

FINANCIAL SERVICES REVIEW

THE BUSINESS OF FINANCIAL SERVICES

DOUBLELINE CAPITAL

CHARTING A SMOOTHER COURSE
IN TIMES OF SECULAR CHANGE



Ron Redell,
President

Jeffrey Sherman,
Deputy Chief
Investment Officer

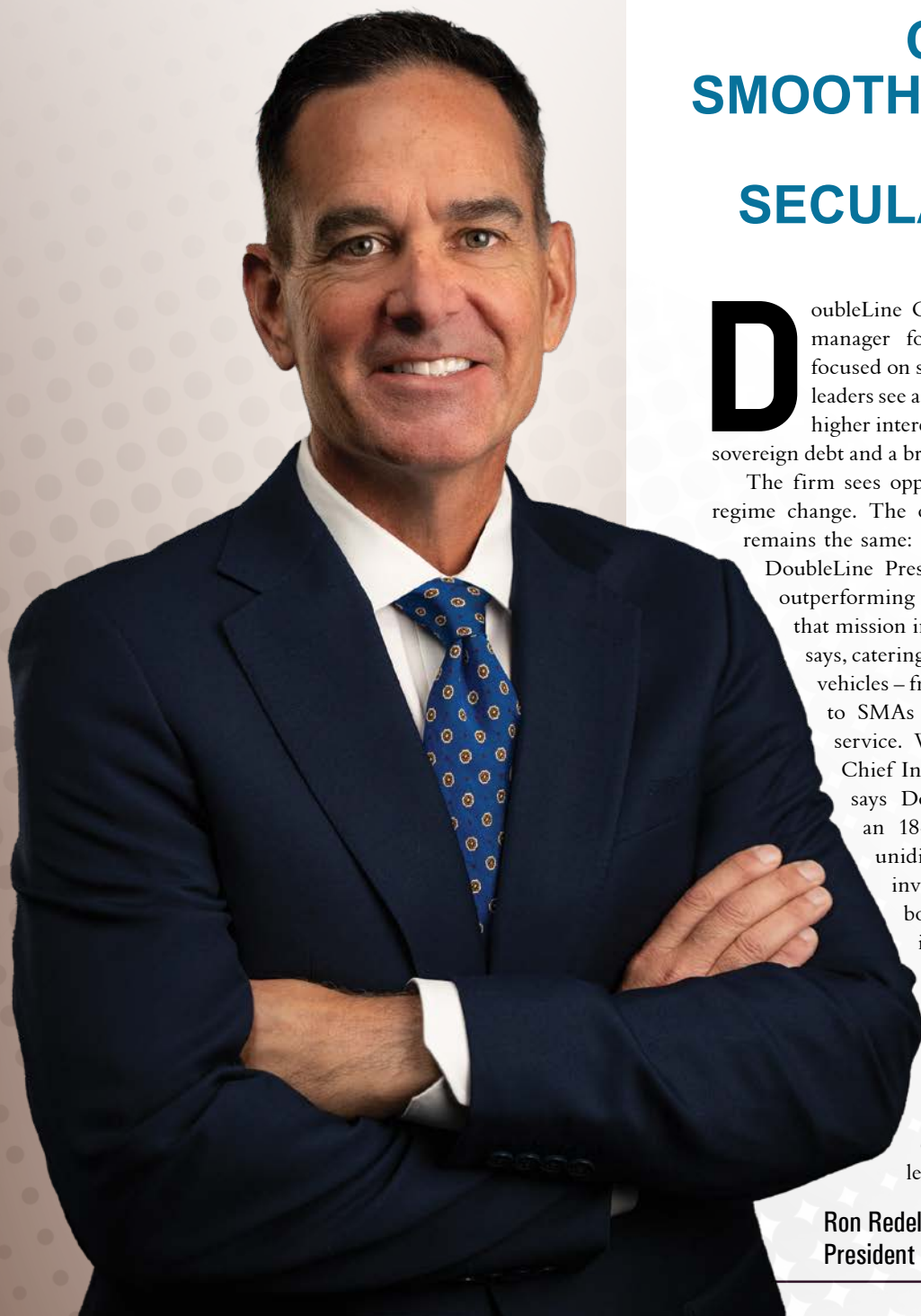


DoubleLine Capital



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DoubleLine Capital, the \$90 billion U.S. asset manager founded by Jeffrey Gundlach, is focused on steering portfolios through what its leaders see as a secular transition into a world of higher interest rates, higher risk premia on G-7 sovereign debt and a break from 40 years of disinflation.

The firm sees opportunities as well as risks in this regime change. The objective for the client, however, remains the same: “a smoother ride for investors,” as DoubleLine President Ron Redell puts it, “while outperforming over full market cycles.” Fulfilling that mission includes diversified distribution, he says, catering to client preferences in investment vehicles – from active ETFs to UCITS to CITs to SMAs and beyond – and robust client service. With respect to markets, Deputy Chief Investment Officer Jeffrey Sherman says DoubleLine in general focuses on an 18-to-24-month horizon. Spurning unidirectional market bets, the investment team seeks to construct bond portfolios to perform even in scenarios that depart from the firm’s base-case outlook.

Investment-Led, Not Distribution-Led

As a business culture, DoubleLine prides itself on an investment-led ethos rather than a distribution-led business model. New strategies,

Messrs. Redell and Sherman say, are never conceived to capture short-term product fads or to clone commoditized strategies already on offer. The firm enacts strategies out of conviction in their soundness, distinctiveness in the marketplace and appeal to DoubleLine’s investment professionals themselves.

