DoubleLine®

Securitized Products Briefing: Mid-Year Outlook 2025

Navigating Opportunity Amid Moderating Risks

Phil Gioia, CFA | July 2025

Sector Summary

Agency MBS Could Emerge as a Safe Haven Amid Rising Fiscal Uncertainty

- Agency mortgage-backed securities (MBS) returned 1.14% in the second quarter and 4.23% during the first half of the year, outpacing U.S. Treasuries.
- We maintain a constructive view on Agency MBS heading into the second half of the year and believe there are multiple opportunities across the coupon stack to generate attractive risk-adjusted returns.

Mortgage Market Still Well Grounded

- Non-Agency residential MBS (RMBS) performance remained firm during the quarter, supported by resilient borrower behavior, improved rate expectations and a gradual easing in home price appreciation.
- Heading into the second half of the year, residential credit remains well supported by strong household balance sheets, tight loan underwriting and low supply.

Security Selection Remains Key

- 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 1.83% and 2.11%, 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.

Credit Check, Please

- Returns for asset-backed securities (ABS) were positive during the quarter, 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.

Brisk Issuance, Resilient Demand, but Cracks Emerge

- Collateralized loan obligation (CLO) returns were positive during the quarter, although they generally lagged fixed-rate bonds as front-end Treasury rates rallied.
- Heading into the second half of the year, we believe CLOs remain well supported by technical demand despite soft loan supply and macro risk.

Fixed Income Index Performance

Securitized markets recalibrated in the first half of 2025 following persistent rate volatility, tariff headwinds and evolving supply dynamics. *(Figure 1)* Investors are increasingly finding value across securitized sectors as macro conditions stabilize, inflation risks recede and central banks signal a pause in policy tightening. While some structural challenges remain – particularly in CRE office properties and subprime consumer sectors – the technical backdrop has improved across most securitized asset classes.

Securitized Products Yields

Heading into the second half of the year, yields across the securitized product market remain compelling, supported in part by spreads that remain wider than historical averages. *(Figure 2)* Apart from April, credit markets have held relatively stable in 2025. That said, we remain vigilant for signs of stress, particularly among lower-rated credits, should macro conditions deteriorate

2Q2025 Fixed Income Index Performance | As of June 30, 2025

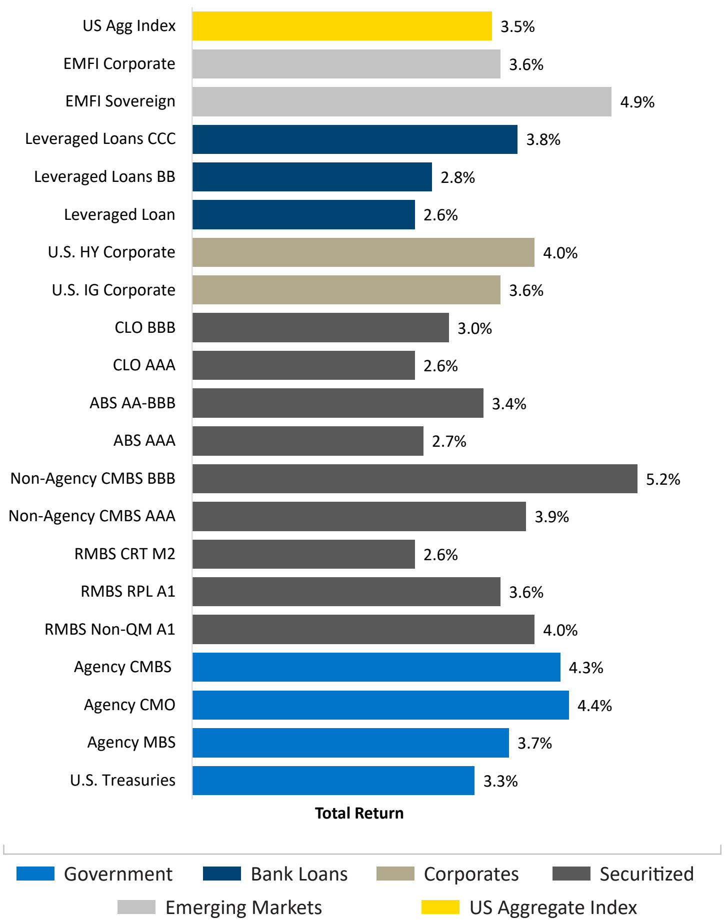

Figure 1
Source: DoubleLine, Bloomberg, BofA Global Research
Collateralized Mortgage Obligation (CMO), Non-Qualified Mortgage (Non-QM), Re-Performing Loan (RPL), Investment Grade (IG), High Yield (HY), Credit Risk Transfer (CRT), Emerging Markets Fixed Income (EMFI). Indices used in this figure can be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

