

To Raise, or not Raise? That is the Question

Presented by:

Jeffrey Gundlach
CEO & CIO
DoubleLine Capital

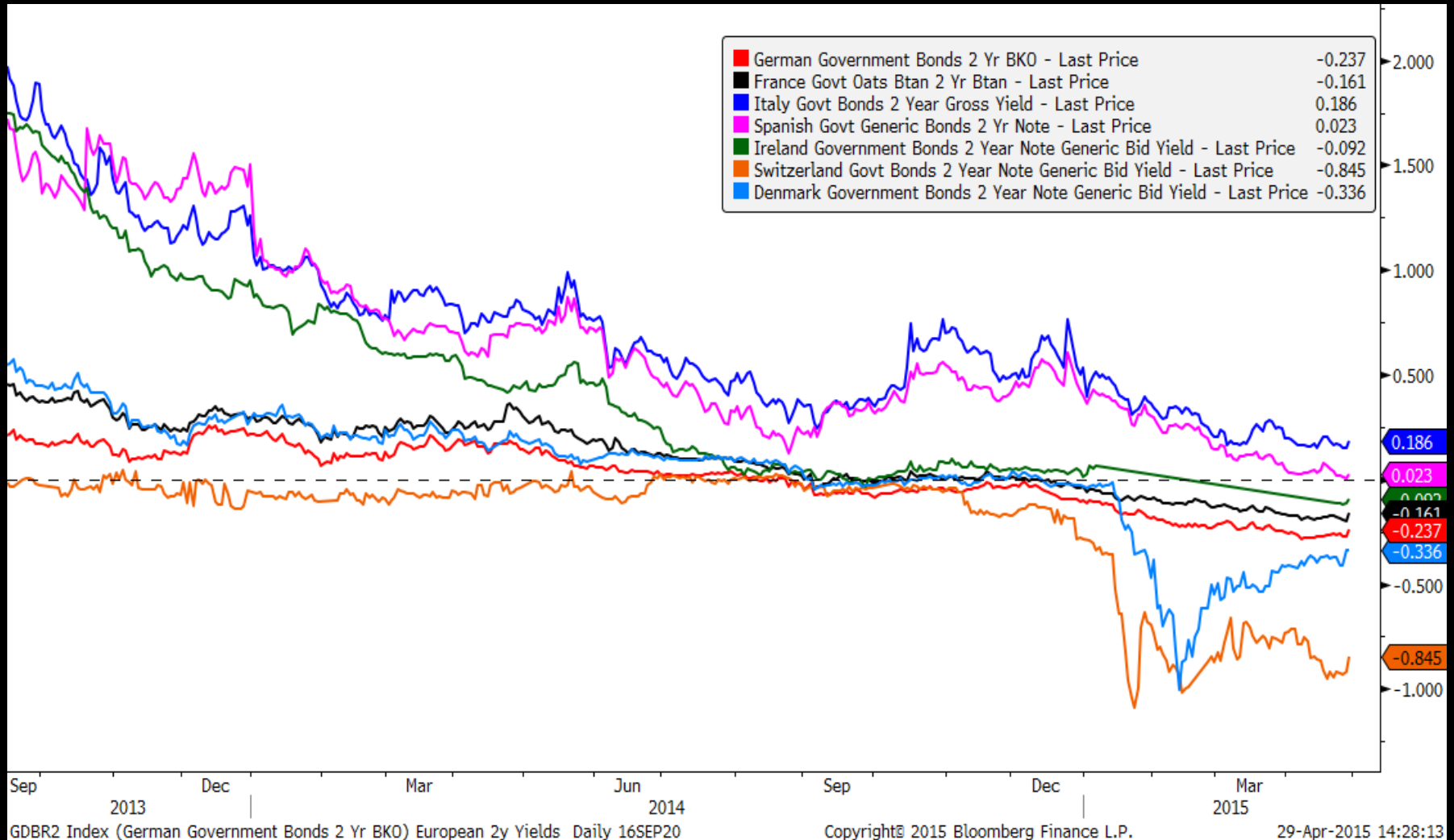
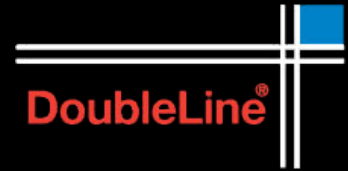


Globe-L Theater



Eurozone 2-year Yields

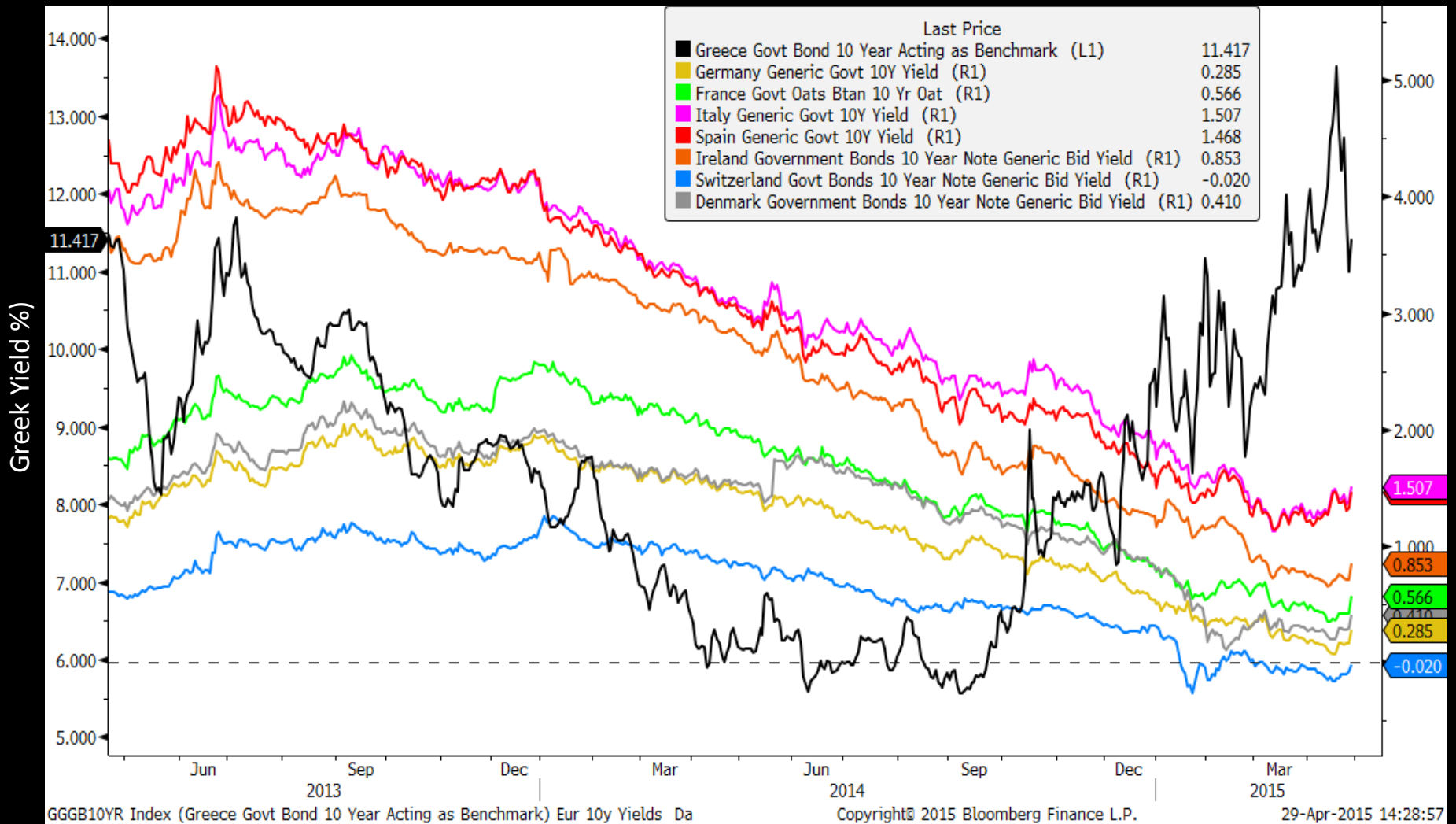
September 14, 2013 through April 29, 2015



Source: DoubleLine, Bloomberg
You cannot invest directly in an index.

Eurozone 10-year Yields

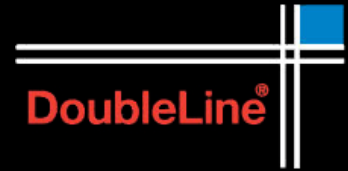
April 21, 2013 through April 29, 2015



Source: DoubleLine, Bloomberg
 You cannot invest directly in an index.

European Central Bank Bond Repurchase Program

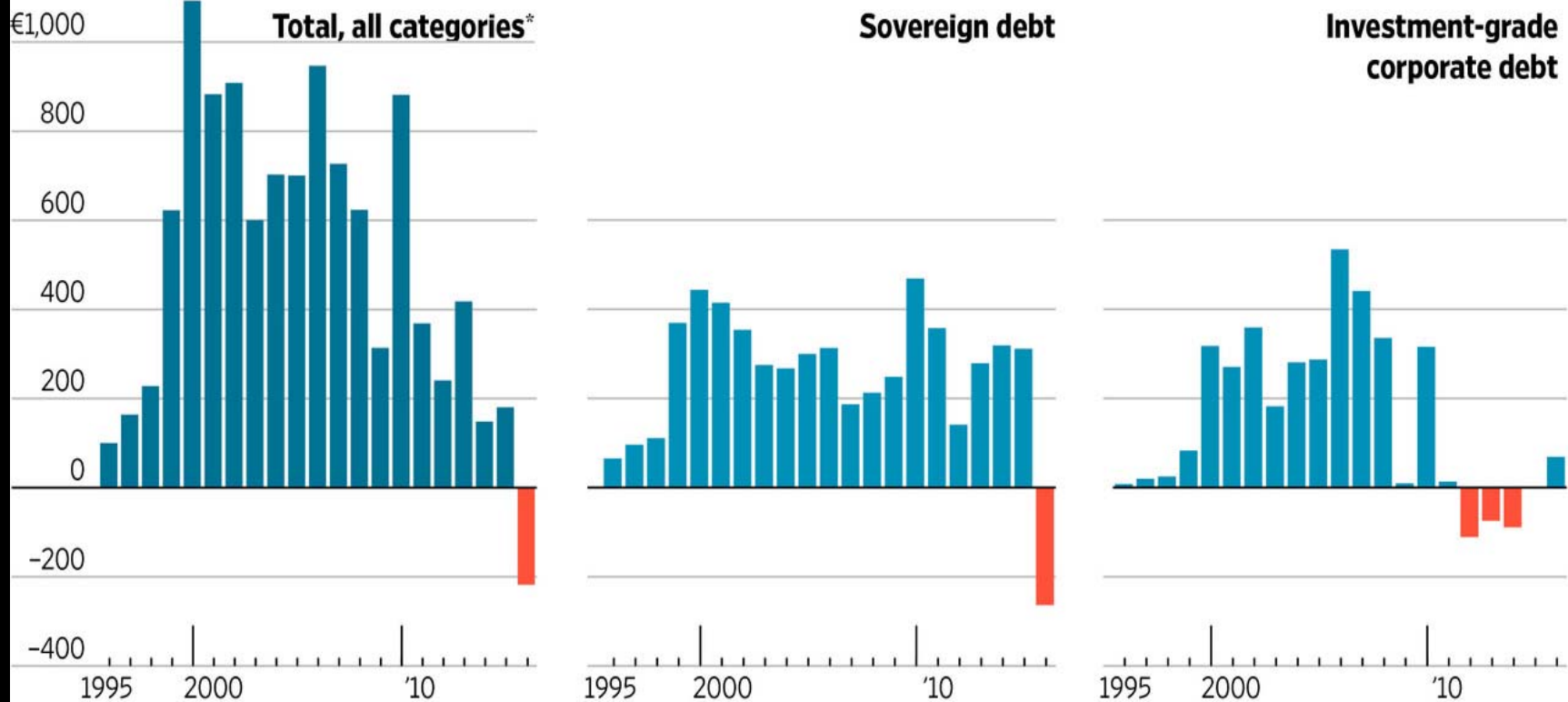
Program January 1, 1995 through January 31, 2015



Short Supply

Highly rated debt is scarce as the European Central Bank prepares to begin its €60 billion monthly bond-purchase program.

Net issuance, or net new borrowing minus expected ECB purchases, in billions

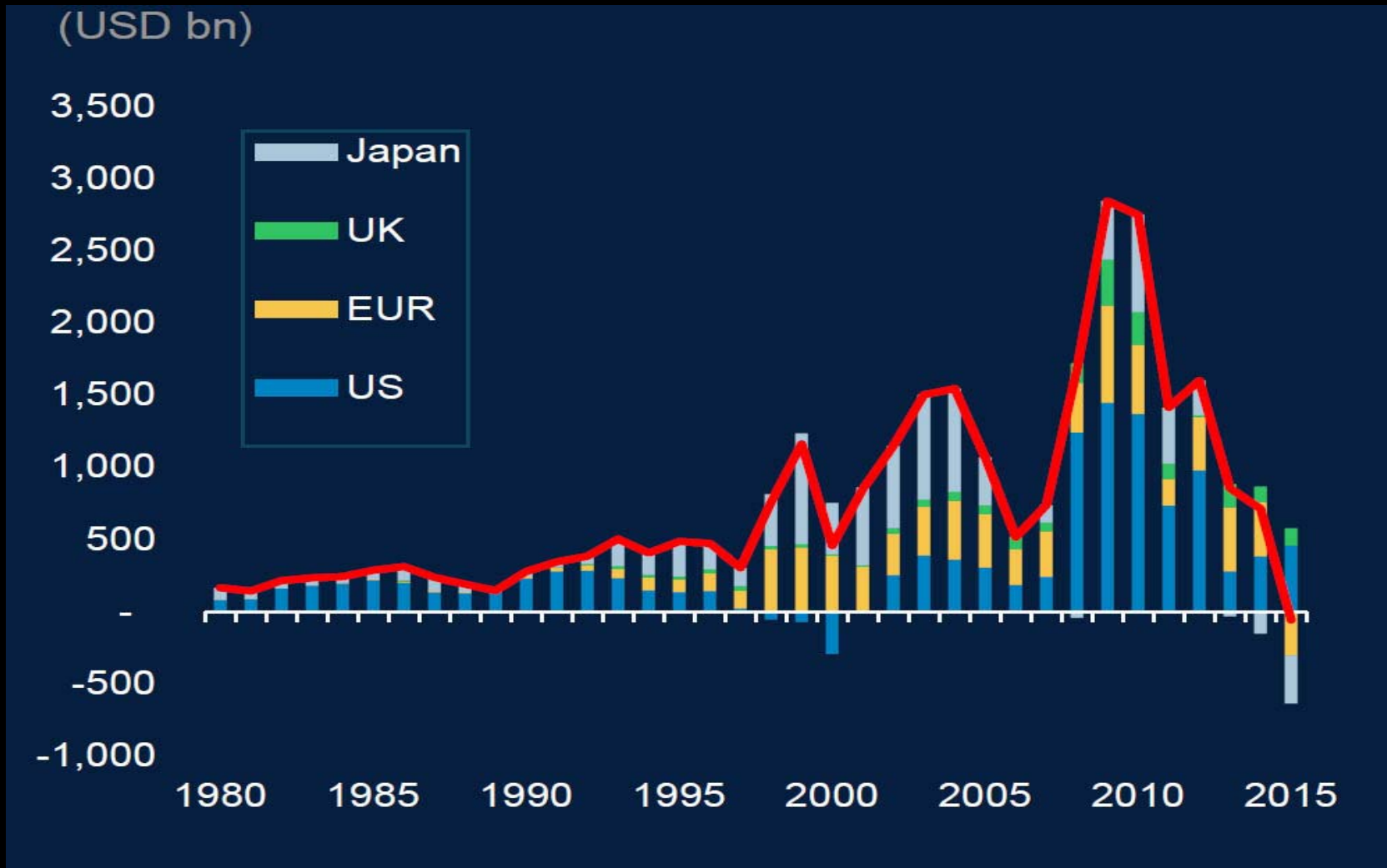


*Includes debt issued by supranationals and agencies, such as the European Investment Bank, covered bonds backed by loan pools and high-yield corporate debt.

Source: Treasury Departments, Dealogic, Morgan Stanley Research, Wall Street Journal.
 ECB = European Central Bank
 You cannot invest directly in an index.

Sovereign Net Issuance (After Central Bank Purchases)

January 31, 1980 through January 31, 2014



UK = United Kingdom, US = United States, EUR = Europe
Source: Morgan Stanley Research, Dealogic, Haver Analytics, OECD, DMO, U.S. Bureau of Public Debt
You cannot invest directly in an index.

U.S. Dollar Index Spot

December 31, 2007 through April 29, 2015



Source: Bloomberg Financial Services, DoubleLine Capital LP

DXY = DXY is the US Dollar Index (USDX) indicates the general value of the US dollar. Average exchange rates between the US dollar and six major world currencies.

An investment cannot be made directly in an index. Past performance is no guarantee of future results.

