DoubleLine®

Securitized Products Briefing - First Quarter 2025

TLC: Tariffs, Liquidity and Credit

Phil Gioia, CFA | April 15, 2025

Sector Summary

Riding the Rate Roller Coaster

- Agency mortgage-backed securities (MBS) returned 3.06% in the first quarter, with current-coupon spreads widening approximately 8 basis points (bps) from year-end.
- Despite recent volatility, we continue to view Agency MBS as offering attractive relative-value opportunities compared to U.S. Treasuries and corporate bonds, especially for investors with a long-term horizon.

Shelter From the Storm

- Performance was positive in the quarter, driven by higher home prices, low defaults and strong demand for non-Agency residential MBS (RMBS) new issuance.
- Residential credit appears to be a relative haven compared to the uncertainty surrounding corporate credit. Higher tariffs are likely to increase building costs, which – along with immigration policy-related impacts on labor – could constrain future housing supply.

Signs of Strength Amid Uncertain Times

- The non-Agency commercial MBS (CMBS) market continued its streak of strong performance in the quarter as non-Agency CMBS rated AAA and BBB returned 2.38% and 3.51%, respectively.
- Overall, we remain constructive on the non-Agency CMBS market, with a preference for higher-quality bonds, while remaining vigilant amid increasing macroeconomic volatility and geopolitical uncertainty that might impact commercial real estate (CRE) market sentiment.

Short and Steady

- Returns for asset-backed securities (ABS) were positive during the quarter, despite modest spread widening, with mezzanine tranches generally outperforming senior bonds.
- We continue to favor new-issue, post-COVID-19 ABS structures – across both consumer and hard-asset subsectors – that typically offer enhanced investor protections in the form of increased credit enhancement and more-conservative leverage ratios.

No Longer One Size Fits All

- Collateralized loan obligation (CLOs) returns were positive during the quarter, although they generally lagged fixed-rate bonds as Treasury rates rallied.
- While rate cuts could weigh on total returns for CLO debt, we remain optimistic on CLO performance – particularly in senior tranches.

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Fixed Income Index Performance

Fixed income markets provided reprieve from falling equity prices, as the Bloomberg US Aggregate Bond Index (the "Agg") returned 2.78% in the quarter. Performance was strongest in longer-duration and higher-rated sectors, which outpaced shorter-duration and lower-rated segments – primarily due to a broad decline in Treasury yields. *(Figure 1)* For the quarter, the two-year Treasury yield fell 36 bps, the five-year fell 43 bps, the 10-year fell 36 bps, and the 30-year bond yield fell 21 bps. Meanwhile, credit spreads broadly widened, and credit curves steepened, reflecting increased macroeconomic and geopolitical uncertainty.

Securitized Products Yields

Despite the decline in Treasury rates during the quarter, yields across the securitized product market remain compelling, supported in part by spreads that remain wider than historical averages. *(Figure 2)* While credit markets have held relatively stable thus far, we remain vigilant for signs of stress, particularly among lower-rated credits, should macro conditions continue to deteriorate.

1Q2025 Fixed Income Index Performance | As of March 31, 2025

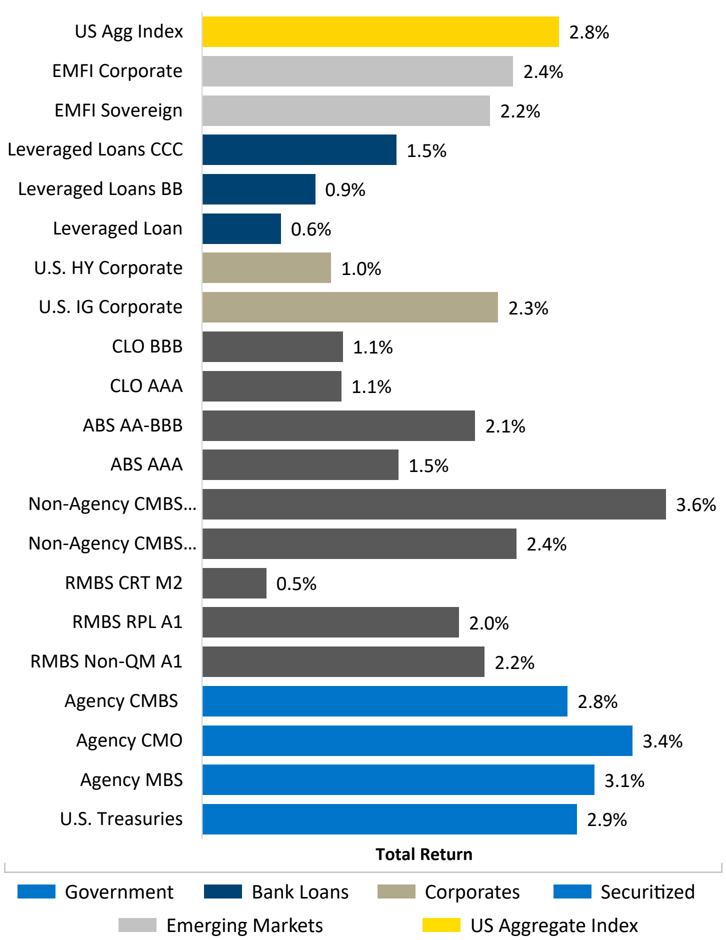

Figure 1
Source: DoubleLine, Bloomberg, BofA Global Research
Collateralized Mortgage Obligation (CMO), Non-Qualified Mortgage (Non-QM), Re-Performing Loan (RPL), Investment Grade (IG), High Yield (HY), Credit Risk Transfer (CRT), Emerging Markets Fixed Income (EMFI). Indices used in this figure can be found under disclosures.

