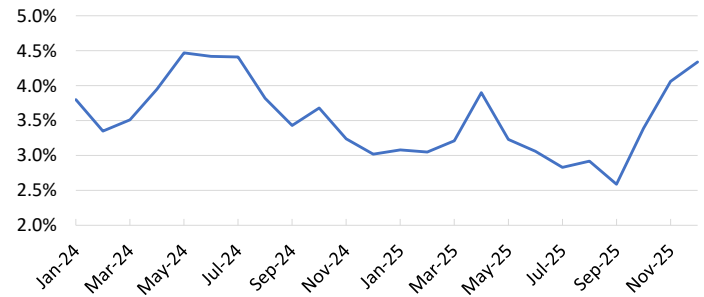


Figure 7

Source: DoubleLine, Morningstar LSTA US Liquid Leveraged Loan Index

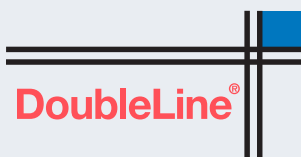
Bank Loan Default Rate | January 2023 to December 2025



Figure 8

Source: DoubleLine, Morningstar LSTA US Liquid Leveraged Loan Index

On the primary side, new-issue volume was \$59.6 billion in December, the busiest month of the quarter, although volume was down materially from \$106.9 billion a year ago. Non-refinancing activity was broadly consistent with October and November, but repricing activity increased, albeit well below midsummer's frenetic pace. For the full year, primary activity of \$1.03 trillion was the second most active on record after 2024's \$1.21 trillion. Retail funds marked \$1.1 billion of net outflow in December, the fifth consecutive month of negative flow.



DoubleLine Market Commentary

December 2025

High Yield

In December, the U.S. high yield (HY) corporate credit market generated a positive return while investors absorbed the impact of a dovish Federal Reserve, active capital markets and resilient macroeconomic data. The Bloomberg US Corporate HY Index returned 0.57%, pushing fourth quarter return to 1.31% and full-year return to 8.62%. On the month, index yields fell 4 basis points (bps) to 6.53% while spreads tightened 2 bps to 266 bps. Yields and spreads declined 17 bps and 1 bp, respectively, for the quarter and 95 bps and 20 bps for the year. Higher-quality credits outperformed throughout 2025; media and telecom were the strongest-performing subsectors.

Bloomberg US Corporate High Yield Index

As of December 31, 2025

	Total Return by Rating Category (%)		
	One Month	Quarter-to-Date	Last 12 Months
US High Yield Index	0.57	1.31	8.62
BB	0.41	1.51	9.02
B	0.89	1.58	8.44
CCC	0.67	0.18	8.27

Source: Bloomberg, DoubleLine

HY default rates increased on the month but remained at very low levels, as reported by J.P. Morgan. The 12-month, par-weighted default rate increased 20 bps to a 19-month high of 0.99%, above a 0.36% mark at the end of 2024. For reference, the 25-year average is 2.90%. When including distressed exchanges, the default rate increased 6 bps to 1.88%, compared to 1.47% at the end of 2024. The 25-year default average including distressed exchanges is 3.30%.

Monthly upgrade volume (\$45.9 billion) outpaced downgrade volume (\$18.1 billion), as reported by J.P. Morgan, bringing the year-to-date (YTD) ratio to 1.3x compared to 1.6x for full-year 2024. By number, upgrades (21) also outpaced downgrades (19), bringing the YTD ratio to 1.0x compared to 1.2x for full-year 2024. On the quarter, upgrade volume (\$104.7 billion) similarly outpaced downgrade volume (\$65.3 billion), resulting in a ratio of 1.6x, compared to a 1.0x in the third quarter.

HY new-issue volume remained active on the month (and above the historical average for December), as reported by J.P. Morgan, generating \$21.8 billion, pushing the quarterly and full-year sums to \$65.4 billion and \$332.0 billion, respectively. This compares to \$24.9 billion in November and a 2024 monthly average of \$24.1 billion. Refinancing was responsible for 77% of proceeds in December and 70% for the full year.

HY reported its largest inflow in three months in December, totaling \$1.1 billion, according to Lipper as reported by J.P. Morgan, which followed an outflow of \$0.6 billion in November. Inflow was \$1.9 billion for the quarter and \$18.3 billion for the year. 2024 marked an inflow of \$16.3 billion.

Commodities

Commodity markets experienced mixed performance in December as strength in metals offset weakness in energy and agriculture. Broad commodity benchmarks experienced similar modest declines on the month, with the Bloomberg Commodity (BCOM) Index down 0.65% and S&P GSCI down 0.64%. For the fourth quarter, performance diverged sharply by sector. The BCOM was up 4.84% while the S&P GSCI, which is weighted more heavily to energy, was flat, highlighting the differences in sector weightings. For the full year, the indices were up 11.07% and 2.76%, respectively, underscoring pronounced dispersion across commodity markets in 2025.

