

# TCW High Yield

JUNE 30, 2019 | STRATEGY OVERVIEW AND ANALYSIS

The strategy seeks to maximize long-term total return consistent with the preservation of capital and aims to add value over the benchmark and control risk through the application of an in-depth fundamental credit research process.

## Performance Summary (%)

	TCW High Yield		Bloomberg Barclays U.S. HY 2% Issuer Capped Index
	Gross	Net	
2006	9.62	9.34	10.76
2007	3.14	2.87	2.27
2008	-21.29	-21.55	-25.88
2009	55.58	54.97	58.76
2010	14.33	13.89	14.94
2011	1.87	1.48	4.96
2012	14.66	14.23	15.78
2013	7.46	7.06	7.44
2014	1.00	0.63	2.46
2015	-1.69	-2.14	-4.43
2016	8.87	8.12	17.13
2017	7.04	6.30	7.50
2018	-0.32	-1.00	-2.08
YTD	9.66	9.28	9.94
2Q19	3.36	3.18	2.50

## Annualized Returns (%)

	TCW TCW High Yield		Bloomberg Barclays U.S. HY 2% Issuer Capped Index
	Gross	Net	
1 Year	9.21	8.46	7.48
3 Years	6.96	6.22	7.52
5 Years	3.87	3.24	4.71
7 Years	5.63	5.06	6.36
10 Years	7.97	7.43	9.22
Since 10/1/2002	8.93	8.50	8.87

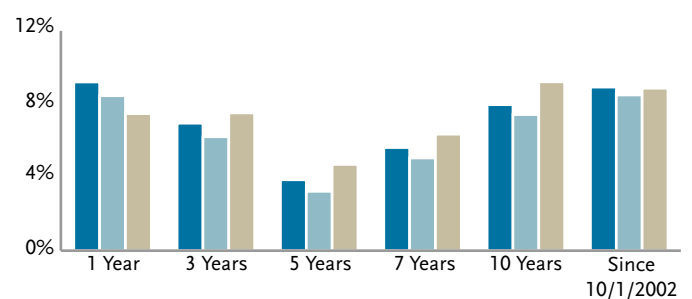
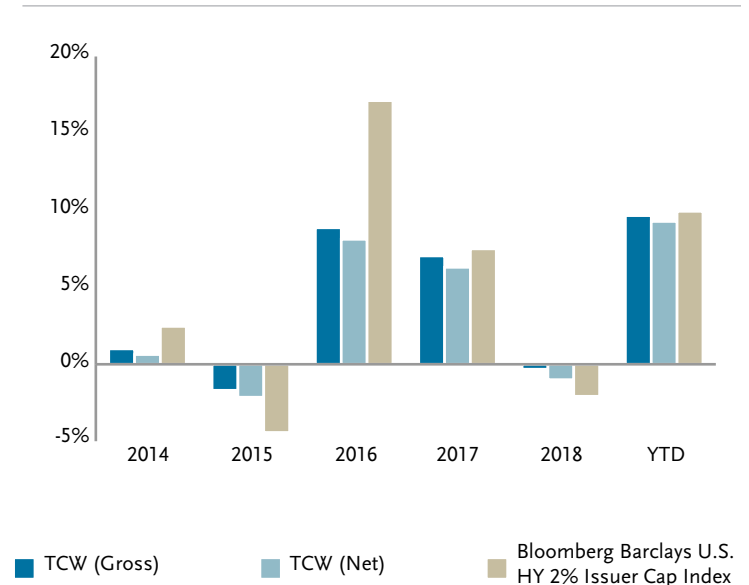
Source: TCW

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An investment in the strategy described herein has risks, including the risk of losing some or all of the invested capital. An investor should carefully consider the risks and suitability of an investment strategy based on their own investment objectives and financial position. There is no assurance that the investment objectives and/or trends will come to pass or be maintained. The information contained herein may include preliminary information and/or "forward-looking statements." Due to numerous factors, actual events may differ substantially from those presented herein. TCW assumes no duty to update any forward-looking statements or opinions in this document. This material comprises the assets under management of The TCW Group, Inc. and its subsidiaries, including TCW Investment Management Company LLC, TCW Asset Management Company LLC, and Metropolitan West Asset Management, LLC. Any opinions expressed herein are current only as of the time made and are subject to change without notice. The investment processes described herein are illustrative only and are subject to change. Past performance is no guarantee of future results. © 2019 TCW

