DoubleLine Total Return Bond Fund

Quarterly Fund Review | Third Quarter 2024

Fund Information:

Class I (Institutional)
Ticker: DBLTX
Minimum: $100,000
IRA: $5,000
Inception: 4-6-2010
Gross Expense Ratio: 0.50%

Class N (Retail)
Ticker: DLTNX
Minimum: $2,000
Minimum IRA: $500
Inception 4-6-2010
Gross Expense Ratio: 0.75%

Benchmark
Bloomberg US Aggregate Bond Index

Morningstar Category
U.S. Intermediate Core-Plus Bond

Portfolio Managers
Jeffrey Gundlach
Andrew Hsu, CFA
Ken Shinoda, CFA

About DoubleLine

DoubleLine is an independent, employee-owned money management firm committed to helping investors achieve their goals.

We offer a wide array of investment strategies and vehicles overseen by a time-tested portfolio management team.

Investment Objective

The Fund's objective is to seek to maximize total return.

Investment Approach

The Fund invests primarily in structured products fixed income, actively allocating between government-backed Agency MBS and U.S. Treasuries, and structured products credit. Interest rate and credit risks are actively managed with the goal of providing enhanced risk-adjusted returns through various interest rate and economic environments.

Philosophy

DoubleLine's portfolio management team believes the most reliable way to enhance returns is through active management of both interest rate and credit exposure combined with bottom-up security selection while maintaining active risk management constraints.

Investment Process

Robust investment approach employing a qualitative and quantitative approach:

Qualitative: Thorough analysis of market trends and in-depth research contribute to affirming subsector opportunities and assessing risk exposure.

Quantitative: Bottom-up security selection based on experience with proprietary prepayment methodology and "stress testing" scenarios across a range of interest rate movements.

Fund Performance

Quarter-End Returns (%) September 30, 2024	3Q24	YTD	1 Yr	Annualized			
				3 Yr	5 Yr	10 Yr	Since Inception
DBLTX	5.70	6.01	12.83	-0.85	0.34	1.90	4.02
DLTNX	5.63	5.93	12.68	-1.07	0.09	1.65	3.77
Bloomberg US Aggregate Index	5.20	4.45	11.57	-1.39	0.33	1.84	2.59
Bloomberg MBS Index	5.53	4.50	12.32	-1.20	0.04	1.41	2.06

Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. Current performance of the fund may be lower or higher than the performance quoted. Performance current to the most recent month-end may be obtained by calling (213) 633-8200 or by visiting www.doubleline.com.

Third Quarter Fixed Income Overview

The third quarter of 2024 marked a reversal from the first half of the year, as longer-duration and higher-rated sectors outperformed shorter-duration and lower-rated cohorts, driven primarily by falling U.S. Treasury rates. (Figure 1) Strong returns for Treasuries, Agency mortgage-backed securities (MBS) and investment grade (IG) corporate bonds contributed to a 5.20% return for the Bloomberg US Aggregate Bond Index (the "Agg"). The long-anticipated start of the interest-rate cutting cycle by the Federal Reserve in September contributed to lower Treasury rates across tenors in the period, as the two- and 10-year Treasury yields declined 111 basis points (bps) and 62 bps, respectively, resulting in a yield differential between the two notes of positive 14 bps at quarter-end. Securitized and corporate credit spreads broadly tightened, and credit curves flattened.

