

# TCW Securitized Opportunities

SEPTEMBER 30, 2019 | STRATEGY OVERVIEW AND ANALYSIS

An opportunistic, enhanced total return fixed income strategy that emphasizes residential mortgage, commercial mortgage, and asset-backed securities. The strategy is not managed within a prescribed duration range or credit limitation, and may vary greatly over time.

## Performance Summary (%)

	TCW Securitized Opportunities		Bloomberg Barclays U.S. Aggregate Bond Index
	Gross	Net	
2006	3.50	2.22	4.33
2007	11.57	10.20	6.97
2008	19.22	17.76	5.24
2009	41.56	39.85	5.93
2010	25.75	24.46	6.54
2011	7.95	6.87	7.84
2012	23.46	22.23	4.21
2013	9.81	8.71	-2.02
2014	5.50	4.44	5.97
2015	1.29	0.28	0.55
2016	4.36	3.32	2.65
2017	6.88	5.81	3.54
2018	3.60	2.56	0.01
YTD	5.69	4.89	8.52
3Q19	1.48	1.23	2.27

## Annualized Returns (%)

	TCW Securitized Opportunities		Bloomberg Barclays U.S. Aggregate Bond Index
	Gross	Net	
1 Year	6.59	5.52	10.30
3 Years	5.80	4.74	2.92
5 Years	4.44	3.40	3.38
7 Years	5.84	4.78	2.72
10 Years	9.67	8.57	3.75
Since 12/31/1991	13.64	12.01	5.50

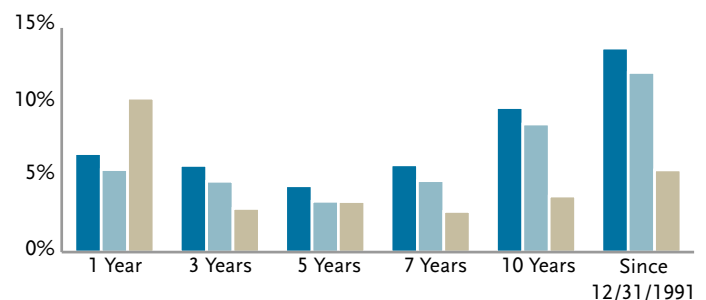
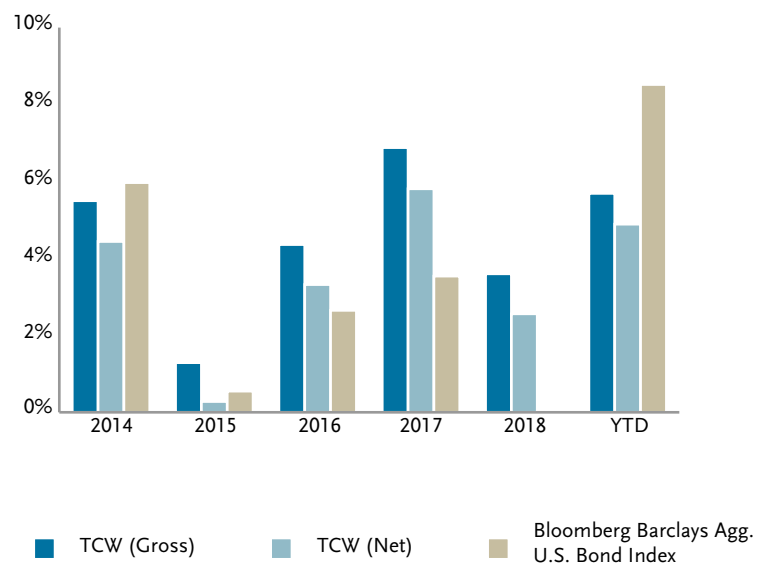
Source: TCW

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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 goal of TCW Securitized Opportunities is to significantly outperform The Bloomberg Barclays Capital Aggregate Bond Index over a full market cycle. The strategy seeks to generate high returns, historically similar to the equity market but with lower volatility over the long term. TCW believes that the management team's application of its extensive experience and committed research will add value to the investment process and enable this strategy to take advantage of market mispricings, as well as periods of market illiquidity and dislocation.

### Investment Philosophy

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Central to the TCW Securitized Opportunities investment philosophy is the belief that even in "normal" times, the securitized markets present valuation complexities that, when combined with traditional fixed income valuation factors, give rise to pricing inefficiencies that can be exploited by informed investors. Negative investor psychology, supply-demand imbalances, the lack of analytical resources, the lack of extensive experience required to understand the nuances, or a combination of such factors, work to create a barrier to entry in this market and result in opportunities for investors with the experience and resources to selectively invest. By virtue of our constant involvement in the securitized products market, TCW believes it is well positioned to exploit the inefficiencies available in this complex sector.

The TCW Securitized Opportunities investable universe includes but is not limited to: Agency Mortgage-Backed Securities (including CMOs, Stripped Mortgage Securities, and Adjustable Rate Mortgage Securities), Non-Agency Mortgage-Backed Securities, Commercial Mortgage-Backed Securities, Asset-Backed Securities, and other opportunistic hedging instruments.