Precious metals were the clear outperformers in December, according to the S&P GSCI, rising 4.11%, led by a sharp rally in silver (+23.51%) and continued gains in gold (+2.03%). In contrast, the energy sector fell 4.53%, driven by declines across crude oil products and a steep drop in natural gas (-17.66%). Agricultural commodities also weakened, declining 4.05% and reflecting broad-based losses across grains and soft commodities.

For the quarter, metals dominated performance, with industrial metals up 14.72%, supported by copper (+21.47%) and aluminum (+10.61%), and precious metals up 14.52%, boosted by strong advances in silver (+49.53%). These gains were partially offset by continued weakness in energy, which declined 5.95%, and agriculture, which fell 1.23%, weighed down by persistent pressure in wheat, sugar and cotton.

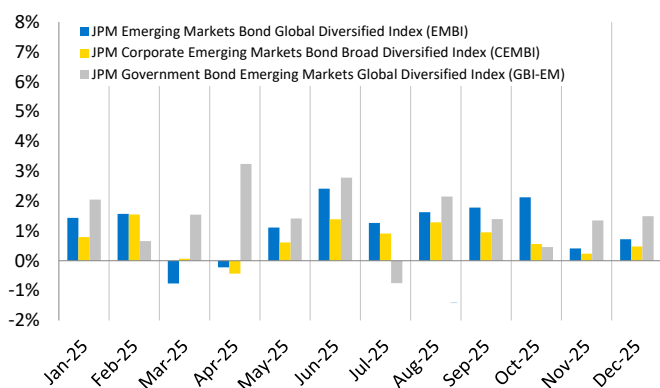
For the full year, returns were driven overwhelmingly by metals while energy and agriculture lagged. Precious metals surged 61.82%, powered by silver (+128.96%) and gold (+55.87%). Silver was the standout commodity of 2025. Industrial metals also delivered strong gains, up 24.13% and supported by robust performance in copper (+41.48%). Energy finished the year down 8.99%, reflecting declines in crude oil and natural gas (-23.97%), while agriculture fell 12.08% amid oversupply and demand challenges.

Emerging Markets Fixed Income

Emerging markets (EM) sovereign and corporate bonds generated positive returns in December and the fourth quarter. The J.P. Morgan Emerging Markets Bond Index Global Diversified (EMBI GD), which tracks sovereign bonds, returned 0.72% and 3.29%, respectively. The J.P. Morgan Corporate Emerging Markets Bond Index Broad Diversified (CEMBI BD), which tracks corporate bonds, returned 0.48% and 1.29%. The credit spread for the EMBI GD tightened 16 basis points (bps) on the month and 30 bps on the quarter. The credit spread for the CEMBI BD tightened 13 bps and widened 3 bps, respectively.

J.P. Morgan Emerging Markets Bond Index Performance

December 31, 2024 to December 31, 2025



Source: J.P. Morgan

Performance across all regions was positive on the month and quarter for both indices. On the month, Africa was the best performer, and Asia was the laggard in the EMBI GD; Europe was the best performer, and the Middle East was the laggard in the CEMBI BD. On the quarter, Africa was the best performer, and the Middle East was the laggard in the EMBI GD; Europe was the best performer, and Africa was the laggard in the CEMBI BD.

The high yield subindex outperformed the investment grade subindex in both indices over the month and quarter.

Risk appetite for 2026 will likely be shaped by the trajectory of global growth and inflation, with central banks focused on the pace of monetary easing to address these challenges. Additional drivers could include uncertainty around U.S. tariff and trade policies as well as immigration policy; China's fiscal and monetary stimulus measures; and escalating geopolitical tensions, particularly in Venezuela, the Middle East, Ukraine and Taiwan Strait.

International Sovereign

Global government bonds, as measured by the FTSE World Government Bond Index, returned 0.13% in December and 0.11% in the fourth quarter. Full-year return was 7.55%, mainly driven by foreign currency appreciation against the U.S. dollar.

The dollar, as measured by the U.S. Dollar Index, strengthened over the quarter, mainly reflecting an October rally in U.S. assets, which included a bounce in the dollar. The dollar rebound followed a sharp weakening over the first half of the year, largely driven by U.S. policy uncertainty. Dollar performance was choppy into the remainder of the quarter on the back of shifting market expectations for the path of U.S. monetary policy but resumed weakening toward the end of the period after the Federal Reserve cut the federal funds rate in December. Additionally, the U.S. Treasury yield curve steepened over the quarter.

The euro strengthened against the dollar on the month and quarter as the European Central Bank (ECB) kept interest rates steady while the Fed cut rates. The ECB left its benchmark policy rate unchanged at 2.00% over the period, including at its December meeting, when it revised its forecast for eurozone growth higher, which proved more resilient to global trade shocks than initially expected.

The Japanese yen weakened against the dollar over the month and quarter despite a decision by the Bank of Japan (BOJ) to raise interest rates. Policymakers voted unanimously in December to increase the policy rate by 25 basis points to 0.75%. Yields on Japanese government bonds rose, yet the yen weakened on the back of fiscal concerns over Prime Minister Sanae Takaichi's proposal for expansionary fiscal policies.

