

# TCW Emerging Markets Fixed Income

SECOND QUARTER 2019 | STRATEGY OVERVIEW

## Investment Objective & Philosophy

TCW Emerging Markets Fixed Income is actively managed as a distinctly separate asset class.

The investment objective of TCW Emerging Markets Fixed Income is to maximize risk-adjusted total returns using a traditional fixed income framework.

## Investment Approach

Our value-seeking investment approach has been developed to identify and exploit the best reward-risk opportunities in emerging markets fixed income.

Our integrated top-down and bottom-up investment process emphasizes global and multi-sector diversification to generate attractive risk-adjusted returns from income and capital appreciation.

Our experienced team of research, trading, and investment professionals utilizes highly developed research methods to establish a dynamic link between credit fundamentals, market valuations, and portfolio strategy.

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There is no assurance that the objectives and/or trends will come to pass or be maintained.

\* Footnotes regarding performance appear at the end of this document and are an integral and important part of this disclosure. Past performance is not a guarantee of future results. Performance based on TCW EMFI Total Return composite.

## Why Emerging Markets Fixed Income?

- Spread between EM and Developed Market (DM) growth expected to moderately improve in 2019
- Trade competitiveness has improved, with EM currencies down over 30% since the time of the taper tantrum, despite improved fundamentals
- EM dollar-denominated debt cheap to its own history and DM fixed income

## Why TCW Emerging Markets Income?

### The Investment Team

- Senior portfolio managers have an average of over 32 years of experience in emerging markets investing, through both up and down markets.
- EM sovereign analysts have extensive policy as well as investment experience and our EM corporate credit team has been in place since the late 1990s, long before the advent of the corporate bond index in December 2007.
- EM strategists dedicated to local currency and corporates add an important perspective on shorter-term technicals, helping to fine tune the timing, structure and sizing of trades.
- Net compounded annualized returns = 11.11%; Annual net excess returns of 136 bps since 1994\*

### The Investment Process

- Highly developed fundamentals based investment process tested under extreme market conditions.
- Identify the best opportunities across hard currency sovereign debt, corporate debt, and local currency debt. Corporate debt ranges from 15-35% of the portfolio and local currency, from 0-30%.
- As the relative value within EM shifts over time, our strategy allows us to proactively adjust allocations and capitalize on opportunities as they appear.
- Scenario analysis performed on each investment idea to determine base, upside and downside cases
- Strong emphasis on risk and liquidity management

## Portfolio Profile

	EMFI Total Return	Index <sup>1</sup>
Current Yield	6.22%	5.61%
Yield to Maturity	6.26%	5.55%
Blended Spread <sup>2</sup>	418 bps	352 bps
Effective Duration	7.54 years	7.18 years
Spread Duration	7.37 years	7.08 years
Average Life	13.69 years	11.20 years
Credit Quality Distribution (%): <sup>3</sup>		
AA	3.66	
A	3.86	
BBB	21.91	
BB	20.54	
B	45.34	
CCC	1.24	
CC	0.28	
D	0.90	
Sovereigns	62.76%	
Corporates	25.20%	
Quasi-Sovereigns <sup>4</sup>	9.77%	
Cash & Equivalents	2.27%	
Hard Currency Denominated	99.18%	
Local Currency Denominated	0.82%	

## Country Breakdown<sup>5</sup>

(%)	EMFI Total Return	Index
Brazil	7.03	3.01
Indonesia	6.04	4.21
Turkey	4.69	3.22
Russia	4.41	3.19
South Africa	3.89	2.54
Colombia	3.87	2.83
Saudi Arabia	3.86	2.39
Qatar	3.66	2.05
Argentina	3.49	2.38
Ukraine	3.48	2.46
Sri Lanka	3.38	2.19
Egypt	3.11	2.44
Kazakhstan	2.97	2.62
Dom. Republic	2.61	2.48
Nigeria	2.59	1.91
Panama	2.52	2.70
Ecuador	2.49	2.49
Bahrain	2.47	1.56
Costa Rica	2.18	0.90
Ghana	2.14	1.18
China	2.11	3.91
Mexico	2.05	4.51
Peru	2.02	2.75
Oman	1.99	2.26
India	1.87	0.89
Lebanon	1.68	1.88
Uruguay	1.66	2.51
El Salvador	1.42	0.92
Angola	1.36	0.92
Ivory Coast	1.16	0.72
Azerbaijan	0.99	1.10
Kenya	0.98	1.07
Paraguay	0.92	0.73
Venezuela	0.90	0.62
Mongolia	0.87	0.60
Chile	0.71	2.56
Senegal	0.62	0.43
Pakistan	0.62	0.86
Guatemala	0.61	0.65
Iraq	0.58	0.62
Zambia	0.55	0.34
UAE	0.40	1.75
Tunisia	0.29	0.16
Tanzania	0.25	
Belarus	0.24	0.45

Source: TCW Portfolio Analytics

Data is based upon a representative institutional account.

