DoubleLine Opportunistic Credit Fund
Form N-CSRS
June 07, 2013
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As filed with the Securities and Exchange Commission on June 7, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED

MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number **811-22592**

DoubleLine Opportunistic Credit Fund

(Exact name of registrant as specified in charter)

333 South Grand Avenue, Suite 1800

Los Angeles, CA 90071

(Address of principal executive offices) (Zip code)

Ronald R. Redell

c/o DoubleLine Capital LP

333 South Grand Avenue, Suite 1800

Los Angeles, CA 90071

(Name and address of agent for service)

(213) 633-8200

Registrant s telephone number, including area code

Date of fiscal year end: **September 30**

Date of reporting period: **March 31, 2013**

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Item 1. Reports to Stockholders.

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Semi-Annual Report

March 31, 2013

DoubleLine Opportunistic Credit Fund

NYSE: **DBL**

DoubleLine Capital LP

333 S. Grand Avenue

18th Floor

Los Angeles, California 90071

doubleline.com

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Chairman s Letter

Dear Shareholder:

On behalf of the team at DoubleLine, I am pleased to deliver the semi-annual report for the DoubleLine Opportunistic Credit Fund (NYSE: DBL, the Fund) for the six-month period ending March 31, 2013. On the following pages, you will find specific information regarding the Fund s operations and holdings. In addition we discuss the Fund s total return investment performance and the main drivers of that performance during the reporting period.

If you have any questions regarding the Fund please don t hesitate to call us at 877-DLine11 (877-354-6311), or visit our website www.doublelinefunds.com to hear our investment management team offer deeper insights and analysis on relevant capital market activity impacting investors today. We value the trust that you have placed with us, and we will continue to strive to offer thoughtful investment solutions to our shareholders.

Sincerely,

Ronald R. Redell, CFA

Chairman of the Board of Trustees

DoubleLine Opportunistic Credit Fund

May 1, 2013

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Financial Markets Highlights

Financial Markets Highlights:

Agency Mortgage Backed Securities (MBS)

The U.S. Agency mortgage market returned -0.25% for the six-month period ending March 31, 2013 according to the Barclays Capital U.S. MBS Index. This six-month period saw U.S. Treasury rates rise and therefore it should come as no surprise that prices on mortgages declined during this period. Due to the rising rate period, 30-year mortgages declined in price more than 15-year mortgages. Similarly, lower coupon mortgages fell in price more than higher coupon mortgages. Both of these facts are generally expected to occur in a rising rate period.

Prepayment speeds decreased over the past six months. Even with the rate rise experienced over the past six months, many mortgage borrowers can refinance into a lower rate mortgage. The fact that prepayment speeds are relatively lower than prior periods when many borrowers had an economic incentive to refinance is due to a combination of the following facts; underwriters have tightened up their underwriting standards and real estate valuations have gone down by 25% over the past few years. Whereas most borrowers can refinance into a lower rate, about half of them would have to put in new money to qualify. Due to the current financial stress, many of these borrowers do not have the resources to refinance. The most likely reason for a dramatic change in prepayments would probably be a result of a change in government policies dealing with mortgages. Currently the mortgage market is dealing with the effects of Home Affordable Refinance Program (HARP) 2.0, which recently was extended through the end of 2015. This policy of HARP 2.0 has increased prepayment rates on certain mortgage coupons. Our belief is that a weakness in housing would encourage additional policy action out of Washington DC. Housing was up by around 5% last year and most assumptions are that it will go up this year by a similar amount. The current environment does not set the stage for additional governmental action, and therefore the risk of faster prepayments appears to be lessened.

Non-Agency Mortgage Backed Securities

During the past six months, two of the original eight Public-Private Investment Program (PPIP) funds continued to liquidate and both of these fund s assets were absorbed easily by other buyers. This transpired while the eminent domain argument continued moving from San Bernardino, CA to Wayne County, MI to North Las Vegas, NV to Salinas, CA and finally to Brockton, MA. All of these communities are examining the possibility of eminent domain. The eminent domain battle continues in Richmond, CA and North Las Vegas, NV, having already been defeated in Brockton, MA. We wonder how much longer the battle to take investors capital will continue. Many investors still believe that the use of this governmental power would damage the housing recovery. DoubleLine is watching developments in this closely because of the potential impact on the non-Agency MBS market.

