

MetWest Intermediate Bond Fund

Performance as of September 30, 2019

(%)	I Share	M Share	Index ¹
Latest Quarter	1.20	1.24	1.37
Year-To-Date	6.37	6.19	6.41
1 Year	8.17	8.03	8.17
3 Years	2.44	2.24	2.40
5 Years	2.42	2.21	2.68
10 Years	4.38	4.16	3.05
Since Inception	5.10	4.25	3.88; 3.47 ²

Not annualized if less than one year.

Expense Ratio (%)

I Share	M Share	
Gross	0.47	0.69

Annual fund operating expenses as stated in the Prospectus dated July 29, 2019.

Source: TCW

¹Bloomberg Barclays Intermediate U.S. Government/Credit Index – A subset of the Barclays Gov't/Credit Index including all securities with over 1 year but less than 10 years left until maturity. The Barclays Gov't/Credit Index is an unmanaged index composed of securities from the Barclays U.S. Treasury Index, Barclays U.S. Government Related Index and the Barclays U.S. Corporate Index. 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 Fund.

²The since inception return for the index reflects the inception date of the MetWest Class I and Class M Share Funds, respectively. For period 6/28/02 – 9/30/19; 6/30/03 – 9/30/19.

Market Review: “What is it that you would like me to do, sir?”

Having foreshadowed a willingness to renew monetary accommodation as early as January of this year, perhaps the Fed could be lauded for holding off action until the third quarter against the withering criticism from the President and intermittently volatile markets. But capitulate it finally did, not once but twice, with an ease of 25 basis points in September to follow one in late July, which had marked its first cut since 2008. What was notable in the redirection of policy, as highlighted by the latest meeting minutes, was a lack of consensus versus the past, underscoring uncertainty (and dispersion of opinion) among the FOMC members. The broader viewpoints suggest increased risk of policy error, particularly in the face of unrelenting political pressure. However, it wasn't as if the more dovish faction was without support for its perspective: since the start of the year, trade tension and its fallout disaffected economic measurables in a meaningful way. As a result, global recessionary concerns mounted in the third quarter, particularly in Europe where the IHS Market Eurozone composite PMI, which captures both manufacturing and services activity, fell to 50.4 in September, the lowest reading since June 2013, and German manufacturing PMI fell to a 10-year low. Trade concerns have taken a toll on U.S. manufacturing as well, with the PMI here falling into contraction territory for the first time in three years. Not surprisingly, businesses remain skeptical of the prospective environment, as evidenced by sharp declines in survey-based measures of expectations, confidence, and spending decisions.

And if the policy challenge wasn't enough, “operational” issues surfaced late in the quarter as the NY Fed was spurred to intervene in lending markets during September to address significant stress in the overnight funding markets whereby repurchase rates spiked from 2% to 10% over the course of a week. The funding squeeze hypothetically owed to technical factors (corporate tax payments and Treasury auction settlements that reduced excess bank reserves held at the Fed, and thus reduced the cash available to lending in the repo market). For now, the dislocation does not suggest a broader liquidity crisis, though it highlights the post-global financial crisis regulatory environment in which dealers have limited ability to maintain order in the repo market, and counsels ongoing vigilance to downstream effects into other bank funding markets.

Despite the continuing late-cycle conditions characterizing the U.S. and global economy, with soaring debt and slowing growth, thus far, a strong consumer and accommodative Fed have kept the expansion going and asset prices up (mostly). This is reflected in the ongoing climb of equity markets this year notwithstanding periodic sell-offs, as the S&P 500 advanced 1.7% in the third quarter to notch a year-to-date return of nearly 21%. Fixed income markets, too, have posted impressive total returns, with the Bloomberg Barclays Aggregate Index up 2.3% for the quarter and 8.5% year-to-date. Investment grade corporate credit, in particular, has benefitted from the Fed's signals/actions and a global appetite for yield fed by U.S. issuers, delivering a 3.1% gain in the quarter and 13.2% year-to-date, the best return in 10 years. High yield returned 1.3% in the third quarter; though performance bifurcation by quality continued in 2019 as the BB-rated cohort gained 2.0% while CCC-rated credits fell by nearly the same amount. Among securitized products, agency MBS realized a return of 1.4%, despite a weak August, outperforming Treasuries by a modest 6 bps on a duration-adjusted basis over the quarter. The sector has had a challenging year, as Fed balance sheet reduction, Treasury rate volatility, and changes to the TBA market have caused spreads to fluctuate. Non-agency MBS, in contrast, continued to provide steady though modest positive performance, buttressed by favorable supply/demand characteristics. In the commercial MBS (CMBS) space, non-agency CMBS led with a 2.0% return and 34 bps of excess return over duration-matched Treasuries, while higher quality agency CMBS trailed Treasuries by 6 bps. Finally, benign consumer fundamentals buoyed traditional ABS sectors, resulting in a modest positive return of 0.9% gain for the quarter.