Securitized Fixed Income Yields | As of June 30, 2025

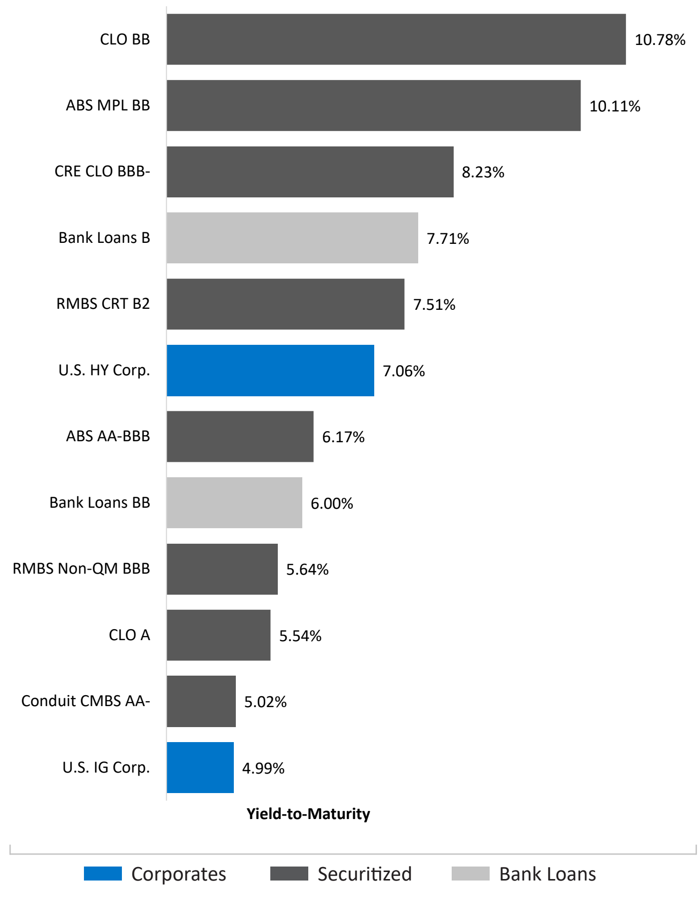

Figure 2
Source: DoubleLine, Bloomberg, BofA Global Research
Collateralizes Mortgage Obligation (CMO), Non-Performing Loan (NPL), Non-Qualified Mortgage (Non-QM), Credit Risk Transfer (CRT), Marketplace Lending (MPL). Indices used in this figure can be found under disclosures.

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)* Barring significant macro shocks, we expect spreads across most securitized sectors to modestly tighten in the second half of 2025, supported by strong demand, stable credit performance and attractive relative value.

	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
June 30, 2025	**33**	**147**	**84**	**53**	**97**	**150**	**120**	**290**	**266**	**322**	**401**	**204**	**694**	**339**
2Q2025 Change	-2	3	-9	-4	-9	5	-14	-57	1	-27	-19	-4	10	6
10-Year Average	*46*	*109*	*119*	*68*	*101*	*131*	*142*	*410*	*334*	*373*	*461*	*253*	*519*	*403*
Percentile Rank	4	87	5	25	48	70	25	6	7	21	23	32	75	18

Figure 3
Source: DoubleLine, Bloomberg, Wells Fargo
Percentile rank from June 30, 2015 through June 30, 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 historical 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 with potential upside in prepayments • Up-in-coupon PTs that may 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 • Well-located nonoffice property types with strong cash flow and sponsorship with low refinancing risk • 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. • 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 such as digital infrastructure • 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 as attractive based on spread, dollar price and underlying credit fundamentals

Navigating Opportunity Amid Moderating Risks

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Agency Mortgage-Backed Securities