3Q2024 Fixed Income Performance | As of September 30, 2024

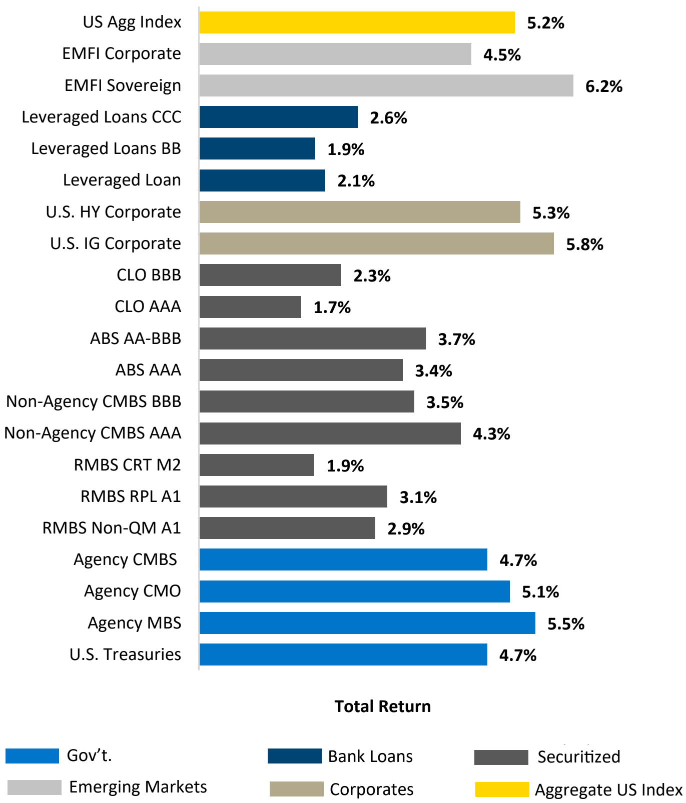

Figure 1
Source: DoubleLine, Bloomberg, BofA Global Research
Indices used in this figure can be found under Definitions of Terms at back.

The Federal Open Market Committee (FOMC) announced a cut of 50 bps to the target federal funds rate (FFR) at its Sept. 18 meeting. The decision brought the target FFR range to 4.75% to 5.00% and signaled the FOMC's commitment to loosening monetary policy. The size of the cut came as a surprise to some market participants who were expecting only a quarter-point cut. At the post-meeting press conference, Fed Chair Jerome H. Powell defended the size of the cut as a "commitment to make sure that (the FOMC) does not fall behind." Chair Powell continuously referenced the updated Summary of Economic Projections (SEP) to address several questions about the future path of monetary policy. Notably, the SEP revealed that 10 of 19 FOMC voting members expect an additional 50 bps or more of cuts in 2024 while 17 of 19 members expect at least one 25-bp cut this year. Alternatively, market participants expect the FOMC to deliver roughly 75 bps of cumulative cuts over the remainder of 2024.[1] The SEP also illustrated that the committee expects higher unemployment and lower inflation for this year and 2025 relative to June's SEP.[2]

The September nonfarm payrolls report showed 254,000 jobs were added month-over-month, well above a consensus estimate of 150,000. The previous two months were revised higher by 72,000, bringing the quarterly average to 145,000, down from the second quarter average of 177,000 and first quarter average of 267,000. Employment gains were broad based, with low layoffs, more entrants into the labor force, an increase in full-time jobs and a decline in part-time jobs for economic reasons. The labor force participation rate remained strong at 62.7%, and the U-3 unemployment rate ended the quarter at 4.1%. Despite facing significant economic challenges and the threat of recession, the U.S. consumer has shown resilience, suggesting the possibility of an economic soft landing.

The growth surprises in the U.S. of the first half of the year, which were driven largely by strength in the services sector and a robust consumer, gave way to mixed economic data in the third quarter. Accommodative financial conditions and easing monetary policy were enough to outweigh mixed data in the labor markets and weak data in the manufacturing sector and led to positive returns in financial assets. As we head into the final months of 2024, market participants and global central banks seem keen to use future economic data releases to guide both investment positioning and policy.

DoubleLine Total Return Bond Fund

Quarterly Fund Review

Third Quarter Fund Review

DBLTX ("the Fund") outperformed its benchmark, the Agg, by 50 bps. The primary drivers of relative performance were:

- (+) **Agency MBS & Government Allocation:** The Fund's government-backed holdings, which accounted for approximately 57% of the Fund, outperformed the returns of the Agency MBS and Treasuries in the Agg, driven by longer duration positioning in a period of falling interest rates.
- (+) **Duration Positioning:** The Fund maintained an average duration of 5.8 years during the quarter, marginally shorter than the Agg's 6.2 years. Although the Fund's overall duration was shorter, the Fund was overweight the two-year tenor and underweight the 30-year tenor relative to the Agg, which was accretive to return.
- (-) **Credit Allocation:** The Fund's diversified mix of securitized credit, which accounted for approximately 43% of the Fund during the quarter and had a weighted average return of approximately 3.8%, underperformed the 5.8% return of the Bloomberg US Corporate Index, driven largely by the Fund's credit having a shorter duration than IG corporate bonds in the index.