Securitized Fixed Income Yields | As of March 31, 2025

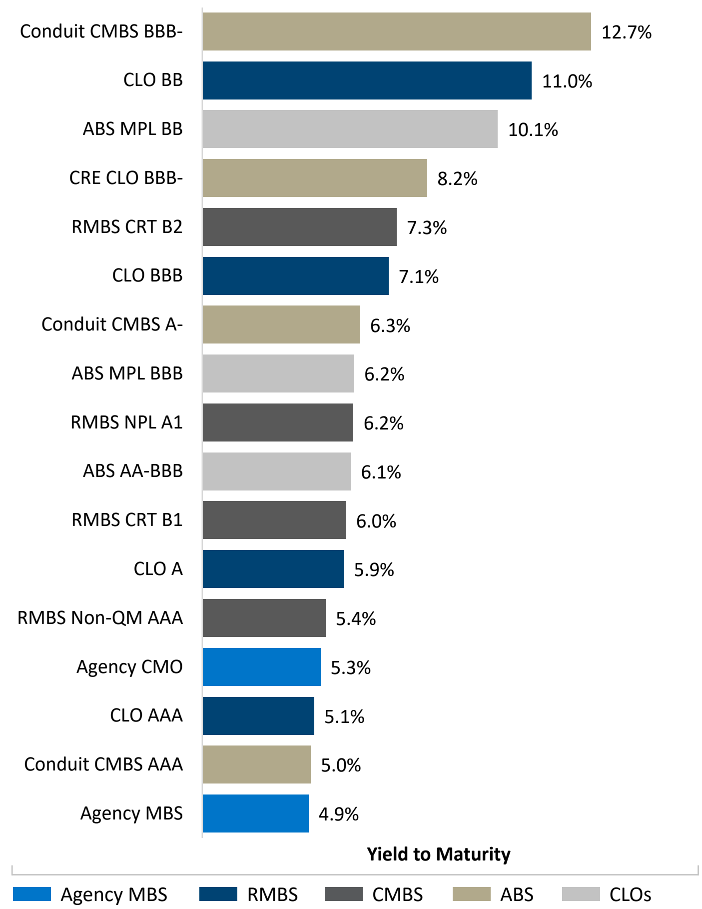

Figure 2
Source: DoubleLine, Bloomberg, BofA Global Research
Collateralizes Mortgage Obligation (CMO), Non-Performing Loan (NPL), Non-Qualified Mortgage (Non-QM), Credit Risk Transfer (CRT), Marketplace Lending (MPL). Indices used in this figure can be found under disclosures.

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Securitized Product Spreads

Spreads for many securitized subsectors remain wide of their 10-year averages, with mortgage-backed products exhibiting the largest percentile differential. *(Figure 3)*

	US Agg Index	Agency MBS	U.S. IG Corp.	U.S. 1-3 Yr Corp.	CMBS AAA	RMBS AAA	CLO AAA	U.S. HY Corp.	EMFI Corp.	EMFI Sov.	Bank Loans	ABS AA-BBB	CMBS BBB	CLO BBB
March 31, 2025	**35**	**144**	**93**	**57**	**106**	**145**	**134**	**347**	**265**	**349**	**420**	**208**	**684**	**333**
1Q2025 Change	1	8	13	5	14	25	22	60	25	24	22	14	-33	32
10-Year Average	*46*	*108*	*120*	*68*	*101*	*131*	*142*	*412*	*335*	*374*	*461*	*253*	*514*	*404*
Percentile Rank	10	86	17	38	63	69	47	31	7	43	38	33	75	15

Figure 3
Source: DoubleLine, Bloomberg, Wells Fargo
Percentile rank from March 31, 2015 through March 31, 2025. Investment Grade (IG); High Yield (HY); Emerging Markets Fixed Income (EMFI). Indices used in this figure can be found under disclosures. You cannot invest directly in an index.

Summary of DoubleLine Securitized Products Views

Sector	Fundamentals	Investment Focus
Agency MBS	• Spreads remain wide by historic standards given the technical backdrop and elevated rate volatility. • With ongoing geopolitical uncertainty likely to contribute to broader macro volatility, government-backed Agency MBS could benefit from a slowing economy.	• 2.0% to 3.5% pass-through (PT) coupons that may offer advantageous optionality via lower dollar prices and upside to increased prepayments. • Up-in-coupon PTs that offer attractive carry and spread. • Agency derivatives that allow for targeted exposure to higher yields and/or increased prepayments in the future.
Non-Agency MBS	• Home prices remain supported by strong demand (household formation) and low housing supply (lock-in effect). • Historically low affordability remains a headwind for housing activity.	• New-issue non-qualified mortgages. • New-issue single-family rentals. • Moderately seasoned credit risk transfer deals that have deleveraged.
Non-Agency CMBS	• Industrial and multifamily properties remain healthy with stable cash flows. • Office space remains challenged post-pandemic.	• Seasoned conduit and CRE CLOs with high multifamily exposure. • Select lower-rated bonds where possible collateral outcomes have been crystalized and fundamental value is well established. • Underweight properties with near-term loan maturities that might be vulnerable to default if borrowers are unable to refinance or negotiate a loan extension.
ABS	• Industrial subsector and hard-asset collateral continue to display strength. • The consumer subsector remains healthy, but delinquencies are picking up for subprime borrowers.	• Prime/near-prime consumer deals backed by short-term loans. • Hard-asset securitizations with strong liquidity profiles. • Senior tranches of legacy (pre-COVID-19) aviation ABS.
CLO	• Bank loan default rates remain stable for now but are expected to increase. • Technical factors remain supportive.	• Selectively buying AAA tranches that screen attractive based on spread, dollar price and underlying credit fundamentals.

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Agency Mortgage-Backed Securities

Riding the Rate Roller Coaster

Agency MBS returned 3.06% in the quarter, outperforming Treasuries, which returned 2.92%.[1] Current-coupon spreads ended the period at 144 bps, approximately 8 bps wider from year-end, driven largely by macro uncertainty and elevated interest-rate volatility. Lower coupons outperformed higher coupons, benefiting from their longer-duration profile in a period of falling interest rates.