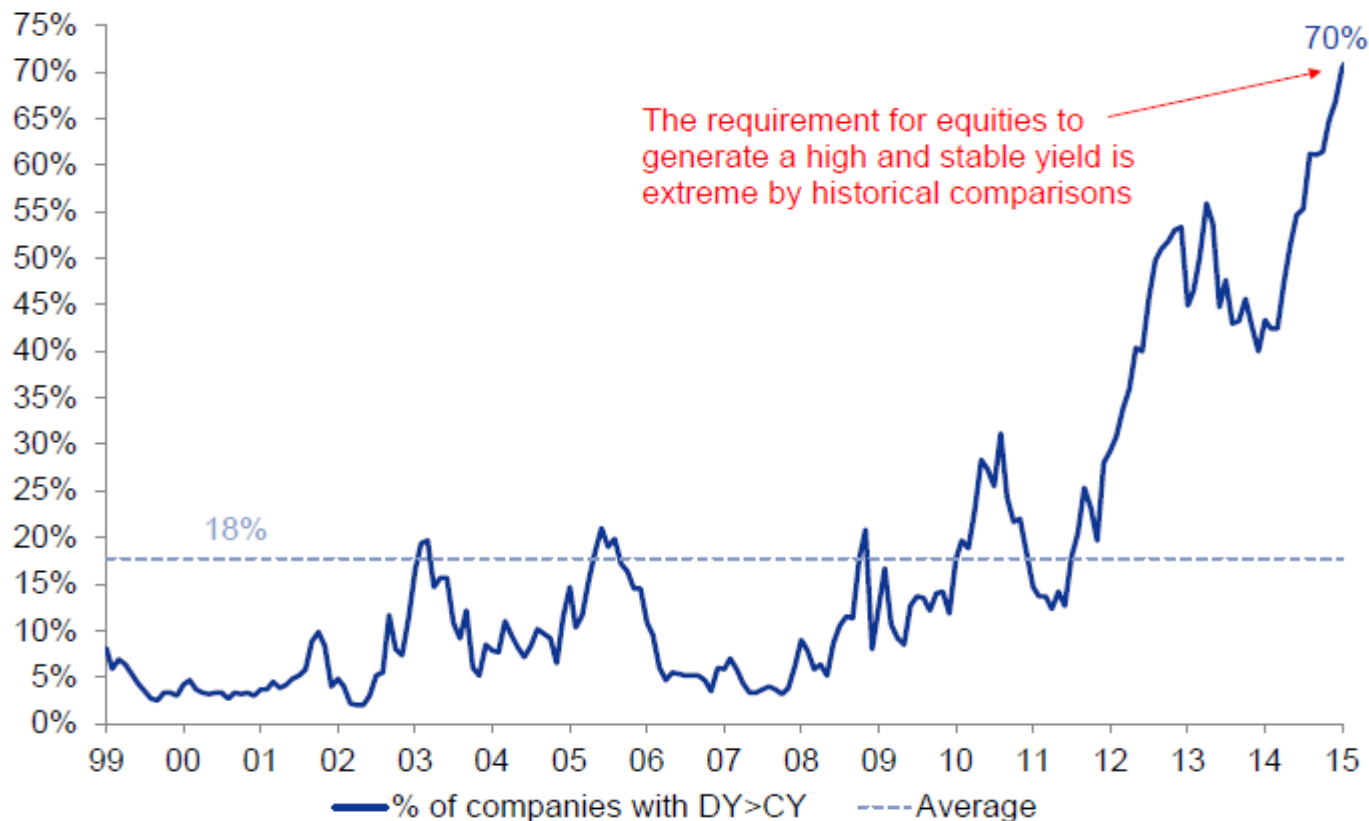
Share of European Companies with Dividend Yields Higher than Corporate Bond Yields



January 1, 1999 through February 27, 2015

Demanding dividends

Share of European companies with div. yields > corp. bond yield



Source: Datastream, Goldman Sachs Global Investment Research.

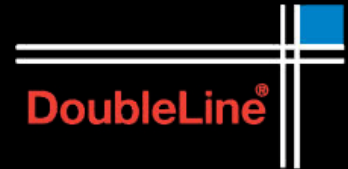
DY = dividend yield, CY = Corporate bond yields.

European companies = Eurostoxx 600 is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index. Stoxx 600 Index represents large, mid and small capitalization companies across 18 countries of the European region.

You cannot invest directly in an index.

Indian Stock Market

December 31, 2008 through April 29, 2015



Source: Bloomberg Financial Services, DoubleLine Capital LP
BXMCTOT Index = India Bombay Stock Exchange Market Capitalization is the total exchange market cap.
An investment cannot be made directly in an index. Past performance is no guarantee of future results.

Shanghai Index

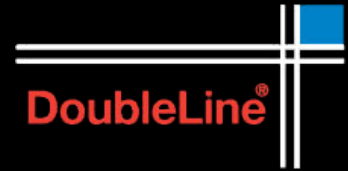
December 31, 2008 through April 29, 2015



Source: Bloomberg Financial Services, DoubleLine Capital LP
 Note: The Shanghai Stock Exchange Composite is a capitalization-weighted index tracking daily price performance of all A and B-shares listed on the Shanghai Stock Exchange. This index was developed December 19, 1990 with a base value of 100.
 An investment cannot be made directly in an index. Past performance is no guarantee of future results.

U.S. Commodities Last 5 Years

December 31, 2008 through April 29, 2015



Source: Bloomberg

CRY Index = CRB excess return index is an arithmetic average of commodity futures prices with monthly rebalancing. You cannot invest directly in an index.

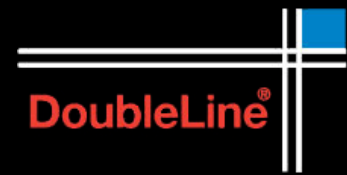
Gold Last 5 Years

December 31, 2008 through April 30, 2015



Source: Bloomberg Financial Services, DoubleLine Capital LP
XAU BGN Currency = The Gold Spot price quoted in US dollars per Troy ounce. You cannot invest directly in an index. Past performance is no guarantee of future results.

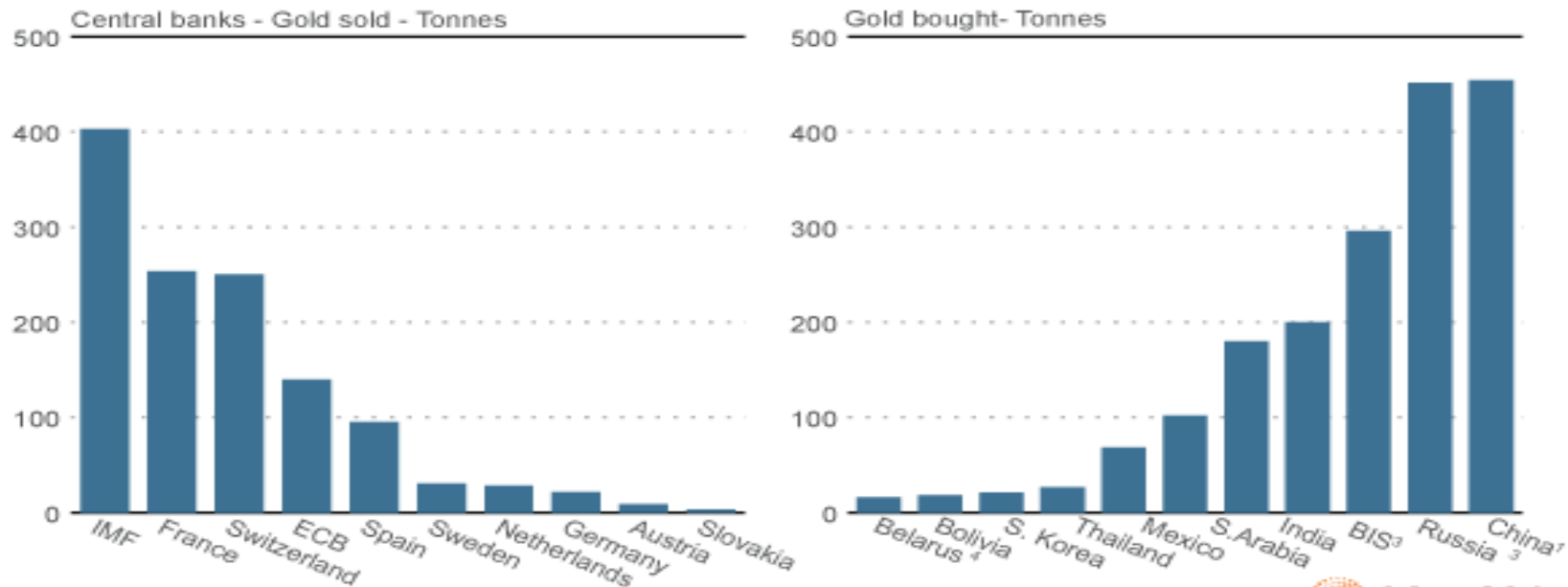
After 2006 Rate Hike - Some Countries Stock Pile Gold



- China, Russia, India begin buying gold

Biggest changes in gold holdings since 2007

Thailand bought 24.9 tonnes of gold in Q3, 2011, while the BIS sold 27 tonnes



Sources: IMF, World Gold Council, * Net change in gold holdings from Q3 2007 - Q3 2011 Reuters graphic/Catherine Trevethan



NOTES

1. The purchase of 454 tonnes of gold by China, announced in April 2009 took place over a six-year period from 2003 - 2009.
2. Gold data was modified from First Quarter 2008 as a result of the adjustment of the SAMA's gold accounts.
3. BIS and Russia are data updated from the IMF's IFS statistics and include any gold held in connection with gold swap operations.
4. Including gold on inward swap and excluding gold on outward swap

24/01/12

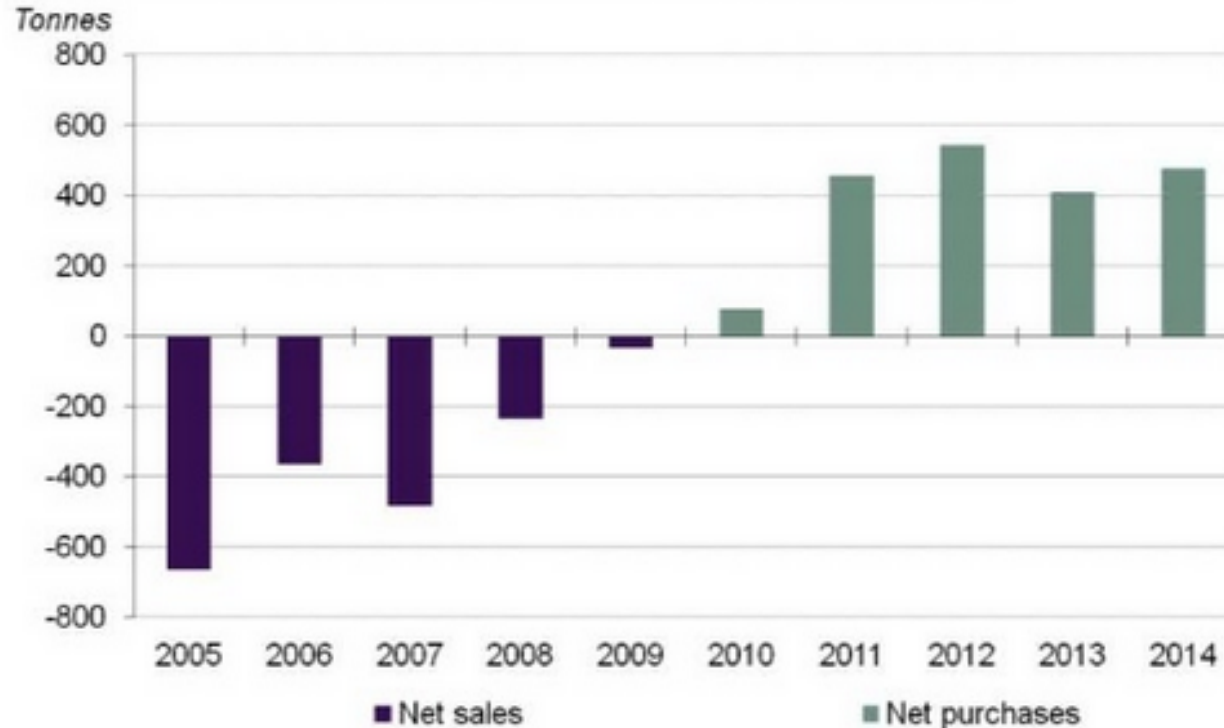
Gold Purchases by Central Banks

January 1, 2005 through December 31, 2014



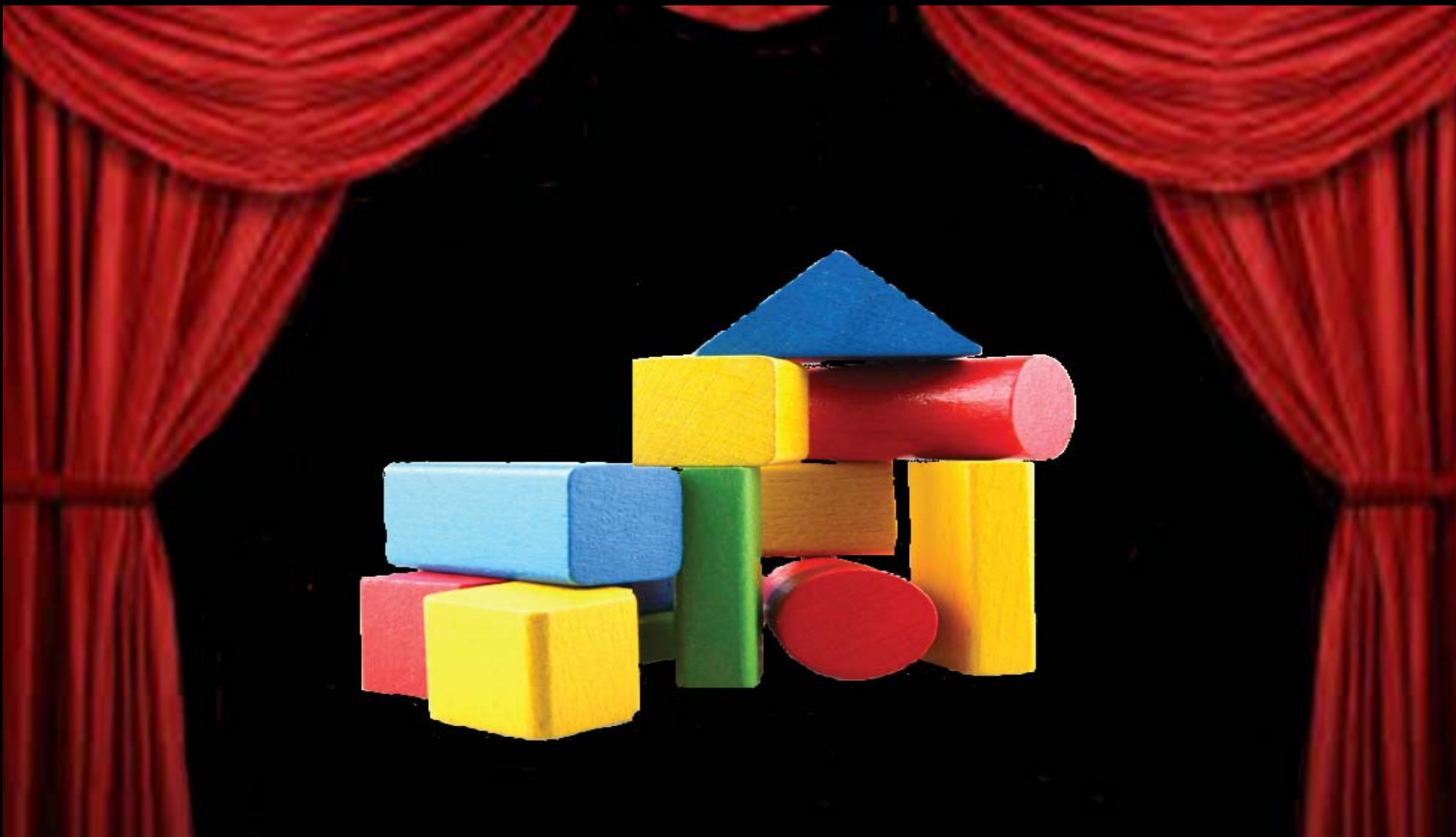
Central banks bought 477t; second highest for 50 years