Emerging Markets Local Currency

Emerging markets (EM) local currency government bonds, as measured by the J.P. Morgan Government Bond Index Emerging Markets Global Diversified (GBI-EM GD), returned 1.49% in December, 3.34% in the fourth quarter and 19.26% for the year. Performance over the year was mainly driven by foreign currency appreciation against the U.S. dollar. For the quarter, interest return contributed 1.44% to index return, foreign exchange contributed 1.34%, and price return contributed 0.53%.

EM currency performance in the quarter was largely driven by dollar volatility amid shifting expectations for U.S. interest-rate cuts. EM currencies were weaker against the dollar in October and November but rallied in December. Meanwhile, lower U.S. Treasury yields over the year boosted the carry appeal of EM local currency bonds, which posted a double-digit annual return, per the index.

Within the GBI-EM GD, South Africa was the best performer over the quarter, returning 13.41%, as policymakers took steps to strengthen macroeconomic fundamentals, including lowering the official inflation target to 3% and reaffirming a fiscal consolidation path. Colombia was the worst performer, returning negative 0.13% amid escalating tension with the U.S. and growing concern that the fiscal deficit and a planned large hike in the minimum wage could fuel inflationary pressures.

Infrastructure

Infrastructure assets delivered negative returns in December but outperformed the broader fixed-income market in a period when the U.S. Treasury curve steepened. The Bloomberg US Aggregate Bond Index and Bloomberg US Corporate Bond Index returned negative 0.15% and negative 0.20%, respectively. For the fourth quarter, infrastructure assets delivered positive returns but lagged the broader fixed-income market in a period with significant declines across the front end of the Treasury curve. The indices returned 1.10% and 0.84%, respectively.

The best-performing infrastructure subsectors on the month were data infrastructure asset-backed securities (ABS), benefiting from rallying benchmark Treasury rates across the short to intermediate tenors. The worst performers were industrial corporate bonds, as these long-duration exposures were more sensitive to the rate rally. The best performers on the quarter were also data infrastructure ABS, again benefiting from the rallying benchmark rates. Electric and natural gas corporate bonds also had strong returns in the period. The worst performers were emerging markets infrastructure exposures in the form of sovereign debt due to some modest spread widening.

U.S. Equities

U.S. equities closed December with muted and mixed performance as major benchmarks showed little net change amid year-end consolidation. The S&P 500 Index rose just 0.06%, and the Dow Jones Industrial Average (DJIA) was up 0.92% while growth-oriented indices declined modestly, with the Nasdaq Composite Index down 0.47%. Smaller-capitalization stocks lagged late in the month as the Russell 2000 Index fell 0.58%. The fourth quarter delivered moderate gains with clear style and sector dispersion. The DJIA rose 4.03% while the Nasdaq advanced 2.72%. The S&P 500 Equal Weight Index, up 1.38%, lagged the 2.65% return of the cap-weighted S&P 500. Value stocks outperformed growth stocks, with the Russell 1000 Value Index up 3.81% versus a 1.12% gain for the Russell 1000 Growth Index. For the full year, U.S. equities delivered solid double-digit returns, led by growth-oriented segments. The S&P 500 and DJIA finished up 17.88% and 14.92%, respectively, while the Nasdaq gained 21.17%, reflecting continued strength in mega-cap technology stocks. Style and size dispersion persisted throughout the year, with large caps outperforming small caps as the Russell 2000 returned 12.79%.

Sector results for December were uneven: Financials (+3.07%), communications (+2.40%) and materials (+1.95%) led gains while utilities (-5.11%), health care (-1.36%) and consumer staples (-1.28%) were the worst performers. For the quarter, health care (+11.68%) was the standout while technology (+2.26%) and financials (+2.02%) also performed well. Real estate (-2.33%) and utilities (-1.40%) were the worst performers. For the full year, technology was the best performer (+24.72%), followed by communications (+23.08%) and industrials (+19.42%). Defensive sectors such as consumer staples (+1.61%) and real estate (+3.77%) were the laggards.

Global Equities*

Global equity markets finished 2025 on a generally positive note, with December returns modestly constructive across most regions. The MSCI All Country World Index (ACWI) gained 1.07%. In the U.S., performance was mixed: The S&P 500 Index rose just 0.06%, and the Nasdaq Composite Index declined 0.47%, reflecting some year-end consolidation in growth-oriented stocks. In contrast, international markets ended the year stronger, led by Europe, where December gains were broad-based, with Spain (+7.10%), Italy (+5.04%) and the eurozone (+4.00%) the top performers. Within Asia, results were more dispersed, with South Korea (+9.35%) advancing and Hong Kong (-0.56%) declining.

For the fourth quarter, equity markets delivered solid returns globally, with notable outperformance outside the United States. U.S. benchmarks posted low-to-midsingle-digit gains, led by the Dow Jones Industrial Average (+4.03%) while the S&P 500 (+2.65%) and Russell 2000 Index (+2.19%) trailed. European equities were clear leaders during the quarter, with Spain (+12.69%), Italy (+6.40%) and the eurozone (+6.32%) surging, reflecting strength in cyclical sectors and financials. Emerging markets (EM) also rebounded meaningfully, as the MSCI EM Index gained 4.76%. Across Asia Pacific, performance varied widely. South Korea (+20.05%) was the strongest market globally, driven by strength in technology and export-oriented sectors. Japan (+5.98%) gained despite significant intraquarter volatility while Taiwan (+8.94%) posted a strong quarter. China (+4.62%) experienced moderate gains while Hong Kong (-4.15%) lagged.