Agency MBS Could Emerge as a Safe Haven Amid Rising Fiscal Uncertainty

Agency MBS returned 1.14% in the second quarter and 4.23% during the first half of the year, outpacing Treasuries, which returned 0.85% in the quarter and 3.79% year-to-date (YTD).[1] Lower coupons continued to outperform in the quarter, buoyed by longer duration and muted prepayment risk. Current-coupon spreads ended the period at 146 basis points (bps), approximately 6 bps wider from the end of the first quarter, though tighter than their local wides of 164 bps in mid-April. Spread tightening in May and June was driven largely by reduced rate volatility, improving technicals and renewed demand from money managers and banks given attractive relative value versus corporate bonds. *(Figure 4)*

Gross issuance is projected at $1.1 trillion for 2025, with net supply revised slightly downward to $184 billion amid continued housing market softness and affordability constraints.[2] Notably, money manager demand has rebounded, resulting in a 5.7% overweight to the sector.[3] Bank flows also remained positive, with net additions of $4.5 billion in the first quarter, the latest data available, particularly to Ginnie Mae and collateralized mortgage obligation (CMO) positions.[4] *(Figure 5)* We expect banks will continue to add Agency MBS in 2025 as deposit growth resumes and Treasury allocations moderate.

Despite a hawkish Federal Reserve stance, the market is pricing in potential rate cuts later in 2025 and early 2026, which could further support Agency MBS valuations. The Fed's MBS runoff continues at a reduced pace, with no active sales expected, and reinvestment is likely to favor Treasuries once quantitative tightening ends. While chatter around the privatization of government-sponsored enterprises (GSEs) has resurfaced, particularly around administrative changes, we believe any material moves are unlikely before 2026. Near term, policy uncertainty might affect investor sentiment, but the fundamental backdrop remains favorable.

We maintain a constructive view on Agency MBS heading into the second half of the year. 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 may provide advantageous carry without significant convexity risk, as less than 2% of the market is currently refinanceable at prevailing mortgage rates.[5] In addition, there are opportunities in Agency derivatives that allow for targeted exposure to higher yields and/or increased prepayments in the future. Risks include policy shifts related to GSE reform and elevated long-end Treasury supply, but supportive technicals and resilient demand point toward a firmer footing into year-end.