Annual central bank demand in tonnes over the last decade

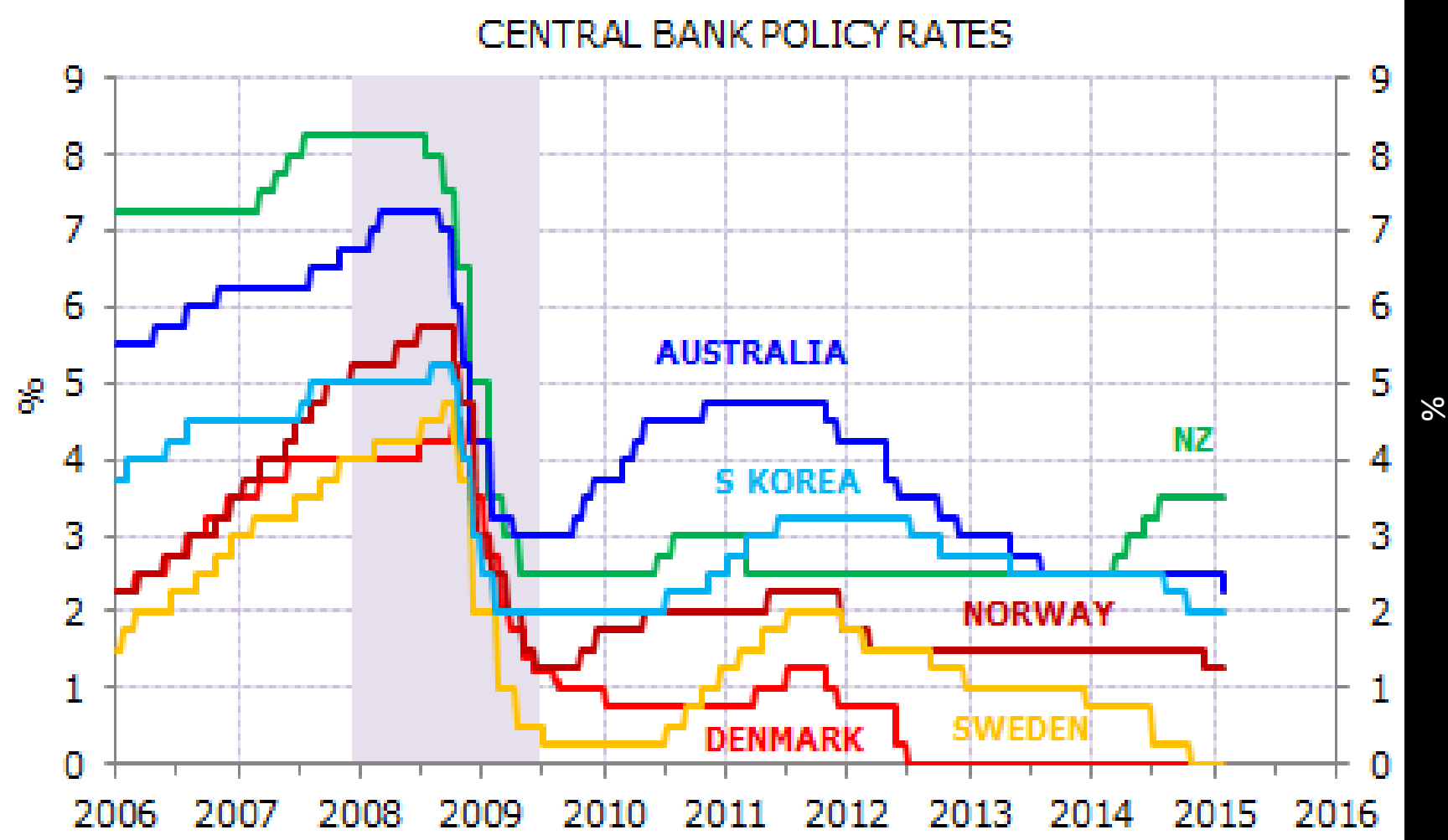


Source: GFMS, Thomson Reuters; World Gold Council

Fed Policy On Stage – Don't Be a Blockhead

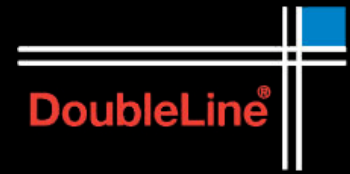


Central Bank Policy Rates

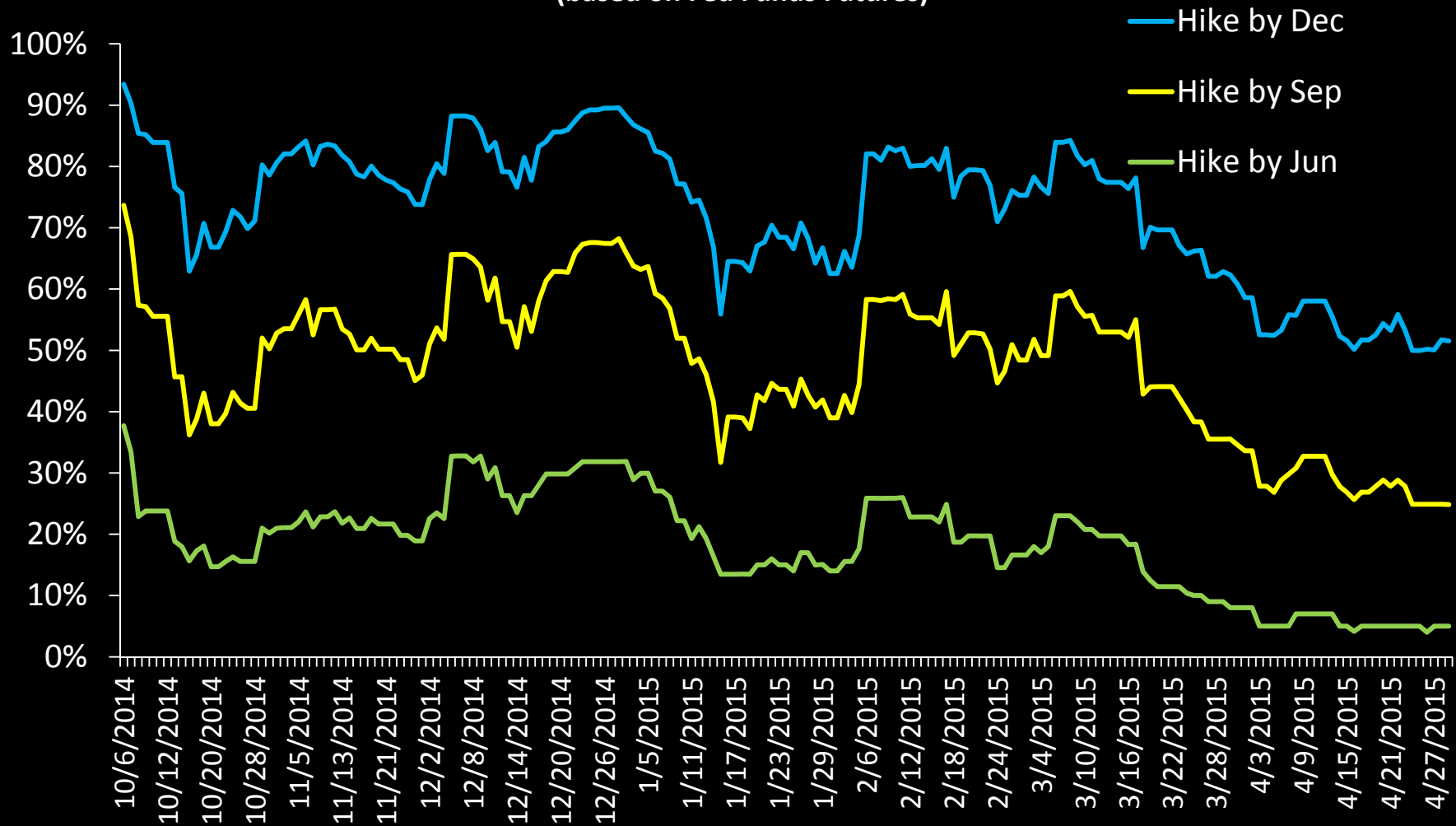


Source: Minack
NZ = New Zealand
You cannot invest directly in an index.

What Does the Bond Market Think is the Probability of a Fed Hike?

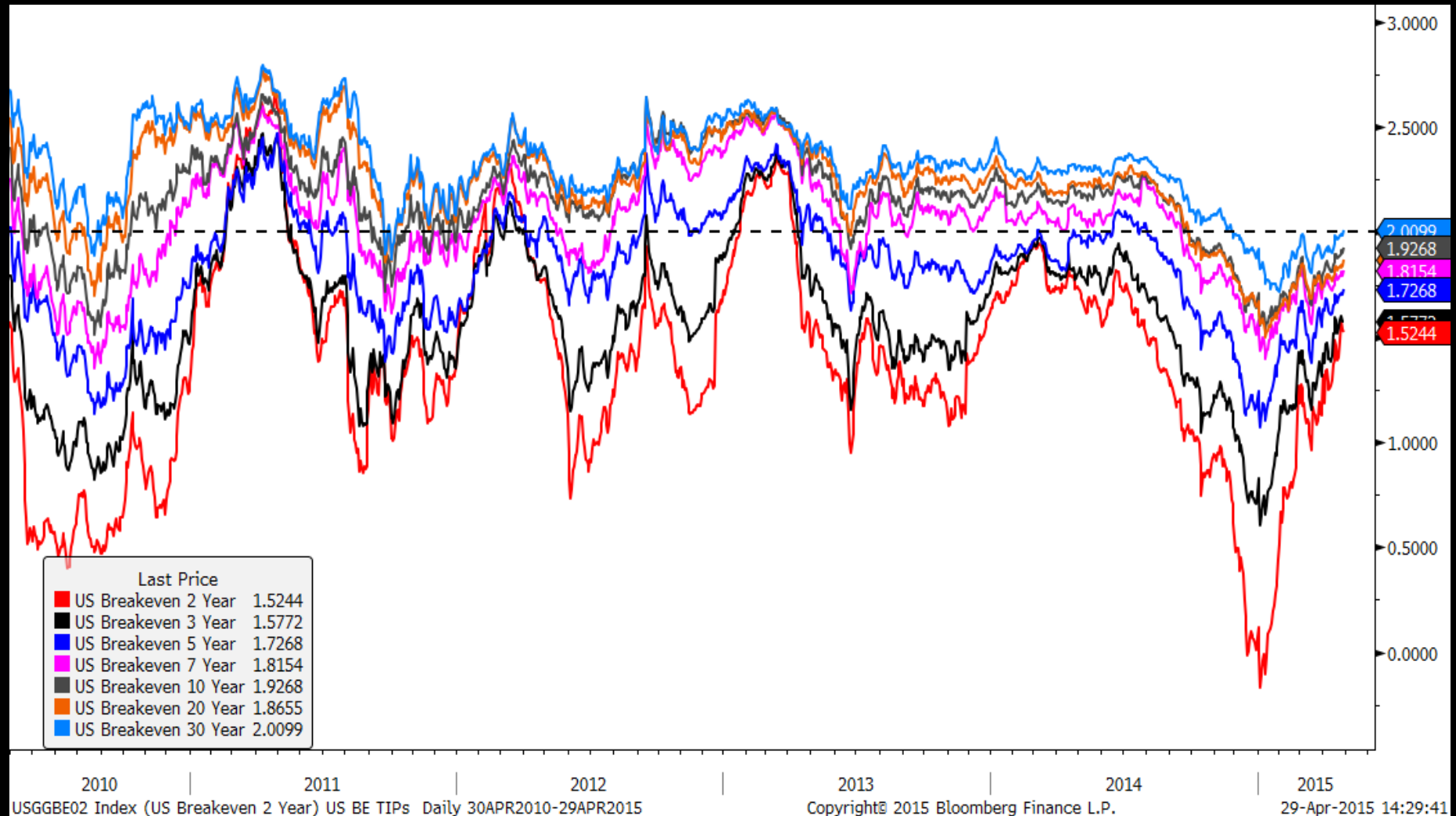
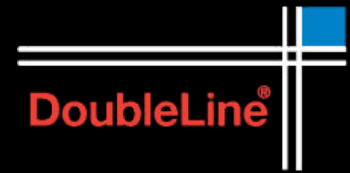


Probability of FOMC Rate Hike (based on Fed Funds Futures)



Source: Bloomberg; Doubleline

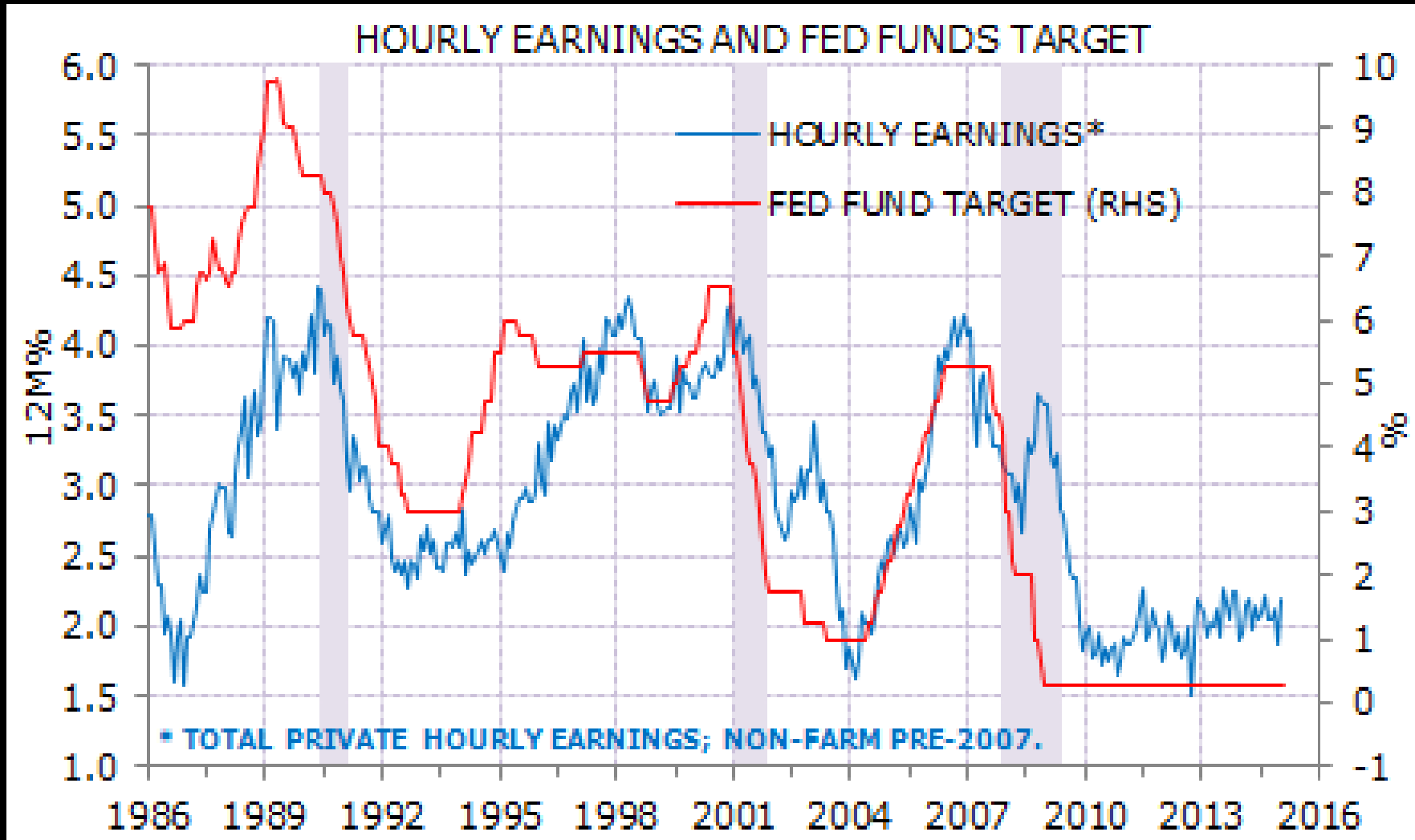
US Inflation Breakevens: Below the 2% “Target” Out to 30-Years (!) 4-21-10 through 4-29-15



Source: Bloomberg Financial Services, DoubleLine Capital LP
 You cannot invest directly in an index.

Hourly Earnings and Fed Funds Target

January 1, 1986 through January 31, 2015



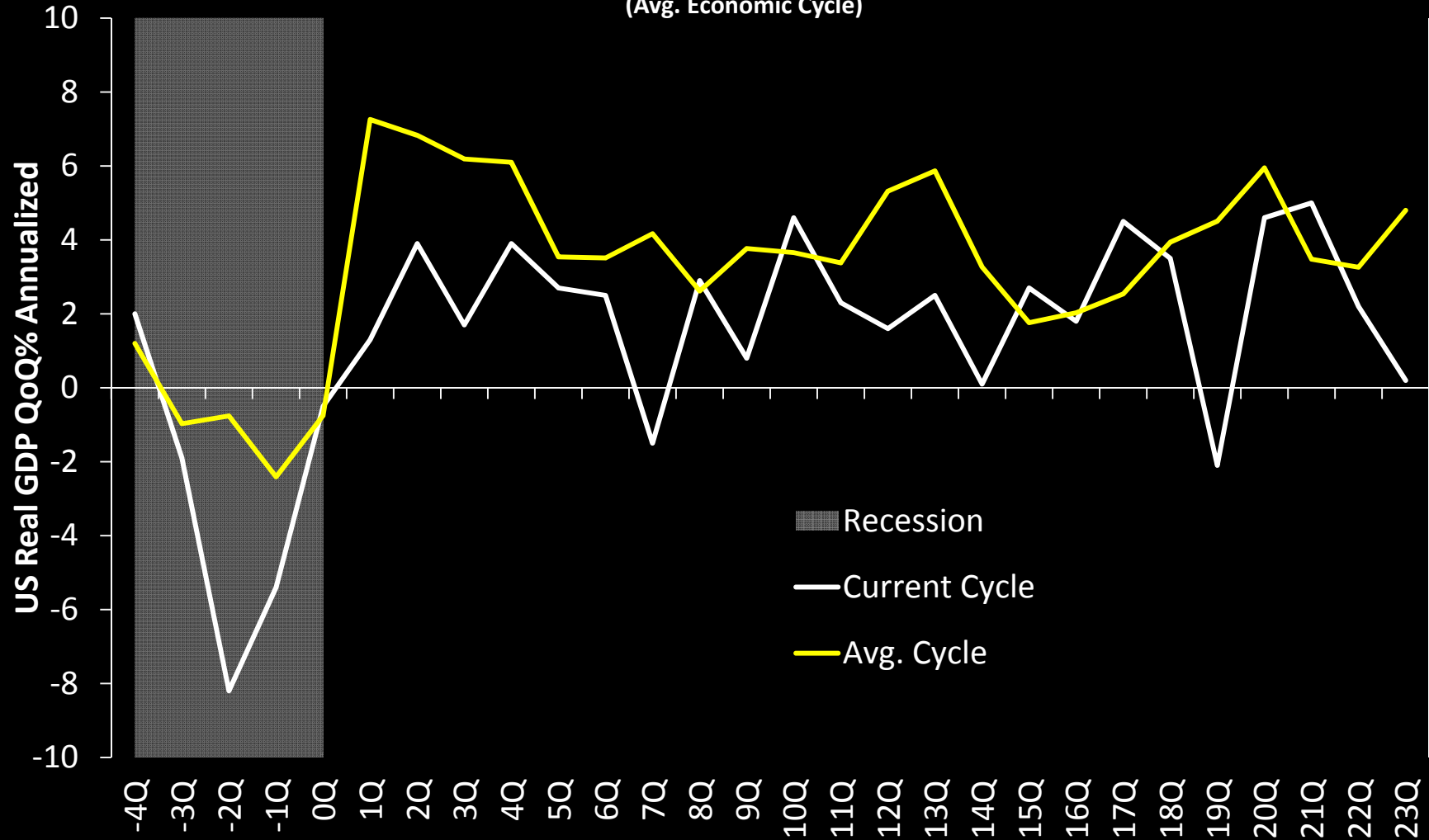
Source: Minack
RHS = Right hand side
You cannot invest directly in an index.

Current Recovery vs. Avg. Recovery Since 1949

Real GDP QoQ%



Current Economic Cycle vs. Average Cycle
(Avg. Economic Cycle)



Source: Bloomberg; Doubleline

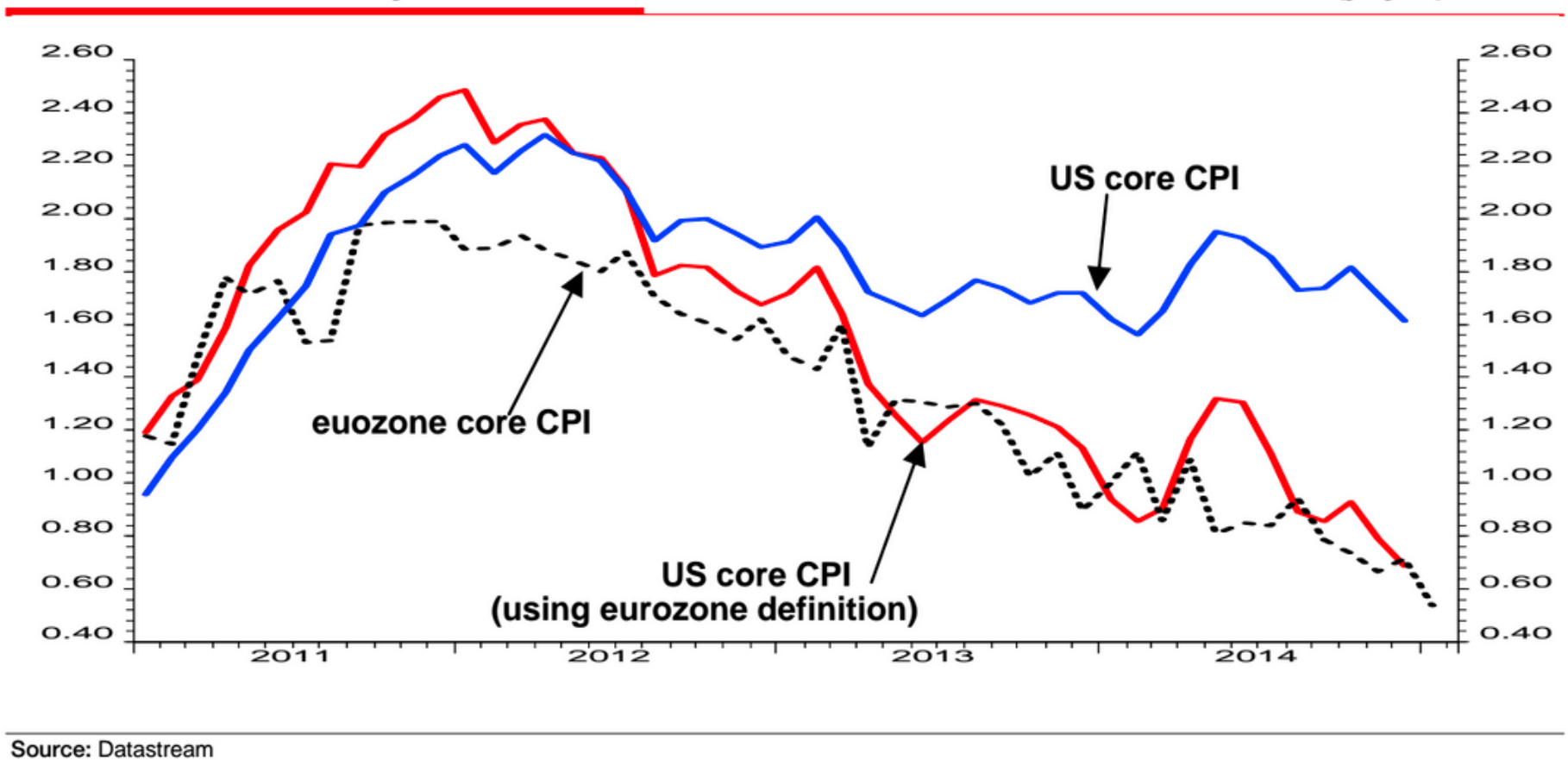
GDP = Gross Domestic Product. The monetary value of goods and services produced within a country's borders. QoQ = Quarter-over-quarter. You cannot invest directly in an index.