Portfolio characteristics and holdings are subject to change at any time.

<sup>1</sup> JP Morgan EMBI Global Diversified Index (EMBI GD) - A market capitalization-weighted total return index of U.S. dollar-denominated Brady bonds, loans, and Eurobond instruments traded in emerging markets. The index is not available for direct investment; therefore its performance does not reflect a reduction for fees or expenses incurred in managing a portfolio. The securities in the index may be substantially different from those in the strategy.

<sup>2</sup> Blended Spread - Represents the difference between bond yields issued in emerging markets versus U.S. Treasuries.

<sup>3</sup> These ratings are provided by one or more outside credit agencies including Moody's, Standard & Poor's and Fitch Ratings. The credit quality of the investments in the portfolio does not apply to the stability or safety of the strategy. Credit quality ratings are subject to change and pertain to the underlying holdings of the portfolio and not the portfolio itself.

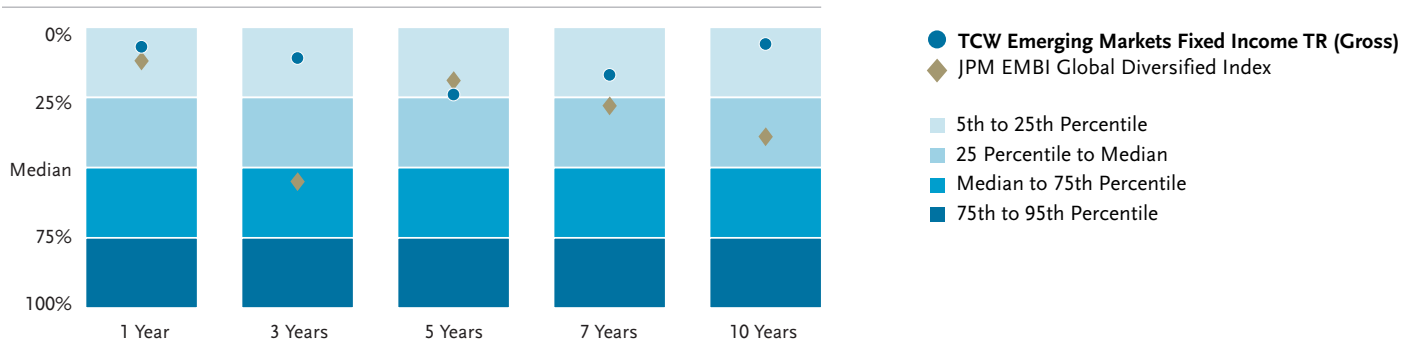
<sup>4</sup> A public sector entity or corporation majority-owned or otherwise controlled by a sovereign government. Debt issued by a quasi-sovereign entity can be explicitly or implicitly guaranteed by the sovereign. In the event of an explicit guarantee, the entity is defined as sovereign for purposes of this analysis.

<sup>5</sup> As a percentage of total portfolio. Cash percentage not shown.

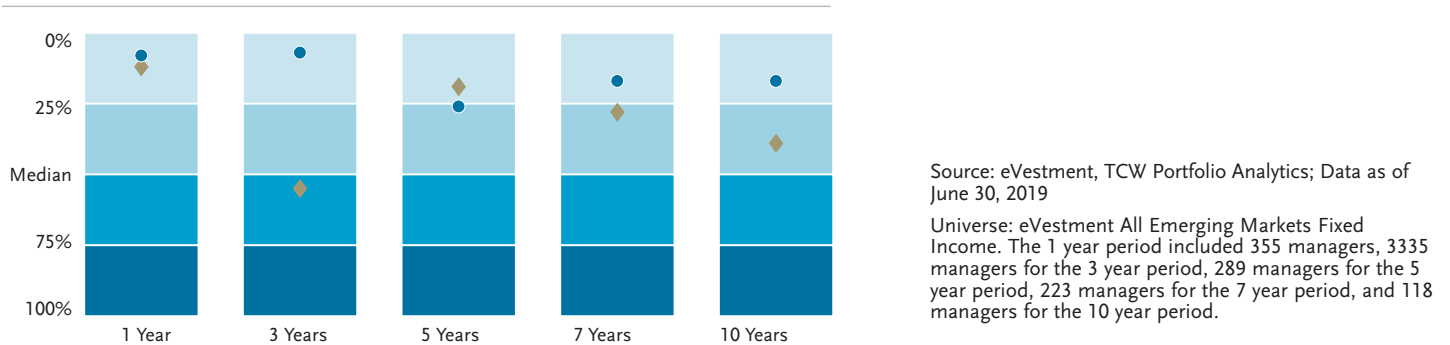
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## Return Rank



