

TCW Relative Value Large Cap

JULY 31, 2019 | MONTHLY SUMMARY | SUPPLEMENTAL INFORMATION

TCW

PERFORMANCE (%)	JUL	QTD	YTD
TCW Relative Value Large Cap (Net)	0.63%	0.63%	19.91%
Russell 1000® Value Index	0.83	0.83	17.20
S&P 500 Index	1.44	1.44	20.24

TOP 10 HOLDINGS (% of Total Portfolio)

JPMorgan Chase	4.4
Cypress Semiconductor	4.0
Intercontinental Exchange	3.8
Comcast	3.7
Cisco Systems	3.7
Citigroup	3.5
Chevron	3.3
Textron	2.9
Johnson Controls	2.8
Corning	2.8
TOTAL	34.9%

PORTFOLIO CHARACTERISTICS (AS OF JUNE 30, 2019)

	TCW RVLC	S&P 500 INDEX	RUSSELL 1000® VALUE INDEX
Market Capitalization			
– Dollar Weighted Average	\$93.5 bil	\$242.2 bil	\$129.5 bil
– Equal Weighted Average	\$71.7 bil	\$53.0 bil	\$26.5 bil
Dividend Yield	2.3%	2.0%	2.6%
Price-to-Cash Flow	9.1x	12.9x	10.1x
Price-to-Sales	1.2x	2.4x	1.8x
Price-to-Book	1.9x	3.5x	2.2x
Price-to-Earnings (next 12 months)	12.5x	17.0x	14.4x
Projected EPS Growth F2 Yr (ann.)	9.6%	10.8%	9.5%
Turnover*	30.6%	—	—
Active Share	—	86.7%	79.2%

Updated quarterly. All projections and estimates are based on current asset prices and are subject to change.

* Last 12 months, greater of purchases or sales/average AUM.

SECTOR WEIGHTS (% of Total Portfolio)	TCW RVLC	S&P 500 INDEX	RATIO	ΔYTD
Communication Services	8.2%	10.4%	0.8x	+
Consumer Discretionary	5.7	10.2	0.6	no change
Consumer Staples	5.2	7.3	0.7	–
Energy	8.8	4.9	1.8	+
Financials	19.9	13.2	1.5	no change
Health Care	12.5	13.8	0.9	–
Industrials	11.7	9.3	1.3	–
Information Technology	13.0	21.8	0.6	–
Materials	4.5	2.7	1.6	+
Real Estate	2.7	3.1	0.9	+
Utilities	3.5	3.3	1.1	+
Cash	4.3	–	–	

The portfolio will have exposure to all economic sectors with each major sector generally having a minimum of 0.5x and a maximum of 2.0x the weight of the respective sector in the S&P 500 at time of purchase.

MOST POSITIVE CONTRIBUTORS

Financials	+7 bps
Health Care	+3 bps
Consumer Discretionary	+2 bps

MOST NEGATIVE CONTRIBUTORS

Information Technology	-17 bps
Energy	-12 bps
Communication Services	-4 bps

Represents relative contribution to and/or detractor from portfolio. The sectors identified do not represent all of the securities purchased, sold or recommended for advisory clients. To obtain the calculation's methodology and a list showing every sector's contribution to the overall account's performance during the period, contact your TCW client service representative or e-mail your request to PortfolioAnalytics.Group@tcw.com.

Data Source: TCW; All data is as of 7/31/19 unless otherwise noted.

Based upon a representative account. Portfolio characteristics and holdings are subject to change at any time. The holdings identified do not represent all of the securities purchased, sold or recommended for advisory clients. It should not be assumed that an investment in the securities listed was, or will be, profitable. Past performance is no guarantee of future results.

Please see additional performance and general disclosures on the last page.

