

## 2Q25 RiverNorth/DoubleLine Strategic Income Fund (RNSIX) & RiverNorth DoubleLine Strategic Opportunity Fund, Inc. (OPP) Audio Review Transcript

- Chris Lakumb      Chris, why don't we start with you if you'd like to provide any of DoubleLine's thoughts around the fixed income markets overall? And then, more specifically, dive into what your fixed income asset allocation committee is thinking and any of the decisions you are making with respect to the sleeves you're running for the Funds.
- Chris Stegemann      Yeah, of course. Thanks, Chris. And thanks for having me on. Yeah, the second quarter, it's kind of interesting. I'll use a reference our deputy CIO, Jeff Sherman, has been referring to, which is to that of Rip Van Winkle. I think if someone fell asleep on March 31st and woke up June 30th, all they would see is slightly positive returns, spreads a little tighter, and volatility lower quarter-over-quarter. But we all know that it was not a steady ho-hum quarter. In the first week of April, of course, you had Liberation Day on April 2nd, which led to volatility, which had already been a bit elevated in March coming into the quarter by the trade policy uncertainty. But it ramped up a lot in that first week of April. And actually, at least by the measure of the VIX, hit its highest level since March 2020 and the whole COVID era. So, it reached above a level of 50. And then, of course, after that, on April 9th, the White House announced the 90-day pause on all the reciprocal tariffs, with the exception of China, but that tit for tat escalation of tariffs with China also subsided as those trade negotiations hit a very positive trajectory throughout the remainder of the quarter.
- So really, post April 9th, in that first week, I mean, you had high yield spreads wide in 119 basis points. Investment grade ("IG") was wider by 26. And then after that, it was a bit of a steady grind through quarter end. So, I think it's fair to say the market interpreted the worst of the trade uncertainty was behind us. We actually saw the VIX, as I said, end up the quarter lower than where it was to come in. Spreads were tighter slightly, and fixed income returns ended up positive. Rates were a bit mixed. You did have the yield curve steepen over the quarter with the increased Federal Reserve ("Fed") rate cut expectation and the big, beautiful bill, which pushed back-end yields higher. So, you had the twos (two years) down 16, whereas the 30s (30 years) actually rose 20. So, a bit of a steepener there. Performance-wise and fixed income, your higher-yielding and shorter-duration assets benefited from that curve steepening and the slightly tighter credit spreads. So interesting quarter to say the least. But again, if you were to just kind of wake up on June 30th, you would have been pretty pleased with your performance.
- In terms of the FIA committee here at Double Line, for positioning, of course, we have that monthly fixed income association meeting. For the RiverNorth core sleeve, there were no changes made over the quarter. This comes after systematically upgrading the credit quality of that sleeve since really 2023, just some concerns regarding the lasting impacts of higher for longer interest rates on US consumption and of course, the increasingly tight credit spreads. And then for the RiverNorth opportunistic income ("opp-income") sleeves, similar theme there. We've been moving up in credit quality a bit over the past 12 to 18 months. Obviously, a different mandate. However, in the second quarter, the team did increase allocation to non-agency residential mortgage-backed securities ("RMBS"). Just slightly, they identified a few attractive deals following some credit spread widening during the month of April. And the committee deemed the sector presented a pretty attractive reward per unit of risk there. So commercial mortgage-backed securities ("CMBS") and collateralized loan obligations ("CLOs") exposure came down just slightly. And then just to round it out on returns, opp-income sleeves did outperform the Bloomberg US Aggregate Bond Index ("the Agg"). Those remain about 65% in agency and non-agency RMBS with the remainder across a diversified mix of securitized credit and bank loans. And agencies and RMBS contributed the most to performance for the quarter. In the core sleeve, also slight outperformance versus the Agg, also agencies and non-agencies leading the way there in terms of contribution to return, but also investment-grade corporates. So just a slight difference there. So, I'll turn it back to you, Chris.
- Chris Lakumb      Thanks, Chris. Appreciate you setting the table there. That's very helpful context. So, Steve, why don't we pass it over to you if there's anything you'd like to highlight with respect to the taxable, fixed-income, closed-end fund space?
- Steve O'Neill      Sure. Thanks, Chris. I mean, as Chris mentioned, it's been a good year. If you looked at your statements starting at 6:30, I would say taxable closed-end funds have performed well, and investors have rewarded

performance with narrow discounts. The average discount in the taxable closed-end fund space today is right around a 1% discount. And interestingly, if you looked at the 10 largest funds in the market, 7 are trading at premiums, and many are actually trading at meaningful premiums in excess of 5%. And so, the market, I would say, is certainly rich. It's rich relative to its history and rich relative to the past couple of years. We did have an opportunity to trade some closed-end funds in April. But the discount widening, although acute, was not necessarily that meaningful. We saw about 600 basis points of widening for, call it two and a half days, which presented some rifle shots trading opportunities, but the market quickly snapped back. And I would say the reason for that is that closed-end funds continue to have a nice attractive yield, and investors have been quick to buy the dip there. Outside of taxable closed-end funds, we also trade municipal closed-end funds in RNSIX and on occasion, OPP.