### Investment Process

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TCW Securitized Opportunities concentrates on in-depth underlying portfolio and structural analysis for a wide range of securitized product securities and the variables affecting the returns of these investments. Emphasis is placed on reducing exposure to those variables which can adversely impact portfolio performance and increasing exposure to those that can improve performance. The net effect of variables such as changing interest rates, market trends, and mortgage refinancing and default activity is carefully quantified using a variety of proprietary analytic tools and models.

We focus on bottom-up security selection to identify the most favorable risk-adjusted return investments. By applying a disciplined fundamental-based research effort to distinguish opportunities among security types, we believe we will provide a competitive return over a full market cycle. This asset-selection technique seeks to create portfolios that we believe will perform well without requiring substantial turnover, but also enables the portfolio managers to restructure the portfolios to take advantage of evolving market opportunities.

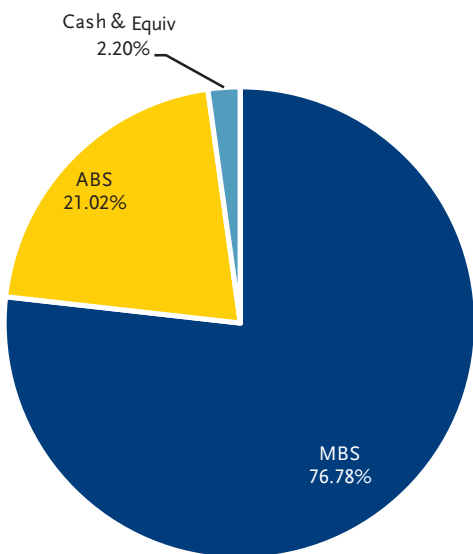
Portfolio Characteristics

	TCW Securitized Opportunities	Bloomberg Barclays U.S. Aggregate Bond Index
Duration	1.84	5.78
Maturity	6.22	7.92
Convexity	0.17	0.30
Quality Rating	A-	AA+
Current Yield	4.63%	3.01%
Yield to Mat	2.86%	2.27%
Avg. Coupon	4.72%	3.20%

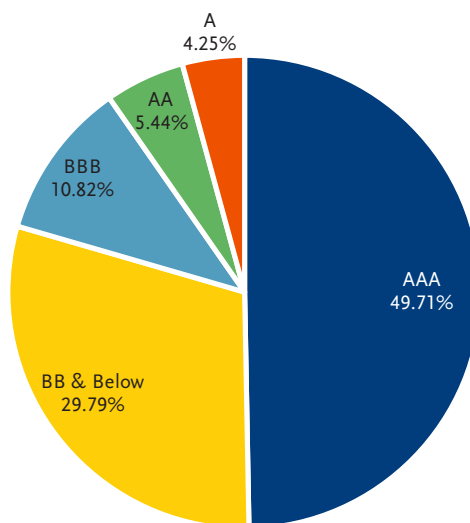
Regression Statistics (Gross)

	3 Years		5 Years	
	TCW Securitized Opportunities	Bloomberg Barclays U.S. Agg. Bond Index	TCW Securitized Opportunities	Bloomberg Barclays U.S. Agg. Bond Index
Information Ratio	1.01	-	0.36	-
Alpha	3.98%	-	3.28%	-
Beta	0.16	1.00	0.07	1.00
R-Squared	31.83%	100.00%	4.91%	100.00%
Sharpe Ratio	4.63	0.42	3.21	0.79
Standard Deviation	0.92%	3.35%	1.09%	3.08%
Tracking Error	2.84%	-	2.98%	-

Sector Weights



Quality Weights



Five Year Statistics (Gross) October 2014 - September 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 Securitized Opportunities	55	0.42%	5	-0.21%	49.60%	-58.70%
Bloomberg Barclays U.S. Agg. Bond Index	37	0.79%	23	-0.54%	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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**Bryan T. Whalen, CFA**  
Group Managing Director  
Fixed Income

**Mitchell A. Flack**  
Managing Director  
Fixed Income

**Scott A. Austin, CFA**  
Managing Director  
Fixed Income

**Harrison S. Choi**  
Managing Director  
Fixed Income

## The Firm

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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 September 30, 2019, TCW had total assets under management, including commitments, of \$211 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

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The TCW Securitized Opportunities composite is comprised of portfolios whose objective is to outperform the benchmark over the long term by investing in securitized assets including, but not limited to agency and non-agency mortgage-backed securities, collateralized mortgage obligations, commercial mortgage-backed securities, and asset backed securities, and other asset types, either for the short or long term, whose duration will likely vary significantly over time. 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. Effective September 25, 2015, the Composite definition changed to better clarify the security types of portfolios included within the Composite. There were no composite membership changes as a result of this clarification. There were no composite membership changes as a result of this clarification. The Bloomberg Barclays U.S. Aggregate Bond Index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. Returns are calculated in U.S. dollars. 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).