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## Jackson National switches to DoubleLine from PIMCO for a VA subaccount

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By Editorial Staff     Thu, Jun 8, 2017

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Jackson National, the largest U.S. seller of variable annuities, plans to remove Pimco's Total Return Bond investment option from its product line-up and transfer the subaccount's \$3.5 billion to Jeffrey Gundlach's DoubleLine Capital, Reuters reported this week.

The new subaccount option will be called JNL/DoubleLine Core Fixed Income. Pimco's flagship Total Return investment strategy had been one of Jackson National's variable annuity subaccount options since 1998. Jackson continues to offer the JNL/Pimco Income Fund and the JNL/Pimco Real Return Fund.

The \$3.5 billion mandate would be a significant win for DoubleLine's core-related fixed-income strategies. Core-type assets represented only \$12 billion of \$105 billion in assets under management at DoubleLine as of March 31. JNL/DoubleLine Core Fixed Income will invest in corporate securities, emerging markets debt and mortgage-backed securities.

PIMCO has seen large net outflows during the extended low-interest rate era, as money has shifted away from its actively-managed bond funds to passively managed or indexed bond funds where the expenses are more likely to be lower.

But DoubleLine Core Fixed Income Fund is actively managed, and at 48 basis points (0.48%) per year, its institutional shares cost slightly more than the 46-basis-point expense ratio of PIMCO Total Return Bond Fund. The year-to-date return has been 3.32% for PIMCO Total Return and 2.85% for DoubleLine. For comparison, Vanguard Total Bond Market Index Fund, Admiral shares, has an expense ratio of five basis points and a year-to-date return of 2.62%.

The \$8.8 billion DoubleLine Core Fixed Income Fund has been growing strongly, whereas its much larger Pimco Total Return counterpart, with \$73.8 billion in assets, has only recently shown signs of stabilization after outflows reduced its size to a quarter of its all-time high of \$293 billion in mid-2003.

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