DoubleLine’s Flexible Income strategy exemplifies the firm’s disdain for hot-product mimicry. “Flex” was launched in 2014. At the time, amid consensus expectations for economic growth and higher interest rates, asset managers were rolling out “unconstrained bond” strategies biased in favor of going long spreads and shorting rates. Mr. Sherman rebuffs that positional predisposition as “the antithesis of both active management and fixed income investing.” Unconstrained to an index, the DoubleLine strategy has flexibility. However, although its guidelines allow wide latitude in the management of duration (interest-rate sensitivity), the floor is set at zero years, excluding the option of shorting interest rates. And while ready to take credit risk as circumstances allow, the portfolio managers are selective where they take it and make no apologies when playing defense. “Here we are more than 10 years later,” Mr. Sherman says, “and I think the results of our strategy and other unconstrained offerings speak for themselves.”

Best known for active fixed income management, DoubleLine in collaboration with Barclays has brought to market equity funds based on systematic (aka smart beta) strategies. As an example of the firm’s insistence on distinctive-over-generic offerings, Mr. Sherman cites the DoubleLine Fortune 500 Equal Weight equity strategy. Other equal-weight stock strategies target companies by market capitalization. For its equal-weight stock strategy, DoubleLine avoids market capitalization not only as a weighting mechanism but also as a holding selection criterion: The DoubleLine Fortune 500 Equal Weight strategy populates its portfolio with large revenue-generating companies making the annual Fortune 500® list.

Investment Operations: Tight Ship, Close-Collaborating Crew

Portfolio managers, traders and analysts work side by side on a single trading floor in Los Angeles. This enables immediate communication as market conditions unfold in real time. During the deliberative processes of security research and selection, investment team members, from portfolio managers to analysts to traders, are encouraged to contribute ideas and challenge assumptions.