Agency MBS vs. Corporate Bond Spreads | As of Jun. 30, 2025

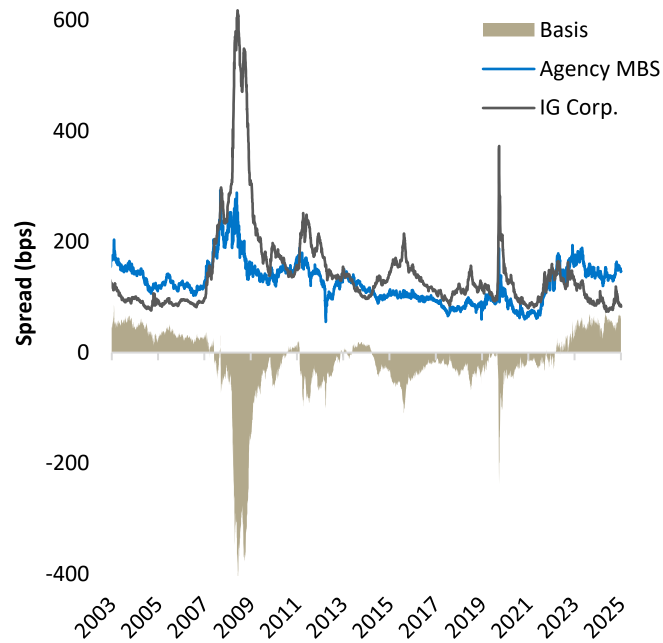

Figure 4
Source: DoubleLine, Bloomberg

Banks' MBS Holdings | As of Mar. 31, 2025

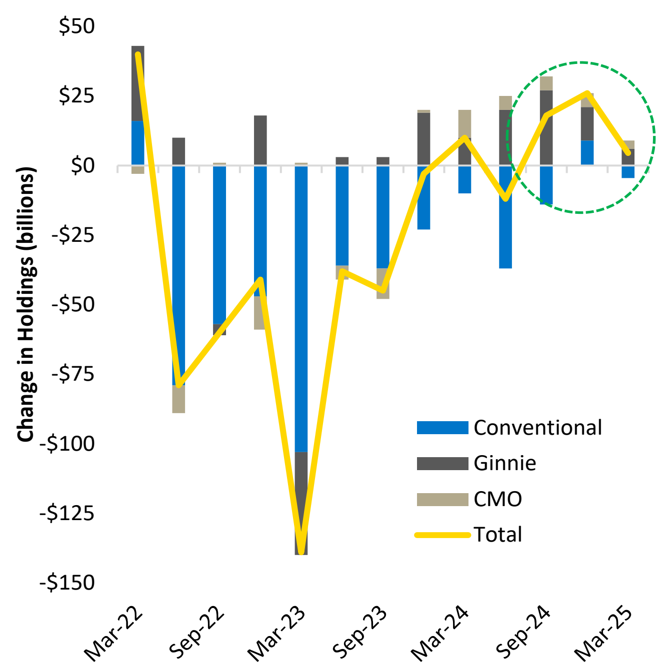

Figure 5
Source: DoubleLine, SNL, BofA Global Research. Ginnie Mae (Ginnie).

Non-Agency Residential Mortgage-Backed Securities

Mortgage Market Still Well Grounded

Residential credit performance remained firm during the quarter, supported by resilient borrower behavior, improved rate expectations and a gradual easing in home price appreciation. While home prices continued to rise on a national basis, the pace decelerated to 2.7% year-over-year (YoY) through May, down from 4.8% in February.[6] Inventory levels continued to rise, with the number of homes available for sale up 32% YoY, but still 13% below pre-pandemic norms, helping to support price levels in most markets. *(Figure 6)*

The national delinquency rate for first-lien mortgages marked a modest decrease during the period, registering 3.20% in May.[7] Mortgage rates rose roughly 20 bps during the quarter, with the 30-year fixed-rate mortgage ending the period at 6.82%.[8] Higher home insurance premiums – projected to rise 8% nationwide – will likely worsen affordability and keep home sales constrained.[9] *(Figure 7)* That said, purchase application activity rose for 21 consecutive weeks through late June, suggesting underlying demand remains even in the face of stretched affordability.

Non-Agency RMBS issuance for the quarter was approximately $35 billion, bringing the YTD total to just over $71 billion, an increase from the $56 billion priced in the first half of 2024.[10] Strong issuance came despite credit spread volatility in April, as spreads widened approximately 25 bps to 50 bps across senior portions of the capital structure due to risk-off sentiment from tariffs and impending trade wars. While this move eventually reversed by mid-May as macro concerns subsided, there was some resistance due to new-issue supply. Spreads ultimately ended the quarter 5 bps to 10 bps wider across senior tranches and 10 bps to 20 bps tighter in mezzanine tranches. All-in yields remained range-bound as Treasury rates rallied roughly 15 bps in the short to intermediate portions of the yield curve.

Heading into the second half of the year, residential credit remains well supported by strong household balance sheets, tight loan underwriting and still low, albeit rising, supply. Potentially lower rates are poised to improve affordability on the margin, which could help offset increases in supply. While an economic 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 May 31, 2025

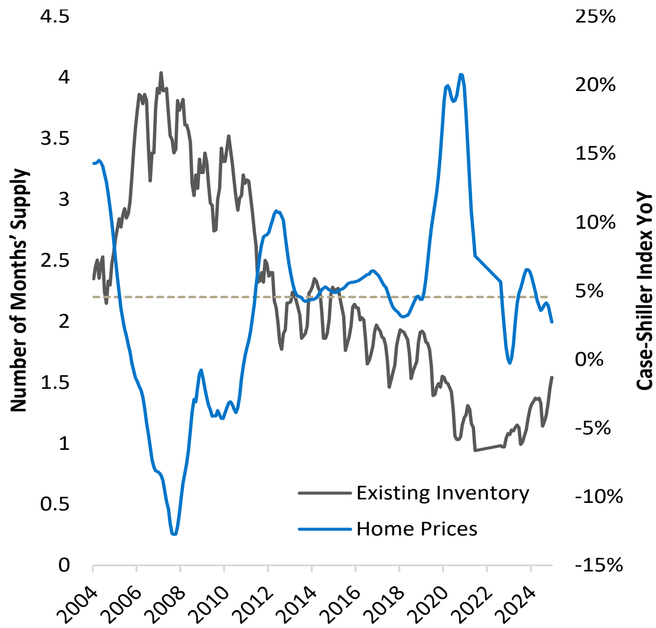

Figure 6
Source: DoubleLine, National Association of Realtors
Dashed line represents the average number of months' supply.

