

TCW Low Duration Fixed Income

MARCH 31, 2019 | STRATEGY OVERVIEW AND ANALYSIS

The strategy seeks to maximize current income consistent with the preservation of capital through investments in a diversified portfolio of fixed-income securities.

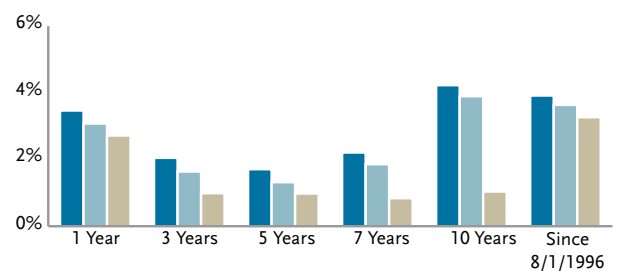
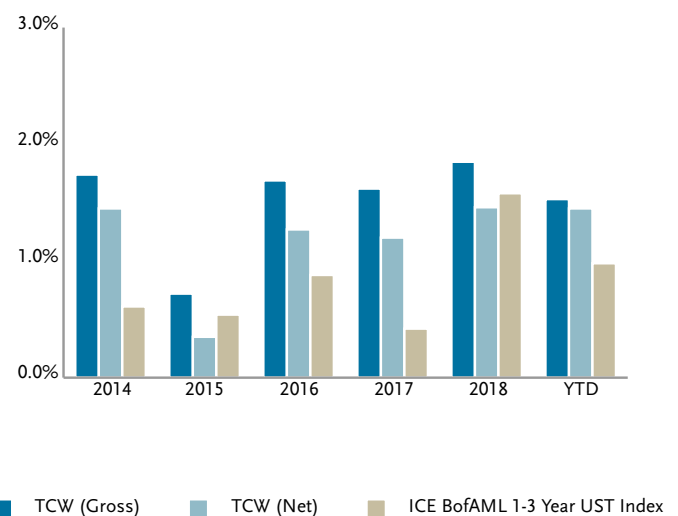
Performance Summary (%)

	TCW Low Duration Fixed Income		ICE BofAML 1-3 Year UST Index
	Gross	Net	
2006	6.12	5.87	3.96
2007	3.75	3.50	7.32
2008	-12.87	-13.08	6.61
2009	12.65	12.38	0.78
2010	8.62	8.36	2.35
2011	1.46	1.17	1.55
2012	7.02	6.72	0.43
2013	2.00	1.72	0.36
2014	1.74	1.45	0.62
2015	0.72	0.35	0.54
2016	1.69	1.27	0.89
2017	1.62	1.20	0.42
2018	1.85	1.46	1.58
1Q19	1.53	1.45	0.98

Annualized Returns (%)

	TCW Low Duration Fixed Income		ICE BofAML 1-3 Year UST Index
	Gross	Net	
1 Year	3.47	3.08	2.71
3 Years	2.05	1.64	0.99
5 Years	1.71	1.32	0.98
7 Years	2.21	1.86	0.84
10 Years	4.23	3.90	1.04
Since 8/1/1996	3.92	3.64	3.27

Performance Returns



Source: TCW

Please see additional disclosures on the last page, which are an integral and important part of this material. Individual results may vary.

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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

Investment Objective

The TCW Low Duration strategy seeks to maximize current income consistent with the preservation of capital through investments in a diversified portfolio of fixed-income securities. The strategy seeks to provide relative value with short duration management and to outperform the ICE BofAML 1-3 Year U.S. Treasury Index on a consistent basis, while maintaining overall risk similar to the index. The strategy maintains an average duration of between 0 to 3 years and investments can include government and corporate debt securities, mortgage and asset-backed securities, money market instruments and derivatives.

Investment Philosophy

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:

- Appreciation for mean reverting nature of fixed income securities
- Recognition that technical factors can temporarily drive pricing away from fundamental value, providing opportunity for Alpha
- Belief that value-oriented sector allocation and issue selection, when used with measured duration management and yield curve positioning, can lead to attractive risk-adjusted returns

The philosophy is predicated on a long-term economic outlook. Portfolio risk is addressed through the limitation of duration to within one year of the benchmark. Investments are characterized by diversification among all U.S.-dollar denominated sectors of the fixed income marketplace. Finally, the philosophy recognizes the over-the-counter nature of the fixed income markets and the attendant potential for pricing inefficiencies that can be exploited to the portfolio's advantage.