U.S. & Eurozone Core CPI (Year-Over-Year)

January 1, 2011 through January 31, 2015



US core CPI has actually declined in line with the eurozone on the same definition (yoy%)



Source: Datastream

Source: Datastream, Business Insider, February 5, 2015 <http://www.businessinsider.com/us-inflation-looks-like-europe-deflation-2015-2>

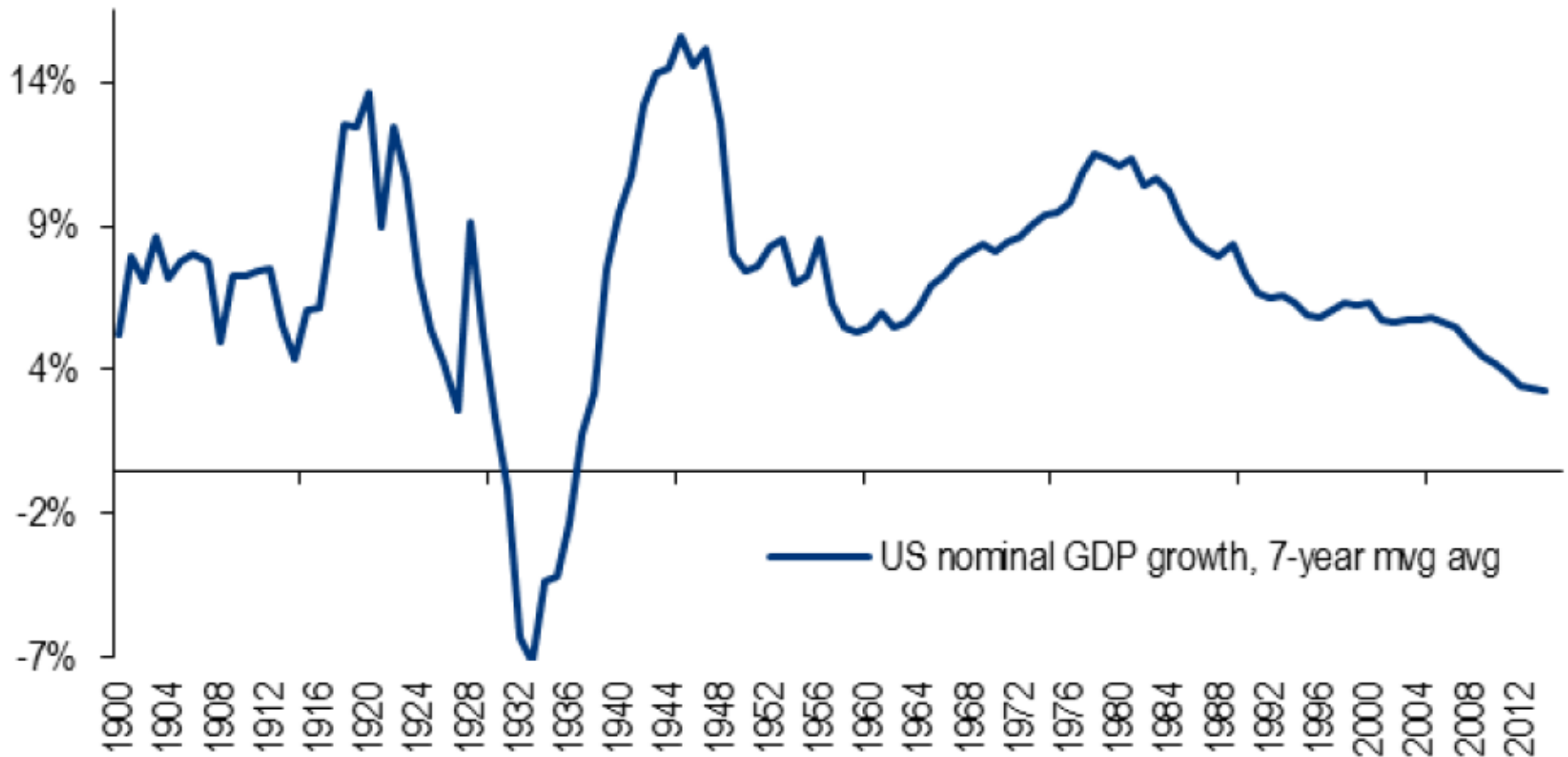
CPI = A measure that examines the weighted average of prices of a basket of consumer goods and services such as transportation, food and medical. Eurozone = The collective group of countries which use the Euro as their common currency. There are 17 countries including Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, Netherlands, Portugal, Slovakia, Slovenia and Spain.

You cannot invest directly in an index.

U.S. Nominal GDP Growth Since 1900



US nominal GDP growth since 1900

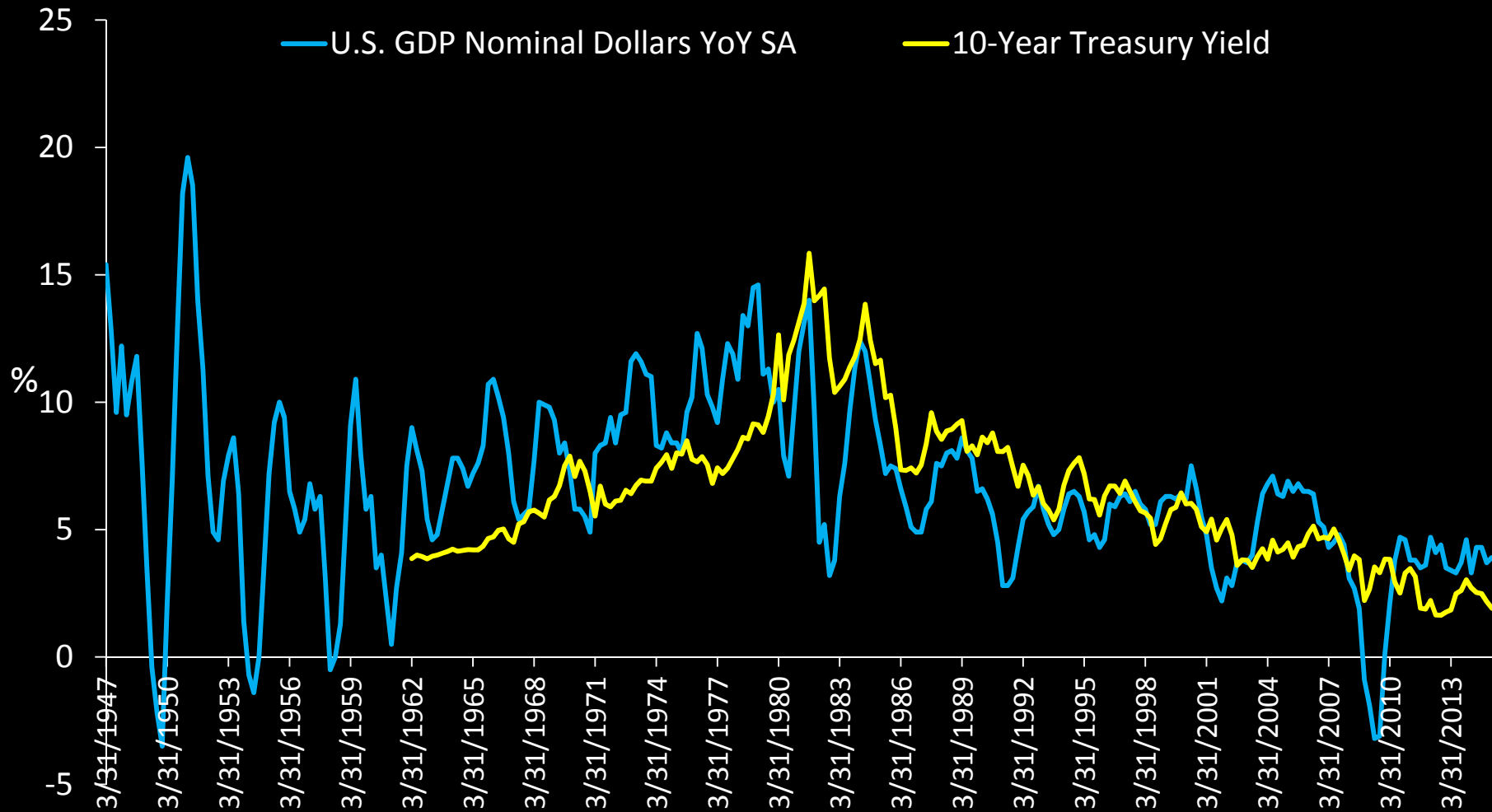


Source: BoA Merrill Lynch Global Investment Strategy, Global Financial Data

Source: Bloomberg; Doubleline
GDP = Gross Domestic Product. The monetary value of goods and services produced within a country's borders. You cannot invest directly in an index.

U.S. Nominal GDP (YoY) % Change vs. 10-year U.S. Treasury Yields

March 31, 1947 through April March 31, 2015



GDP = Gross Domestic Product. The monetary value of goods and services produced within a country's borders. YoY = Year-over-Year. You cannot invest directly in an index. SA = Seasonally adjusted.

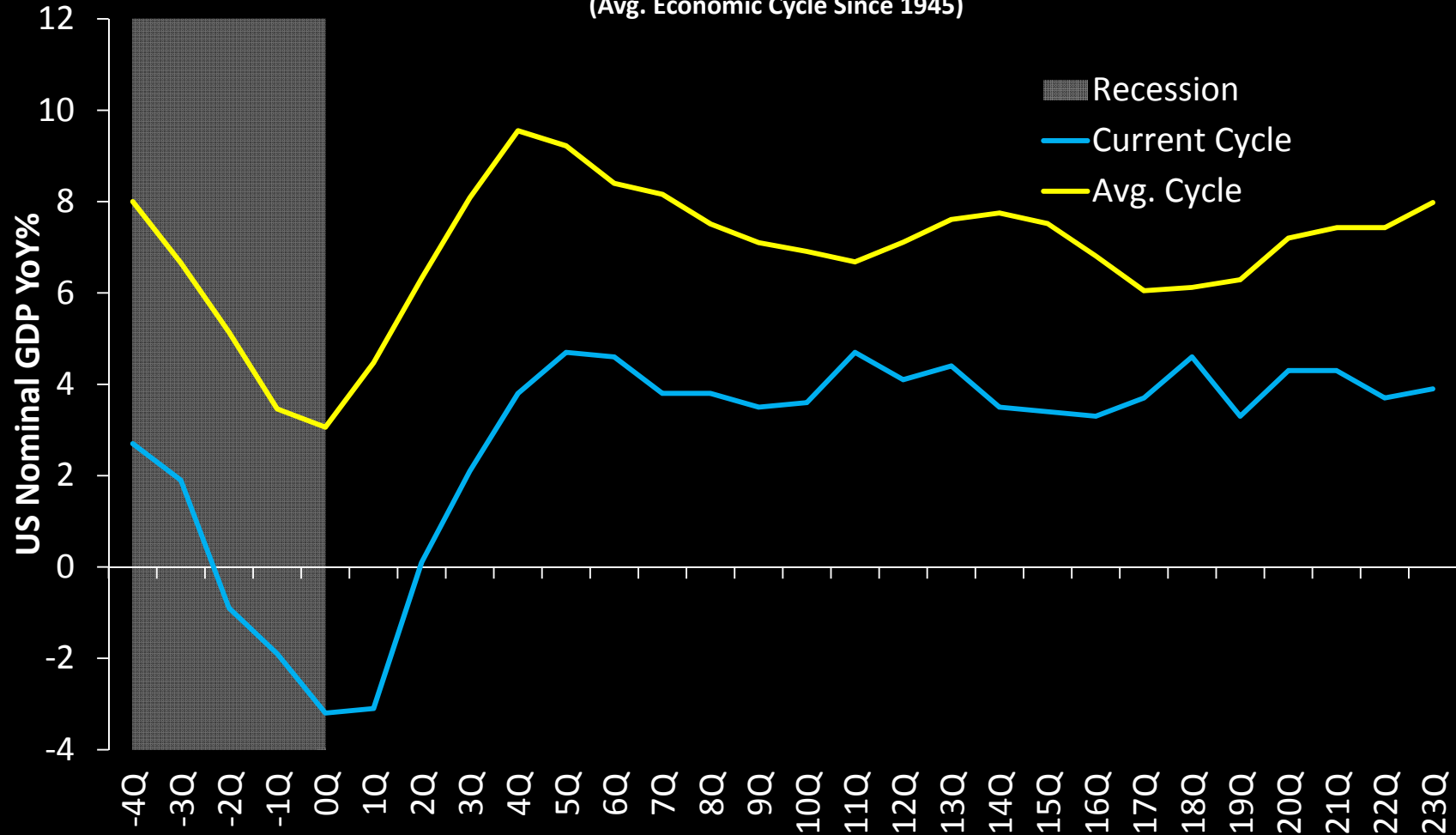
Current Recovery vs. Avg. Recovery Since 1949



Nominal GDP YoY%

Current Economic Cycle vs. Average Cycle

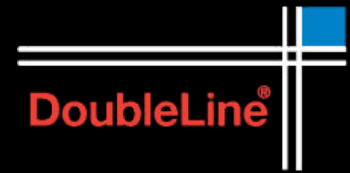
(Avg. Economic Cycle Since 1945)



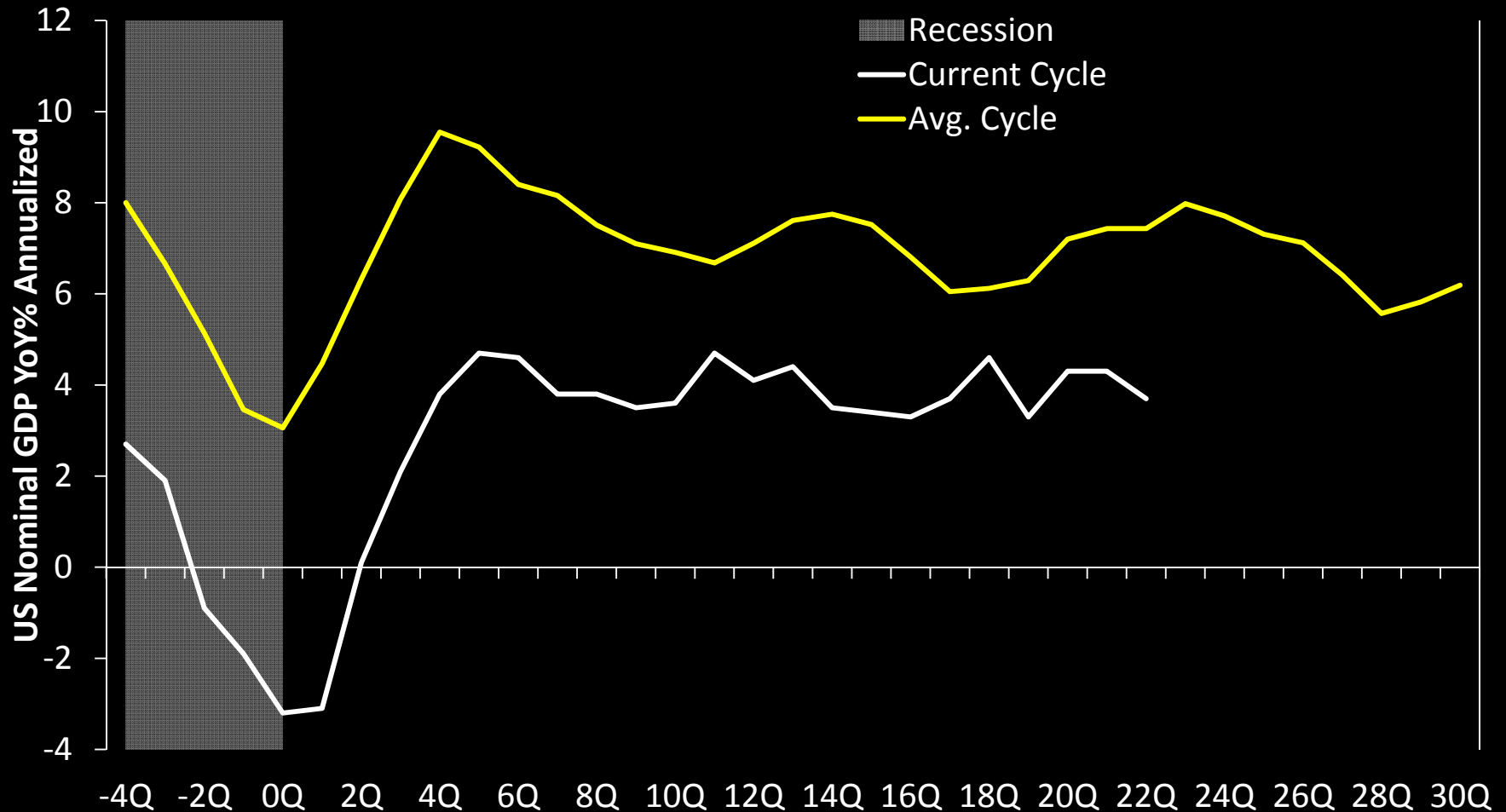
Source: Bloomberg; Doubleline

GDP = Gross Domestic Product. The monetary value of goods and services produced within a country's borders. YoY = Year-over-year. You cannot invest directly in an index.