## Performance Returns



## Investment Objective

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The TCW High Yield strategy seeks to maximize long-term total return consistent with the preservation of capital and aims to add value over the benchmark and control risk through the application of an in-depth fundamental credit research process. The investments generally include corporate and government debt securities, mortgage and other asset-backed securities, secured bank loans, mezzanine investments, money market instruments and derivatives. The strategy maintains an average duration between 2 and 8 years and will generally invest at least 80% of its net assets in a portfolio of high yield securities rated below investment grade.

## Investment Philosophy

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The TCW fixed income management philosophy reflects a goal of consistently outperforming the portfolio benchmark while maintaining below average volatility with an emphasis on capital preservation, particularly in rising rate environments. We seek to achieve the desired outperformance through the measured and diversified application of our core philosophical tenets:

- A value-based approach to manage credit risks through the cycle using a disciplined cost averaging approach to position for inflection points in high yield which are often violent and illiquid
- Tangible asset coverage drives credit performance, while minimizing potential default losses, and is under-emphasized by market participants
- Understanding the “quality” of a claim is equally important to understanding the credit
- Credit ratings contain limited and often misleading information. The TCW credit approach targets higher loss-adjusted returns through market cycles.

## Investment Process

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The five value-added strategies include: duration management, yield curve positioning, sector allocation, security selection, and opportunistic execution.

At the core of the process is the long-term economic outlook, which is determined by the investment team on a quarterly basis and reviewed constantly.

The credit process is based upon intensive fundamental evaluation and research is anchored around tangible asset value which provides principal protection during credit events.

Opportunity assessment is based on evaluation of the investment opportunity set including:

- Relative value analysis, Tiering analytics, Industry/index screening tools
- Risk assessment of opportunities includes removal of rating agency distortions and creation of independent credit rankings based on fundamentals and market assessment
- Evaluation of assets/cash flow, liquidity and liability/capital structure drive credit opinion
- Significant inefficiencies exist for bottom-up issue selection

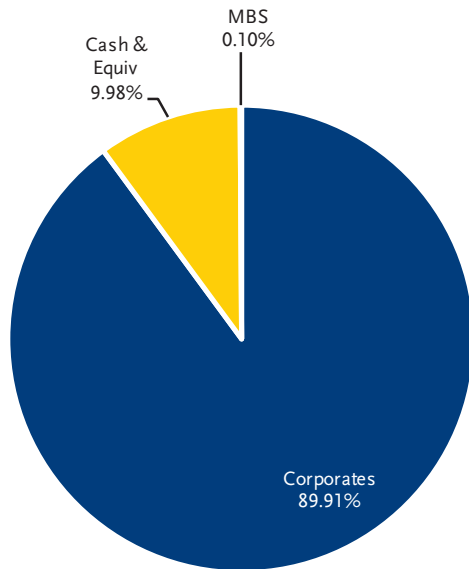
Portfolio Characteristics

	TCW High Yield	Bloomberg Barclays U.S. HY 2% Issuer Capped Index
Duration	2.94	3.23
Maturity	3.57	5.78
Convexity	0.08	0.08
Quality Rating	BB	B+
Current Yield	6.68%	6.39%
Yield to Mat	4.17%	6.33%
Avg. Coupon	5.11%	6.36%

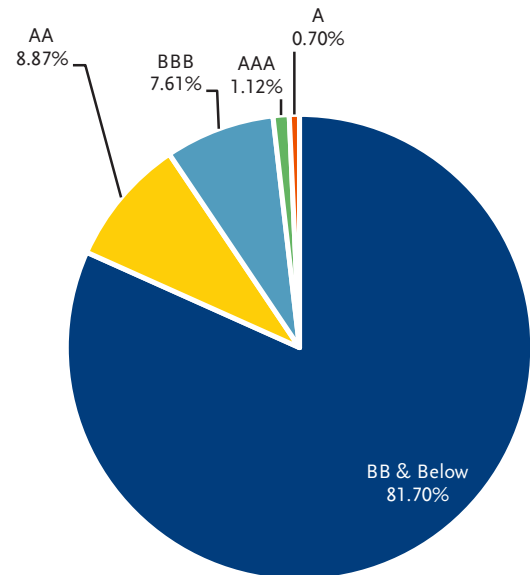
Regression Statistics (Gross)