While the Federal Reserve's monetary tightening cycle has been a dominant factor influencing the Agency MBS market – with balance sheet runoff increasing supply and contributing to wider spreads – overall technicals have become more balanced. The decline in Fed purchases has added to supply pressures, but muted refinancing activity and lower gross issuance, down roughly 22% quarter-over-quarter (QoQ), have helped offset this.[2] The issuance decline is largely attributable to a slowdown in housing activity, given elevated home prices and mortgage rates. Additionally, while there has been increased focus on government-sponsored enterprise privatization, we do not expect this to occur in 2025. Rather, we anticipate it becoming a greater focus for the Trump administration in 2026 and beyond.

Meanwhile, demand from money managers remained relatively strong, particularly for lower-coupon securities that offer duration and reduce convexity risk. Although the spread basis between Agency MBS current coupons and investment grade (IG) corporate bonds narrowed during the period – driven by wider credit spreads – it remains wide relative to its longer-term history. *(Figure 4)* Given the yields available in government-backed securities, we expect money managers to continue allocating to Agency MBS opportunistically. We also expect banks to continue to add to MBS, further helping to balance supply-demand dynamics. *(Figure 5)*

We continue to view Agency MBS as offering attractive relative-value opportunities compared to Treasuries and corporate bonds, especially for investors with a long-term horizon. With ongoing geopolitical uncertainty likely to contribute to broader volatility, Agency MBS could benefit from a slowing economy, particularly if investors seek safe-haven assets. Overall, we believe there are multiple opportunities across the coupon stack for attractive risk-adjusted returns. Lower coupons offer optionality through lower dollar prices and potential upside from increased prepayments. Coupons trading slightly below par could provide advantageous carry without significant convexity risk. In addition, there are opportunities in Agency derivatives that allow for targeted exposure to higher yields and/or increased prepayments in the future.

Agency MBS vs. Corporate Bond Spreads | As of Mar. 31, 2025

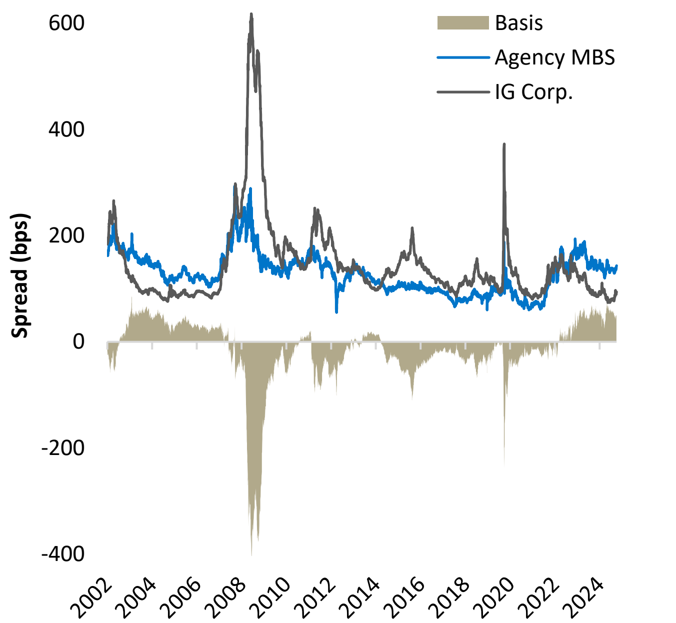

Figure 4
Source: DoubleLine, Bloomberg

Banks' MBS Holdings | As of Dec. 31, 2024

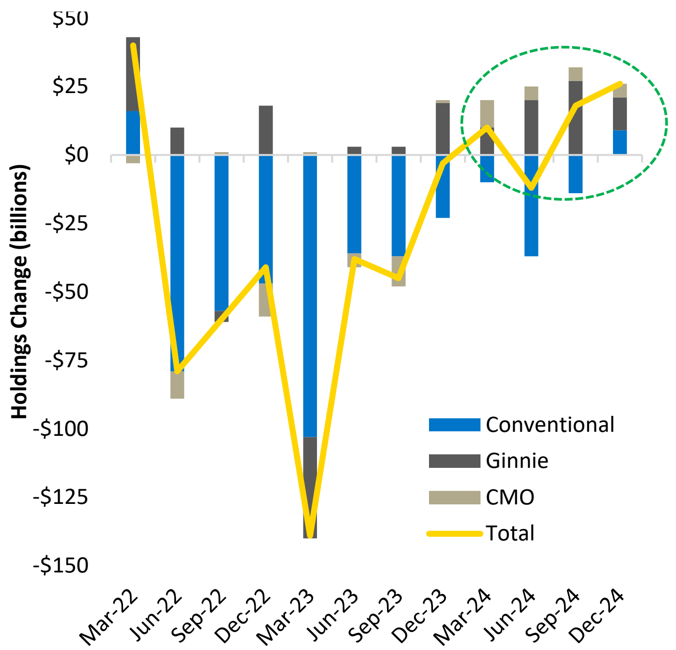

Figure 5
Source: DoubleLine, SNL, BofA Global Research. Ginnie Mae (Ginnie).

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Non-Agency Residential Mortgage-Backed Securities

Shelter From the Storm

Residential credit performance was positive during the quarter, driven by higher home prices, low defaults and strong demand for non-Agency RMBS new issuance. National home prices continued to rise, up approximately 4.0% year-over-year (YoY) through February.[3] Annual home-price growth has increased for five consecutive months, signaling a resilient housing market despite historically low affordability. Home prices have largely been supported by low inventory, which has remained below the historical average for over 10 years. *(Figure 6)*

The national delinquency rate for first-lien mortgages remained largely unchanged during the period, registering 3.47% in February.[4] Mortgage rates eased roughly 20 bps during the quarter, with the 30-year fixed-rate mortgage ending the period at 6.65%.[5] While the decline has yet to materially impact home sales – with February sales totaling 4.26 million units annualized – a continued drop in mortgage rates should boost housing activity, including both inventory and transactions. *(Figure 7)*

Non-Agency RMBS issuance for the quarter was $35.8 billion, an increase of 34% YoY.[6] While these deals were mostly oversubscribed and credit spreads remained generally flat in January and February, risk-off sentiment permeated the market in March, leading to some spread widening across the capital stack. Senior tranches widened approximately 15 bps to 25 bps while lower tranches widened about 35 bps. Despite the spread widening, all-in yields remained relatively range-bound from year-end, supported by a rally across the term structure. We believe the strong fundamental backdrop of the U.S. housing market will support the non-Agency RMBS sector's relative outperformance amid increasing market volatility.

