DoubleLine Income Solutions Fund
Form N-CSRS
June 02, 2015
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As filed with the Securities and Exchange Commission on June 2, 2015

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 **811-22791**

DoubleLine Income Solutions 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

President and Chief Executive Officer

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, 2015**

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Item 1. Reports to Stockholders.

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Semi-Annual Report

March 31, 2015

DoubleLine Income Solutions Fund

NYSE: **DSL**

DoubleLine Capital LP

333 S. Grand Avenue

18th Floor

Los Angeles, California 90071

doubleline.com

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Chairman s Letter

March 31, 2015

Dear Shareholder,

On behalf of the team at DoubleLine, I am pleased to deliver the Semi-Annual Report for the DoubleLine Income Solutions Fund (NYSE: DSL, the Fund) for the six-month period ended March 31, 2015. On the following pages, you will find specific information regarding the Fund s operations and holdings. In addition, we discuss the Fund s 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 Income Solutions Fund

May 1, 2015

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Financial Markets Highlights March 31, 2015

· **Emerging Markets (EM) Debt**

Over the six-month period ended March 31, 2015, U.S. dollar (USD) denominated EM fixed income sovereign and corporate indices, as represented by the J.P. Morgan EMBI Global Diversified Index and the J.P. Morgan Corporate EMBI Broad Diversified Index, respectively, posted low single-digit returns. Despite credit spreads widening over the period, accrued interest and a positive duration contribution helped USD-denominated EM indices post a small positive return. 10-year and 7-year UST yields fell over 50 basis points (bps) over the period, in part benefiting from Europe announcing their own Quantitative Easing (QE) program and a growing yield differential between the U.S. and Europe. Oil and geopolitical noise dominated EM headlines. Oil exporting countries, such as Ecuador and Venezuela, posted steep losses as the declining terms of trade lowered growth expectations and oil-related revenues to the government. Ukraine bond prices fell over 50% as the ongoing fighting in the Eastern provinces has led to a sharp recession and debt sustainability concerns. EM local currency debt saw sharp declines as EM currencies broadly fell against the USD. The Russian Ruble tumbled over 30% and the Brazil Real sank over 23% versus the USD.

· **Agency Mortgage-Backed Securities (Agency MBS)**

For the six-month period ended March 31, 2015, the Barclays U.S. MBS Index returned 2.86%; the Index s duration shortened to 3.54 years. The U.S. Treasury (UST) curve flattened with longer term rates declining more than shorter term rates. 10-year UST yields declined by 57 bps, while 2-year yields declined by only 1 bp. As a result, 30-year mortgage collateral outperformed 15-year collateral during this time due to longer-term rates declining the most during the trailing six-month period. Current coupon spreads slightly widened from September month-end figures and though there was widening against 10-year UST yields for the month of January, spreads have tightened back to the range that we ve seen for most of the last two quarters of the reporting period. Total gross Agency MBS issuance averaged about $95 billion monthly for the period, in line with increasing aggregate prepayment speeds across all three agencies (Fannie Mae, Freddie Mac, and Ginnie Mae).

· **Non-Agency Mortgage-Backed Securities (Non-Agency MBS)**

Non-Agency MBS performance has been stable during the six-month period ended March 31, 2015, with pricing and underlying fundamentals displaying little change over the period. Mortgage rates declined during the reporting period, from 4.12% in early October to 3.80% at the end of March. Despite the decline in rates, prepayments only increased slightly on legacy non-Agency MBS. Liquidation rates, severities and the pace of loan modifications remained range bound with only a few pockets of volatility. On a technical basis, non-Agency MBS continued to be well bid while supply has been showing up more unevenly. Large bid lists continue to be a factor in determining monthly trading volume, but the frequency of these lists has subsided coming into the new year.

· **U.S. High Yield**

For the six-month period ended March 31, 2015, the Citi High-Yield Cash-Pay Capped Index returned 0.98%. Longer-maturity bonds outperformed shorter ones, with those maturing in 10 years or more returning 4.37% while the 1-7 year category returned just 0.25%. Credit quality was also a significant differentiator, with higher BB-rated issues returning 2.85%. The lower CCC-rated issues returned -3.23%. Notable outperformers by industry were Cellular Towers (+7.40%), Food Processors/Beverage/Bottling (+7.22%) and Retail-Food & Drug (+6.92%). The underperforming sectors over the period were all commodity or energy related. Underperformance was led by Oil Equipment (-14.03%), Secondary Oil & Gas Producers (-12.53%) and Metals/Mining (-7.51%).