DoubleLine offers strategies targeting specific fixed income sectors such as mortgage-backed securities, emerging markets debt and floating-rate corporate assets and multi-sector

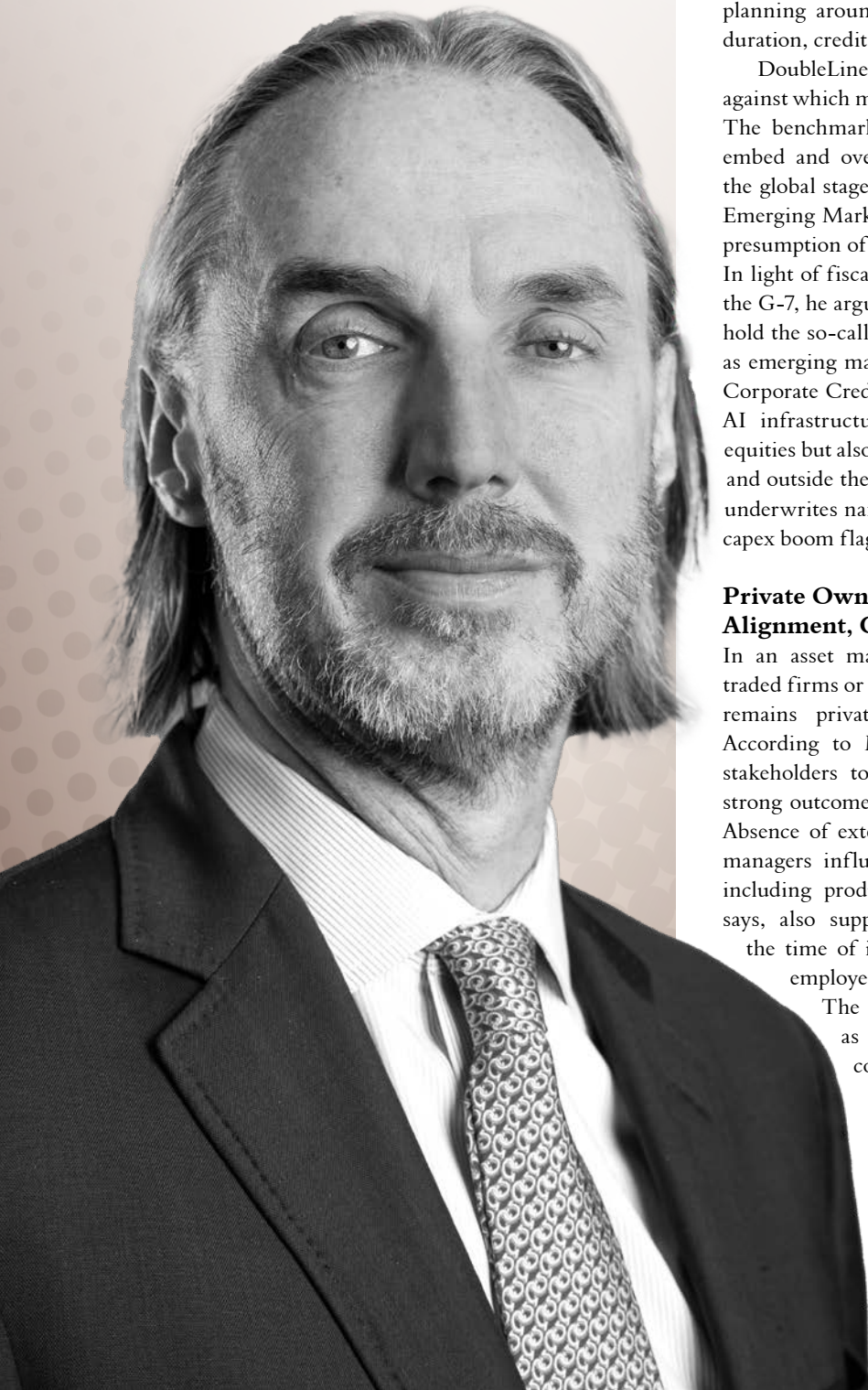
strategies (including core), which integrate dynamic allocation among sectors with bottom-up security selection. Sector allocation embraces understanding of the macroeconomic environment as well as relative values and fundamentals among the various sectors of the fixed income universe.