December 2012, while quiet, had its share of housing market rumors, the most popular one being the creation of another massive refinance program for those borrowers underwater and whose loans are in private label securities. The new loans would be slightly above market and guaranteed by one of the Government-Sponsored Enterprises (GSEs) with the increase in rate as additional insurance premium against the possibility of default. These types of refinance rumors continue but do not appear to have enough momentum or support. As 2013 unfolded, we observed continued reduction in the supply of homes with increasing prices.

The other potential program suggested by the Treasury was a coupon reduction for those homeowners whose loans were in private label securities, had a loan-to-value (LTV) of over 125% and were current for the last twelve months.

The Treasury would supplement the coupon difference between the original rate and the current average rate for five years. Thereafter, the borrower s coupon would stay at the lower rate for the life of the loan, thereby giving in effect a rate

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Financial Markets Highlights (Cont.)

modification to someone who was making their payments, but had no hardship other than being underwater. We do not believe this is a well thought-out policy approach.

The non-Agency MBS market has continued to perform well and shrink at the same time. For the six-month period ending 3/31/13, index prices had performed well in comparison with their starting points. The ABX 06-2 AAA Index was up 10.95% and the ABX 07-1 AAA Index was up 6.68%.

The PrimeX Fixed-Rate Mortgage (FRM) 1 Index was up 1.12% for the six-month period ending 3/31/13 and the PrimeX FRM 2 Index was up 3.88% for that same time period.

	Non-Agency MBS Indices Closing Prices		
	9/30/2012	3/31/2013	% Change
ABX 06-2 AAA	58.45	69.40	10.95
ABX 07-1 AAA	47.02	53.70	6.68
PrimeX FRM1	109.46	110.58	1.12
PrimeX FRM2	99.58	103.46	3.88

Source: Morgan Stanley

The volume of non-Agency supply for the previous six-month period was impressive even though the overall supply at the end of March was approximately $900 billion. The strong results and strong demand for the product continued in the period. Much of the volume came from a few bank and investor liquidations, as well as some Collateralized Debt Obligations (CDO) and PPIP fund liquidations.

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Management Discussion of Fund Performance

Management Discussion of Fund Performance:

The DoubleLine Opportunistic Credit Fund outperformed the Barclays Capital U.S. Aggregate Bond Index over the six-month period ending March 31, 2013. Both Agency and non-Agency MBS holdings outperformed over the period as longer duration fixed-rate Agency CMOs turned in positive price performance despite the rise in interest rates over that time. Agency inverse floating rate securities were down in price, as expected; however, they turned in positive performance due to lower LIBOR rates which helped keep coupon rates high. In non-Agency MBS, all three subsectors of the market turned in positive performance. The alt-A sector of the market was the best performer on both a price and income basis while the prime backed collateral also performed well.

Period 9-30-12 through 3-31-13	Six-Months (Cumulative)
Market Price Return	4.72%
NAV Return	5.09%
Barclays Capital U.S. Aggregate Bond Index	0.09%

Opinions expressed herein are as of March 31, 2013 and are subject to change at any time, are not guaranteed and should not be considered investment advice. This report is for the information of shareholders of the Fund.

The views expressed herein (including any forward-looking statement) may not be relied upon as investment advice or as an indication of the Fund s trading intent. Information included herein is not an indication of the Fund s future portfolio composition. Securities and indices discussed are not recommendations and are presented as examples of issue selection or portfolio management processes. They have been picked for comparison or illustration purposes only. No security presented within is either offered for sale or purchase. DoubleLine reserves the right to change its investment perspective and outlook without notice as market conditions dictate or as additional information becomes available.

Investment strategies may not achieve the desired results due to implementation lag, other timing factors, portfolio management decision making, economic or market conditions or other unanticipated factors. The views and forecasts expressed in this material are subject to change without notice, may not come to pass and do not represent a recommendation or offer of any particular security, strategy, or investment. Past performance is no guarantee of future results.