GDP "Forecast" Based on Past Cycles

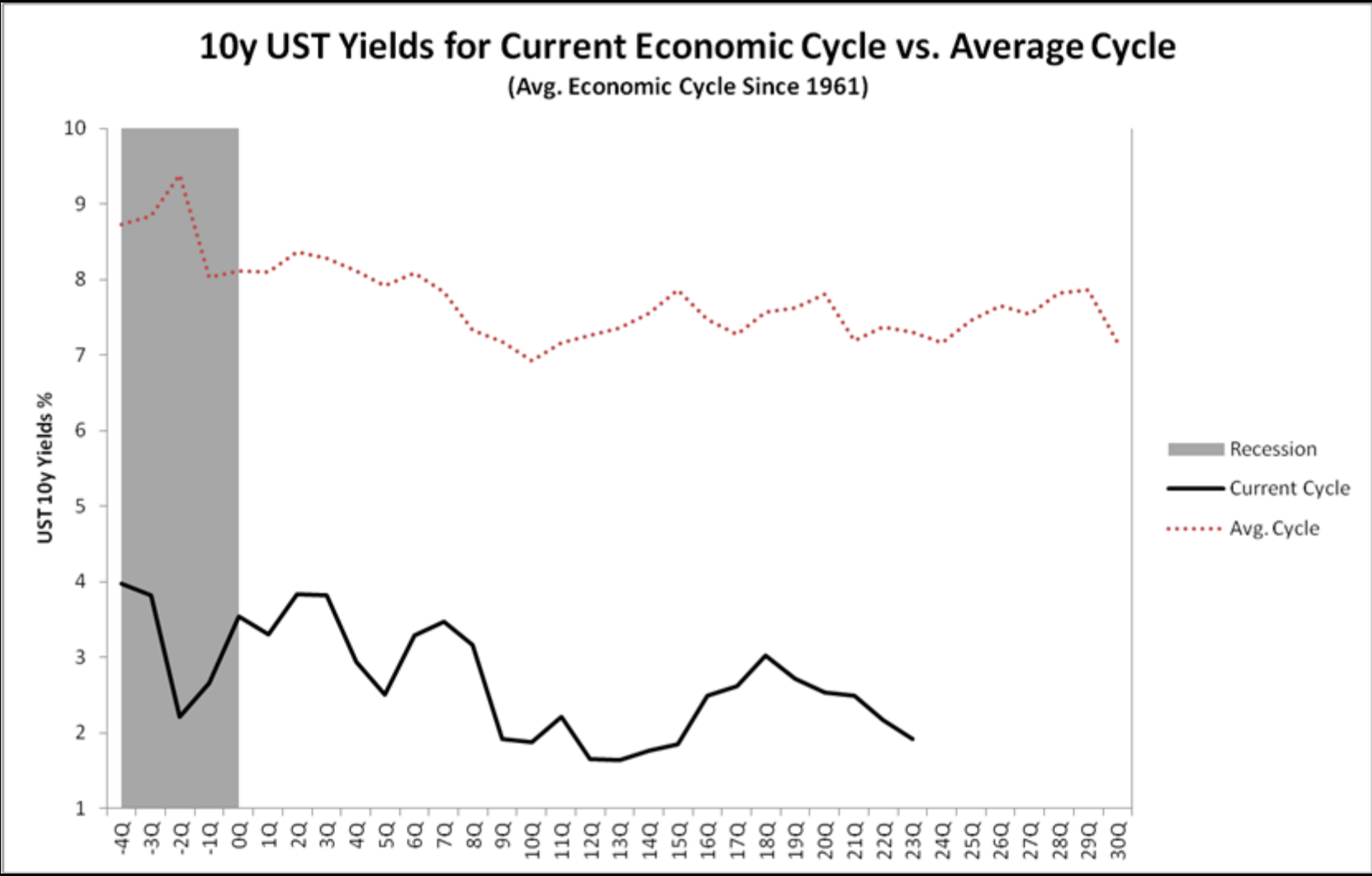


Current Economic Cycle vs. Average Cycle (Avg. Economic Cycle Since 1949)



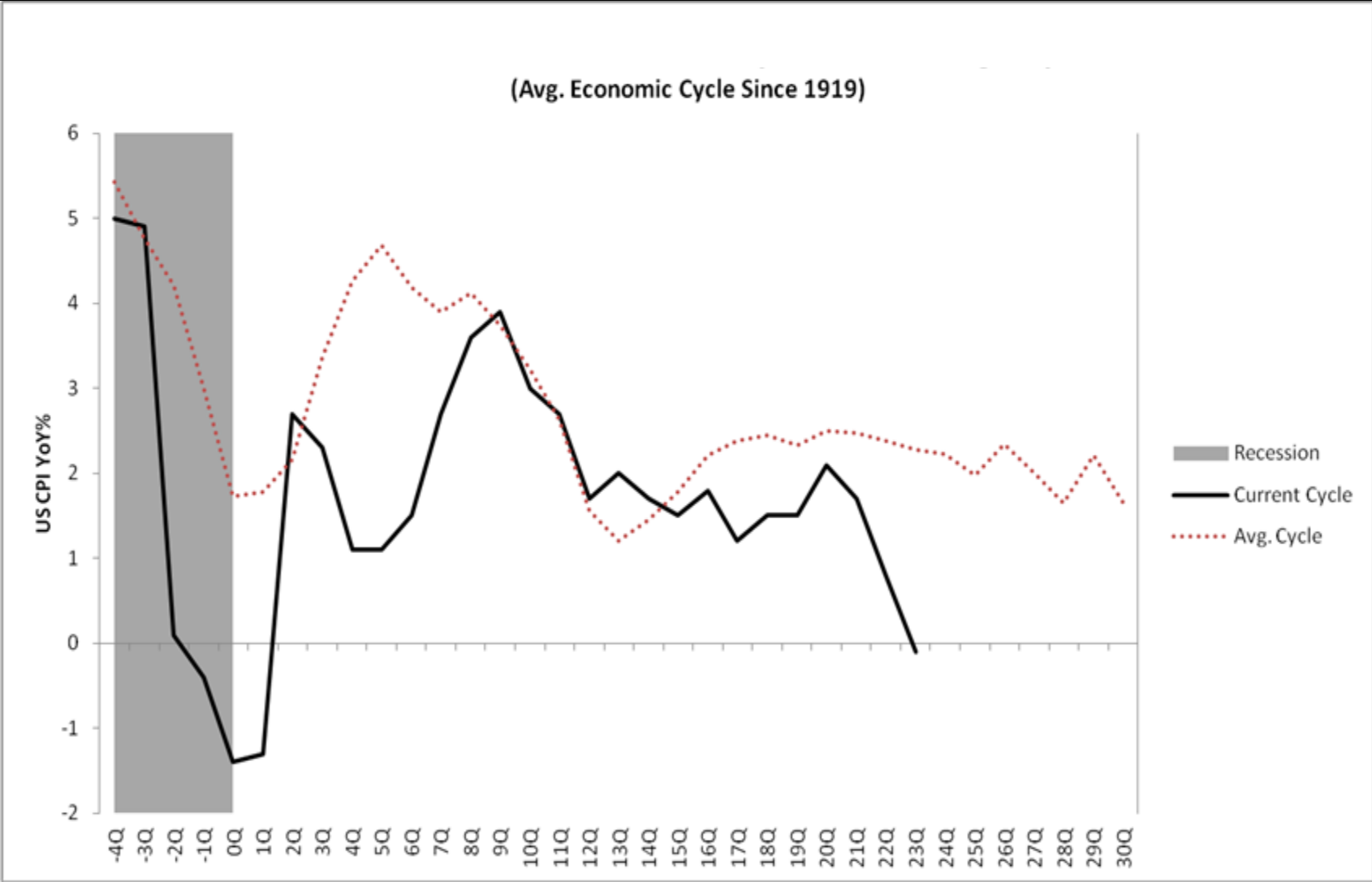
GDP = Gross Domestic Product. The monetary value of goods and services produced within a country's borders . YoY = year-over-year.
You cannot invest directly in an index.

Current 10-Year Yields vs. Average Cycle



You cannot invest directly in an index.

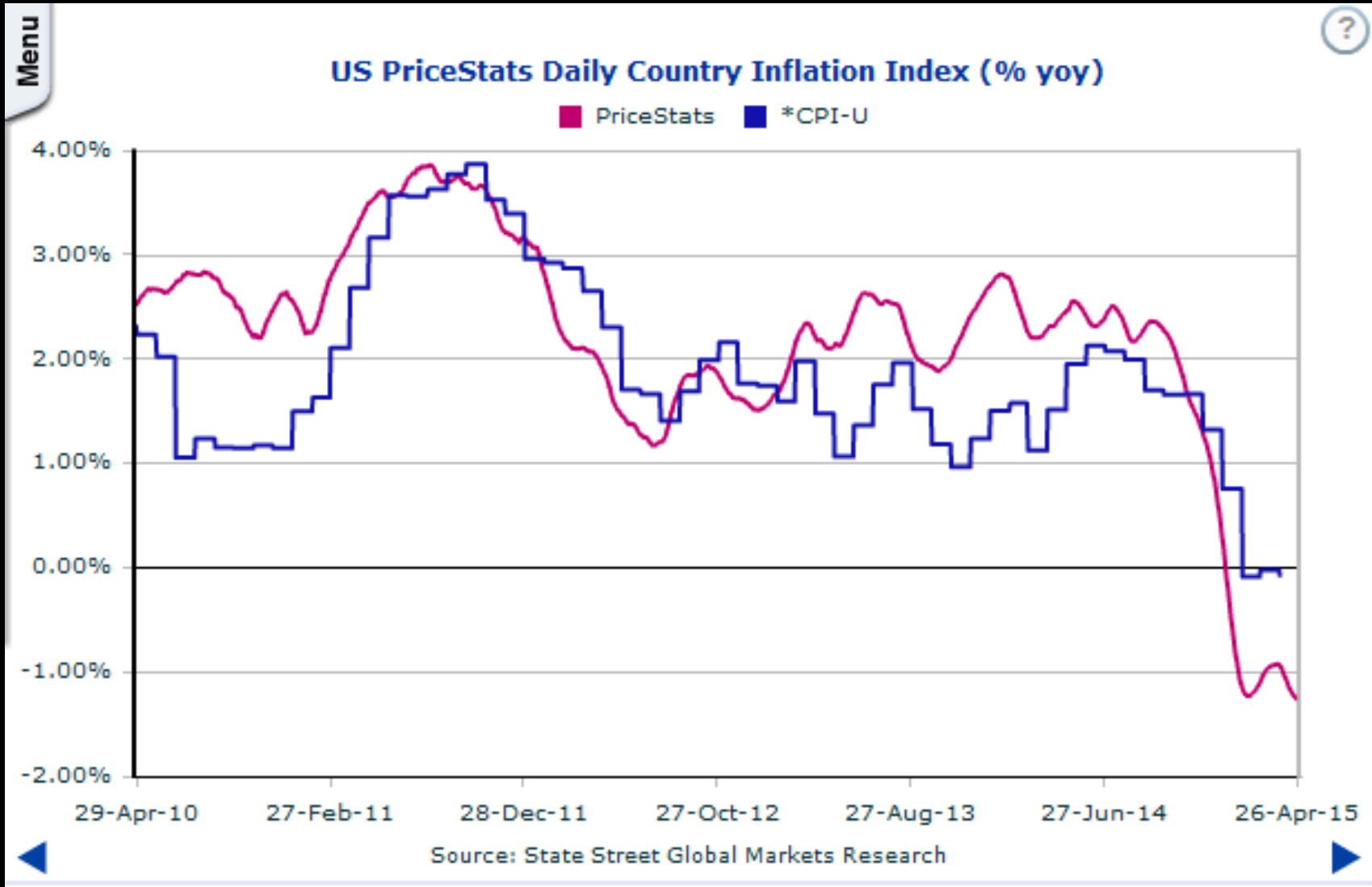
U.S. CPI Current Economic Cycle vs. Average Cycle



You cannot invest directly in an index.

PriceStats U.S. Inflation Rate YoY%

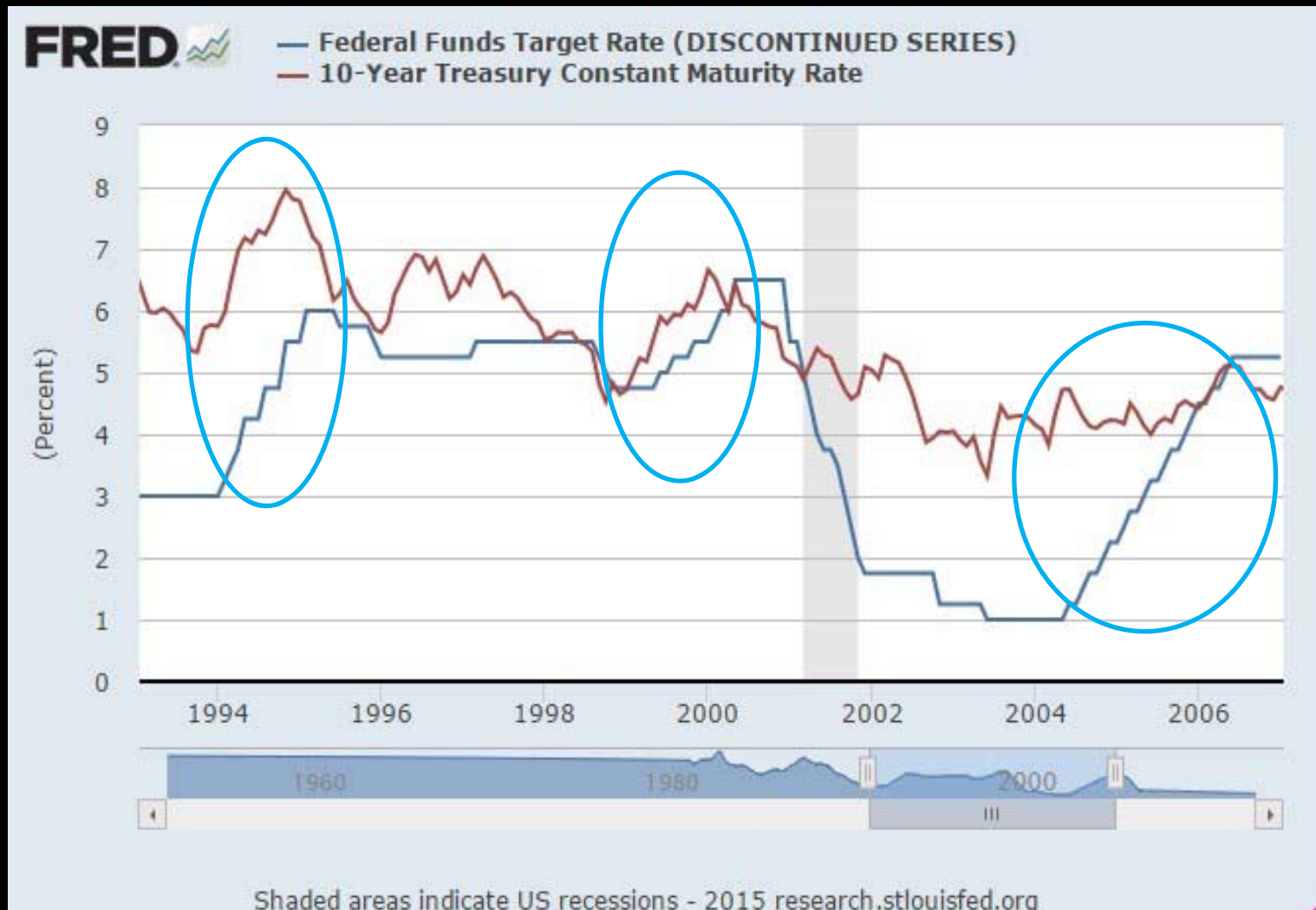
April 29, 2010 through April 26, 2015



Source: PriceStats, Doubleline

CPI = Consumer Price Index measures the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. You cannot invest directly in an index.

10-Year U.S. Treasury Yields & Fed Funds Previous Hiking Cycles



U.S. 10-Year Yields and Fed Funds Rate

December 31, 1962 through April 29, 2015



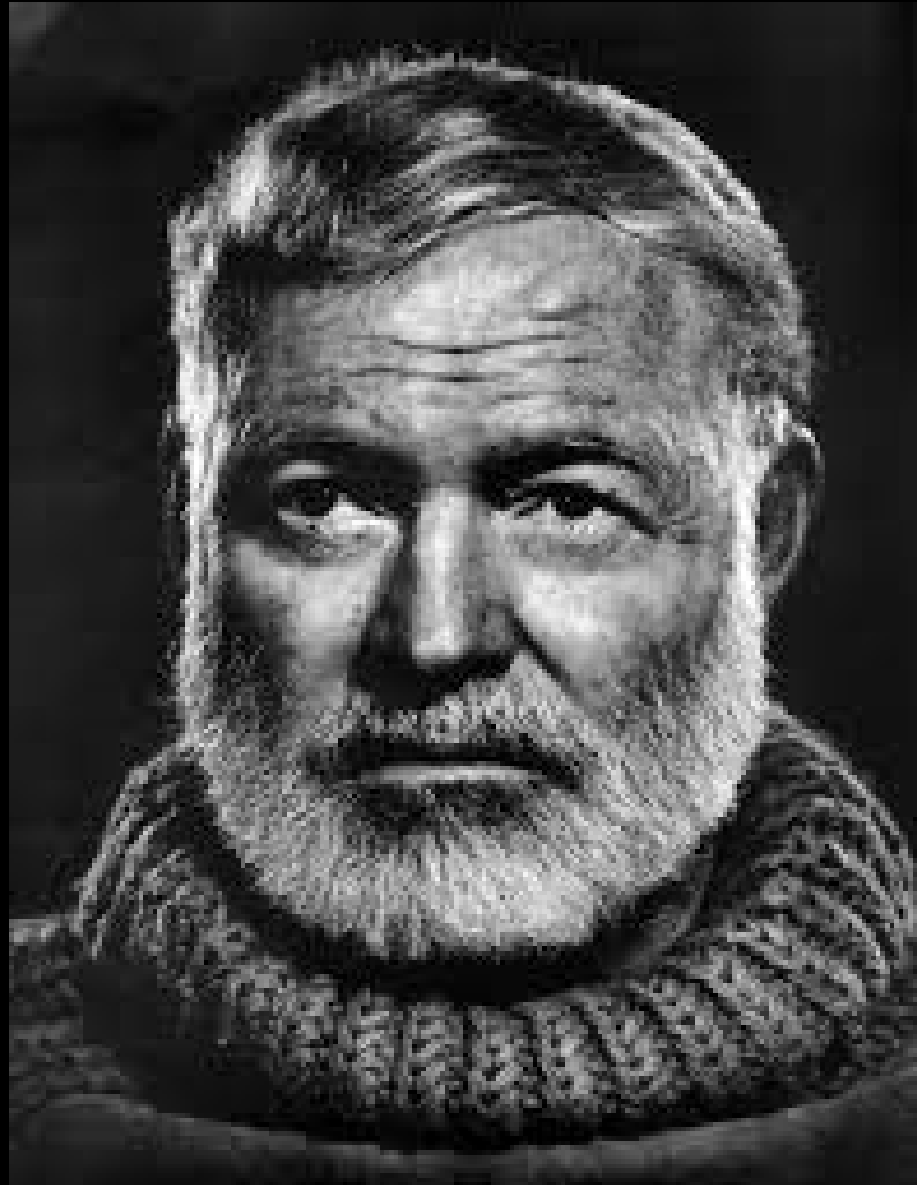
USGG10YR Index (US Generic Govt 10 Year Yield) Long term 10y and Fed Fu Quarter