- **Bank Loans**

For the six-month period ended March 31, 2015, the S&P/LSTA Leveraged Loan Index managed to return 1.61% after a bumpy fourth quarter. A look at performance by facility rating shows that BB loans were the outperformer, returning 2.74%. Notable outperformers by industry for the six-month period were Food and Drug Retailers (+3.78%), Cable and Satellite TV (+3.68%), and Cosmetics Toiletries (+3.60%). The underperformers for the period were heavily concentrated around the commodities and energy sectors. The underperformers were Oil and Gas (-12.01%), Nonferrous Metals Minerals (-6.82%) and Utilities (-4.75%).

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Financial Markets Highlights (Cont.) March 31, 2015

- **Collateralized Loan Obligations (CLOs)**

For the six-month period ended March 31, 2015, issuance continued to print new deals at record pace. The fourth quarter of 2014 issued a total of $30.7 billion. Total issuance for 2014 shattered the previous record for issuance with a total of $124.10 billion issued. After a record breaking year, January 2015 was off to a sluggish start with the CLO market working towards solutions for the new risk retention requirements. Despite the slow start, issuance for the quarter ended with $29.79 billion across 55 deals. Spreads for AAAs tightened by 10 bps over the period coming in from wides of 2014 at 165 to 155 discount margin.

- **Commercial Mortgage-Backed Securities (CMBS)**

Over the six-month period ended March 31, 2015, new issue CMBS spreads were mixed stemming from uneven economic data including both fear and later contagion of European deflation, changes to Federal Reserve interest-rate forecasts and subsequent 10-year UST yield swings from a high of 2.43% to a low of 1.64%, ending the period at 1.92%. The Barclays U.S. CMBS Index returned 3.24%, underperforming the broader aggregate by 19 bps. Secondary market trading activity slowed given the uneven but relatively mild price movements as investors turned to holding for yield rather than looking to capture small price swings. For the period, 10-year AAA last cash flows (LCFs) remained unchanged at 85 bps over swaps, while the BBBs traded at 345bp, a 4bp widening. Total first quarter private label CMBS issuance finished the quarter at $24.7 billion, 15% higher than fourth quarter 2014 and 30% higher than first quarter 2014 equating to the second highest quarterly issuance since the end of the financial crisis, trailing only $26.3 billion in the third quarter 2014. The 2015 new issue calendar is on-pace to exceed that of 2014. $45 billion of deals was brought to market over the six-month period ended March 31, 2015, a $4 billion increase over the same period in 2014. Delinquency rates declined across four of the five major property types over the six-month reporting period, with industrial representing the lone outlier. The overall U.S. CMBS delinquency rate ended the first quarter at 5.58%, a 45bp improvement.

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Management s Discussion of Fund Performance March 31, 2015

DoubleLine Income Solutions Fund s portfolio outperformed (based on net asset value) and underperformed (based on market price) the Barclays Global Aggregate Bond Index s return of -2.94% for the six-month period ended March 31, 2015. With the decline in UST interest rates, longer duration assets generally outperformed shorter duration assets. Mortgage-related sectors, such as residential MBS and CMBS, led the outperformance and contributed strong price gains due to their relatively longer durations as well as high interest income. CLOs also added robust returns to the Fund as the sector experienced strong demand despite record new issuance last calendar year. Conversely, EM detracted from returns as the Fund s exposure to Latin American credits dampened performance earlier over the first half of the period on both the corporate and dollar-denominated sovereign fronts. The Fund continued to employ leverage and had a levered duration of 6.3 years at the end of the reporting period.

Period 9-30-14 through 3-31-15	6-Months (Not Annualized)
Market Price Return	-3.79%
Net Asset Value (NAV) Return	-1.40%
Barclays Global Aggregate Bond Index	-2.94%

For additional performance information, please refer to the **DoubleLine Income Solutions Fund s Standardized Performance Summary.**

Opinions expressed herein are as of March 31, 2015 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.

DoubleLine® is a registered trademark of DoubleLine Capital LP.

Quasar Distributors, LLC provides filing administration for DoubleLine Capital LP.

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.doublelinefunds.com/closed_end_funds/income_solutions/overview.html or by calling the Fund s 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.

Credit ratings from Moody s range from the highest rating of Aaa for bonds of the highest quality that offer the lowest degree of investment risk to the lowest rating of C for the lowest rated class of bonds. Credit ratings from Standard & Poor s (S&P) range from the highest rating of AAA for bonds of the highest quality that offer the lowest degree of investment risk to the lowest rating of D for bonds that are in default.

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 may use leverage or change its leverage without notice which may cause an increase or decrease in the value of the portfolio securities to be magnified and the Fund to be more volatile than if leverage was not used.

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.

The Fund s investment objectives, risks, charges and expenses must be considered carefully before investing. You can obtain the Fund s most recent periodic reports and certain other regulatory filings by calling 1 (877) 354-6311/ 1 (877) DLINE11, or visiting www.doublelinefunds.com. You should read these reports and other filings carefully before investing.

