

# Understanding Dynamic Asset Allocation

## A conversation with DoubleLine®



### Describe DoubleLine's unique approach to asset allocation.

The 1290 DoubleLine Dynamic Asset Allocation Fund offers investors a one-portfolio solution to access DoubleLine's broad expertise in macroeconomic analysis, sector allocation and individual security selection. The asset allocation process is led by DoubleLine's CEO Jeffrey Gundlach, who has earned a reputation as one of the most authoritative and influential observers of the economy and capital markets. The Fund couples these strategic and tactical asset allocation views with DoubleLine's capabilities in sector allocation and security selection. We believe this combination of capabilities to invest both "top-down" and "bottom-up" provides a unique combination for investors.

### Tell us about the "dynamic" nature of the asset allocation process employed by the Fund.

The Fund is allocated between asset classes by a team of three portfolio managers, led by Jeffrey Gundlach, who have worked together over eighteen years. The team's allocation decisions are guided by the firm's long-term strategic views of such factors as economic growth, policy, the credit and equity cycles and demographics. More immediate tactical allocations are driven by a variety of fundamental and relative value inputs across both fixed income and equities.

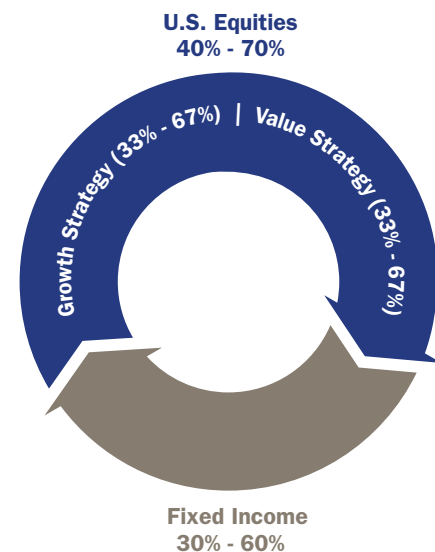
### Can you elaborate on your investment process and the asset classes the Fund invests in?

DoubleLine's seasoned management team employs a research-intensive investment process combining fundamental bottom-up security selection with top-down asset allocation. The DoubleLine team selects securities, determines sector weightings, and constructs portfolios with the objective of generating attractive risk-adjusted total returns, over a full market cycle, typically three to five years, across a range of future economic and market scenarios.

On the equity side, the Fund is allocated between growth and value investment styles. The allocation team recognizes that over a market cycle growth and value-equities can go in and out of favor. Similarly, there are periods when active management achieves an advantage in the market and periods when systematic strategies are more favored. With this in mind, the growth portion of the allocation, which can range from 33% to 67% of the U.S. Equity portion of the portfolio, is represented by an actively managed growth stock portfolio. In contrast, the team implements the value portion of the portfolio (also able to range from 33% to 67% of the U.S. Equity portion of the portfolio) through a systematic strategy based on the Shiller Barclays CAPE U.S. Sector Total Return Index.<sup>1</sup>

Turning to fixed income, the 30% to 60% of the portfolio invested in fixed income is allocated across sectors ranging from U.S. government bonds to corporate and bank debt to emerging markets debt. The fixed income portion of the portfolio is itself governed by an asset allocation process led by a committee of five portfolio managers, supported by another 13 portfolio managers and 37 analysts.

DoubleLine's broad investment capabilities provide the asset allocation team with investment options for virtually all market environments.



Source: DoubleLine Capital LP

## Q&A with Philip Barach, President of DoubleLine

Phillip Barach is co-founder and President of DoubleLine Capital. Mr. Barach is a member of the DoubleLine Executive Committee. Prior to DoubleLine, Mr. Barach was Co-Founder and Group Managing Director of the TCW Mortgage Group where he spent over 23 years. He has over 34 years of fixed income investment experience. Before joining TCW, Mr. Barach was Senior Vice President of Chief Investments for Sun Life Insurance Company in Los Angeles, where he was responsible for the asset/liability management of the firm and oversight and management of the company's \$5 billion investment portfolio. Previously, he served as Principal Fixed Income Officer for the California Public Employees' Retirement System (CalPERS), the largest pension plan in the country. In that capacity, he was responsible for managing the fixed income portion of the fund which was 100% internally managed. He attended the Hebrew University of Jerusalem, where he received a BA in International Relations and an MBA in Finance.

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Investing involves risks, including loss of principal. The Fund is new with limited operating history.

The fund's allocations may change at any time. Bond investments are subject to interest rate risk so that when interest rates rise, the prices of bonds can decrease and the investor can lose principal value. Equity securities may be bought on stock exchanges or in the over-the-counter market. Equity securities generally include common stock, preferred stock, warrants, securities convertible into common stock, securities of other investment companies and securities of real estate investment trusts.

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