

TCW Relative Value Mid Cap

JULY 31, 2019 | MONTHLY SUMMARY | SUPPLEMENTAL INFORMATION

TCW

PERFORMANCE (%)	JUL	QTD	YTD
TCW Relative Value Mid Cap (Net)	1.41%	1.41%	20.81%
Russell Midcap® Value Index	0.83	0.83	19.00
Russell Midcap® Index	1.43	1.43	23.08

TOP 10 HOLDINGS (% of Total Portfolio)

Popular	4.1
Cypress Semiconductor	4.0
Maxim Integrated Products	3.3
Jones Lang LaSalle	3.0
KeyCorp	3.0
AES	2.9
Kirby	2.8
Newpark Resources	2.8
Manitowoc	2.7
Molina Healthcare	2.6
TOTAL	31.2%

PORTFOLIO CHARACTERISTICS (AS OF JUNE 30, 2019)

	TCW RVMC	RUSSELL MIDCAP® VALUE INDEX	RUSSELL MIDCAP® INDEX
Market Capitalization			
– Dollar Weighted Average	\$9.6 bil	\$15.8 bil	\$17.0 bil
– Equal Weighted Average	\$9.5 bil	\$10.1 bil	\$11.0 bil
Dividend Yield	1.7%	2.3%	1.7%
Price-to-Cash Flow	9.8x	10.5x	13.1x
Price-to-Sales	1.0x	1.7x	2.1x
Price-to-Book	1.6x	2.0x	2.9x
Price-to-Earnings (next 12 months)	11.9x	15.3x	17.4x
Projected EPS Growth F2 Yr (ann.)	11.1%	9.1%	10.7%
Turnover*	42.8%	—	—
Active Share	—	92.6%	94.6%

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 RVMC	RUSSELL MIDCAP® INDEX	RATIO	ΔYTD
Communication Services	3.8%	4.5%	0.8x	+
Consumer Discretionary	12.0	11.4	1.0	–
Consumer Staples	3.4	3.9	0.9	+
Energy	6.0	4.1	1.5	+
Financials	22.0	13.4	1.7	–
Health Care	8.6	10.2	0.8	–
Industrials	19.3	13.6	1.4	–
Information Technology	11.0	17.8	0.6	no change
Materials	3.7	5.2	0.7	+
Real Estate	6.0	9.4	0.6	–
Utilities	4.0	6.6	0.6	no change
Cash	0.2	–	–	

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 Russell Midcap® Index at time of purchase.

MOST POSITIVE CONTRIBUTORS

Financials	+12 bps
Utilities	+5 bps
Health Care	+3 bps

MOST NEGATIVE CONTRIBUTORS

Information Technology	-15 bps
Energy	-9 bps
Industrials	-3 bps

Represents relative contribution to and/or detraction 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 CONTRIBUTORS

Security	Average Weight	BPS
Flex	1.61%	+23 bps
Santander Consumer USA	1.76%	+19 bps
Popular	3.96%	+18 bps
Zimmer Biomet	1.70%	+17 bps
Beazer Homes	0.86%	+16 bps

MOST NEGATIVE CONTRIBUTORS

Security	Average Weight	BPS
Dana	1.38%	-25 bps
Molina Healthcare	2.61%	-22 bps
Textron	2.58%	-21 bps
Acadia Healthcare	1.55%	-16 bps
Freeport-McMoRan	2.26%	-12 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 3.0% versus the group loss of -5.0%. The portfolio's Financials names were also positive contributors led by Santander Consumer USA and Popular while Flex highlighted in Information Technology. On the downside, the biggest detraction occurred with the portfolio's Industrials names which declined -0.8% versus their peers' rise of 0.9% largely due to Textron. To a lesser degree the portfolio underperformed with its Communication Services, Consumer Discretionary, and Health Care names. The portfolio's sector weights detracted nominally with the biggest negative impact occurring with the underweight in Information Technology and overweight in Energy. Offsetting much of the loss was the overweight in Financials and underweight in Utilities.

MAJOR POSITION CHANGES/KEY EVENTS DURING THE MONTH

In July, no position was initiated or eliminated. The top positions by size that were increased were ConAgra, Evercore, and Sempra Energy while the top positions reduced by size were Zions Bancorporation, Santander Consumer USA, and Umpqua.

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 RVMC portfolio remains attractively valued on all five factors relative to the Russell Mid Cap Index. 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 Mid Cap Performance (%) Ending 6/30/2019

	2Q19	YTD	1 Year	3 Years	5 Years	ITD
Gross Performance (Composite)	3.03	19.61	-7.66	11.74	4.57	11.48
Net Performance (Composite)	2.82	19.16	-8.40	10.84	3.74	10.59
Russell Midcap® Value Index (Benchmark)	3.19	18.02	3.68	8.95	6.72	10.72
Russell Midcap® Index	4.13	21.35	7.83	12.16	8.63	10.72

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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