The performance data presented represents past performance and is no guarantee of future results. Total returns include reinvestment of dividends and distributions. Current performance may be lower or higher than the performance data presented. Performance data current to the most recent month end is available on the Fund's website at TCW.com. Investment returns and principal value will fluctuate with market conditions. The value of an investment in the Fund, when redeemed, may be worth more or less than its original purchase cost.

You should consider the investment objectives, risks, charges and expenses of a mutual fund carefully before investing. A Fund's Prospectus and Summary Prospectus contain this and other information about the Fund. To receive a Prospectus, please call 800-241-4671 or you may download the Prospectus from the Fund's website at TCW.com. Please read it carefully.

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Performance

The MetWest Intermediate Bond Fund I-Class ("Fund") gained 1.20% (net of fees) in the third quarter of 2019, trailing the Bloomberg Barclays Intermediate Government/Credit Index by 17 bps. A shorter-than-index duration position in August was a small drag on relative returns as rates fell during that period, while also weighing on returns was an allocation to Treasury futures (used to manage duration) as financing rates have recently exceeded yields. Additionally, the underweight to corporate credit resulted in a small drag as the sector outpaced the Index, though this was offset by issue selection within the sector. More specifically, the emphasis on manufacturing, non-cyclicals, and wireless communications benefitted relative returns as all of these were top performers during the quarter. Securitized products had a slightly positive impact with issue selection among CMBS and ABS contributing on the margin, while residential MBS had little impact, though the agency MBS position was sized-up (with additions in the low coupon space) given wider spreads and attractive valuations.

Outlook & Positioning

Following a prolonged, albeit not especially vigorous, expansion, TCW has increasingly viewed current conditions as late-cycle in character, with a slowing pace of growth a consequence. Given the decidedly tightening posture of the Fed between late 2016 and early 2019 – nine rate hikes and significant balance sheet reduction – it's not surprising that activity would turn down somewhat, particularly with a flatter yield curve reducing the incentives for financial intermediaries to expand their lending books. Add in the uncertainty of trade policy and you have players in the real economy deferring capital investment (weakening business confidence) and production volume (falling ISM manufacturing), putting further downward pressure on potential growth. The investment management team continues to emphasize a cycle-aware philosophy to mitigate the effects of a more challenging downturn and remains positioned to expand the risk budget when long-term expected returns are more favorable.

As Treasuries rallied during the quarter, the duration profile moved from neutral to a mild underweight at the end of August, and then subsequently extended into the back-up during the last several weeks in September, ending the quarter with a neutral position versus the benchmark. By way of sector positioning, the Fund maintains a defensive credit stance with minimal exposure to the more vulnerable (i.e., "breakable") issuers and industries. Exposure emphasizes communications and consumer non-cyclicals such as pharmaceuticals, healthcare, or food and beverage, with an eye towards adding opportunistically across credit during bouts of volatility when prices look relatively more attractive. Outside of credit, senior parts of the structured products markets remain a haven from credit excesses while still generating incremental return, though we remain vigilant to pockets of looser underwriting standards, particularly in current vintage CMBS. Residential MBS remains an area to pick up relatively reliable yield, particularly in the legacy non-agency MBS space, which continues to present attractive risk-adjusted return potential despite a shrinking market, while the allocation to agency MBS was extended given wider spreads and attractive valuations. Finally, the Fund focuses on super senior ABS backed by government guaranteed student loan collateral and agency-backed issues within CMBS.