For the full year, equity returns were exceptionally strong, with the MSCI ACWI up 22.89%. European indices posted outsized gains, led by Spain (+76.12%), Italy (+56.23%) and the eurozone (+36.83%). Emerging markets also delivered robust returns, with South Korea (+82.69%) and Brazil (+50.89%) among the top performers globally. The MSCI EM Index rose 34.29%. U.S. equities generated solid but comparatively modest gains, with the Nasdaq up 21.17% and S&P 500 up 17.88%, underscoring broad-based global equity leadership in 2025.

	December 2025	4Q 2025	YTD 2025
Global and U.S. Equities (%)			
MSCI All Country World Index	1.07	3.37	22.89
S&P 500 Index	0.06	2.65	17.88
S&P 500 Equal Weight Index	0.44	1.38	11.40
Nasdaq Composite Index	-0.47	2.72	21.17
Dow Jones Industrial Average	0.92	4.03	14.92
Russell 2000 Index	-0.58	2.19	12.79
Eurozone (%)			
Stoxx Europe 600 (Eurozone)	4.00	6.32	36.83
DAX (Germany)	4.10	2.54	39.13
CAC 40 (France)	1.69	3.43	29.60
FTSE MIB (Italy)	5.04	6.40	56.23
IBEX 35 (Spain)	7.10	12.69	76.12
FTSE 100 Index (U.K.)	3.92	6.81	35.12
Asia (%)			
Nikkei 225 (Japan)	0.19	5.98	29.30
Shanghai Stock Exchange Composite (China)	3.61	4.62	27.12
Hang Seng Index (Hong Kong)	-0.56	-4.15	32.22
KOSPI (South Korea)	9.35	20.05	82.69
TAIEX (Taiwan)	4.91	8.94	35.10
AORD (Australia)	3.13	0.11	20.42
Emerging Markets (%)			
MSCI Emerging Markets Index	3.00	4.76	34.29
Ibovespa (Brazil)	-1.44	6.82	50.89
MSCI India Index	-0.64	4.84	4.19

Source: Bloomberg

*Non-U.S. equities are reported in U.S. dollar terms.

Agency – Refers to mortgage-backed securities (MBS) whose principal and interest are guaranteed by a U.S. government agency such as Fannie Mae (FNMA) or Freddie Mac (FHLMC).

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.

Australia All Ordinaries (AORD) Index – This index tracks the share prices of the 500 largest companies listed on the Australian Securities Exchange (ASX). The market capitalization of the AORD companies amounts to more than 95% of the value of all shares listed on the ASX.

Basis Points (bps) – Basis points (or basis point (bp)) refer to a common unit of measure for interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01% or 0.0001, and is used to denote the percentage change in a financial instrument. The relationship between percentage changes and basis points can be summarized as: 1% change = 100 basis points; 0.01% = 1 basis point.

Bear Steepen – Widening of the U.S. Treasury yield curve caused by long-term interest rates increasing at a faster rate than short-term rates. A bear steepening is usually suggestive of rising inflationary expectations or a widespread rise in prices throughout the economy.

Below Investment Grade/Non-Investment Grade – Term indicating a security is rated below investment grade (IG). These securities are seen as having higher default risk or being prone to other adverse credit events. They typically pay higher yields than higher-quality bonds in order to make them attractive. They are less likely than IG bonds to pay back 100 cents on the dollar.

Bid Wanted in Competition (BWIC) – Formal request for bids on a package of securities that is submitted by an institutional investor to a number of securities dealers. The dealers are being invited to submit bids on the listed securities.

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 Agency Commercial Mortgage-Backed Securities (CMBS) Index – This index measures the U.S. market of Agency conduit and fusion CMBS deals.

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 Asset-Backed Securities (ABS) Index – This index is the ABS component of the Bloomberg US Aggregate Bond Index, a flagship measure of the U.S. investment grade, fixed-rate bond market. The ABS index has three subsectors: credit and credit cards, autos and utility.

Bloomberg US Corporate High Yield (HY) 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 subindices of the Bloomberg US Corporate HY Bond Index.

Bloomberg US Corporate 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.

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.

Bloomberg World Interest Rate Probability (WIRP) – Statistical function developed by Bloomberg that uses fed funds futures and options to assess the probability of future Federal Open Market Committee (FOMC) decisions. It seeks to calculate the chances of a rate hike at each of the FOMC meetings using futures trading data.

Broadly Syndicated Loan (BSL) – Any loan to an obligor issued as part of a loan facility with an original loan size (including any first and second lien loans in the facility) greater than \$250 million.