That market has not recovered in large part due to the long duration of the asset class and I would say the underperformance of the asset class relative to Treasury's year to date. The discounts in that space are still around 6, 7 percent. Although there are large parts of the muni closed-end fund market that have narrowed substantially, there's still a large opportunity set where we see muni closed-end funds trading in the 90th percentile type cheapness over any historical range. And so, would high-level taxable closed-end fund opportunities are scarce, but we are seeing some trading, interesting valuations on the muni side. Within the RNSIX portfolio, we took the strength in the closed-end fund market to reduce our allocation to closed-end funds during the quarter. That reduction was also part of-- I would say we added in April and then net reduced from there. And so, from a portfolio perspective, we went up a bit and then came down by quarter end. We reallocated some of that capital to investment-grade bonds issued by business development companies. We took that allocation up a bit. And then we also let our cash in this portfolio grow a little bit. But that's how the closed-end fund market looked this quarter and the changes we made within our sleeve.

Chris Lakumb      Thanks, Steve. How about on the OPP side? Any significant or material sleeve allocations or weightings to note there?

Steve O'Neill      Sure. Thanks for asking, Chris. On OPP, we've had a fairly constant allocation, DoubleLine is managing anywhere from 70 to 75 percent of the portfolio in their opp-income strategy. And on our 25% of the capital, we've had a steady 20% allocation to Square small business loans. We like the high-income, short duration of this asset class. Outside of Square, we've had an allocation to investment company debt. Again, these are generally investment-grade bonds trading kind of in the 250 to 300 over at acquisition price. In the duration, certainly very short on two to three-year paper. Those two investment positions take up the vast majority of our 25% of capital. We have traded a small amount of closed-end funds in OPP. But given the general narrowness of the market, we've preferred the Square and investment company debt allocations.

Chris Lakumb      Thanks, Steve. Chris, let's go back to you. Any final words or parting thoughts or outlook that you'd like to share impacting either fund?

Chris Stegemann      Yeah. I guess I'd go with the topic du jour, at least in real time here, which involves, of course, the Fed and Powell and Trump at least a few hours ago saying maybe he would try to fire Powell and now denying that plan. So not so much a view on how that will shake out. I don't think anyone really knows that, at least at this point. But just talking about the Fed and rate cuts, the market is pricing in roughly two cuts by year-end. And I think despite the news even today, where clearly the administration wants rates lower and going as far as saying that they'll fire Powell. But we actually think that there's a higher chance of no cuts this year than maybe the market is pricing in. Again, not to say it's a base case, but just higher than the market may think. And one reason for that idea is that the pain from tariffs will trickle through the economy as this year goes on. And just remember that the negative 1Q gross domestic product ("GDP") print was largely due to companies front-loading imports trying to get ahead of that April 2nd trade report. And as companies kind of blow through that inventory that they bought pre-tariffs, I think there's a chance you may start to buy goods at tariff levels.

And it's possible that the data softens a bit later in the year. And just generally speaking, the bond market has been bad at forecasting when rates will come. So, either way, how does this lead to positioning? Well, we continue to prefer a steepener position to kind of reflect that idea, which we have on in the opp-income account. And we're overweight the short end and underweight the long end of the curve. And we think that's just a position that can work in several scenarios. If there is a sharper growth slowdown and/or the Fed cuts, that front end will work for you in that trade. And we believe that the reasons for term premium on the long end remain. And if anything, maybe more so with the passage of the big,

beautiful bill, which is projected to add around \$3.3 trillion to the US deficit. So, we are recommending that steeper position. And again, that's reflected in the opportunistic income accounts.

Chris Lakumb

Thanks, Chris. Steve, any final thoughts on your side?

Steve O'Neill

Yeah. I guess I'd highlight that as we think about the sleeve allocation to this fund, the opp-income sleeve has been about 40% of our capital consistently since COVID. And the balance is evenly split between core and the RiverNorth Sleeve. I guess I would go out and predict that. I think the RiverNorth Sleeve will continue to shrink. I think we'll continue to monetize closed-end funds in this environment, absent a comeback in volatility. And I think that that would be a way for us to, I would say, normalize the sleeve allocation to this Fund, bring some more assets to the core part of the book, and kind of get back to a more normal allocation. Because again, I would say the positioning today has been really underweight core, kind of underweight beta, and overweighting the more alpha sleeves in the portfolio, RiverNorth and opp-income. And we've certainly been happy that we've done that. Opp-income has been the standout outperformer of the last year and certainly year to date. And so that has been beneficial to the fund. And I think going forward, we will look to kind of rebalance the fund, get ready for periods of future volatility. But that being said, I don't think we're going to be sacrificing all that much income, given the fact that interest rates have moved up quite a bit in the recent past.

Chris Lakumb

Great. Thank you, Steve. And thanks again, Chris. Appreciate your time today and appreciate the thoughts.

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