Amid quarter-end market turmoil, residential credit appears to be a relative haven compared to the uncertainty surrounding corporate credit. Higher tariffs are likely to increase building costs, which – along with immigration policy-related impacts on labor – will constrain future housing supply, perpetuating the low inventory environment that has persisted throughout most of the post-Global Financial Crisis era. Potentially lower rates resulting from an economic slowdown are poised to benefit the housing market. While a downturn could lead to a rise in borrower delinquencies due to unemployment and other financial stressors, the prevalence of forbearance and other loss-mitigation programs – utilized and refined by servicers during the COVID-19 era – should help contain both defaults and resulting losses.

Supply vs. Prices | As of Feb. 28, 2025

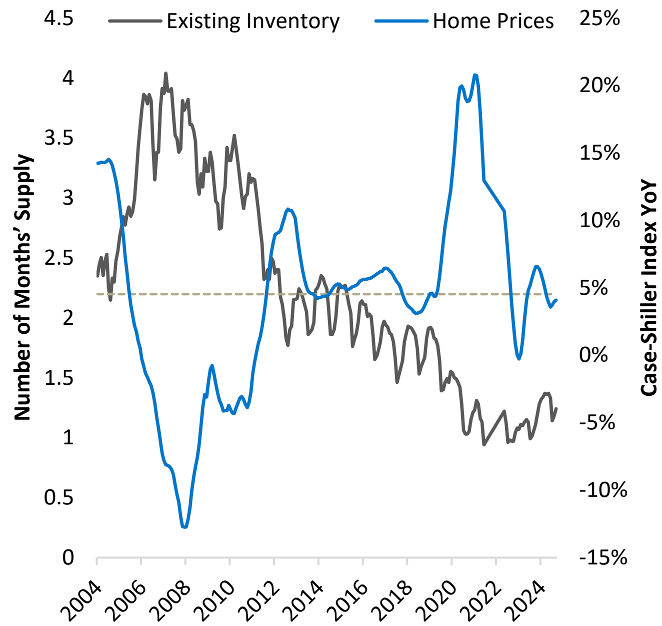

Figure 6
Source: DoubleLine, National Association of Realtors
Dashed line represents the average number of months' supply.

Home Sales vs. Mortgage Rates | As of Mar. 31, 2025

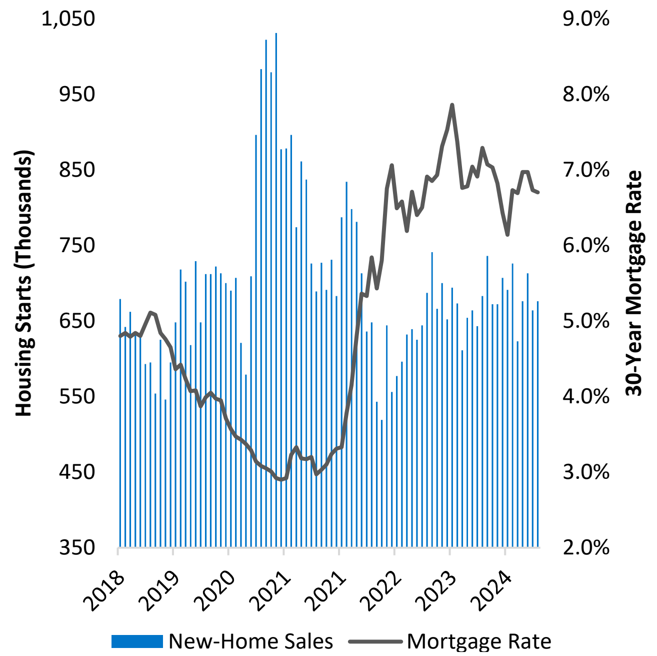

Figure 7
Source: DoubleLine, U.S. Census Bureau

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Non-Agency Commercial Mortgage-Backed Securities

Signs of Strength Amid Uncertain Times

Non-Agency CMBS delivered positive performance in the quarter, with tranches rated AAA and BBB- returning 2.38% and 3.51%, respectively.[7] The on-the-run fixed-rate conduit CMBS credit curve steepened as investors grappled with growing tariff and trade policy uncertainty amid ample primary issuance. This led last-cash-flow bonds rated AAA to reach 98 bps over duration-matched Treasuries, reflecting 23 bps of widening during the quarter. Credit-sensitive tranches rated BBB- widened 75 bps, ending the quarter at 500 bps over duration-matched Treasuries.

The CRE market continued to show encouraging signs of stabilization, supported by robust CMBS issuance and steadying property values. Private-label CMBS issuance reached $42.3 billion in the quarter, up 26% QoQ and marking the highest first-quarter level since 2007.[8] *(Figure 8)* Amid improving sentiment, CRE transaction activity and property prices continue to exhibit positive momentum. CRE transaction volume in 2024 totaled $434.1 billion – up 12.3% YoY – though still 28.4% below pre-pandemic 2019 levels. National CRE property prices posted a modest 1.3% YoY increase in February, signaling a shift from price declines marked in recent years. *(Figure 9)*

The composition of lenders in the commercial property debt market shifted significantly in 2024. CMBS and investor-driven lenders made a notable comeback, with CMBS originations rising to a 22% market share – up from 10% in 2023 – driven by a 143% YoY increase in loan volume.[9] Banks lost substantial market share, falling to 28% in 2024 from 40% a year earlier, with regional and local banks dropping to 17% from 26%. Meanwhile, the volume of U.S. commercial property loans slated to mature in 2025 exceeds $625 billion, with an additional $520 billion in mortgages likely extended beyond original maturity dates.[10] This looming "wall of maturities" could present both challenges and opportunities. We believe private lenders and the CMBS market are well positioned to gain market share at attractive entry points, providing an additional source of loan availability. (See: Commercial Real Estate Update)

After peaking in pessimism in late 2023, CRE markets appear poised for greener pastures. With capital markets improving and the Fed likely to continue its cutting cycle, sentiment has materially improved, with expectations that property prices and transaction activity have bottomed. That said, the situation around tariff policy remains extremely fluid and unpredictable. Overall, we remain constructive on the non-Agency CMBS market, with a preference for higher-quality bonds while remaining vigilant amid increasing macro volatility and geopolitical uncertainty.