Home Sales vs. Mortgage Rates | As of Jun. 30, 2025

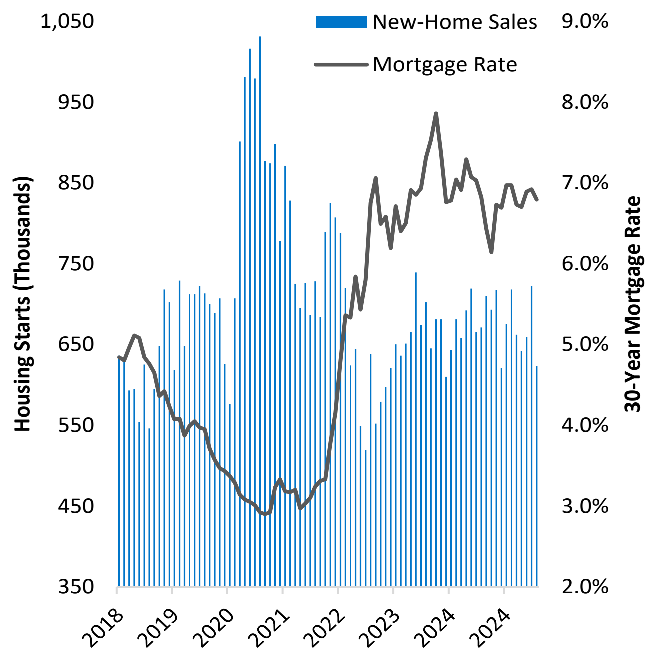

Figure 7
Source: DoubleLine, U.S. Census Bureau

Non-Agency Commercial Mortgage-Backed Securities

Security Selection Remains Key

Non-Agency CMBS delivered positive performance in the quarter, with tranches rated AAA and BBB- returning 1.83% and 2.11%, respectively.[11] The on-the-run, fixed-rate conduit CMBS credit curve steepened in the period as broader markets recovered and investors navigated continued uncertainty – particularly around tariffs and trade policy – amid robust primary issuance. Last-cash-flow bonds rated AAA tightened 12 bps quarter-over-quarter (QoQ) to 86 bps over duration-matched Treasuries, though they remained 11 bps wider YTD.[12] In contrast, credit-sensitive tranches rated BBB- widened 15 bps QoQ and 90 bps YTD to close the quarter 515 bps over Treasuries.

Investor sentiment became more cautious in the quarter in response to heightened policy and economic uncertainty. While long-term expectations remain more stable, the shift in sentiment reflects a market grappling with slower capital flows, property price discovery and a more complex near-term outlook. (See: Commercial Real Estate Update) This dynamic contributed to a meaningful slowdown in CRE transaction activity, ending a modest recovery trend that began in mid-2024, as total deal volume fell 11% YoY through May.[13] Property prices, which had shown signs of stabilizing earlier in the year, resumed their decline. The RCA U.S. All-Property Commercial Property Price Index (CPPI) fell 1.0% YoY in May, accelerating from a 0.6% decline earlier in the year. *(Figure 8)*

Despite the more cautious sentiment, private-label CMBS issuance reached $30.0 billion in the quarter, 7.7% above the same period in 2024. Total private-label CMBS issuance hit $78.1 billion YTD, the highest level recorded in the first half of a year since 2007. *(Figure 9)* This suggests to us that issuers are continuing to find willing buyers amid renewed demand for income-generating credit and resilient loan performance.

We remain constructive on non-Agency CMBS heading into the second half of 2025. (U.S. Commercial Real Estate Outlook) Elevated yields, improving credit transparency and a recalibrated CRE price base offer compelling entry points, especially in seasoned conduit and multifamily deals. While the idiosyncratic office subsector is still challenging, we believe that the worst is behind us, having already observed the cyclical lows in nationwide CRE prices.