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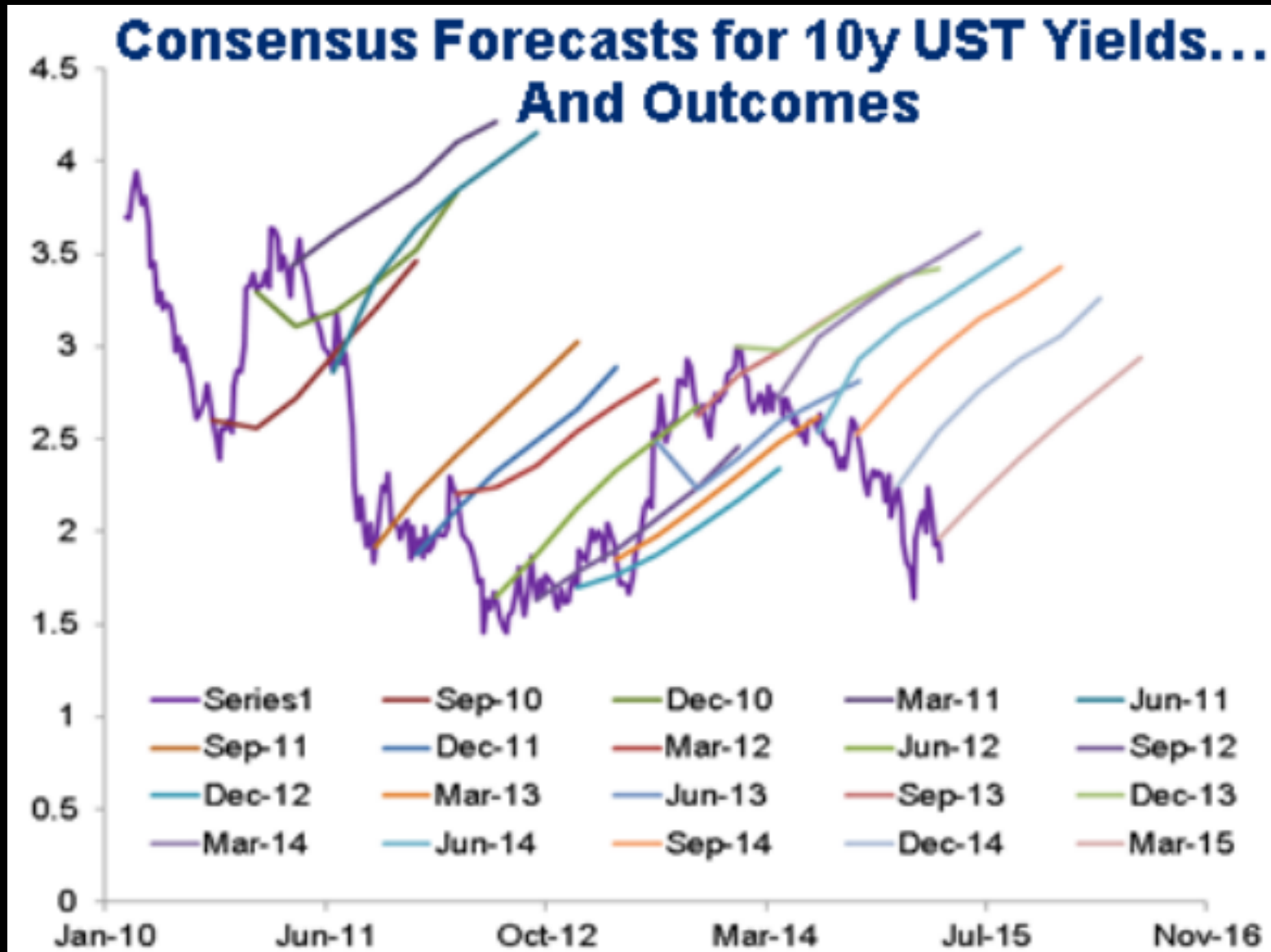
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Source: Bloomberg Financial Services, DoubleLine Capital LP
You cannot invest directly in an index.

Bond Market “Gradually then Suddenly”



Rates: Consensus Forecast and 10y Yields



Source: Citi; Bloomberg. Quarterly observations.

U.S. 2-Year Treasury

April 29, 2010 through April 29, 2015

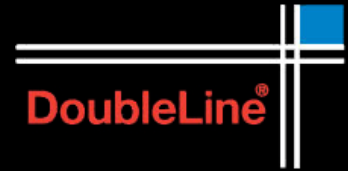


Source: Bloomberg Financial Services, DoubleLine Capital LP

GT02 = US 2 Year Treasury Bond. You cannot invest directly in an index. Past performance is no guarantee of future results. You cannot invest directly in an index.

U.S. 5-Year Treasury

April 29, 2010 through April 30, 2015



Source: Bloomberg Financial Services, DoubleLine Capital LP
GT5 = US 5 Year Treasury Bond. You cannot invest directly in an index. Past performance is no guarantee of future results. You cannot invest directly in an index.

U.S. 10-Year Treasury

April 29, 2010 through April 29, 2015



Source: Bloomberg Financial Services, DoubleLine Capital LP
GT10 = US 10 Year Treasury Bond. You cannot invest directly in an index. Past performance is no guarantee of future results.

U.S. 30-Year Treasury

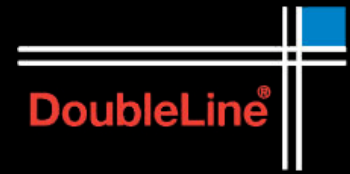
April 29, 2010 through April 29, 2015



Source: Bloomberg Financial Services, DoubleLine Capital LP
GT30 = US 30 Year Treasury Bond. You cannot invest directly in an index. Past performance is no guarantee of future results.

10-Year U.S. Treasury Yields vs. Fed Funds

Current "Hiking Cycle" 12-31-13 through 4-29-15



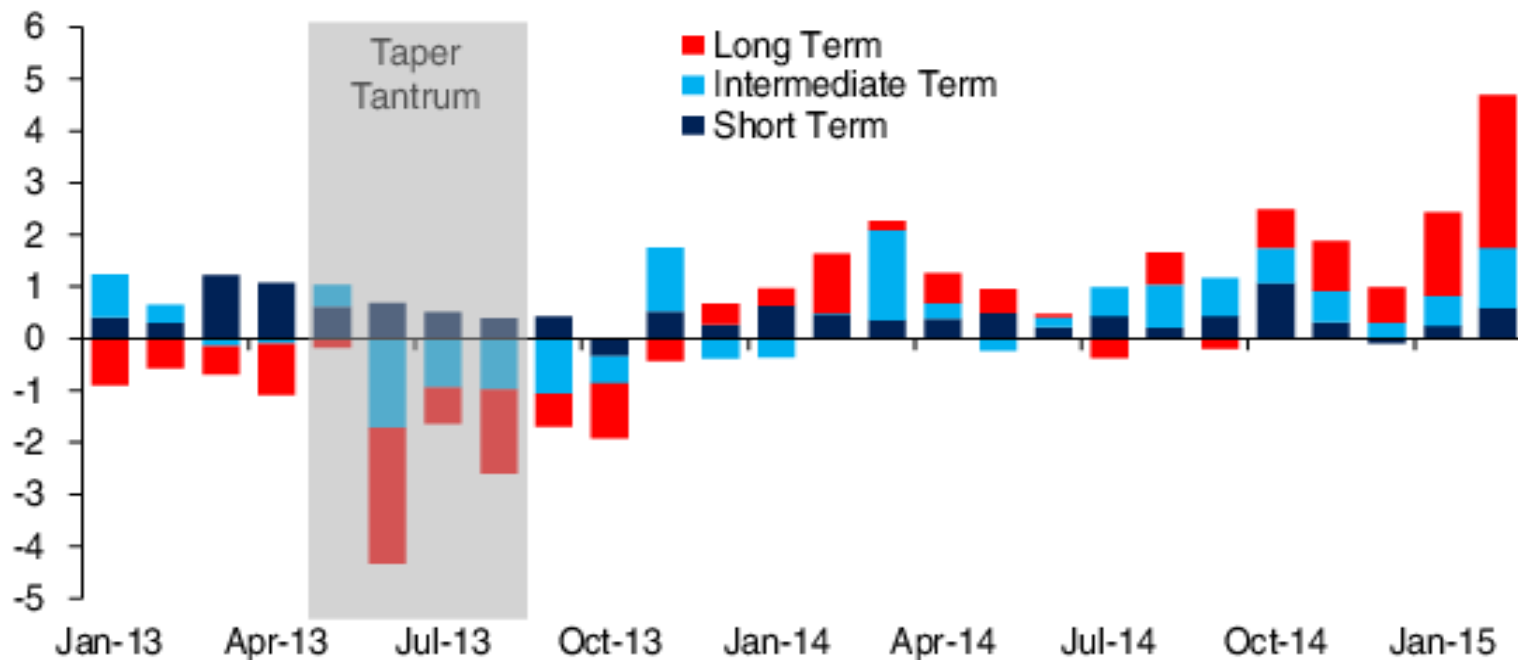
USGG10YR Index (US Generic Govt 10 Year Yield) Long term 10y and Fed Fu Daily 2

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Corporate Fund Flows Going into Longer Duration Funds

IG corporate bond fund flows*, in \$bn/mo

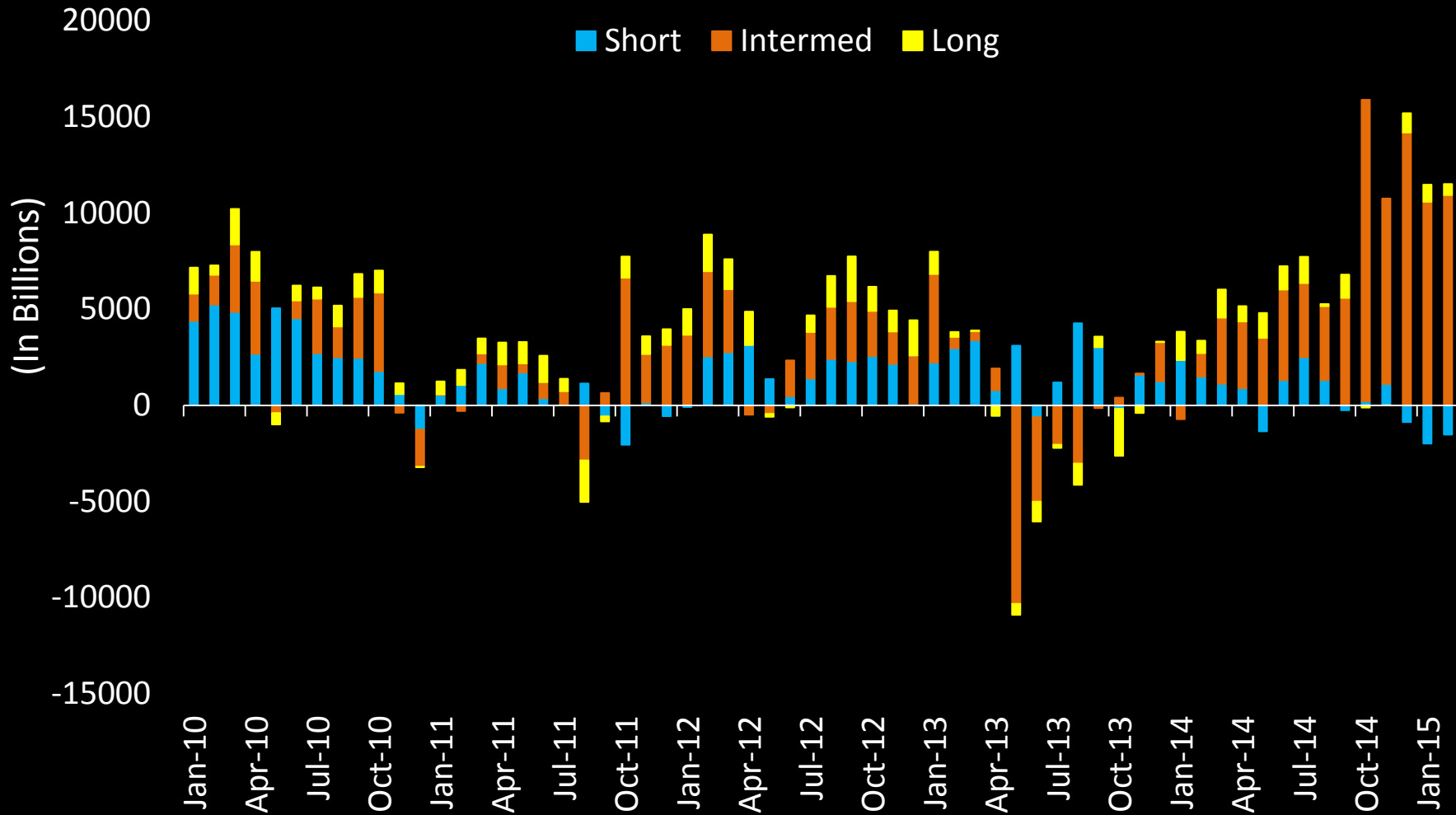


Source: Citi Research, Bloomberg

*We include only funds whose prospectuses identify them as corporate bond-dedicated funds.

All Fund Flows Going Into Longer Duration Funds

January 1, 2010 through January 31, 2015



Source: Citi; ICI

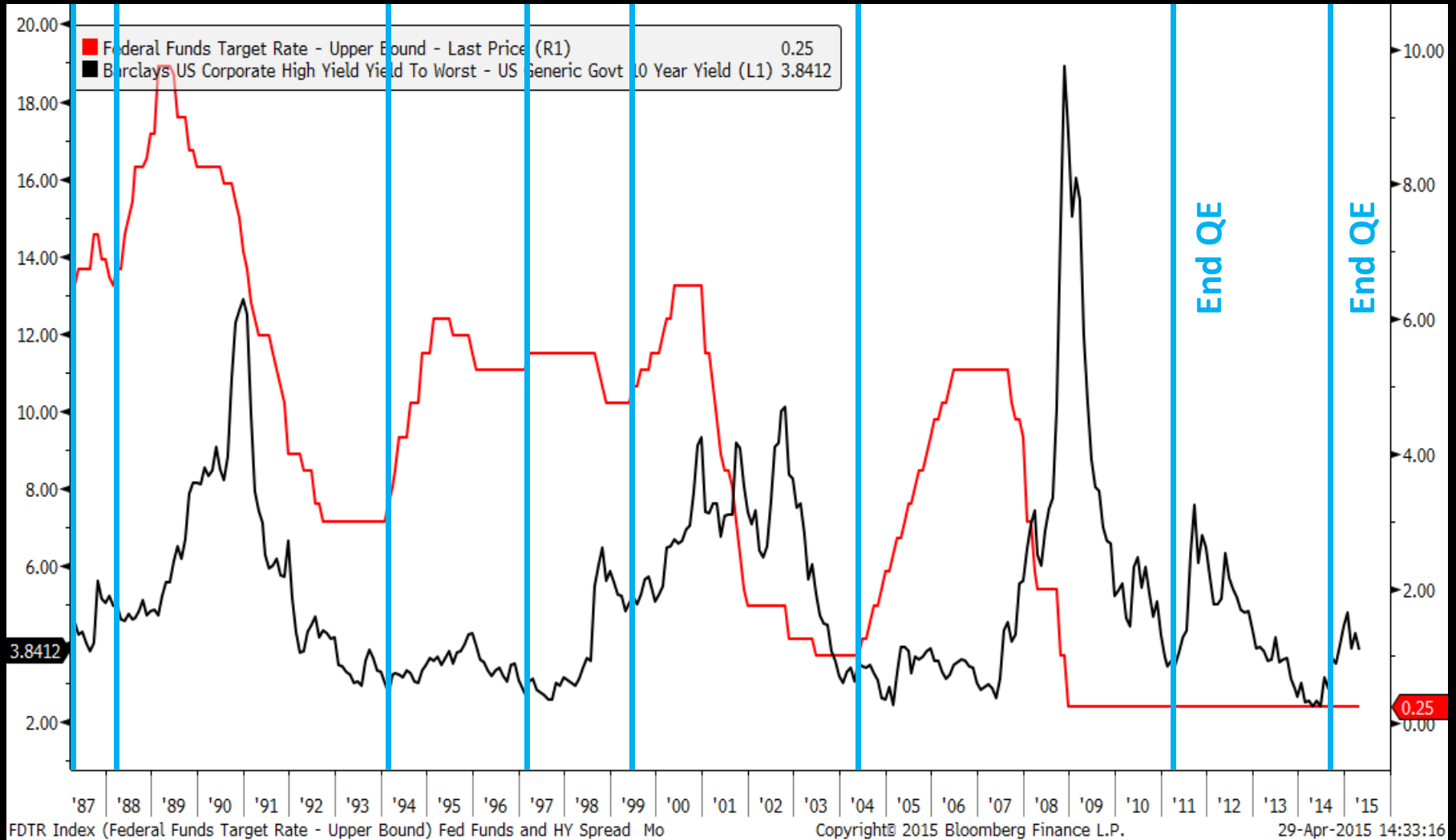
Could Fed Policy Cause a Problem in the Credit Markets?