Portfolio Positioning

During the quarter, the portfolio management team took advantage of the risk-on rally to actively improve credit quality. This was achieved by increasing exposure to higher-rated credits and bonds with more-resilient underlying collateral composition while reducing exposure to what the team viewed as lower-quality bonds more susceptible to a slowing economy.

The Fund's Agency MBS portfolio is invested in a mix of higher coupons trading slightly below par that offer advantageous carry without sacrificing much convexity and lower-coupon bonds that provide optionality to increasing future prepayments. We continue to believe Agency MBS present an attractive investment opportunity, as spreads remain wide relative to history and the convexity of the overall market has improved. Further, with additional rate cuts expected, we remain constructive on Agency MBS, as an environment of lower Treasury rates coupled with declining interest-rate volatility should support spread compression.

Nearly 60% of the Fund's exposure remains in government-backed assets; the other roughly 40% comprises a diversified pool of securitized credit, including non-Agency residential MBS (RMBS), non-Agency commercial MBS (CMBS), asset-backed securities (ABS) and collateralized loan obligations (CLOs). The team continues to largely focus on senior portions of the capital structure across all securitized credit sectors with yields in the mid-single digits and substantial credit enhancement.

As of Sept. 30, the Fund's duration was 5.8 years, with longer-dated Treasuries and Agency MBS positions acting as a potential risk-off hedge. Further, the Fund maintains a curve steepener bias, being overweight the two-year tenor and underweight the 30-year tenor relative to the Agg. We believe this positions the Fund to take advantage of the Fed's cutting cycle.

Portfolio Statistics and Sector Allocation

Statistics	Sept. 30, 2024	Jun. 30, 2024	3Q24 Change
Cost ($)	101.6	100.6	1.0
Price ($)	92.6	88.1	4.5
30-Day SEC Yield (%)	5.8	6.0	-0.2
WAL (Years)	6.0	6.4	-0.4
Duration (Years)	5.8	5.9	-0.1
Convexity	0.0	0.2	-0.2

Sector	Sept. 30, 2024	Jun. 30, 2024	3Q24 Change
Agency MBS	41.0%	40.3%	0.8%
Agency CMBS	9.5%	10.1%	-0.6%
RMBS 2.0	12.6%	13.6%	-1.0%
Legacy RMBS	11.5%	11.8%	-0.3%
Non-Agency CMBS	7.1%	7.3%	-0.2%
ABS	4.7%	4.7%	0.0%
CLOs	4.6%	4.7%	-0.1%
U.S. Treasuries	3.5%	5.0%	-1.5%
Cash	5.6%	2.5%	3.1%

Outlook

The outlook for the Fund to deliver strong risk-adjusted total return remains very attractive. At quarter-end, the portfolio's 30-day SEC yield was 5.8%, near the highest level over the last 10 years. Further, the weighted average price of the portfolio's assets remains at nearly an 8-point discount to par and has the potential for further price appreciation. ■

Market expectations for FFR cuts based on Bloomberg's World Interest Rate Probability function, as of Sept. 30, 2024

Source: FOMC Summary of Economic Projections, as of Sept. 18, 2024. Unemployment rate, as measured by the U-3 unemployment rate, shows 4.4% as of year-end 2024 and 2025 relative to June's SEP of 4.0% and 4.2%, respectively. Inflation, as measured by the core Personal Consumption Expenditures Price Index, shows 2.6% as of year-end 2024 and 2.2% as of 2025, relative to June's SEP of 2.8% and 2.3% respectively.

Definitions of 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 CMBS Index; **RMBS:** BofA Global Research; **Non-Agency CMBS:** Bloomberg US Non-Agency Investment Grade CMBS Index; **ABS AAA:** Bloomberg US ABS AAA Index; **ABS AA-BBB:** ICE BofA AA-BBB U.S. Fixed-Rate Miscellaneous ABS Index; **CLOs:** Palmer Square CLO Total Return Index; **U.S. IG Corporate:** Bloomberg US Corporate Index; **U.S. HY Corporate:** Bloomberg US Corporate High Yield Index; **Leveraged Loans:** Morningstar LSTA US Leveraged Loan TR USD Index; **EMFI Sovereign:** J.P. Morgan EMBI Global Diversified; **EMFI Corporate:** J.P Morgan CEMBI Broad Diversified; **U.S. Aggregate:** Bloomberg US Aggregate Bond Index

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.