## Information Ratio Rank



## Annualized Returns<sup>1</sup> AS OF JUNE 30, 2019

Annualized (%)	Quarter	Annualized					
		1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception
TCW EMFI Total Return (Gross)	4.39	12.86	7.28	5.12	6.00	9.30	11.76
TCW EMFI Total Return (Net)	4.26	12.29	6.74	4.59	5.47	8.71	11.11
JP Morgan EMBI Global Diversified	4.08	12.45	5.47	5.30	5.57	7.78	9.75 <sup>2</sup>

<sup>1</sup> Performance based on TCW EMFI Total Return Composite. <sup>2</sup> From June 1, 1994 - September 30, 1995 the index used was the JP Morgan EMBI. From October 1, 1995 - September 30, 1999, the index was the JP Morgan Emerging Markets Bond Index Plus. From October 1, 1999 to the present, the index is the JP Morgan EMBI Global Diversified. Past performance is no guarantee of future results.

## Performance Footnotes MANAGED BY MARKETABLE SECURITIES DIVISION

The TCW Group, Inc. is divided into three divisions: the Marketable Securities Division; the Alternative Products Division; and the Managed Accounts Division. Effective January 1, 2000, the Marketable Securities Division was established to provide investment advisory services in the marketable securities area. The Marketable Securities Division is defined as the Firm for purposes of reporting performance in accordance with the Global Investment Performance Standards. On February 23, 2010, The TCW Group, Inc. acquired Metropolitan West Asset Management, LLC. On January 1, 2011, the Marketable Securities Division and Metropolitan West Asset Management, LLC completed a merger. Accordingly, effective January 1, 2011, Metropolitan West Asset Management, LLC was included within the Firm definition.

The TCW Emerging Markets Fixed Income Total Return composite is comprised of portfolios whose objective is to outperform the benchmark over the long term by investing in fixed income securities of public and private issuers in emerging countries. While TCW's objective is to outperform the stated benchmark it does not imply that this strategy shall share, or attempt to share, the same or similar characteristics of the benchmark or attempt to track the benchmark. The past performance of the JPM EMBI Blended Index represents the following: JP Morgan EMBI from Jun 1, 1994 to Sept 30, 1995, JP Morgan EMBI+ from Oct 1, 1995 to Sept 30, 1999 and JP Morgan Global Diversified from Oct 1, 1999 to present. The JP Morgan EMBI Global Diversified is a uniquely-weighted version of the EMBI Global. It 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. Returns are calculated in U.S. dollars. Leverage or derivatives are used in the management of this composite. Derivatives, such as currency options or forwards, may be employed from time to time to implement various hedging strategies. Returns include the reinvestment of all earnings. Investment directly into an index is not possible. Investments in the strategy will be subject to fees and expenses that will reduce returns.

The Marketable Securities Division claims compliance with the Global Investment Performance Standards (GIPS®). To receive a complete list and description of TCW's composites and/or presentation that adheres to the GIPS® standards contact Client Services at 213.244.0000 or contact us by e-mail at PortfolioAnalytics.Group@tcw.com.

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## Investment Team



**Penelope D. Foley**  
Group Managing Director  
Emerging Markets



**David I. Robbins**  
Group Managing Director  
Emerging Markets



**Alex Stanojevic**  
Managing Director  
Emerging Markets

	Number	Avg. number of years with firm	Avg. years of investment expertise
Portfolio Managers	3	21	32
Sovereign Research Analysts	7	8	14
Corporate Research Analysts	5	11	17
Traders	3	8	14
Portfolio Specialist	1	6	17



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