China Manufacturing Purchasing Managers Index (PMI) – This index, compiled by the China Federation of Logistics & Purchasing (CFLP) and China Logistics Information Center (CLIC), provides an early indication each month of economic activities in the Chinese manufacturing sector. Every month, questionnaires are sent to over 700 manufacturing enterprises all over China. A reading above 50 indicates an expansion of the sector, a reading below 50 represents a contraction, and 50 indicates no change.

China Services Purchasing Managers Index (PMI) – This index, compiled by the China Federation of Logistics & Purchasing (CFLP) and China Logistics Information Center (CLIC), provides an early indication each month of economic activities in the Chinese services sector. Every month, questionnaires are sent to services enterprises all over China.

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

Conduit Loans – Type of loans, also known as commercial mortgage-backed securities (CMBS) loans, that are commercial real estate loans pooled together with similar commercial mortgages and sold on the secondary market. On the secondary market, conduit loans are divided into tranches based on risk, return and loan maturity.

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.

Cotation Assistee en Continu (CAC) 40 – This stock market index tracks the 40 largest French stocks on the Euronext Paris based on market capitalization, trading activity, size of balance sheet and liquidity.

Deutscher Aktien Index (DAX) – This blue-chip stock market index comprises the 40 major German companies trading on the Frankfurt Stock Exchange.

Distressed Exchange – A bank loan distressed exchange is an out-of-court negotiation where a company facing financial difficulties proposes to exchange existing debt for new debt, often with a reduced principal amount or modified terms, to avoid bankruptcy.

Dow Jones Industrial Average (DJIA) – This index tracks 30 large publicly owned companies trading on the New York Stock Exchange and the Nasdaq. It is price-weighted, unlike stock indices, which use market capitalization. Furthermore, the DJIA does not use a weighted arithmetic mean.

Duration – A commonly used measure of the potential volatility of the price of debt securities in response to a change in interest rates prior to maturity. Securities with longer duration generally have more volatile prices than securities of comparable quality with shorter duration.

Euro Stoxx 50 Index – This index of 50 eurozone stocks provides a blue-chip representation of supersector leaders in the eurozone.

Fannie Mae (FNMA) – The Federal National Mortgage Association (Fannie Mae) is a government-sponsored enterprise (GSE) chartered by Congress in 1938 during the Depression to stimulate home ownership and provide liquidity to the mortgage market. Its purpose is to help moderate- to low-income borrowers obtain financing for a home.

Federal Funds Rate – Target interest rate, set by the Federal Reserve at its Federal Open Market Committee (FOMC) meetings, at which commercial banks borrow and lend their excess reserves to each other overnight. The Fed sets a target federal funds rate eight times a year, based on prevailing economic conditions.

Federal Open Market Committee (FOMC) – Branch of the Federal Reserve System that determines the direction of monetary policy specifically by directing open market operations. The FOMC comprises the seven board governors and five (out of 12) Federal Reserve Bank presidents.

5s30s – Shorthand term used in tracking the spread between the five-year U.S. Treasury note (2s) and 30-year Treasury bond (30s). A steep 5s30s curve means long-term rates are much higher than short-term rates, signaling growth. A flat or inverted curve often signals economic slowdown or recession.

Freddie Mac (FHLMC) – The Federal Home Loan Mortgage Corp. (Freddie Mac) is a stockholder-owned, government-sponsored enterprise (GSE) chartered by Congress in 1970 to keep money flowing to mortgage lenders in support of homeownership and rental housing for middle-income Americans. Freddie Mac purchases, guarantees and securitizes mortgages to form mortgage-backed securities (MBS).

Freddie Mac U.S. Mortgage Market Survey 30-Year Homeowner Commitment National Index – This index tracks the 30-year fixed-rate mortgages component of the Freddie Mac Primary Mortgage Market Survey (PMMS), which tracks the most-popular 30- and 15-year fixed-rate mortgages, and 5-1 hybrid amortizing adjustable-rate mortgage products among a mix of lender types.

FTSE Milano Indice di Borsa (FTSE MIB) – This benchmark index for the Borsa Italian, the Italian stock exchange, comprises the 40 largest and most-liquid stocks on the exchange.

FTSE 100 Index – This index tracks the 100 companies with the highest market capitalization on the London Stock Exchange.

FTSE World Government Bond Index (FTSE WGBI) – This broad index measures the performance of fixed-rate, local-currency, investment grade sovereign bonds. It is a widely used benchmark that comprises sovereign debt from more than 20 countries that is denominated in a variety of currencies.

Ginnie Mae (GNMA) – The Government National Mortgage Association (Ginnie Mae) is a federal government corporation that guarantees the timely payment of principal and interest on mortgage-backed securities (MBS) issued by approved lenders. Ginnie Mae's guarantee allows mortgage lenders to obtain a better price for MBS in the capital markets.

Global Industry Classification Standard (GICS) – Hierarchical industry classification system, created by Morgan Stanley Capital International and S&P Dow Jones Indices in 1999, comprising four tiers going from broadest to narrowest to classify companies by industry: sectors, industry groups, industries and subindustries. The 11 GICS sectors are: energy, materials, industrials, consumer discretionary, consumer staples, health care, financials, information technology, real estate, communication services and utilities.