HY Credit Spread and Fed Funds

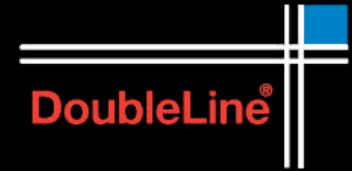


March 31, 1987 through April 29, 2015

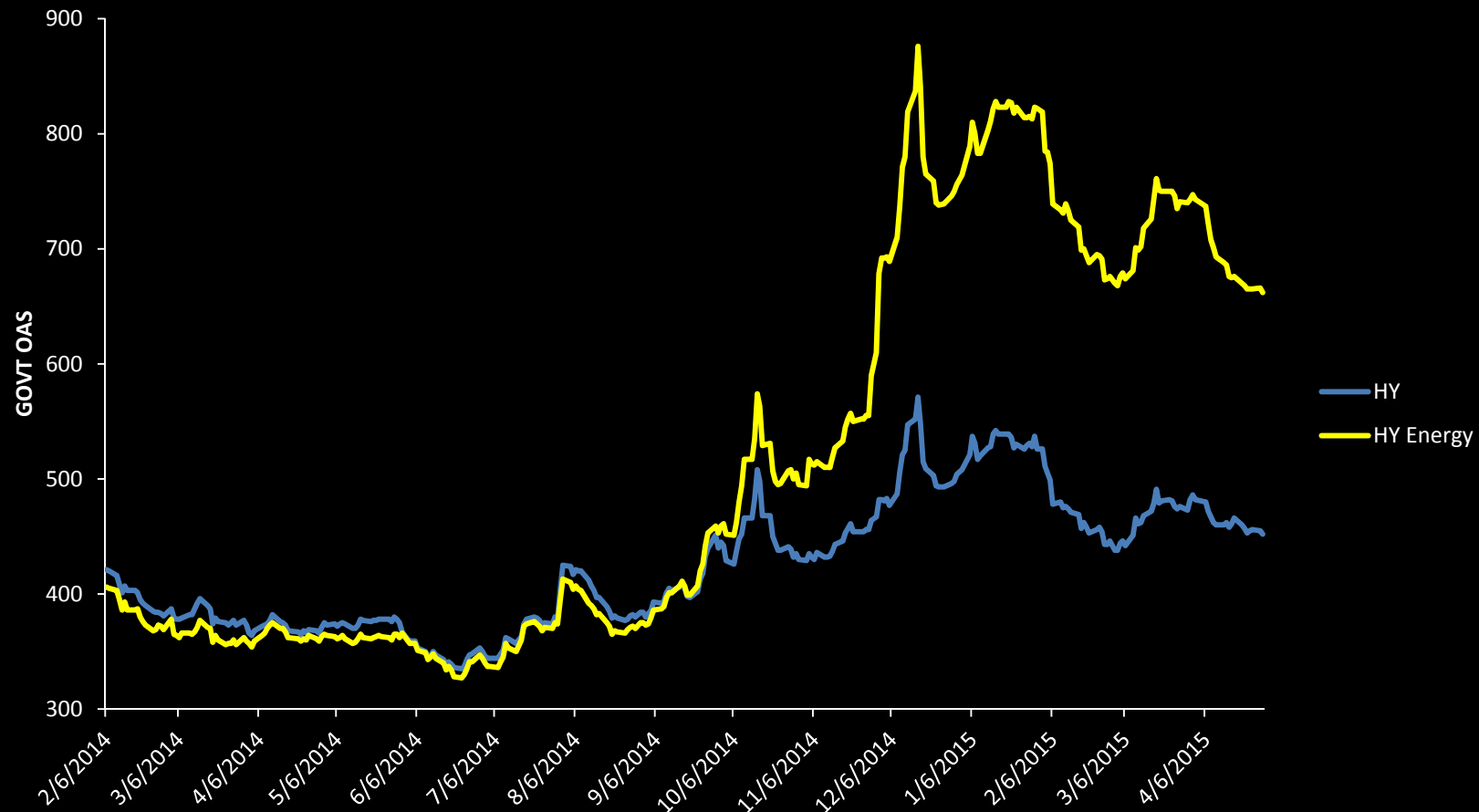


High Yield and High Yield Energy Spreads

February 6, 2014 through April 28, 2015



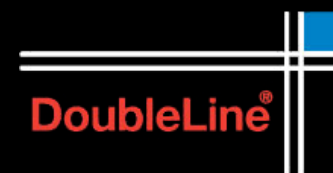
HY and HY Energy Spreads



Source: Bloomberg, DoubleLine

HY = High Yield, HY Energy = the energy sector of the high yield market. GOVT OAS = Government Treasury option adjusted spread. A measure of the spread of a fixed income investment (high yield) and the risk free rate (US 3-month government T-Bills). OAS = Option adjusted spread is a measurement of the spread of a fixed income security rate and the risk-free rate of return which is adjusted to take into account an embedded option. An investment cannot be made directly in an index.

IG and Fed Hiking Cycles



Hiking Cycles		Fed Funds (%)		Hikes (bps)	IG Return	IG Yield to Worst			Spread to 10y UST (bps)		
Start	End	Start	End			Start	End	YLD CHG (bps)	Start	End	Compression
12/31/1976	3/31/1980	4.75	20.00	1525	(10.97%)	8.11%	13.98%	587	110	134	24
8/29/1980	5/29/1981	9.50	20.00	1050	(1.94%)	11.56%	14.56%	300	80	106	26
5/31/1983	8/31/1984	8.50	11.75	325	6.36%	11.31%	13.54%	223	104	77	-27
12/31/1986	9/30/1987	5.88	7.25	137	(3.62%)	9.29%	10.60%	131	215	101	-114
3/31/1988	2/28/1989	6.50	9.75	325	5.53%	9.35%	10.24%	89	120	95	-26
2/28/1994	2/28/1995	3.00	6.00	300	1.41%	6.17%	7.97%	180	53	77	24
6/30/1999	5/31/2000	4.75	6.50	175	0.48%	6.92%	8.27%	135	130	200	70
6/30/2004	6/30/2006	1.00	5.25	425	5.76%	5.00%	6.14%	114	35	100	65
Current	?	0-0.25				2.91%			99		

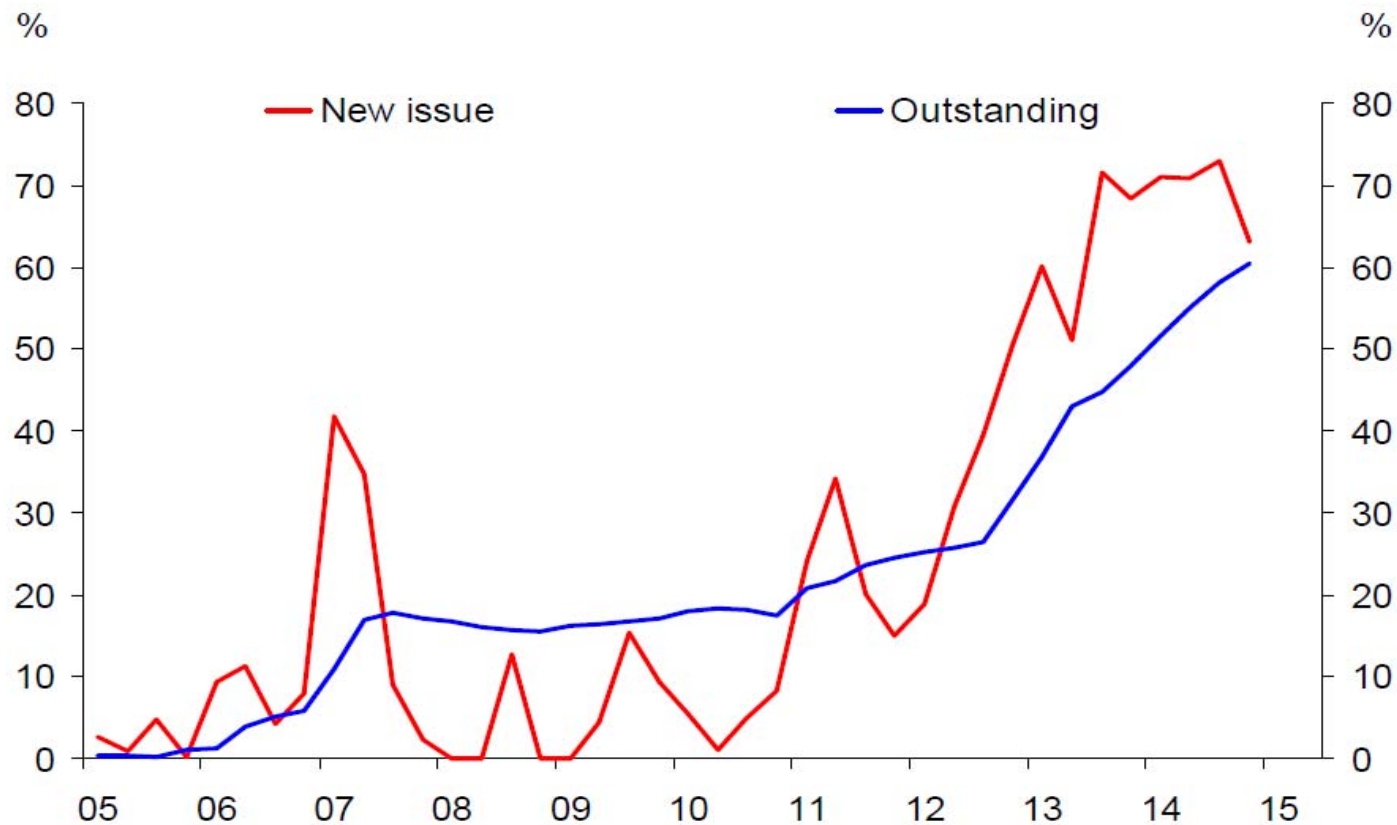
IG = Investment Grade. You cannot invest directly in an index.
Source: Bloomberg; Doubleline

Percentage of CovLite Loans

January 1, 2005 through April 1, 2015



60% of outstanding are now cov-lite



Source: Bjarni Torfason, S&P LCD, DB Global Markets Research

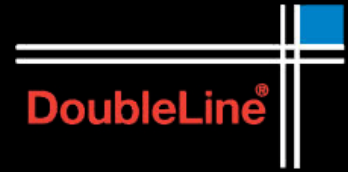
Deutsche Bank Research

Torsten Slok, torsten.slok@db.com +1 212 250-2155

April 2015

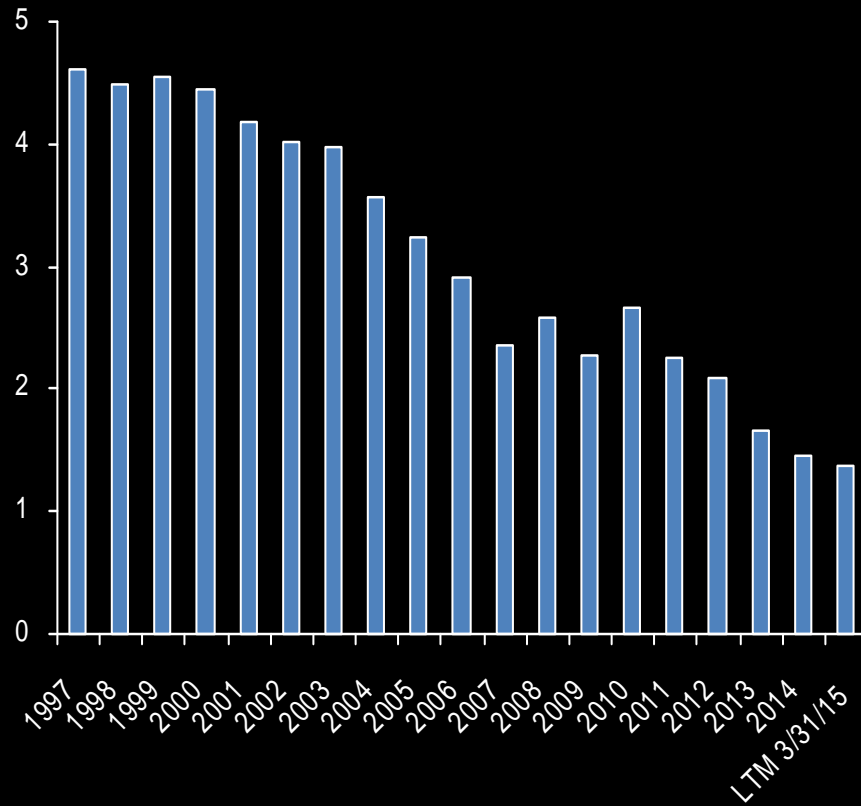
87

First-Lien Leveraged Loan Covenant Statistics

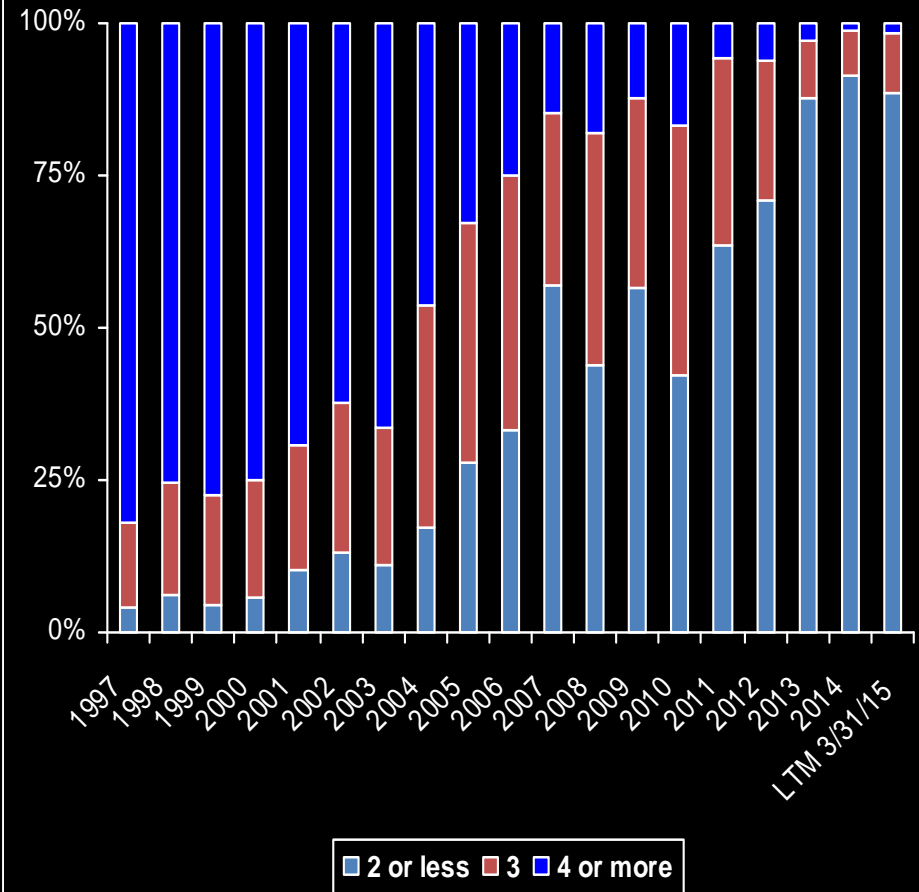


Excludes Covenant-Lite Deals

Average Number



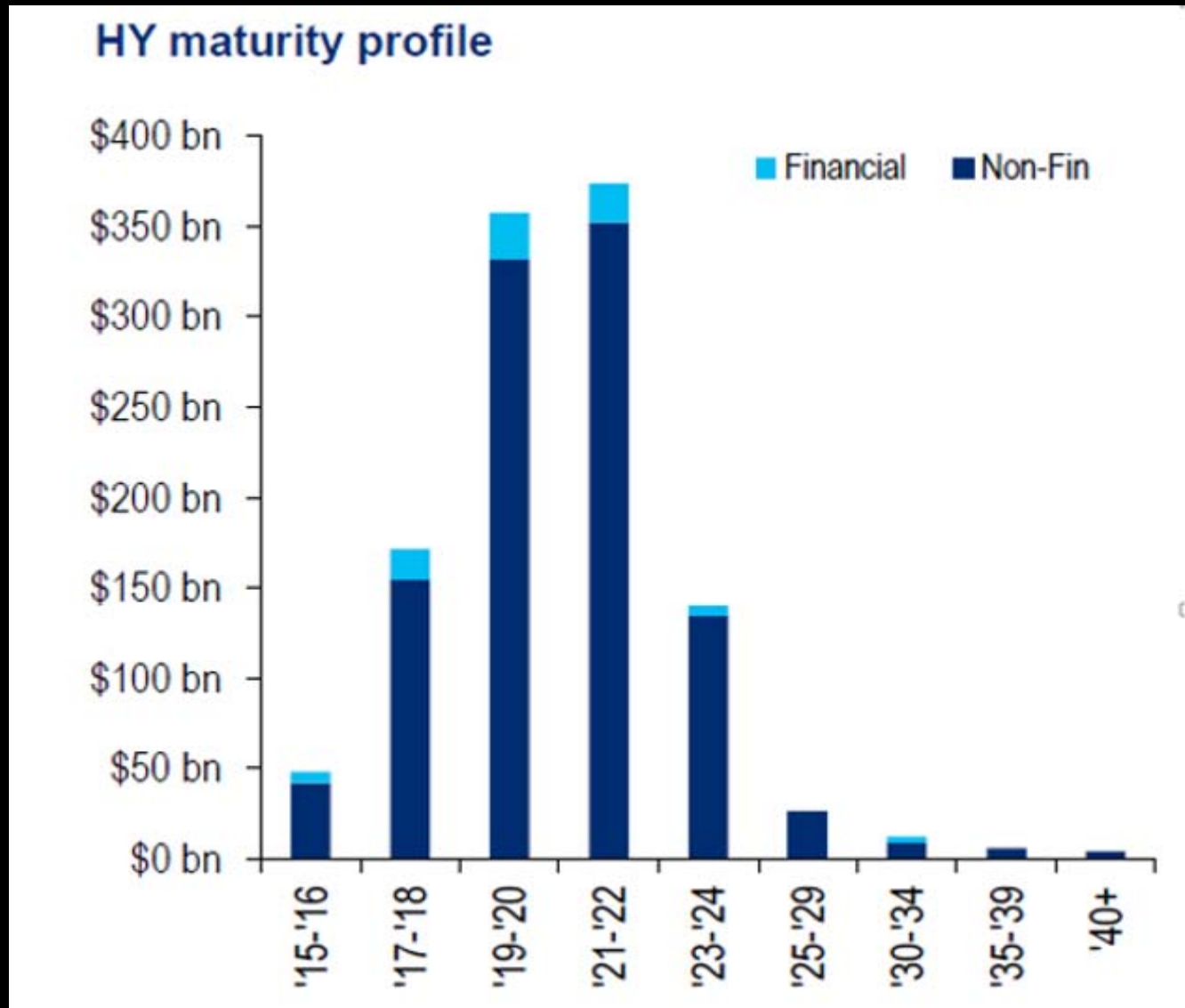
Distribution by Number of Covenants



Source: www.lcdcomps.com
 You cannot invest directly in an index.

When Could Default Fears Become an Issue?