Investment Process

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 drives duration strategy
- Duration is “dollar cost averaged” over cycle to within 1 year of benchmark
- Yield curve strategy based upon fundamental outlook, expectations versus forward curve, yield versus convexity tradeoff and total return analysis
- Relative value decision made by overweighting most attractive sectors
- Intensive search for value through security selection

The resulting portfolios are diversified not only in a traditional sense, that is, across maturities, sectors and securities, but also in a manner unique to TCW, which is across the strategies which represent the source of value added.

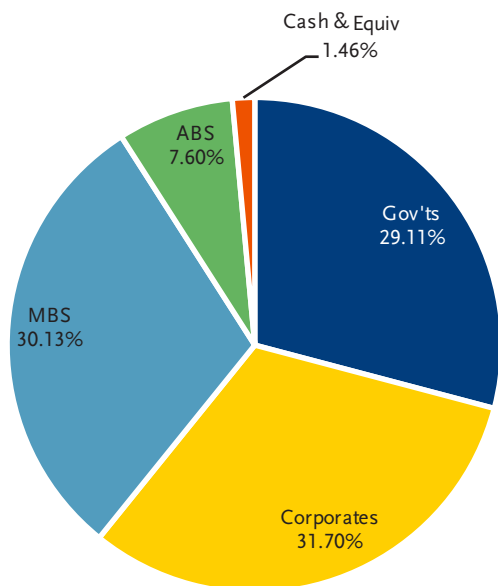
Portfolio Characteristics

	TCW Low Duration Fixed Income	ICE BofAML 1-3 Year UST Index
Duration	2.00	1.81
Maturity	2.40	1.88
Convexity	0.08	0.05
Quality Rating	AA	UST
Current Yield	5.02%	2.25%
Yield to Mat	2.88%	2.32%
Avg. Coupon	2.96%	2.25%

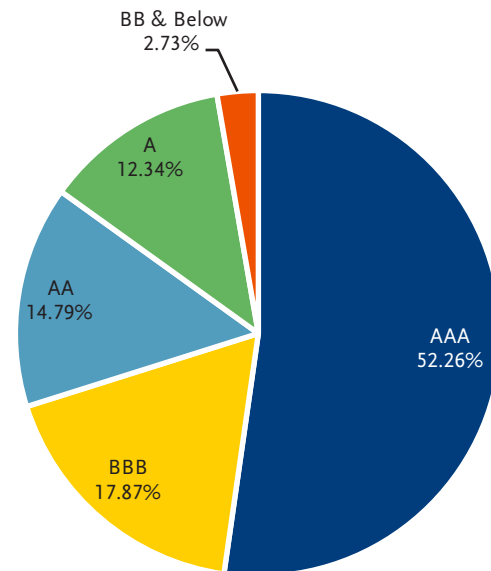
Regression Statistics (Gross)

	3 Year		5 Years	
	TCW Low Duration Fixed Income	ICE BofAML 1-3 Year UST Index	TCW Low Duration Fixed Income	ICE BofAML 1-3 Year UST Index
Information Ratio	3.36	-	1.64	-
Alpha	1.03%	-	0.80%	-
Beta	0.89	1.00	0.70	1.00
R-Squared	84.60%	100.00%	67.84%	100.00%
Sharpe Ratio	1.07	-0.21	1.40	0.32
Standard Deviation	0.82%	0.86%	0.70%	0.81%
Tracking Error	0.31%	-	0.44%	-

Sector Weights



Quality Weights



Five Year Statistics (Gross) April 2014 - March 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 Low Duration FI	48	0.20%	12	-0.09%	109.30%	5.10%
ICE BofAML 1-3 Year UST I	37	0.21%	23	-0.13%	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

Tad Rivelle

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

Laird R. Landmann

Co-Director Fixed Income
Group Managing Director
Fixed Income

Stephen M. Kane, CFA

Group Managing Director
Fixed Income

Bryan T. Whalen, CFA

Group Managing Director
Fixed Income

Bret R. Barker

Managing Director
Fixed Income

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 March 31, 2019, TCW had total assets under management, including commitments, of \$200 billion. TCW is headquartered in Los Angeles, and has offices in New York, Boston, Chicago, London, Milan, Hong Kong, and Tokyo.

Performance Disclosure

The TCW Low Duration composite is constructed of portfolios in excess of \$10,000,000 in assets managed to an average duration of +/- 1 year of the Merrill Lynch 1-3 Treasury Index or similar benchmark. Portfolios in the composite have discretion to be invested in various sectors of the fixed income universe, including, but not limited to, U.S. Treasuries, U.S. Governments, corporates, mortgage-backed securities, collateralized mortgage obligations, asset-backed securities, and money market securities. The ICE BofAML 1-3 Year Treasury Index represents the total return received by investors of 1-3 year U.S. Treasury securities. 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.