Growth Stock – Any share in a company that is anticipated to grow at a rate significantly above the average growth for the market. These stocks generally do not pay dividends. This is because the issuers of growth stocks are usually companies that want to reinvest any earnings they accrue in order to accelerate growth in the short term. When investors invest in growth stocks, they anticipate that they will earn money through capital gains when they sell their shares.

Hang Seng Index – This free-float-capitalization-weighted index tracks a selection of companies on the Stock Exchange of Hong Kong. The index has four subindices: finance, utilities, properties, finance, and commerce and industry.

High Yield (HY) – Bonds that pay higher interest rates because they have lower credit ratings than investment grade (IG) bonds. HY bonds are more likely to default, so they must pay a higher yield than IG bonds to compensate investors.

Ibovespa Index – This gross return index is weighted by trade volume and comprises the most-liquid stocks on Brazil's Sao Paulo Stock, Commodities and Futures Exchange (known as "B3").

ICE BofA U.S. Fixed-Rate Miscellaneous Asset-Backed Securities (ABS) Index – A subset of the ICE BofA U.S. Fixed-Rate ABS Index, including all ABS collateralized by anything other than auto loans, home equity loans, manufactured housing, credit card receivables and utility assets. The ICE BofA U.S. Fixed-Rate ABS Index tracks the performance of U.S. dollar-denominated, investment grade (IG), asset-backed securities publicly issued in the U.S. domestic market. Qualifying securities must have an IG rating based on an average of Moody's, S&P and Fitch.

Indice Bursatil Espanol (IBEX) – This official index of the Spanish Continuous Market comprises the 35 most-liquid stocks traded on the market.

Investment Grade (IG) – Rating that signifies a municipal or corporate bond presents a relatively low risk of default. Bonds below this designation are considered to have a high risk of default and are commonly referred to as high yield (HY) or "junk bonds." The higher the bond rating the more likely the bond will return 100 cents on the U.S. dollar.

ISM Manufacturing PMI – This index (which used to be called the ISM Manufacturing Purchasing Managers Index) is compiled by the Institute for Supply Management and tracks the economic health of the manufacturing sector. The index is based on five major indicators: new orders, inventory levels, production, supplier deliveries and employment environment. A reading above 50 indicates an expansion of the sector, a reading below 50 represents a contraction, and 50 indicates no change.

ISM Services PMI – This index (which used to be called the ISM Non-Manufacturing Purchasing Managers Index) is compiled by the Institute for Supply Management and tracks the economic health of the services (formerly nonmanufacturing) sector. A reading above 50 indicates an expansion of the sector, a reading below 50 represents a contraction, and 50 indicates no change.

J.P. Morgan Collateralized Loan Obligation (CLO) Total Return Index – This index is a total return subindex of the J.P. Morgan Collateralized Loan Obligation Index (CLOIE), which is a market value-weighted index consisting of U.S. dollar-denominated CLOs.

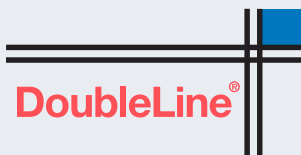
J.P. Morgan Corporate Emerging Markets Bond Index Broad Diversified (CEMBI BD) – This index is a uniquely weighted version of the CEMBI, which is a market capitalization-weighted index consisting of U.S. dollar-denominated emerging markets corporate bonds. It limits the weights of index countries with larger debt stocks by only including specified portions of those countries' eligible current face amounts of debt outstanding.

J.P. Morgan Emerging Markets Bond Index Global Diversified (EMBI GD) – This index is a uniquely weighted version of the EMBI, which tracks emerging markets (EM) bonds and comprises sovereign debt and EM corporate bonds. It limits the weights of index countries with larger debt stocks by only including specified portions of those countries' eligible current face amounts of debt outstanding.

J.P. Morgan Government Bond Index Emerging Markets Global Diversified (GBI-EM GD) – This custom-weighted index tracks local currency bonds issued by emerging markets governments, excluding China and India, and has a broader roster of countries than the base GBI-EM, which limits inclusion to countries that are readily accessible and where no impediments exist for foreign investors.

Korea Composite Stock Price Index (KOSPI) – This index comprises all common stocks traded on the stock market division of the Korea Exchange. It is the representative stock market index in South Korea, like the S&P 500 Index in the U.S.

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



Mega Cap – Category for the largest companies by market capitalization in the investment universe. While thresholds can change with market conditions, mega cap generally refers to companies with a market cap above \$200 billion.

Morningstar LSTA US Leveraged Loan Index – This market capitalization-weighted index tracks the U.S. leveraged loan market.

Morningstar LSTA US Leveraged Loan PR USD Index – This index (formerly the S&P/LSTA Leveraged Loan Price Index) tracks the prices of institutional weighted loans based on market weightings, spreads and interest payments.

Morningstar LSTA US Leveraged Loan TR USD Index – This index (formerly the S&P/LSTA Leveraged Loan Index) tracks the market-weighted performance of institutional weighted loans based on market weightings, spreads and interest payments.

MSCI 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.