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Management s Discussion of Fund Performance (Cont.) March 31, 2015

The performance shown assumes the reinvestment of all dividends and distributions and does not reflect any reductions for taxes. Total return does not reflect broker commissions or sales charges in connection with the purchase or sale of Fund shares. **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 sold, 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.doublelinefunds.com/closed_end_funds/income_solutions/overview.html.

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.

Barclays Global Aggregate Bond Index This index is an unmanaged index that measures the global investment grade fixed-rate debt markets and is comprised of the U.S. Aggregate, Pan-European Aggregate, and the Asian-Pacific Aggregate Indices.

Barclays U.S. CMBS Index This index measures the performance of investment grade commercial mortgage-backed securities, which are classes of securities that represent interests in pools of commercial mortgages.

Barclays U.S. MBS Index This index measures the performance of investment grade fixed-income mortgage-backed pass-through securities of the Government-Sponsored Enterprises (GSEs) issued by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).

Basis Point is equal to 1/100th of 1%, or 0.01%, and is used to denote the percentage change in a financial instrument.

Citi High-Yield Cash-Pay Capped Index This index represents the cash-pay securities of the Citigroup High-Yield Market Capped Index, which represents a modified version of the High Yield Market Index by delaying the entry of fallen angel issues and capping the par value of individual issuers at $5 billion par amount outstanding.

Discount Margin The return earned in addition to the index underlying the floating rate security.

Duration A measure of the sensitivity of a price of a fixed income investment to a change in interest rates, expressed as a number of years.

JP Morgan Emerging Markets Bond Index Global Diversified (EMBI GD) A uniquely-weighted version of the EMBI Global. This index limits the weights of those index countries with larger debt stocks by only including specified portions of these countries eligible current face amounts of debt outstanding. The countries covered in the EMBI

Global Diversified are identical to those covered by EMBI Global.

JP Morgan Corporate Emerging Markets Bond Index Broad Diversified (CEMBI) This index is a market capitalization weighted index consisting of US-denominated Emerging Market corporate bonds. It is a liquid global corporate benchmark representing Asia, Latin America, Europe and the Middle East/Africa.

Last Cash Flow (LCF) The last revenue stream paid to a bond over a given period.

S&P/LSTA Leveraged Loan Index Capitalization-weighted syndicated loan indices are based upon market weightings, spreads and interest payments, and this index covers the U.S. market back to 1997 and currently calculates on a daily basis. Created by the Leveraged Commentary & Data (LCD) team at S&P Capital IQ, the review provides an overview and outlook of the leveraged loan market as well as an expansive review of the S&P Leveraged Loan Index and sub-indexes. The review consists of index general characteristics, results, risk-return profile, default/distress statistics, and repayment analysis.

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.

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(Unaudited)

DoubleLine Income Solutions Fund Standardized Performance Summary March 31, 2015

Period Ended 3-31-2015	6-Months	1-Year	Since Inception Annualized (4-26-13)
Total Return based on NAV	-1.40%	3.30%	3.30%
Total Return based on Market Price	-3.79%	2.25%	-3.64%
Barclays Global Aggregate Bond Index	-2.94%	-3.66%	-1.37%

Performance data quoted represents past performance; past performance does not guarantee future results. Returns represent past performance and reflect changes in share prices, the reinvestment of all dividends and capital gains and the effects of compounding. 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 the original bond cost. Current performance of the Fund may be lower or higher than the performance quoted. Performance reflects management fees and other fund expenses.

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(Unaudited)