The performance shown assumes the reinvestment of all dividends and distributions and does not reflect any reductions for taxes. **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 original cost. Current performance of the Fund may be lower or higher than the performance quoted. Performance data current to the most recent month-end may be obtained by calling (877) 354-6311 or by visiting http://www.doubleline.com/opp-credit-fund-overview.php.

Shares of closed-end investment companies frequently trade at a discount to their net asset value, which may increase investors risk of loss. There are risks associated with an investment in the Fund. Investors should consider the Fund s investment objective, risks, charges and expenses carefully before investing. An investment in the Fund should not constitute a complete investment program.

The Fund s daily New York Stock Exchange closing prices, net asset values per share, as well as other information are available at http://www.doubleline.com/opp-credit-fund-overview.php or by calling the Funds shareholder servicing agent at (877) 354-6311.

This document is not an offer to sell securities or the solicitation of an offer to buy securities, nor shall there be any sale or offer of these securities, in any jurisdiction where such sale or offer is not permitted.

The Fund s shares are only offered through broker/dealers on the secondary market. Unlike an open-end mutual fund, a closed-end fund offers a fixed number of shares for sale. After the initial public offering, shares are bought and sold in the secondary marketplace, and the market price of the shares is determined by supply and demand, not by net asset value (NAV), often at a lower price than the NAV. A closed-end fund is not required to buy its shares back from investors upon request.

Fund investing involves risk. Principal loss is possible.

Investments in debt securities typically decline in value when interest rates rise. This risk is usually greater for longer-term debt securities. Investments in asset-backed and mortgage-backed securities include additional risks that investors should be aware of including credit risk, prepayment risk, possible illiquidity and default, as well as increased susceptibility to adverse economic developments. The Fund may invest in foreign securities which involve greater volatility and political, economic and currency risks and differences in accounting methods. These risks are greater for investments in emerging markets. Investments in lower rated and non-rated securities present a greater risk of loss to principal and interest than higher rated securities. Investment strategies may not achieve the desired results due to implementation lag, other timing factors, portfolio management decision-making, economic or market conditions or other unanticipated factors.

The Fund is a non-diversified investment company and therefore may invest a greater percentage of its assets in the securities of a single issuer or a limited number of issuers than funds that are diversified. Accordingly, the Fund is more susceptible to risks associated with a single economic, political or regulatory occurrence than a diversified fund might be.

In addition, the Fund may invest in other asset classes and investments such as, among others, REITs, credit default swaps, short sales, derivatives and smaller companies which include additional risks.

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Management Discussion of Fund Performance (Cont.)

This material may include statements that constitute forward-looking statements under the U.S. securities laws. Forward-looking statements include, among other things, projections, estimates, and information about possible or future results related to the Fund, market or regulatory developments. The views expressed herein are not guarantees of future performance or economic results and involve certain risks, uncertainties and assumptions that could cause actual outcomes and results to differ materially from the views expressed herein. The views expressed herein are subject to change at any time based upon economic, market, or other conditions and DoubleLine undertakes no obligation to update the views expressed herein. While we have gathered this information from sources believed to be reliable, DoubleLine cannot guarantee the accuracy of the information provided. Any discussions of specific securities should not be considered a recommendation to buy or sell those securities. For a complete list of Fund holdings, please refer to the Schedule of Investments provided in this report.

ABX Index

The ABX Index consists of the 20 most liquid credit default swaps (CDS) on U.S. home equity asset-backed securities (ABS) and is used to hedge asset-backed exposure or to take a position in the subprime mortgage asset class. The ABX Index has four series (06-1, 06-2, 07-1 and 07-2) with five tranches per series. The ABX 07-1 AAA Index references underlying collateral of that 2007 vintage and AAA credit quality type, just as the ABX 06-2 AAA Index references underlying collateral of the 2006 vintage and AAA credit quality type.

Barclays Capital U.S. Aggregate Bond Index

The Barclays Capital U.S. Aggregate Bond Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the US investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis.

Barclays Capital U.S. MBS Index

The Barclays Capital U.S. MBS Index measures the performance of investment grade fixed-rate mortgage-backed pass-through securities of the Government-Sponsored Enterprises (GSEs): Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).