First Quarter Private-Label CMBS Issuance | As of Mar. 31, 2025

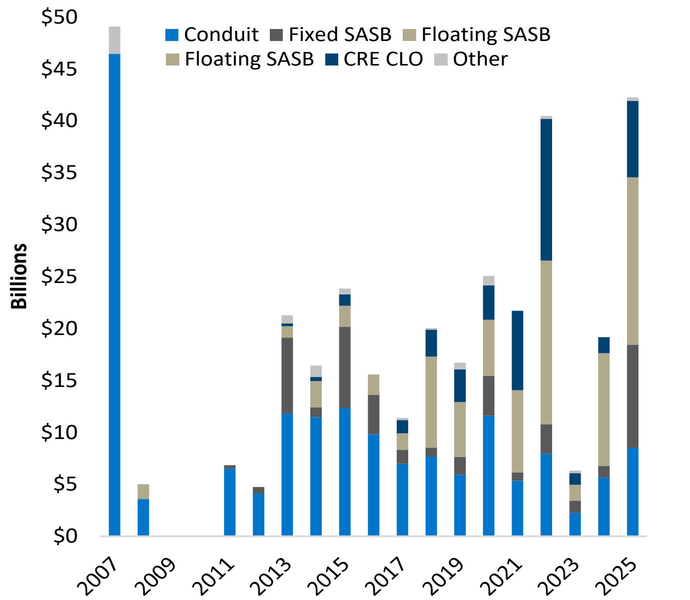

Figure 8
Source: DoubleLine, J.P. Morgan Research
Single Asset, Single Borrower (SASB)

RCA All-Property CPPI | As of Feb. 28, 2025

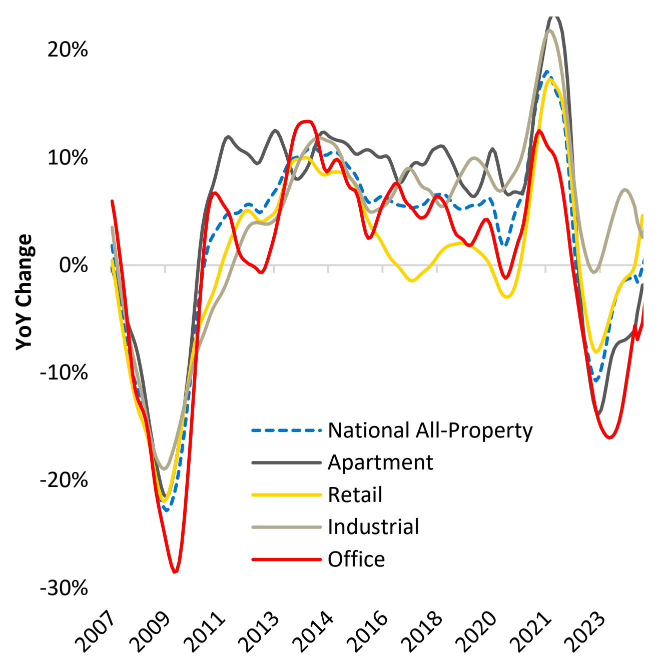

Figure 9
Source: DoubleLine, RCA

Asset-Backed Securities

Short and Steady

Returns for ABS were positive during the quarter despite modest spread widening, with mezzanine tranches generally outperforming senior bonds.[11] Demand remained robust across the capital structure and subsectors amid continued steady issuance. In the quarter, new-issue volume totaled approximately $95 billion, roughly flat YoY.[12] Investor demand remained healthy and sufficient to absorb this supply, given the still-attractive relative value and yield pickup in ABS versus comparable corporate credit. *(Figure 10)*

Despite significant economic challenges and ongoing recession risks, the U.S. consumer has demonstrated resilience. (see: The State of the U.S. Consumer) This strength can be attributed to the robust residential mortgage market, a solid labor market and excess savings accumulated during the pandemic. While the overall economic backdrop remains supportive, consumer delinquencies have been rising – largely driven by lower-credit-quality borrowers. *(Figure 11)*

Our general outlook for consumer-related ABS remains stable, though increasingly cautious. While a relatively strong labor market offers support, elevated interest rates, persistent inflation and rising delinquencies pose risks, particularly within the subprime segment. Early stage delinquencies have begun to increase – especially in credit card and auto loan ABS pools – signaling potential stress. The strength of credit enhancements and the quality of loan underwriting will be key determinants of consumer ABS performance going forward. We continue to favor shorter-duration consumer ABS offerings that demonstrate strong performance potential across a range of economic scenarios.

Within hard-asset ABS subsectors, we anticipate continued growth in infrastructure-related ABS, such as digital network data centers and fiber networks. (See: Investing in Infrastructure Debt) Aircraft ABS has been one of the strongest-performing subsectors recently, with metrics continuing to improve; global flight volume in 2024 was 4% above 2019 levels.[13] Given improving fundamentals and robust deal structures, senior tranches of legacy aircraft ABS can offer attractive total return opportunities as these securities accrete to par.

We continue to favor new-issue, post-COVID-19 ABS structures – across both consumer and hard-asset subsectors – that typically offer enhanced investor protections in the form of increased credit enhancement and more-conservative leverage ratios. These factors help create durable structures capable of withstanding adverse economic conditions, should they materialize.