“
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The Fixed Income Asset Allocation Committee, led by CEO and Chief Investment Officer Jeffrey Gundlach and co-chaired by Mr. Sherman, determines sector weightings of the multi-sector portfolios and aggregate portfolio characteristics such as duration and credit exposure. Bottom-up security selection is managed by teams specialized in their respective sectors: Agency and non-Agency residential mortgage-backed securities, Agency and non-Agency commercial mortgage-backed securities, asset-backed securities, corporate credit (investment grade and high yield bonds and bank loans), collateralized loan obligations and sovereign debt (including U.S. Treasuries).

Ron Redell,
President



Primacy of Risk Management

In contrast to the possibility of extreme gains in equities, Mr. Sherman – like Mr. Gundlach a mathematician by academic training – observes “fixed income returns tend to be earned gradually while losses can strike with the violence of a step function.” At the aggregate portfolio level, this means careful planning around the drivers of risk and return, including duration, credit quality, valuation and yield.

DoubleLine eschews blind trust in the market indexes against which most fixed income strategies are benchmarked. The benchmarks themselves, Mr. Sherman cautions, “can embed and overlook building risks in their markets.” On the global stage, for example, the firm’s Global Sovereign & Emerging Markets team led by Bill Campbell dismisses the presumption of safety in the sovereign debt of G-7 countries. In light of fiscal deterioration and gridlocked governance in the G-7, he argues in a research report “the time has come to hold the so-called developed markets to the same standards” as emerging markets. On the domestic stage, DoubleLine’s Corporate Credit team led by Robert Cohen sees in surging AI infrastructure capex an underrated risk not only to equities but also among investment grade bond issuers, inside and outside the tech sector. Consequently, Corporate Credit underwrites names it thinks will pay par if and when the AI capex boom flags.

Private Ownership: Independence, Interest Alignment, Generational Renewal

In an asset management industry dominated by publicly traded firms or subsidiaries of parent companies, DoubleLine remains privately held and majority employee-owned. According to Mr. Redell, private ownership incentivizes stakeholders to work toward a shared goal of delivering strong outcomes for investors, key to DoubleLine’s success. Absence of external majority ownership eliminates remote managers influencing or even dictating business strategy, including product development. Employee ownership, he says, also supports continuity. From 45 professionals at the time of its founding, DoubleLine has grown to 263 employees, including 92 investment professionals. The partnership track rejuvenates the talent pool as promising younger members grow into key contributors.

Channel Diversification, Matched to the Client

By mid-2011, DoubleLine had established itself as the fastest-growing mutual fund

Jeffrey Sherman,
Deputy Chief Investment Officer

startup of the previous 25 years. With subsequent growth in assets and strategies, DoubleLine also diversified its distribution channels to meet client preferences. The firm’s proprietary ETF platform illustrates that evolution. With the launch of the DoubleLine ETF Trust in 2022, Mr. Redell announced, “As steward of our clients’ investment capital, DoubleLine has diversified its distribution channels to match the preferences of investors and their intermediaries. We are devoted to the clients who count on our existing investment vehicles, including mutual funds, other pooled-capital vehicles and separate accounts, while remaining open to new vehicles that win public endorsement.”

“
AT THE CORNERSTONE OF HOW
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”
In four years, the platform has grown to 10 exchange-traded funds and \$2.9 billion in assets. “Of course, we’re proud of the platform’s growth,” says Scott Thomson, Director, ETF Capital Markets, at DoubleLine. “Just as important is the diversity of clients utilizing our ETFs today. They span registered investment advisers, institutions, broker-dealers, strategists and wirehouses. In addition to new product development, we intend to build on this foundation by scaling existing strategies and expanding availability across wealth-management platforms and models, as well as building new partnerships using our in-house ETF models.”