RCA All-Property CPPI | As of May 31, 2025

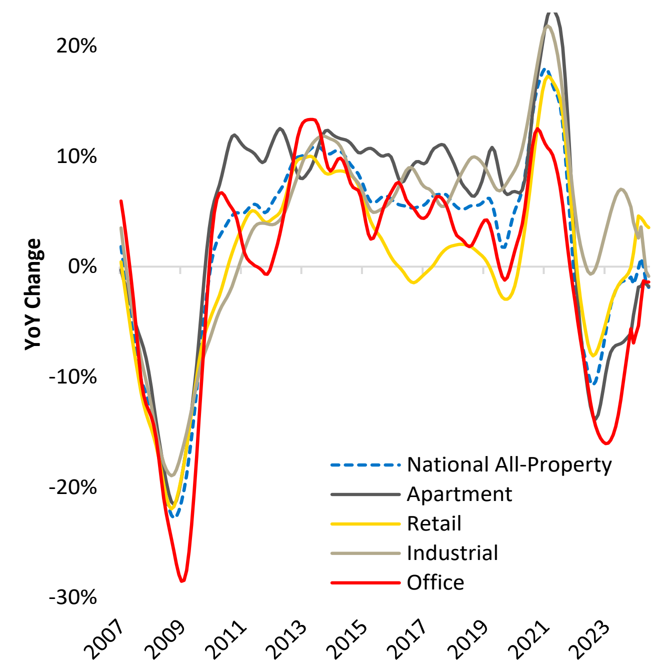

Figure 8
Source: DoubleLine, RCA

YTD Private-Label CMBS Issuance | As of Jun. 30, 2025

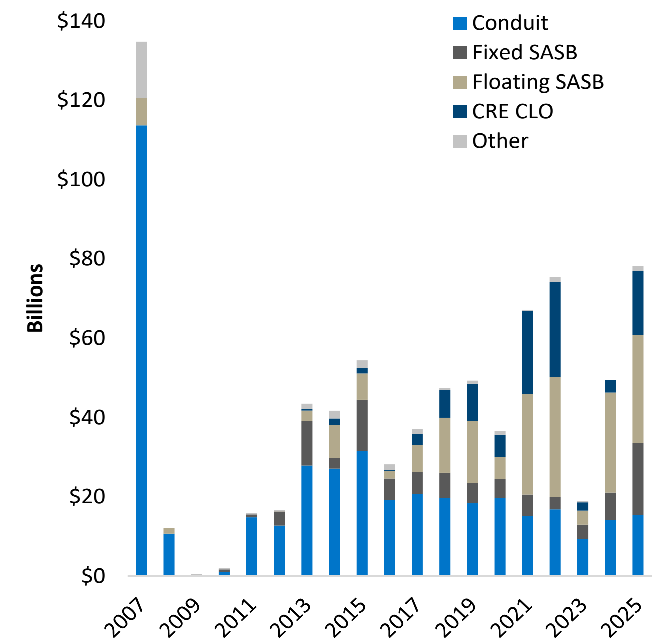

Figure 9
Source: DoubleLine, J.P. Morgan Research
Single Asset, Single Borrower (SASB)

Asset-Backed Securities

Credit Check, Please

Returns for ABS were positive during the quarter, with mezzanine tranches generally outperforming senior bonds.[14] New issuance continued its steady pace during the quarter, with YTD issuance reaching $177 billion, just shy of the same period a year ago.[15] Despite concerns around student loans and consumer delinquencies, investor demand remained robust, particularly for higher-quality tranches given the still-attractive relative value and yield pickup in ABS versus comparable corporate credit. *(Figure 10)*

The U.S. consumer has remained more resilient than expected – supported by steady job growth and rising wages. (see: The State of the U.S. Consumer) However, this strength is increasingly uneven across income cohorts. Higher-income households continue to spend money on travel and services while lower-income groups are scaling back discretionary purchases and showing early signs of credit fatigue. *(Figure 11)* Delinquencies are rising but remain largely concentrated among subprime borrowers. While tighter lending standards and weaker credit demand might curb further strain, they could also weigh on consumer spending in the second half of the year.

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.

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) This subsector has emerged as a key growth driver within the esoteric ABS market. Through the end of June, $12.5 billion in digital infrastructure ABS had been issued, more than double the volume at the same point in 2024.[16]

Heading into the second half of the year, we maintain a selectively constructive view on ABS. 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 could help create durable structures capable of withstanding adverse economic conditions, should they materialize.