As of December 31, 2014

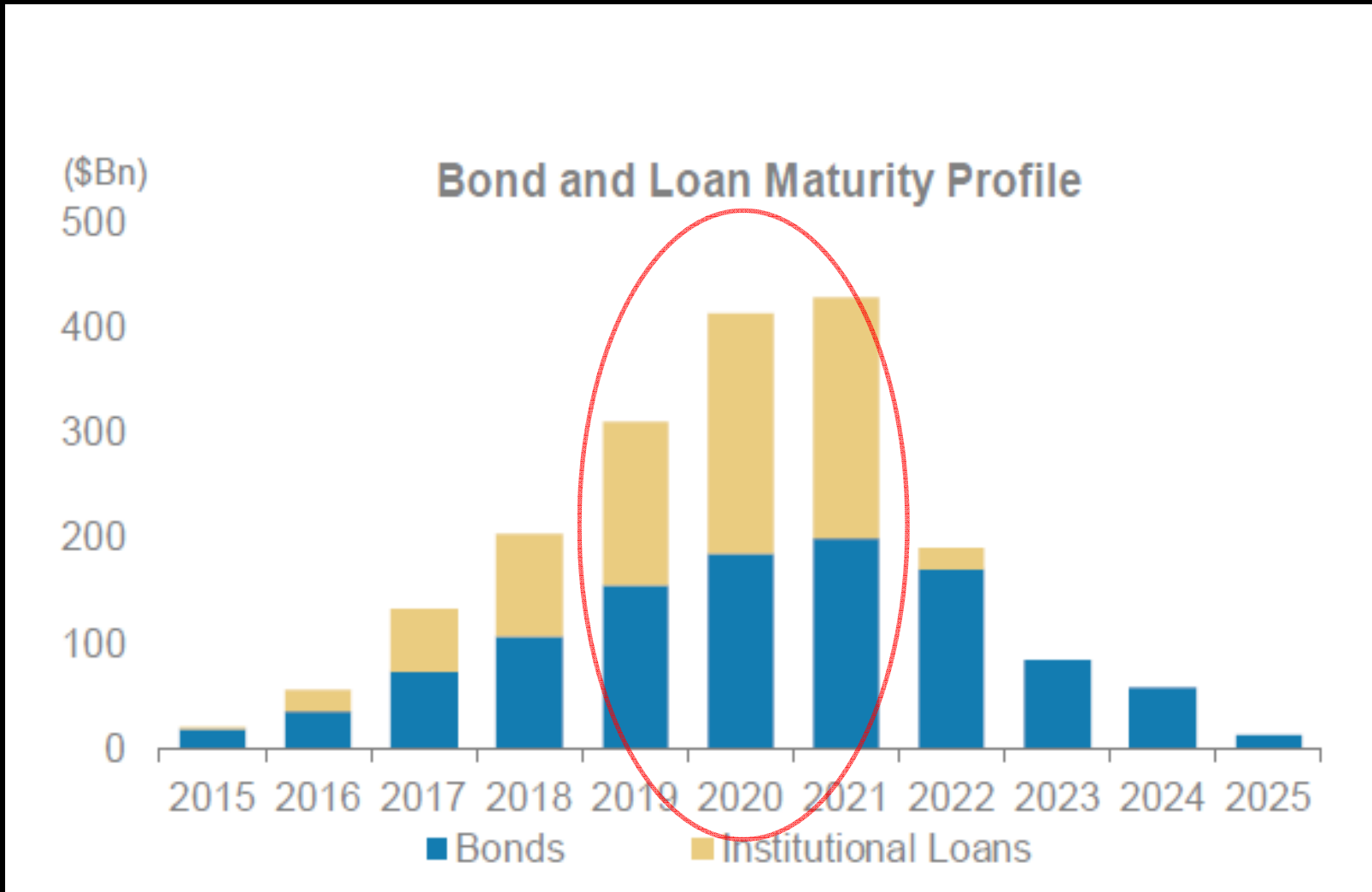
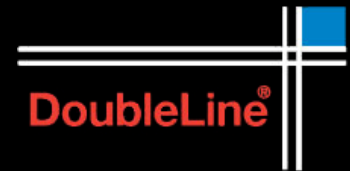


Years

Source: Citigroup Research, December 31, 2014
HY = High Yield. You cannot invest directly in an index.

Bond & Leveraged Loan Maturity Profile

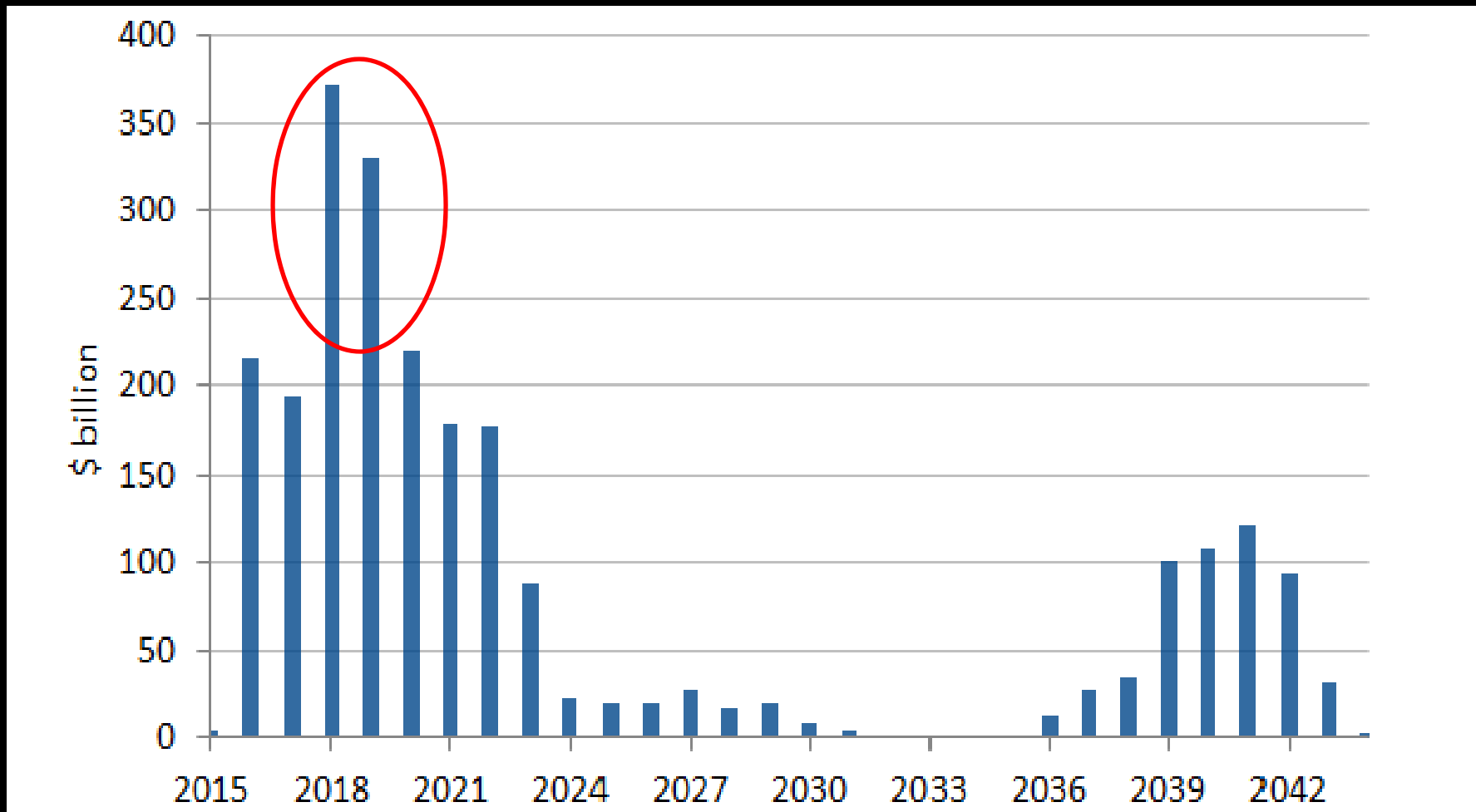
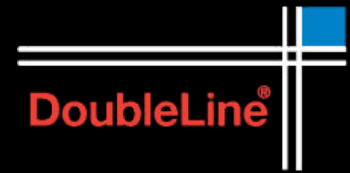
January 1, 2015 projected through 2025



Source: Minack Advisors
You cannot invest directly in an index.

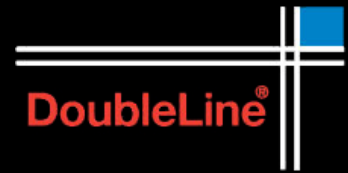
Maturities of Fed-Held Treasuries

Minimal for '15, Peak '18-'19

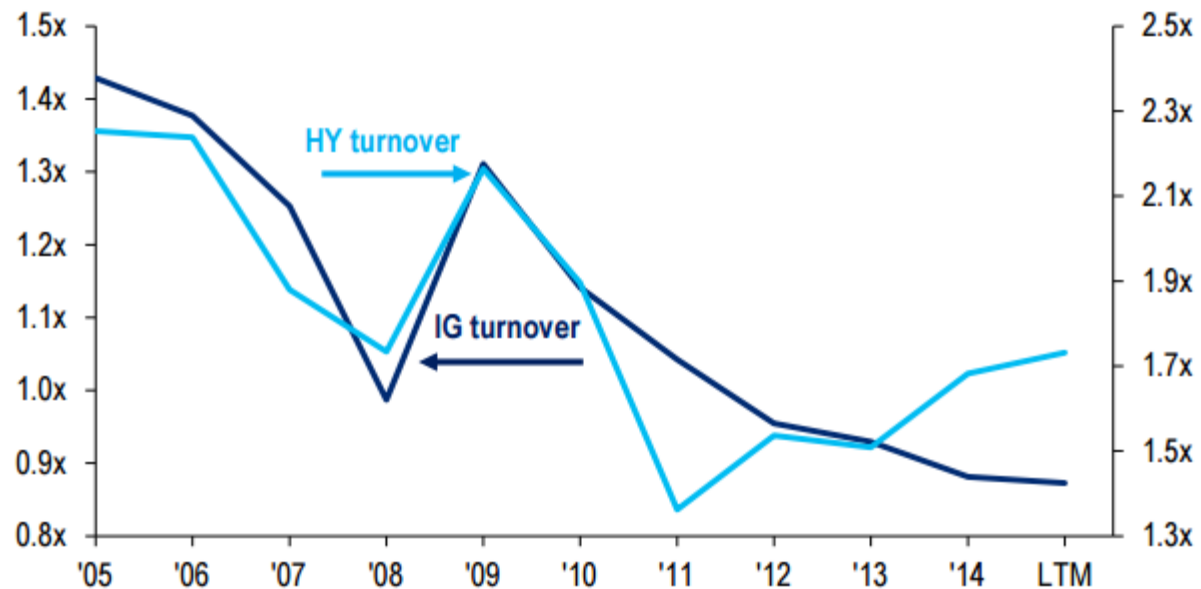


Source: Bloomberg, Federal Reserve
Bond maturities of the Federal Reserve's balance sheet starting January 1, 2015 through December 31, 2042. You cannot invest directly in an index.

HY and IG Turnover Declining



Investment grade and high yield bond turnover, 12mo traded volume / index debt outstanding

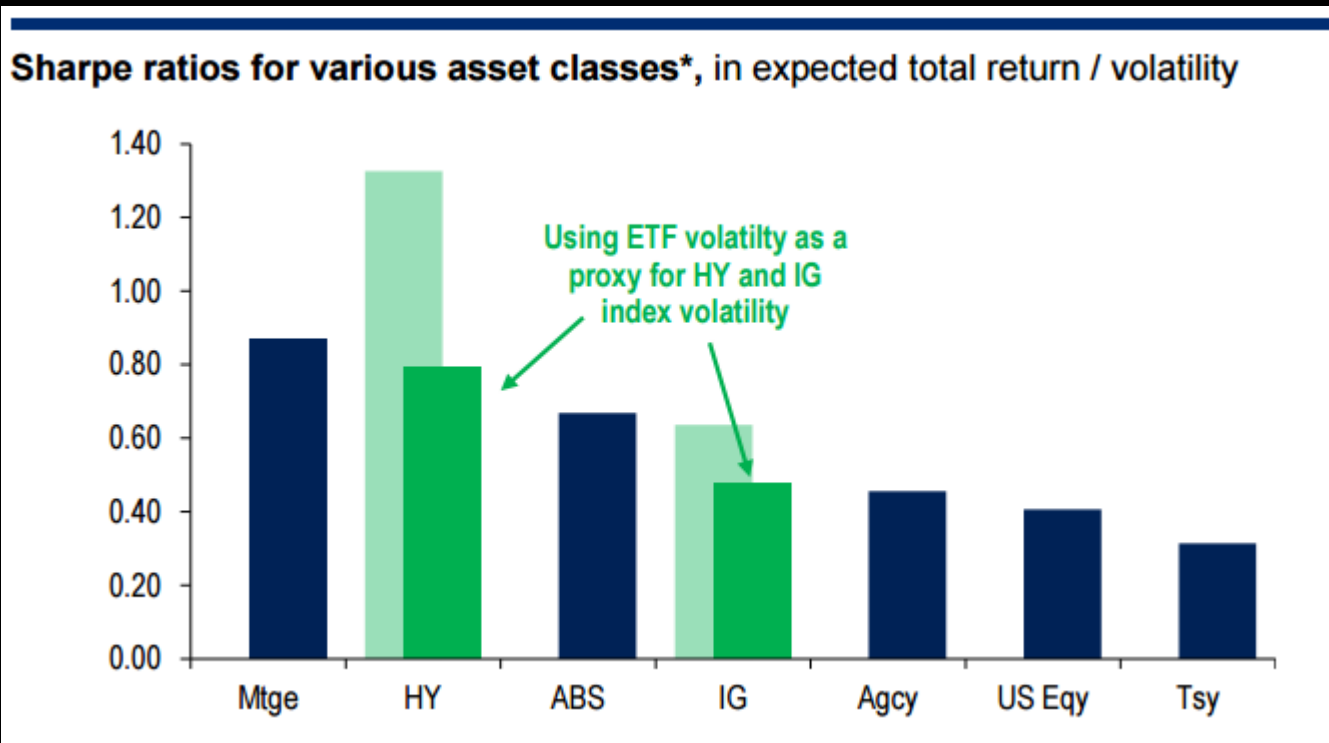
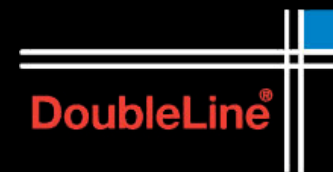


Source: Citi Research, Citi Fixed Income Indices, Bloomberg, FINRA

*Volume turnover is calculated as the total volume traded in a rolling 12-month period divided by the average index eligible debt outstanding amount over that period.

Corporate Indices Exhibit Artificially Low Volatility

9-30-15 through 3-31-15



Source: Citi Research, Bloomberg, Citi Fixed Income Indices

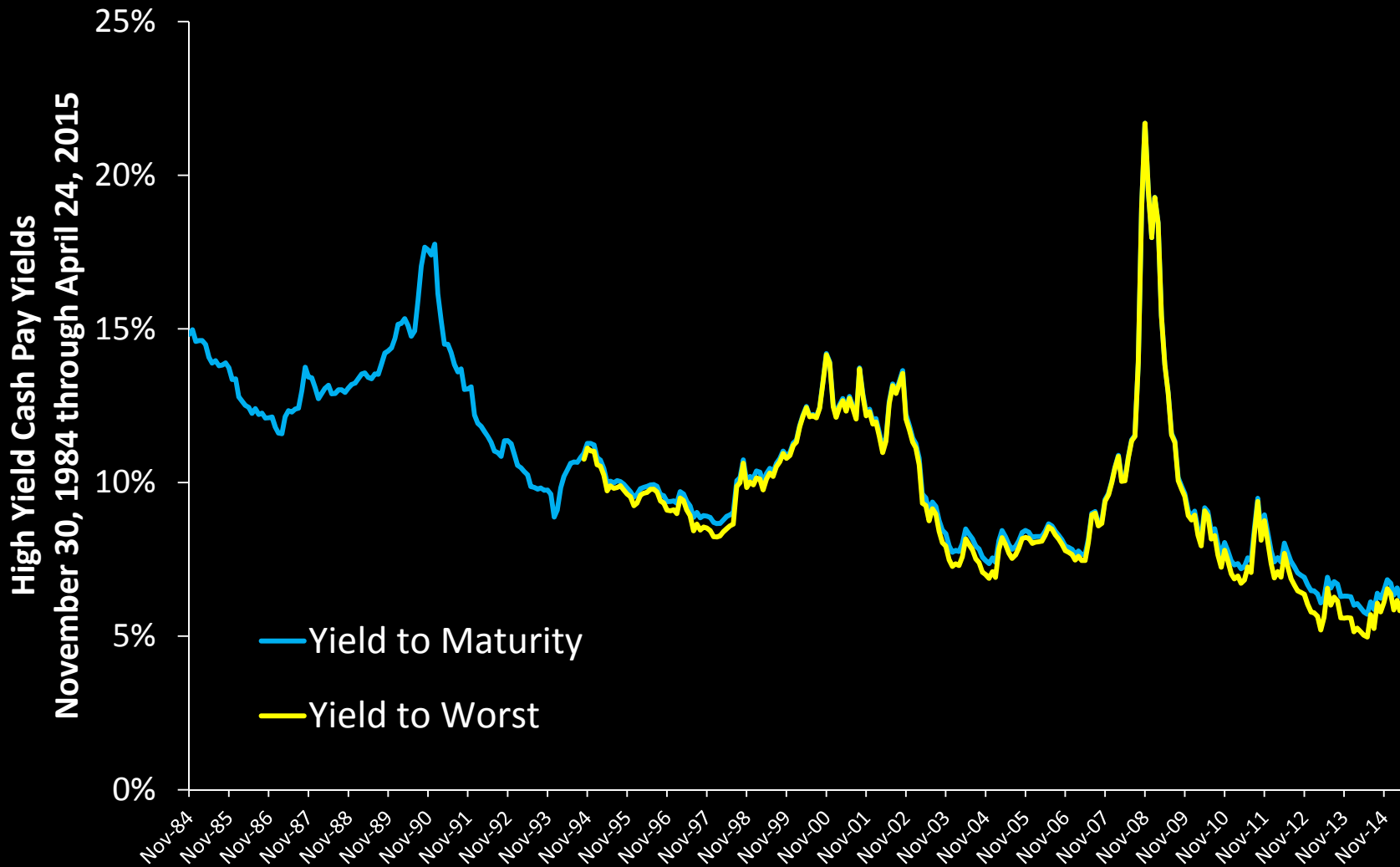
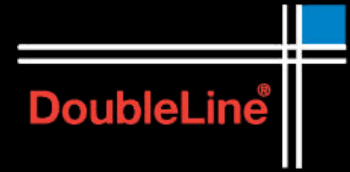
*For fixed income asset classes, we use yield as a proxy for expected returns. For US equities, we used consensus bottom-up earnings yield instead. Annualized volatility was computed from a daily total return series over the past 6 months.

HY = High Yield, IG = Investment Grade, Mtge = Mortgages, ABS = Asset-Backed Securities, Agcy = Agency, US Eqy = US Equity, Tsy=Treasury

Sharpe Ratio = A measure that indicates the average return minus the risk-free return (3 Mo T-Bill rate) divided by the standard deviation. Standard deviation = A measure of the dispersion of a set of data from its mean. You cannot invest directly in an index.

U.S. Yields Near the Lows

November 30, 1984 through March 31, 2015



Source: Bloomberg; Doubleline

To Raise, or not Raise? That is the Question

Presented by:

Jeffrey Gundlach
CEO & CIO
DoubleLine Capital



Disclaimer



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