MSCI All Country World Index (MSCI ACWI) ex U.S. – This market capitalization-weighted index is designed to provide a broad measure of stock performance throughout the world. It comprises stocks from 22 of 23 developed countries and 24 emerging markets.

MSCI Emerging Markets Index (MSCI EMI) – This index captures large- and midcapitalization representation across 24 emerging markets countries. With 1,440 constituents, the index covers approximately 85% of the free-float-adjusted market cap in each country.

MSCI India Index – This index measures the performance of the mid- and large-capitalization segments of the Indian market. With 131 constituents, the index covers approximately 85% of the Indian equity universe.

Nasdaq Composite Index – This index (“the Nasdaq”) comprises the more than 3,400 common stocks and similar securities (e.g., American depository receipts (ADRs), tracking stocks, limited-partnership interests) listed on the Nasdaq exchange. The index, which includes U.S. and non-U.S. companies, is highly followed in the U.S. as an indicator of the stock performance of technology companies and growth companies.

National Association of Realtors Existing-Home Sales Report – This report tracks sales and prices of existing single-family homes for the nation overall, and gives breakdowns for the West, Midwest, South and Northeast regions of the country. These figures include condos and co-ops in addition to single-family homes.

Nikkei 225 Index – This price-weighted index (“the Nikkei”) comprises 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.

Non-Performing Loan (NPL) – Loan in which the borrower is in default due to the fact that they have not made the scheduled payments for a specified period. Although the exact elements of non-performing status can vary depending on the specific loan’s terms, “no payment” is usually defined as zero payments of either principal or interest.

Non-Qualified Mortgage (Non-QM) – Any home loan that doesn’t comply with the Consumer Financial Protection Bureau’s existing rules on qualified mortgages (QM). Usually this type of alternative mortgage loan accommodates people who are not able to prove they are capable of making the mortgage payments. Just because it is a non-QM mortgage loan does not necessarily mean high risk or subprime mortgage risk, and in many cases these non-QM mortgage loans require a high FICO score but simply do not check all the boxes associated with a QM loan. Non-QM loans for mortgages are protected by the lender against any type of lawsuit should the borrower become unable to afford the loan.

Option-Adjusted Spread (OAS) – Measurement of the spread of a fixed-income security rate and the risk-free rate of return, which is then adjusted to take into account an embedded option. Typically, an analyst uses U.S. Treasury yields for the risk-free rate. The spread is added to the fixed-income security price to make the risk-free bond price the same as the bond.

Overcollateralization (OC) – Provision of collateral that is worth more than enough to cover potential losses in cases of default.

Par – Short for “par value,” par can refer to bonds, preferred stock, common stock or currencies, with different meanings depending on the context. Par most commonly refers to bonds, in which case, it means the face value, or value at which the bond will be redeemed at maturity.

Private Label – Refers to debt-issued securities that are not issued by the government-sponsored enterprises (GSEs). “Agency” refers to debt-issued securities that are issued by the GSEs.

Quits Rate – Number of quits during the entire month as a percentage of employment. This metric is tracked in the U.S. Bureau of Labor Statistics’ monthly Job Opening and Labor Turnover Survey (JOLTS). A trending increase is a sign of an expanding job market while a trending decrease is a sign of a tightening job market.

RCA Commercial Property Price Index (CPPI) – This index describes various nonresidential property types for the U.S. (10 monthly series from 2000). It is a periodic same-property, round-trip investment, price-change index of the U.S. commercial investment property market. The dataset contains 20 monthly indicators.

RCA U.S. All-Property Commercial Property Price Index (CPPI) – This index is a component of the suite of price indices that comprise the RCA CPPI.

Real Estate Owned (REO) – Property owned by a lender, such as a bank, that has not been successfully sold at a foreclosure auction. A lender – often a bank or quasi-governmental entity such as Fannie Mae or Freddie Mac – takes ownership of a foreclosed property when it fails to sell at the amount sought to cover the loan.

Re-Performing Loan (RPL) – A mortgage that became delinquent because the borrower was behind on payments by at least 90 days, but it is “performing” again because the borrower has resumed making payments.

Russell 1000 Growth (RLG) Index – This index measures the performance of the large-capitalization growth segment of the U.S. equity universe. It includes Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values. Growth stocks are shares in a company that are anticipated to grow at a rate significantly above the average growth for the market.

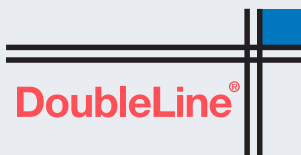
Russell 1000 Value (RLV) Index – This index measures the performance of the large-capitalization value segment of the U.S. equity universe. It includes Russell 1000 Index companies with lower price-to-book ratios and lower expected growth values. Value stocks are shares of a company that appear to trade at a lower price relative to the company’s fundamentals.

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 Cotality Case-Shiller 20-City Composite Home Price Not Seasonally Adjusted (NSA) Index – This index measures the value of residential real estate in 20 major U.S. metropolitan areas: Atlanta; Boston; Charlotte; Chicago; Cleveland; Dallas; Denver; Detroit; Las Vegas; Los Angeles; Miami; Minneapolis; New York City; Phoenix; Portland, Oregon; San Diego; San Francisco; Seattle; Tampa; and Washington, D.C.