Yield vs. Spread | As of Jun. 30, 2025

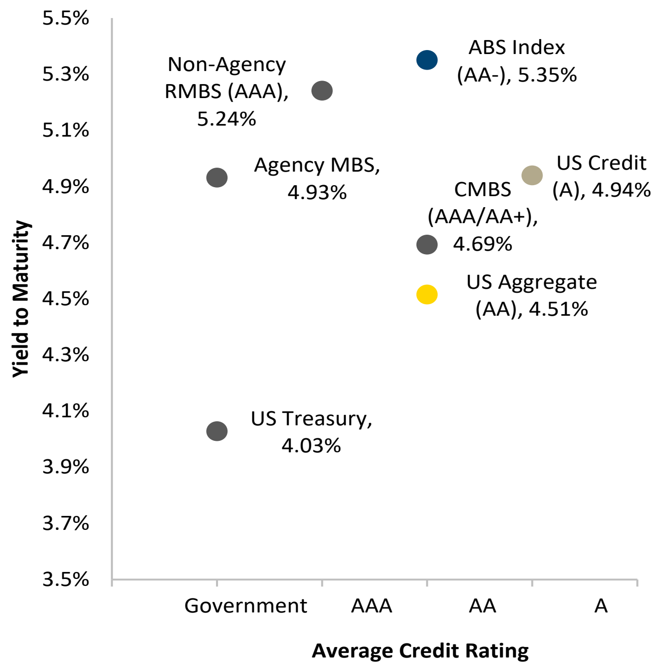

Figure 10
Source: DoubleLine, BofA Global Research

Discretionary Travel and Entertainment Spending by Income Cohort | As of Jun. 30, 2025

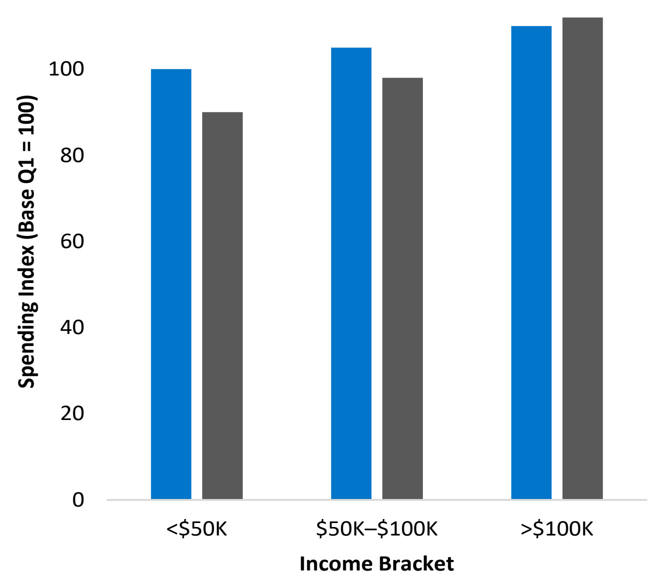

Figure 11
Source: DoubleLine, Barclays

Collateralized Loan Obligations

Brisk Issuance, Resilient Demand but Cracks Emerge

CLOs remained resilient through a turbulent quarter marked by April's "Liberation Day" tariff shock and subsequent market volatility. CLOs rated AAA and BBB returned 1.60% and 2.08%, respectively.[17] Spreads modestly widened in the period, with the discount margin for CLOs rated AAA ending the quarter at 136 bps – 17 bps wider than March 31; CLOs rated BBB widened 39 bps to 318 bps.[18] Lower-tier managers priced wider, with AAAs averaging SOFR +144 bps, while top-tier issuers averaged SOFR +134 bps, a 10-bp premium for reputation and execution quality. *(Figure 12)* While spread widening and soft loan issuance pressured resets and refinancings early in the period, CLO managers responded with strong new-issue volumes, pricing $51.3 billion across 109 deals, exceeding first quarter totals and pushing YTD issuance to $99.9 billion – on pace to rival 2024's record.[19]

Loan prices dropped nearly two points in the first week of April, with secondary bids bottoming at $94.40 – the lowest since mid-2023.[20] Activity froze as no broadly syndicated loans launched for 15 consecutive business days, marking the longest issuance drought since the onset of COVID-19. However, sentiment rebounded in May and June as secondary loan prices rallied, loan fund outflows reversed and repricing activity resumed.

Despite macro volatility, CLOs absorbed the loan market's swings with relative resilience, supported by structural protections and active management. Overcollateralization and interest coverage remain intact for most CLOs, though stress is building at the margins – particularly in portfolios with retail or commodity-linked exposure. CCC buckets are ticking higher, but most managers have adjusted trading to stay below par subordination triggers. Loan default rates have ticked higher but remain below long-term averages. *(Figure 13)*

Heading into the second half of the year, we believe CLOs remain well supported by technical demand, despite soft loan supply and macro risk. That said, manager dispersion is widening, and risk remains skewed to the downside for portfolios overweight tariff-impacted sectors like retail, chemicals and consumer durables. As the downgrade cycle matures, seasoned Tier 1 managers with disciplined credit selection and active trading capabilities are best positioned to outperform. We continue to favor higher-quality, seasoned managers with a strong track record of navigating volatile credit cycles, disciplined portfolio construction and lower CCC exposure.