MOST POSITIVE CONTRIBUTIONS

Security	Average Weight	BPS
UPS	2.06%	+24 bps
IBM	2.15%	+9 bps
JP Morgan Chase	4.33%	+8 bps
ConAgra	1.16%	+8 bps
Cypress Semiconductor	3.91%	+7 bps

MOST NEGATIVE CONTRIBUTIONS

Security	Average Weight	BPS
Dana	1.51%	-28 bps
Textron	3.04%	-26 bps
Corning	3.00%	-26 bps
Molina Healthcare	2.21%	-20 bps
Freeport-McMoRan	2.28%	-13 bps

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MONTHLY PORTFOLIO SUMMARY

Over the course of the month, the portfolio achieved its best relative performance from its Energy names which gained 1.5% versus the group loss of -1.8%. The portfolio's Consumer Staples and Industrials names were also positive contributors led by ConAgra and UPS. On the downside, the biggest detraction occurred with the portfolio's Consumer Discretionary names which declined -5.4% versus their peers' rise of 1.0% largely due to auto parts supplier Dana. Corning was responsible for most of the decline suffered in Information Technology where the portfolio's names in the sector gained 1.0% below the group move of 3.3%. The portfolio's sector weights detracted due largely to the underweight in Information Technology and overweight in Energy. The overweight in Financials was a positive offsetting some of the loss.

MAJOR POSITION CHANGES/KEY EVENTS DURING THE MONTH

In July, Flex and Zimmer Biomet were initiated. The top positions by size that were increased were Ameriprise Financial, McKesson, and IBM while the top positions reduced by size were Merck, Allergan, and Hartford Financial.

MARKET OUTLOOK

The seesawing on U.S./China trade progress continues but most recently has taken a turn for the worse. President Trump's recent announcement that he intends on imposing 10% tariffs on an additional \$300 billion worth of Chinese imports to begin September 1 was met with retaliation with China stating it will cease purchasing U.S. soybean and other agricultural goods. China then allowed the renminbi to cross over the crucial 7/1 threshold versus the U.S. dollar. In response, the U.S. Treasury Department officially designated China as a "currency manipulator", but Larry Kudlow, Mr. Trump's Director of the National Economic Council, stated talks are to resume in September. Soon thereafter, Mr. Trump delayed this latest tariff increase until December 15. The risk of a U.S. recession appears to be rising with the yield curve's inversion highlighting bond investors' concerns and putting pressure on some financials' net interest income. The classic recessionary causes such as an overheated economy, earnings recession, runaway inflation, and financial imbalances must be monitored vigilantly and could be assured if tariffs increase further and consumer spending wavers. GDP headwinds include China/U.S. tariffs raising prices, more prohibited semiconductor and semi-equipment sales to Huawei since being placed on the U.S. "Security List", fewer aircraft deliveries as the Boeing 737 Max continues to be grounded for the foreseeable future, and unexpected hot points such as Mexican border issues and Iran causing business uncertainty. A global easing cycle has gained traction with the U.S., New Zealand, Thailand, and Indian central banks all now in stimulus mode. 2Q:19 earnings are coming in better than expected. Knowing what we know today, earnings are poised to reaccelerate in the second half of the year to a 5-7% growth rate with revenues to continue to expand at a 3% pace. As value investors, we believe it is imperative to stick to the fundamentals (cash flow, earnings, and company specific catalysts) and those companies with the balance sheets and management teams to prevail over time. Stocks trading at attractive valuations, with ample long-term growth prospects, should ultimately win investor favor. The RVLC portfolio remains attractively valued on all five factors relative to the Russell 1000 Value. Using consensus estimates (the RV team's own estimates are higher), the portfolio's 2Y EPS annualized growth rate is nearly double digits. The portfolio's slightly higher growth potential versus the value benchmark while simultaneously trading at a discount underscores the "Search for Value Poised for Growth" Relative Value investment philosophy.

PERFORMANCE DISCLOSURE

TCW Relative Value Large Cap Performance (%) Ending 6/30/2019

	2Q19	YTD	1 Year	3 Years	5 Years	ITD
Gross Performance (Composite)	4.36	19.58	2.35	9.83	6.09	11.37
Net Performance (Composite)	4.18	19.17	1.63	9.06	5.35	10.51
Russell 1000® Value Index (Benchmark)	3.84	16.24	8.46	10.19	7.46	9.60
S&P 500 Index	4.30	18.54	10.42	14.19	10.71	9.66

Gross results do not reflect the deduction of management fees and other custodial fees. Including these costs would reduce the shown returns. Net results reflect the deduction of the maximum standard fee charged to U.S. institutional clients without taking into account breakpoints.

Net results do not include the deduction of custodial fees or other administrative expenses, which will also reduce the returns shown. Prior to August 2010 net returns were calculated arithmetically, afterwards net returns were calculated geometrically.

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