Among future initiatives, DoubleLine is exploring ways to build on the suite of strategies offered through its collective investment trust (CIT) structure. The stable-value and retirement arenas appear well suited to this effort. Stephen

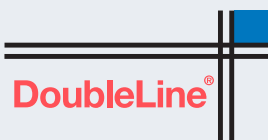
Dopp, who joined the firm earlier this year as Relationship Manager for U.S. Retirement, leads the effort to bring DoubleLine solutions to market for allocators, plan sponsors and participants seeking to de-risk retirees’ savings in a systematic and repeatable way.



“The proliferation of customization in retirement plans lends itself to what DoubleLine does best,” says Mr. Dopp. “As participants approach their higher-earning years, we are working to deliver solutions that bridge the product gap between capital accumulation and preservation.”

Client Service and Communication

Beyond standard client reporting, DoubleLine communicates its perspectives through webcasts, social media, published research and speaker forums. Its portfolio managers are sought-after commentators in leading financial media. They appear on such video news platforms as Bloomberg Television, CNBC, CNN Business and Fox Business, and are quoted in news services and publications such as Barron’s, Bloomberg News, Citywire, Financial Advisor, the Financial Times, Kiplinger’s Personal Finance, The New York Times and Reuters. Mr. Redell believes that effective communication is an important part of serving clients. “Through open and in-house channels,” he says, “we seek to communicate in a concise, timely and actionable way to our investors.” **fs**

**Ronald R. Redell, CFA**

President

DoubleLine

Mr. Redell serves as President of DoubleLine and has been with the firm since its inception in 2009. He holds the role of President for DoubleLine Funds Trust, DoubleLine Capital LP and DoubleLine Management LP, where he leads the Executive Committee comprising all operational department leaders. Mr. Redell is also Chairman, Trustee and CEO of DoubleLine's suite of public closed-end funds as well as President and Trustee for the DoubleLine ETF Trust. Before joining DoubleLine, Mr. Redell was President and CEO of TCW Funds, Inc. and TCW Strategic Income Fund, Inc. Prior to that, he held the position of Vice President of Marketing at RS Investment Management (formerly Robertson Stephens), managing the firm's retail mutual fund sales and intermediary marketing efforts. His career began as a Financial Consultant with Wells Fargo Securities. Mr. Redell holds a B.A. in Political Science from Stanford University. He is a member of the CFA® Society of Los Angeles and is a CFA® charterholder.

Jeffrey Sherman, CFA

Deputy Chief Investment Officer

DoubleLine

Jeffrey Sherman, DoubleLine's Deputy Chief Investment Officer, is a thought leader, portfolio manager and public speaker in the industry. Mr. Sherman is a member of DoubleLine's Fixed Income and Global Asset Allocation committees, and he serves as lead portfolio manager for the firm's multi-sector and derivative-based strategies. In his role, Mr. Sherman guides the investment teams in developing top-down macro views and collaborative asset allocation processes throughout a market cycle. Additionally, he is a member of DoubleLine's Executive Management Committee. In 2018, Money Management Executive named Mr. Sherman as one of "10 Fund Managers to Watch" in its yearly special report. Prior to joining DoubleLine in 2009, Mr. Sherman was a Senior Vice President at TCW, where he worked as a portfolio manager and quantitative analyst focused on fixed income and real-asset portfolios. Prior to that, he was a statistics and mathematics instructor at the University of the Pacific and Florida State University. Mr. Sherman taught Quantitative Methods for Level I candidates in the USC/CFALA CFA® Review Program for many years. He holds a B.S. in Applied Mathematics from the University of the Pacific and an M.S. in Financial Engineering from Claremont Graduate University. Mr. Sherman is a CFA® charterholder.

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To receive a copy of DoubleLine's current Form ADV (which contains important additional disclosure information, including risk disclosures), a copy of DoubleLine's proxy voting policies and procedures, or to obtain additional information on DoubleLine's proxy voting decisions, please contact DoubleLine's Client Services.

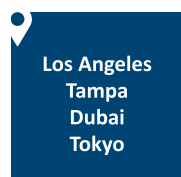
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