Yield vs. Spread | As of Mar. 31, 2025

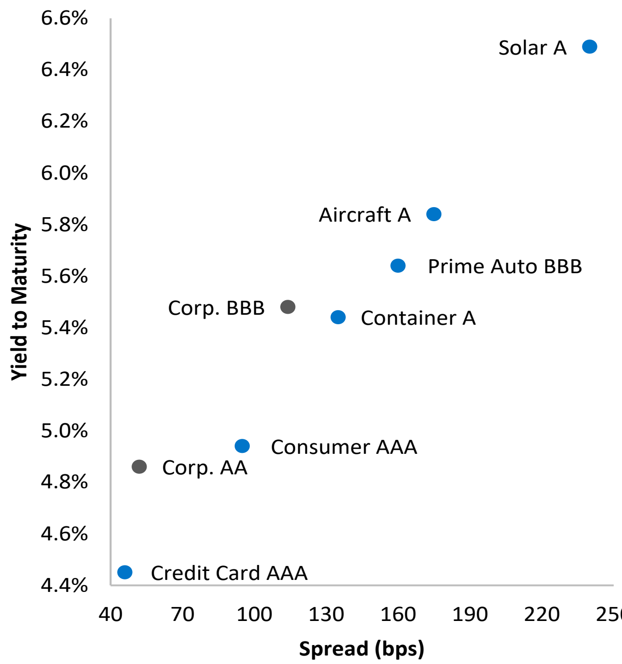

Figure 10
Source: DoubleLine, BofA Global Research

Serious Delinquency by Loan Type | As of Dec. 31, 2024

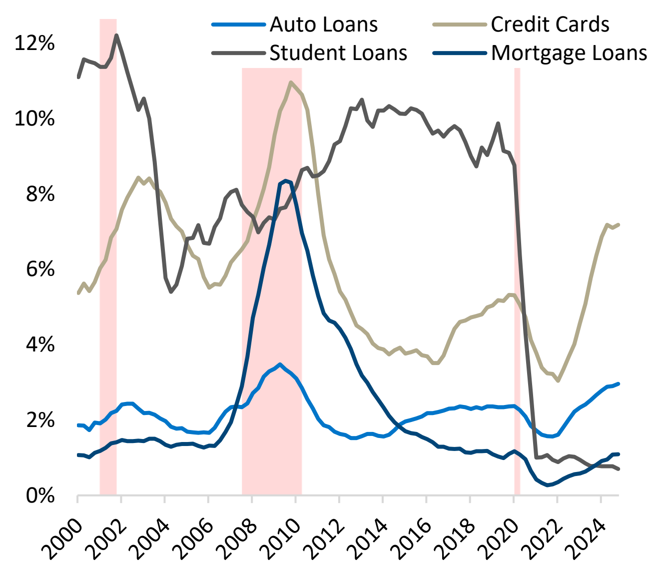

Figure 11
Source: DoubleLine, Federal Reserve Bank of New York
Serious delinquency represented as 90-plus days.Red-shaded areas indicate recessionary periods.

Collateralized Loan Obligations

No Longer One Size Fits All

CLO returns were positive during the quarter, although they generally lagged fixed-rate bonds as Treasury rates rallied. CLOs rated AAA and BBB returned 1.08% and 1.10%, respectively.[14] Spreads modestly widened, with the discount margin for CLOs rated AAA ending the period at 134 bps – 22 bps wider than year-end – while CLOs rated BBB widened 32 bps to 333 bps. Despite renewed macro uncertainty, CLO issuance marked its fastest start to any year, with $48.6 billion in new issuance and $104 billion in refinancing and reset activity.[15] Net supply, however, remained close to flat in the quarter due to high amortization and liquidation volumes.

CLOs have been among the best-performing fixed-income asset classes since the Fed began its hiking cycle in March 2022. *(Figure 12)* The key question now is: How will CLOs fare as the Fed transitions from rate hikes to rate cuts? While cuts could weigh on total returns for CLO debt, we remain optimistic on CLO performance – particularly in senior tranches. Broadly speaking, rate cuts should benefit leveraged loan fundamentals and, by extension, CLO fundamentals. Although loan fundamentals remain stable for now, downgrades and defaults are expected to rise later this year, especially among borrowers rated B- and CCC as corporate earnings slow and interest coverage weakens.

Although declining short-term rates could compress CLO yields, relative value remains attractive. CLOs continue to screen cheap versus comparably rated corporate credit. We expect relatively steady demand, paired with limited net issuance in the near term, to provide a favorable technical backdrop. Additionally, the CLO investor base continues to broaden. While CLO ETFs experienced modest outflows during the March equity selloff, their growth to over $31 billion in assets under management reflects the increasing institutionalization and accessibility of the asset class. Though further volatility could trigger additional selling, ETF demand could resume as interest rate expectations stabilize.

That said, given the broader macro uncertainty, we believe manager selection will be a critical driver of performance dispersion across CLOs. Top-tier CLO managers are pricing inside their lower-tier peers by 15 bps to 25 bps. *(Figure 13)* We favor higher-quality, seasoned managers with a strong track record of navigating volatile credit cycles, disciplined portfolio construction and lower CCC exposure.

Annualized return Since the Start of the Fed's Hiking Cycle
March 11, 2022, through March 31, 2025