	3 Years		5 Years	
	TCW High Yield	Bloomberg Barclays U.S. HY 2% Issuer Capped Index	TCW High Yield	Bloomberg Barclays U.S. HY 2% Issuer Capped Index
Information Ratio	-0.30	-	-0.34	-
Alpha	1.59%	-	0.54%	-
Beta	0.64	1.00	0.64	1.00
R-Squared	89.69%	100.00%	86.52%	100.00%
Sharpe Ratio	1.87	1.41	0.79	0.70
Standard Deviation	2.99%	4.37%	3.82%	5.54%
Tracking Error	1.84%	-	2.44%	-

Sector Weights



Quality Weights



Five Year Statistics (Gross) July 2014 - June 2019

The Up/Down Capture Ratio measures a manager’s performance in up and down markets relative to the market (benchmark). It is calculated by taking the managers up/down capture return and dividing it by the benchmark’s up/down capture return.

	Up		Down		TCW vs. Index	
	# of Periods	Avg. Monthly Return	# of Periods	Avg. Monthly Return	Up Capture	Down Capture
TCW High Yield	43	0.85%	17	-1.01%	67.00%	59.00%
Bloomberg Barclays U.S. HY 2% Issuer Capped Index	37	1.38%	23	-1.18%	100.00%	100.00%

Source: TCW, Zephyr

Based upon a representative account. Portfolio characteristics and holdings are subject to change at any time. All projections and estimates are based on current asset prices and are subject to change. Please see additional disclosures on the last page, which are an integral and important part of this material. Individual results may vary. Past performance is no guarantee of future results.

## Portfolio Management

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Group Managing Director  
Chief Investment Officer - Fixed Income  
Co-Director Fixed Income

### Laird R. Landmann

Group Managing Director  
Co-Director Fixed Income  
Fixed Income

### Stephen M. Kane, CFA

Group Managing Director  
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### Bryan T. Whalen, CFA

Group Managing Director  
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### Jerry Cudzil

Head of U.S. Credit Trading  
Managing Director  
Fixed Income

### Steven J. Purdy

Managing Director  
Fixed Income

## The Firm

TCW is a leading global asset management firm with more than four decades of investment experience and a broad range of products across fixed income, equities, emerging markets and alternative investments. Through the TCW and MetWest Fund Families, TCW manages one of the largest mutual fund complexes in the U.S. TCW's clients include many of the world's largest corporate and public pension plans, financial institutions, endowments and foundations, as well as financial advisors and high net worth individuals. As of June 30, 2019, TCW had total assets under management, including commitments, of \$205 billion. TCW is headquartered in Los Angeles, and has offices in New York, Boston, Chicago, London, Milan, Hong Kong, Tokyo, and Sydney.

## Index Disclosure

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## Performance Disclosure

The TCW High Yield composite is constructed of portfolios of high yield fixed income securities of varying maturities issued by domestic and foreign corporations and governments (and their agencies and instrumentalities) with a portfolio duration of two to eight years. The Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Cap Index is the 2% Issuer Cap component of the U.S. Corporate High Yield index. The index along with all index related information is not subject to independent examinations. Returns are calculated in U.S. dollars. Derivatives are not a driving factor in the Composite's strategy, but may be used in certain portfolios where such use is consistent with client investment guidelines. Certain derivative instruments such as credit default swaps, treasury futures, and option contracts may be utilized to add incremental value, to hedge credit risk exposure, and/or to tactically adjust the duration and/or yield curve exposure. 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 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. On January 1, 2011, the Marketable Securities Division and Metropolitan West Asset Management completed a merger. Accordingly, effective January 1, 2011, Metropolitan West Asset Management was included within the Firm definition.

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](mailto:PortfolioAnalytics.Group@tcw.com).