CLO Manager New-Issue Spreads | As of Jun. 30, 2025

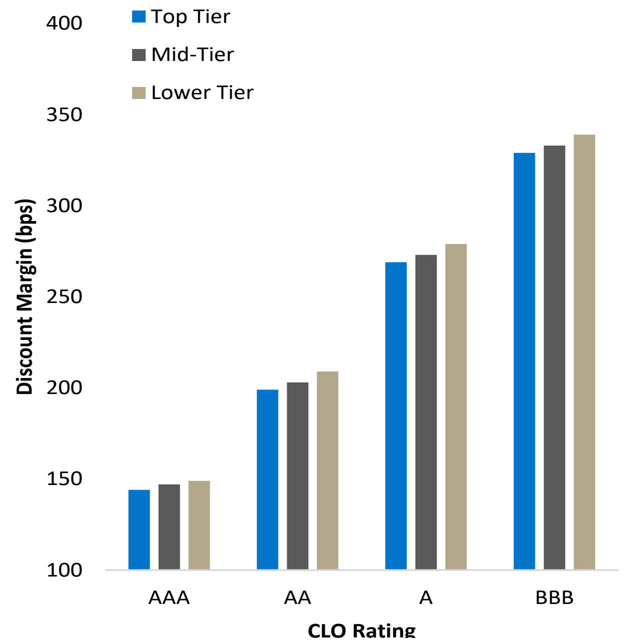

Figure 12
Source: DoubleLine, LCD

Loan Default Rate by Principal Amount | As of Jun. 30, 2025

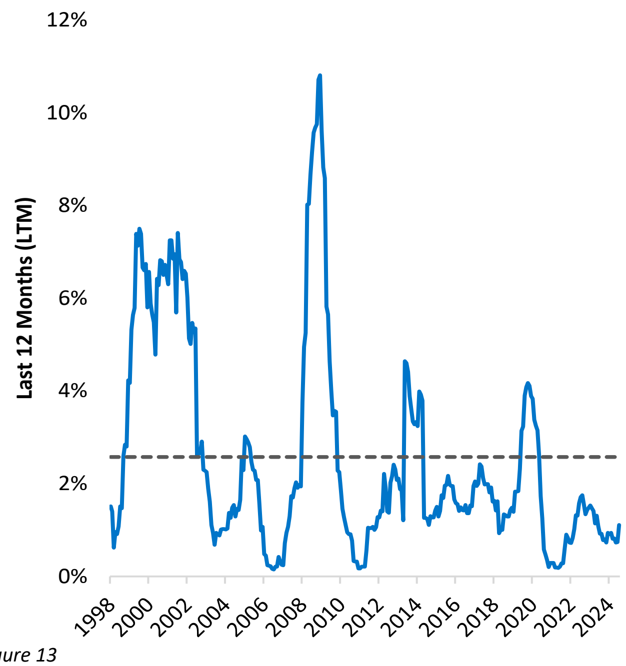

Figure 13
Source: DoubleLine, Pitchbook | LCD
Dashed line represents the average LTM default rate.

Navigating Opportunity Amid Moderating Risks

Phil Gioia, CFA | July 2025

Phil Gioia, CFA
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 Citi Research
4 J.P. Morgan Research
5 BofA Global Research
6 S&P CoreLogic Case-Shiller U.S. National Home Price SA Index
7 July 2025 ICE Mortgage Monitor Report
8 Freddie Mac Primary Mortgage Market Survey, May 31, 2025
9 "Homeowners' Insurance Premiums Vary Widely From State to State, But They Are All Going Up," CNBC, July 2, 2025
10 BofA Global Research
11 ICE BofA CMBS indices
12 Bank of America Research
13 Real Capital Analytics
14 ICE BofA indices
15 BofA Global Research
16 Morgan Stanley Research
17 J.P. Morgan indices
18 Pitchbook | LCD
19 Pitchbook | LCD
20 Barclays Research

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.

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.

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.

Quantitative Tightening (QT) – Reverse of quantitative easing (QE); a central bank that acquired financial assets under QE undertakes steps to reduce its balance sheet.

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.

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.

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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