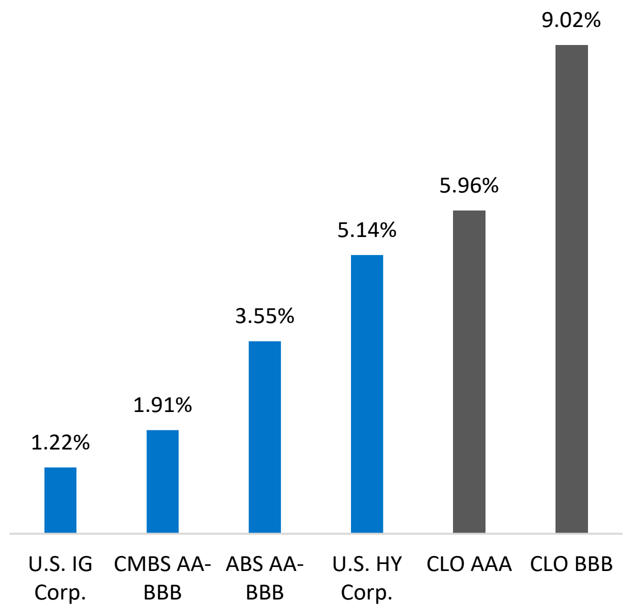

Figure 12
Source: DoubleLine, Bloomberg, J.P. Morgan

CLO Manager New-Issue Spreads | As of Mar. 31, 2025

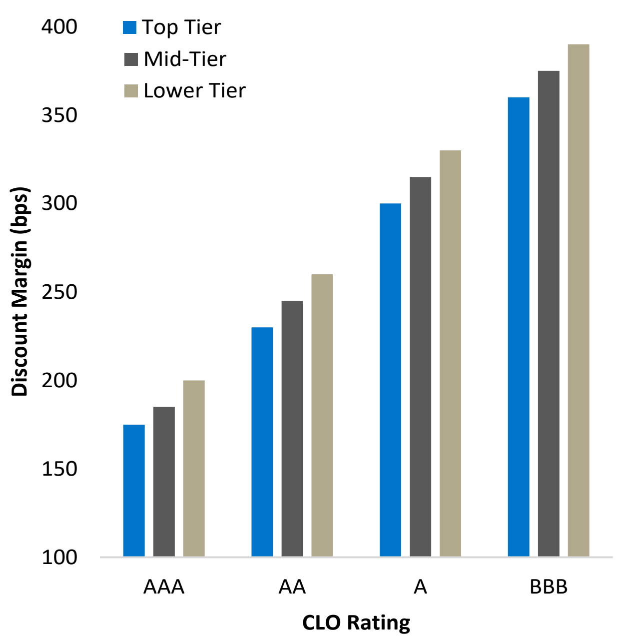

Figure 13
Source: DoubleLine, LCD

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Client Portfolio Manager

Mr. Gioia joined DoubleLine in 2018 and serves as a Client Portfolio Manager. In this capacity, he is responsible for communicating DoubleLine's macroeconomic views and portfolio positioning via client engagement, published market commentary and dedicated strategy content, with a focus on DoubleLine's Securitized Product strategies. Prior to DoubleLine, Mr. Gioia was an Investment Product Manager for Fidelity Investments. He holds a B.S. in Financial Management and Business Administration with a minor in Accounting from Salve Regina University, and he earned a certification for the Applied Data Science Program from the Massachusetts Institute of Technology. Mr. Gioia is a CFA® charterholder and holds the FINRA Series 7 and 63 licenses.

Endnotes

1. Bloomberg US MBS and Bloomberg US Treasury indices
2. Inside Mortgage Finance
3. S&P CoreLogic Case-Shiller U.S. National Home Price SA Index
4. March 2025 ICE Mortgage Monitor Report
5. Freddie Mac Primary Mortgage Market Survey, Sept. 30, 2024
6. BofA Global Research
7. ICE BofA CMBS indices
8. J.P. Morgan Research
9. Real Capital Analytics
10. Real Capital Analytics
11. ICE BofA indices
12. BofA Global Research
13. International Air Transport Association
14. J.P. Morgan indices
15. LCD Research

Index Definitions and Terms

Indices used in Figure 1:
U.S. Treasuries: Bloomberg US Treasury Index; **Agency MBS**: Bloomberg US MBS Index; **Agency CMO**: ICE BofA U.S. Agency CMO Index; **Agency CMBS**: Bloomberg US Agency CMBS Index; **RMBS**: Citi Research; **Non-Agency CMBS**: Bloomberg US Non-Agency CMBS Index; **ABS AAA**: Bloomberg US ABS Index; **ABS AA-BBB**: ICE BofA U.S. Fixed-Rate Miscellaneous ABS Index; **CLOs**: J.P. Morgan CLO Index; **U.S. IG Corporate**: Bloomberg US Corporate Index; **U.S. HY Corporate**: Bloomberg US Corporate HY Index; **Leveraged Loans**: Credit Suisse Liquid Leveraged Loan Index; **EMFI Sovereign**: J.P. Morgan EMBI Global Diversified; **EMFI Corporate**: J.P. Morgan CEMBI Broad Diversified; **US Agg Index**: Bloomberg US Aggregate Bond Index

Indices for Figure 2
Agency MBS: Bloomberg US MBS Index; **Conduit CMBS**: ICE BofA U.S. Fixed-Rate CMBS Index; **CLOs**: J.P. Morgan CLO Index; **Agency CMO**: ICE BofA U.S. Agency CMO Index; **RMBS Non-QM**: Wells Fargo Research; **RMBS CRT**: BofA Global Research; **ABS AA-BBB**: ICE BofA U.S. Fixed-Rate Miscellaneous ABS Index; **RMBS NPL A1**: BofA Global Research; **ABS MPL**: ACHV 2023-4CP; **CRE CLO BBB-**: BofA Global Research

Indices for Figure 3
US Agg Index: Bloomberg US Aggregate Bond Index; **Agency MBS**: 30-Year FNCL Par Coupon Index; **IG Corporate**: Bloomberg US Corporate Index; **U.S. 1-3 Yr Corp.**: Bloomberg US Corporate Index; **CMBS**: Bloomberg US Non-Agency CMBS Index; **RMBS (Non-QM) AAA**: Wells Fargo; **CLOs**: J.P. Morgan; **U.S. HY Corp.**: Bloomberg US Corporate High Yield Index; **EMFI Corp.**: J.P. Morgan CEMBI Broad Diversified; **EMFI Sov.**: J.P. Morgan EMBI Global Diversified; **Bank Loans**: Credit Suisse Liquid Leveraged Loan Index; **ABS AA-BBB**: ICE BofA U.S. Fixed-Rate Miscellaneous ABS Index

Agency – Mortgage securities 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.

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.