S&P 500 Equal Weight Index (EWI) – This index is the equal-weight version of the widely used S&P 500 Index. The S&P 500 EWI includes the same constituents as the capitalization-weighted parent index, but each company in the S&P 500 EWI is allocated a fixed weight, or 0.2% of the index, at each quarterly rebalance.

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 Global Eurozone Manufacturing Purchasing Managers' Index (PMI) – This index measures the performance of the manufacturing sector derived from a survey of 3,000 manufacturing firms and includes national data for Germany, France, Italy, Spain, the Netherlands, Austria, the Republic of Ireland and Greece. The PMI is based on five individual indices: new orders (30%), output (25%), employment (20%), suppliers' delivery times (15%) and stock of items purchased (10%), with the delivery times index inverted to move in a comparable direction. A reading above 50 indicates an expansion of the sector, a reading below 50 represents a contraction, and 50 indicates no change.

S&P Global Eurozone Services Purchasing Managers' Index (PMI) – This index is based on original survey data from a representative panel of around 2,000 private service sector firms. National data is included for Germany, France, Italy, Spain and the Republic of Ireland. These countries account for an estimated 78% of eurozone private-sector services output. A reading above 50 indicates an expansion of the sector, a reading below 50 represents a contraction, and 50 indicates no change.

S&P Global Japan Manufacturing PMI – This index is a monthly indicator of manufacturing sector performance, based on survey responses from a panel of approximately 400 manufacturers. Survey participants report changes compared to the previous month across several business variables. A reading above 50 signals expansion while below 50 indicates contraction. The headline figure is a weighted composite of five key components: new orders (30%), output (25%), employment (20%), suppliers' delivery times (15%) and stocks of purchases (10%).

S&P Global Japan Services PMI – This index is a monthly indicator of economic activity in Japan's services sector, based on survey responses from around 400 companies across industries. A reading above 50 signals expansion while below 50 indicates contraction. The main metric is the Services Business Activity Index, reflecting changes in business activity volume and serving as the headline figure.

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

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

Secured Overnight Financing Rate (SOFR) – Benchmark interest rate for U.S. dollar-denominated derivatives and loans that replaced the London Interbank Offered Rate (LIBOR). Interest rate swaps on more than \$80 trillion in notional debt switched to the SOFR in October 2020. This transition is expected to increase long-term liquidity but also result in substantial short-term trading volatility in derivatives.

Spread – 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 or risk.

Spread to Maturity (STM) – Measure of return from a floating-rate note relative to that from its index or reference rate, such as the Secured Overnight Financing Rate (SOFR), calculated by discounting future cash flows on a bond basis.

Stoxx Europe 600 Index – This index has a fixed number of 600 components representing large, mid- and small-capitalization companies among 17 European countries, covering approximately 90% of the free-float market cap of the European stock market (not limited to the eurozone).

TAIEX Index – This index tracks companies traded on the Taiwan Stock Exchange. The index covers all listed stocks excluding preferred, full-delivery and newly listed stocks, which are listed for less than one calendar month.

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.

Trade Reporting and Compliance Engine (TRACE) – Financial Industry Regulatory Authority (FINRA)-developed vehicle that facilitates the mandatory reporting of over-the-counter secondary market transactions in eligible fixed-income securities.

Treasury Inflation-Protected Securities (TIPS) – Type of Treasury security issued by the U.S. government that is indexed to inflation in order to protect investors from a decline in the purchasing power of their money. As inflation rises, TIPS adjust in price to maintain their real value.

2s10s – Shorthand term used in tracking the spread between the two-year U.S. Treasury note (2s) and the 10-year Treasury bond (10s). The inversion of the yields, when the two-year is higher than the 10-year, is seen by some economists as an indicator of impending recession, which has historically happened after the yields de-invert.

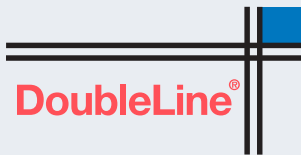
U.S. Dollar Index (DXY) – A weighted geometric mean of the U.S. dollar's value relative to a basket of six major foreign currencies: the euro, Japanese yen, British pound, Canadian dollar, Swedish krona and Swiss franc.

Value Stock – Share of a company that appears to trade at a lower price relative to the company's fundamentals, such as dividends, earnings or sales, making it appealing to value investors.

Weighted Average Rating Factor (WARF) – Used by credit rating companies to indicate the credit quality of a portfolio. This measure aggregates the credit ratings of a portfolio's assets into a single rating.

Yield to Maturity (YTM) – The total return anticipated on a bond if the bond is held until it matures. Yield to maturity is considered a long-term bond yield but is expressed as an annual rate.

You cannot invest directly in an index.



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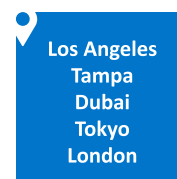
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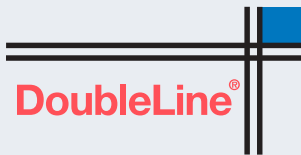
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