Schedule of Investments DoubleLine Income Solutions Fund March 31, 2015

Principal Amount	Security Description	Rate	Maturity	Value $
BANK LOANS 14.7%				
	Albertson s Holdings LLC,			
$ 7,810,000	Guaranteed Senior Secured 1st Lien Term Loan, Tranche B4	5.50%#	08/25/2021	7,886,069
	Alfred Fueling Systems, Inc.,			
2,850,000	Guaranteed Secured 2nd Lien Term Loan	8.50%#	06/20/2022	2,793,000
2,828,625	Guaranteed Senior Secured 1st Lien Term Loan	4.75%#	06/18/2021	2,831,284
	Alinta Energy Finance Pty Ltd.,			
552,223	Senior Secured 1st Lien Delayed-Draw Term Loan, Tranche B	6.38%#&	08/13/2018	553,397
8,325,217	Senior Secured 1st Lien Term Loan, Tranche B	6.38%#	08/13/2019	8,342,908
	Allflex Holdings, Inc.,			
8,000,000	Guaranteed Secured 2nd Lien Term Loan	8.00%#	07/19/2021	8,030,000
	American Renal Holdings, Inc.,			
5,998,778	Secured 2nd Lien Delayed-Draw Term Loan	8.50%#	02/20/2020	5,972,533
	American Tire Distributors, Inc.,			
5,945,728	Guaranteed Senior Secured 1st Lien Term Loan	7.00%#	06/01/2018	5,960,592
2,124,767	Guaranteed Senior Secured 1st Lien Term Loan	5.25%#	09/01/2021	2,136,719
	Applied Systems, Inc.,			
6,050,000	Secured 2nd Lien Term Loan, Tranche B	7.50%#	01/24/2022	6,051,876
	BMC Software Finance, Inc.,			
6,914,416	Guaranteed Senior Secured 1st Lien Term Loan, Tranche B	5.00%#	09/10/2020	6,779,377
	Candy Intermediate Holdings, Inc.,			
11,613,937	Guaranteed Senior Secured 1st Lien Term Loan, Tranche B	7.50%#	06/18/2018	11,555,867
	Capital Automotive LP,			
8,000,000	Guaranteed Secured 2nd Lien Term Loan	6.00%#	04/30/2020	8,160,000
	Chief Exploration & Development LLC,			
6,000,000	Secured 2nd Lien Term Loan	7.50%#	05/12/2021	5,592,000
	Coyote Logistics LLC,			
2,900,000		6.25%#	03/26/2022	2,921,750

	Senior Secured 1st Lien Term Loan, Tranche B			
	CSM Bakery Supplies LLC,			
2,900,000	Secured 2nd Lien Term Loan	8.75%#	07/02/2021	2,689,750
	DI Purchaser, Inc.,			
3,710,700	Senior Secured 1st Lien Term Loan, Tranche B	6.00%#	12/15/2021	3,733,910
	Douglas Dynamics LLC,			
1,446,375	Guaranteed Senior Secured 1st Lien Term Loan, Tranche B	5.25%#	12/31/2021	1,455,415
	Dynacast International LLC,			
1,940,000	Secured 2nd Lien Term Loan	9.50%#	01/30/2023	1,964,250
	Emerald Expositions Holdings, Inc.,			
5,459,964	Senior Secured 1st Lien Term Loan, Tranche B	4.75%#	06/17/2020	5,494,089
	EnergySolutions LLC,			
6,063,857	Senior Secured 1st Lien Term Loan, Tranche B	6.75%#	05/29/2020	6,097,966
	Filtration Group, Inc.			
6,000,000	Senior Secured 2nd Lien Term Loan, Tranche B	8.25%#	11/19/2021	6,037,500

PRINCIPAL AMOUNT	SECURITY DESCRIPTION	RATE	MATURITY	VALUE $
	Four Seasons Holdings, Inc.,			
$ 5,944,444	Guaranteed Secured 2nd Lien Term Loan	6.25%#	12/28/2020	5,996,458
	Fram Group Holdings, Inc.,			
3,000,000	Guaranteed Senior Secured Term Loan	6.50%#	07/28/2017	3,000,000
	Freescale Semiconductor, Inc.,			
5,969,697	Guaranteed Senior Secured 1st Lien Term Loan, Tranche B5	5.00%#	01/15/2021	6,007,425
	Healogics, Inc.,			
5,700,000	Secured 2nd Lien Term Loan	9.00%#	07/01/2022	5,524,241
	Ikaria, Inc.,			
5,950,000	Secured 2nd Lien Term Loan, Tranche B	8.75%#	02/14/2022	6,034,282
	Jazz Acquisition, Inc.,			
4,750,000	Secured 2nd Lien Term Loan	7.75%#	06/17/2022	4,649,063
	KIK Custom Products, Inc.,			
5,855,468	Guaranteed Senior Secured 1st Lien Term Loan	5.50%#	04/29/2019	5,861,324
	Lattice Semiconductor Corporation,			
3,870,000	Guaranteed Senior Secured 1st Lien Term Loan, Tranche B	5.25%#	03/10/2021	3,884,513
	Mauser Holding GmbH,			
5,850,000	Guaranteed Secured 2nd Lien Term Loan	8.25%#	07/29/2022	5,730,075
	Mitchell International, Inc.,			

6,000,000	Guaranteed Secured 2nd Lien Term Loan	8.50%#	10/11/2021	5,966,250
	National Financial Partners Corporation,			
2,960,973	Guaranteed Senior Secured 1st Lien Term Loan, Tranche B	4.50%#	07/01/2020	2,959,123
	National Vision, Inc.,			
3,770,000	Secured 2nd Lien Term Loan	6.75%#	03/11/2022	3,685,175
	North American Lifting,			
6,000,000	Guaranteed Senior Secured 1st Lien Term Loan	5.50%#	11/27/2020	5,820,000
	NVA Holdings, Inc.,			