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 Non-Agency Commercial Mortgage-Backed Securities (CMBS) Index – This index measures the market of non-Agency conduit and fusion CMBS deals with a minimum current deal size of $300 million.

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.

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

Collateralized Mortgage Obligation (CMO) – Refers to a type of mortgage-backed security that contains a pool of mortgages bundled together and sold as an investment. Organized by maturity and level of risk, CMOs receive cash flows as borrowers repay the mortgages that act as collateral on these securities. In turn, CMOs distribute principal and interest payments to investors based on predetermined rules and agreements.

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.

Convexity – A measure of the curvature, or the degree of the curve, in the relationship between bond prices and bond yields. Convexity demonstrates how the duration of a bond changes as the interest rate changes. Portfolio managers will use convexity as a risk-management tool to measure and manage the portfolio's exposure to interest rate risk.

Credit Quality – Determined from the highest available credit rating from any nationally recognized statistical rating organization (NRSRO, generally S&P, Moody's or Fitch). DoubleLine chooses to display credit ratings using S&P's rating convention, although the rating might be sourced from another NRSRO. The rating organization evaluates a bond issuer's financial strength, meaning its ability to pay a bond's principal and interest in a timely fashion. Ratings are expressed as letters ranging from "AAA," the highest grade, to "D," the lowest grade. In situations where the rating organization has not issued a formal rating on a security, the security will be classified as "nonrated."

Credit Risk Transfer (CRT) – Pioneered by Freddie Mac in 2013, CRT programs structure mortgage credit risk into securities and (re)insurance offerings, transferring credit risk exposure from U.S taxpayers to private capital.

Credit Suisse Liquid Leveraged Loan Index (LELI) – This index is a subindex of the Credit Suisse Leveraged Loan Index, which, with over 1,664 fully funded term loan facilities as of December 2018, is designed to mirror the investable universe of the U.S. dollar-denominated leveraged loan market. LELI contains about 284 term loan facilities as of December 2018 and seeks to track the liquid segment of the loan market. LELI includes only large loan facilities, over $1 billion in face value, in order to sample loans that are actively traded in the secondary market.

Duration – Measure of the sensitivity of the price of a bond or other debt instrument to a change in interest rates.

Freddie Mac Primary Mortgage Market Survey (PMMS) – This weekly national survey tracks the most-popular 30- and 15-year fixed-rate mortgages among a mix of lender types. The survey is compiled Monday through Wednesday and released (as average rates) on Thursday.

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.

Government-Sponsored Enterprise (GSE) – Quasi-governmental entity established to enhance the flow of credit to specific sectors of the American economy. Created by acts of Congress, these agencies – although they are privately held – provide public financial services. GSEs help to facilitate borrowing for a variety of individuals, including students, farmers and homeowners.

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.

ICE BofA U.S. Agency Collateralized Mortgage Obligation (CMO) Index – This index tracks the performance of U.S. dollar-denominated, fixed-rate Agency CMOs publicly issued in the U.S. domestic market. Qualifying securities must have at least one year remaining to final maturity, a fixed coupon schedule, an original deal size for the collateral group of at least $250 million and a current outstanding deal size for the collateral group that is greater than or equal to 10% of the original deal size.

ICE BofA U.S. Fixed-Rate Commercial Mortgage-Backed Securities (CMBS) Index – This index tracks the performance of U.S. dollar-denominated, investment grade (IG), fixed-rate commercial mortgage-backed securities (CMBS) 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), a fixed coupon schedule, at least one year remaining to final maturity and at least one month to last expected cash flow.

ICE BofA U.S. Fixed-Rate Miscellaneous Asset-Backed Securities (ABS) Index – This index tracks the subset of the ICE BofA U.S. Fixed-Rate ABS Index rated AA to BBB and includes all ABS collateralized by anything other than auto loans, home equity loans, manufactured housing, credit card receivables and utility assets.

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.

J.P. Morgan Collateralized Loan Obligation Index (CLOIE) – This market value-weighted index comprises U.S. dollar-denominated collateralized loan obligations (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. The CEMBI BD 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. The EMBI tracks bonds from emerging markets (EM), and comprises sovereign debt and EM corporate bonds. The EMBI GD 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.

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

Mezzanine Financing – Since commercial mortgage-backed security (CMBS) loans typically prohibit second mortgages, some borrowers use mezzanine financing to fill in the gap. Mezzanine financing, unlike a traditional second mortgage, is a hybrid of debt and equity that permits the lender to convert their debt into shares in the borrower's company in the case of a loan default. Therefore, the mezzanine lender sits between the CMBS lender and equity shareholders in terms of repayment priority, and is junior to the CMBS lender's claim on the company's assets.

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

Non-Qualified Mortgage (Non-QM) – Any home loan that doesn't comply with the Consumer Financial Protection Bureau's existing rules on qualified mortgages (QMs). 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.

On the Run – Most recently issued bonds or notes of a particular maturity. For example, "on-the-run" U.S. Treasuries are the opposite of "off-the-run" Treasuries, which refer to Treasuries issued before the most recent issue and are still outstanding.

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.

Pass-Through Security – Pool of fixed income securities backed by a package of assets. A servicing intermediary collects the monthly payments from issuers and, after deducting a fee, remits or passes them through to the holders of the pass-through security (that is, people or entities who have invested in it).

Prime – Classification of borrowers, rates or holdings in the lending market that are considered to be of high quality. This classification often refers to loans made to high-quality "prime" borrowers that are offered "prime" or relatively low interest rates.

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.

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.

S&P CoreLogic Case-Shiller U.S. National Home Price SA Index – This index tracks on a seasonally adjusted (SA) basis the value of single-family housing within the United States and is a composite of single-family price indices for the nine Census Bureau divisions.

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.

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

Subprime – Below-average credit classification of borrowers with a tarnished or limited credit history, and which are subject to higher than average interest rates. Subprime loans carry more credit risk and, as such, will carry higher interest rates.

30-Year FNCL Par Coupon Index – This index tracks the par coupons paid on 30-year Fannie Mae mortgages.

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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