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 Aggregate Bond Index – This index ("the Agg") represents securities that are SEC registered, taxable and dollar denominated. It covers the U.S. investment grade, fixed-rate bond market, with components for government and corporate securities, mortgage pass-through securities and asset-backed securities. These major sectors are subdivided into more specific indexes that are calculated and reported on a regular basis.

Bloomberg US Asset-Backed Securities (ABS) AAA Index – This index tracks the AAA-rated 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 Commercial Mortgage-Backed Securities (CMBS) Index – This index measures the market of conduit and fusion CMBS deals with a minimum current deal size of $300 million.

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 Investment Grade Commercial Mortgage-Backed Securities (CMBS) Index – This index measures the market of non-Agency investment grade 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.

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.

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.

Commercial Mortgage-Backed Securities (CMBS) – Securitized loans made on commercial rather than residential properties.

Core Personal Consumption Expenditures (PCE) Price Index – This index, published by the U.S. Bureau of Economic Analysis, measures prices paid by consumers for goods and services, excluding the volatility of food and energy prices, to gauge underlying inflation trends. It is the Federal Reserve's preferred index for tracking inflation.

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.

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

Federal Funds Rate (FFR) – 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.

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 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.

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 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.

Legacy RMBS – Name for private-label, aka non-Agency, residential mortgage-backed securities (RMBS) issued before the shift to stricter post-Global Financial Crisis (GFC) guidelines. RMBS issued post-GFC are referred to as "RMBS 2.0."

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

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.

Palmer Square CLO Total Return Index – This index tracks on a total return basis the Palmer Square CLO (collateralized loan obligation) Senior Debt Index, which comprises CLOs issued after Jan. 1, 2009, and meet certain inclusion criteria.

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.

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.

RMBS 2.0 – Name for private-label, aka non-Agency, residential mortgage-backed securities (RMBS) created under revised guidelines after the Global Financial Crisis (GFC). Non-Agency RMBS dating to before this shift are known as "legacy" non-Agency RMBS.

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.

Summary of Economic Projections (SEP) – Four times a year, the Federal Reserve releases a summary of Federal Open Market Committee (FOMC) participants' projections for gross domestic product (GDP) growth, the unemployment rate, inflation and the appropriate policy interest rate. The summary also provides information regarding policymakers' views on the uncertainty and risks attending the outlook. The projections provide information on the values that participants view as the most likely to prevail in the current year and the subsequent two years as well as over the longer run. The FOMC chair presents information about these projections in the press conference following the FOMC meeting for which they were prepared.

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.

30-Day SEC Yield – Standard yield calculation developed by the U.S. Securities and Exchange Commission (SEC) that allows for fairer comparisons of bond funds. It is based on the most-recent 30-day period covered by the fund's filings with the SEC. The yield figure reflects the fund's dividends and interest earned during the period after the deduction of the fund's expenses. It is also referred to as the "standardized yield."

U-3 Unemployment Rate – Officially recognized rate of unemployment, compiled and released monthly by the U.S. Bureau of Labor Statistics, measuring the number of unemployed people as a percentage of the labor force.

Weighted Average Life (WAL) – Average number of years for which each U.S. dollar of unpaid principal on a loan, mortgage or bond remains outstanding.

You cannot invest directly in an index.

Risk Disclosure

Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. Investments in lower-rated and non-rated securities present a greater risk of loss to principal and interest than higher-rated securities. Investments in ABS and MBS include additional risks that investors should be aware of such as credit risk, prepayment risk, possible illiquidity and default, as well as increased susceptibility to adverse economic developments. The Fund may use leverage which may cause the effect of an increase or decrease in the value of the portfolio securities to be magnified and the Fund to be more volatile than if leverage was not used. Derivatives involve special risks including correlation, counterparty, liquidity, operational, accounting and tax risks. These risks, in certain cases, may be greater than the risks presented by more traditional investments.

The Fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The statutory and summary prospectus contain this and other important information about the investment company, and may be obtained by calling (877) 354-6311 / (877) DLINE11, or visiting www.doubleline.com. Read them carefully before investing.