PrimeX

The PrimeX index is a synthetic credit default swap (CDS) index which references non-Agency, prime residential mortgage-backed securities (RMBS). There are 20 prime RMBS deals referenced from the 2005, 2006, and 2007 vintages. The vintages separate the PrimeX into four sub indices by cut-off dates and collateral type. The PrimeX Fixed-Rate Mortgage (FRM) 1 and FRM 2 are two of these sub indices that contain specific underlying collateral and vintage types.

A direct investment cannot be made in an index. The performance of any index mentioned in this commentary has not been adjusted for ongoing management, distribution and operating expenses applicable to mutual fund investments.

Quasar Distributors, LLC provide filing administration for DoubleLine Capital, L.P.

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(Unaudited)

Schedule of Investments DoubleLine Opportunistic Credit Fund March 31, 2013

Principal Amount	Security Description	Rate	Maturity	Value $
COLLATERALIZED LOAN OBLIGATIONS 1.7%				
	BlackRock Senior Income Series,			
250,000	Series 2004-1A-B1	1.33%#^	09/15/2016	249,374
	BlueMountain Ltd.,			
1,000,000	Series 2012-2A-C	3.06%#^	11/20/2024	994,266
	Canyon Capital Ltd,			
1,000,000	Series 2012-1A-C	3.10%#^	01/15/2024	996,968
	Finn Square Ltd,			
750,000	Series 2012-1A-B1	3.32%#^	12/24/2023	738,493
250,000	Series 2012-1A-C	4.12%#^	12/24/2023	238,435
	LCM LP,			
1,500,000	Series 11A-INC	10.00%#^@	04/19/2022	1,431,516
	Navigare Funding II Ltd.,			
1,000,000	Series 2007-2A-D	2.00%#^	04/17/2021	923,400
	Symphony Ltd.,			
500,000	Series 2013-11A-D	4.26%#^	01/17/2025	505,225
	Total Collateralized Loan Obligations			
	(Cost $5,996,032)			**6,077,677**
NON-AGENCY COMMERCIAL MORTGAGE BACKED OBLIGATIONS 1.4%				
	JP Morgan Chase Commercial Mortgage Securities Corporation,			
43,498,836	Series 2012-CBX-XA	2.04%# I/O	06/15/2045	4,988,990
	Total Non-Agency Commercial Mortgage Backed Obligations			
	(Cost $4,730,895)			**4,988,990**
NON-AGENCY RESIDENTIAL COLLATERALIZED MORTGAGE OBLIGATIONS 54.1%				
	Adjustable Rate Mortgage Trust,			
4,598,168	Series 2006-1-2A1	3.29%#	03/25/2036	3,606,323
	Banc of America Alternative Loan Trust,			
3,316,097	Series 2005-8-2CB1	6.00%	09/25/2035	2,683,406
	Banc of America Funding Corporation,			
4,049,841	Series 2006-A-4A1	3.01%#	02/20/2036	3,266,152

	BCAP LLC Trust,			
5,269,567	Series 2010-RR6-2216	4.81%#^	06/26/2036	2,751,404
3,820,798	Series 2010-RR6-6A2	5.78%#^	07/26/2037	3,279,114
	Chaseflex Trust,			
4,925,919	Series 2007-1-1A1	6.50%	02/25/2037	3,222,549
	Citicorp Mortgage Securities, Inc.,			
1,875,000	Series 2006-2-IA14	5.50%	04/25/2036	1,770,631
	Citigroup Mortgage Loan Trust, Inc.,			
2,041,099	Series 2006-8-A4	19.10%#^ I/F	10/25/2035	2,643,887
4,399,516	Series 2010-9-3A7	9.83%^	01/25/2036	3,056,595
5,860,374	Series 2010-9-4A3	7.31%#^	09/25/2035	4,446,389
	Citimortgage Alternative Loan Trust,			
6,725,293	Series 2007-A4-IA6	5.75%	04/25/2037	5,719,132
5,327,758	Series 2007-A6-IA16	6.00%	06/25/2037	4,622,807
	Countrywide Alternative Loan Trust,			
3,563,988	Series 2005-85CB-2A5	1.30%#	02/25/2036	2,576,020
752,658	Series 2005-85CB-2A6	20.88%# I/F	02/25/2036	1,022,147
	Countrywide Home Loans,			
8,101,618				