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Investment Risks

It is important to note that the Fund is not guaranteed by the U.S. Government. Fixed income investments entail interest rate risk, the risk of issuer default, issuer credit risk, and price volatility risk. Funds investing in bonds can lose their value as interest rates rise and an investor can lose principal. Mortgage-backed and other asset-backed securities often involve risks that are different from or more acute than risks associated with other types of debt instruments. MBS related to floating rate loans may exhibit greater price volatility than a fixed rate obligation of similar credit quality. With respect to non-agency MBS, there are no direct or indirect government or agency guarantees of payments in pools created by non-governmental issuers. Non-agency MBS are also not subject to the same underwriting requirements for the underlying mortgages that are applicable to those mortgage-related securities that have a government or government-sponsored entity guarantee. For a complete list of Fund risks, please see the Prospectus.

Index Disclosure

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Glossary of Terms

Accommodative Monetary Policy – When a central bank (such as the Federal Reserve) attempts to expand the overall money supply to boost the economy when growth is slowing (as measured by GDP). **Agency MBS** – The purchase of mortgage-backed securities issued by government-sponsored enterprises such as Ginnie Mae, Fannie Mae or Freddie Mac. **Asset-Backed Securities** – A financial security backed by a loan, lease or receivables against assets other than real estate and mortgage-backed securities. **Balance Sheet** – A financial statement that summarizes a company’s assets, liabilities and shareholders’ equity at a specific point in time. **Bloomberg Barclays Intermediate U.S. Government/Credit Index** – A subset of the Barclays Gov’t/Credit Index including all securities with over 1 year but less than 10 years left until maturity. The Barclays Gov’t/Credit Index is an unmanaged index composed of securities from the Barclays U.S. Treasury Index, Barclays U.S. Government Related Index and the Barclays U.S. Corporate Index. **BPS (Basis Points)** – A unit that is equal to 1/100th of 1%, and is used to denote the change in a financial instrument. The basis point is commonly used for calculating changes in interest rates, equity indexes and the yield of a fixed-income security. **CMBS (Commercial Mortgage-Backed Securities)** – A debt obligation that represents claims to the cash flows from pools of mortgage loans on commercial property. **Collateral** – Property or other assets that a borrower offers a lender to secure a loan. **Contraction** – A phase of the business cycle in which the economy as a whole is in decline. More specifically, contraction occurs after the business cycle peaks, but before it becomes a trough. According to most economists, a contraction is said to occur when a country’s real GDP has declined for two or more consecutive quarters. **Corporate** – Of or relating to a bond issued by a corporation as opposed to a bond issued by the U.S. Treasury, a non-U.S. government or a municipality. **Corporate Credit** – A term that is used in written investment materials and commentaries to refer to a corporation’s debt or to the corporate debt market as a whole. **Credit** – a contractual agreement in which a borrower receives something of value now and agrees to repay the lender at a later date—generally with interest. Credit also refers to the creditworthiness or credit history of an individual or company. **Cyclical** – A cyclical stock is a stock highly correlated to changes in the economy. **Dislocation** – Circumstance in which financial markets, operating under stressful conditions, cease to price assets correctly on an absolute and relative basis. **Distribution** – Distributions of income and capital gains that mutual funds make to their investors periodically during a calendar year. **Dove** – An economic policy advisor who promotes monetary policies that involve the maintenance of low interest rates, believing that inflation and its negative effects will have a minimal impact on society. Statements that suggest that inflation will have a minimal impact are called “dovish.” **Duration** – A measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates. Duration is expressed as a number of years. Rising interest rates mean falling bond prices, while declining interest rates mean rising bond prices. **Dividend** – A distribution of a portion of a company’s earnings, decided by the board of directors, to a class of its shareholders. **Easing** – A monetary policy in which a central bank purchases government securities or other securities from the market in order to lower interest rates and increase the money supply. **Eurozone** – A geographic and economic region that consists of all the European Union countries that have fully incorporated the euro as their national currency. **Expansion** – The phase of the business cycle when the economy moves from a trough to a peak. During this period of business activity, employment levels, consumer confidence and gross domestic product (GDP) all surge. **Federal Funds Rate** – The interest rate at which depository institutions actively trade balances held at the Federal Reserve, called federal funds, with each other, usually overnight, on an uncollateralized basis. **Federal Reserve (the Fed)** – The central bank of the United States which regulates the U.S. monetary and financial system. **Floating Rate** – Any interest rate that changes on a periodic basis. The change is usually tied to movement of an outside indicator, such as the prime interest rate. **FOMC (Federal Open Market Committee)** – The branch of the Federal Reserve Board that determines the direction of monetary policy. **Fundamental** – Macroeconomics and Microeconomics. Macroeconomic fundamentals include topics that affect an economy at large. **Futures** – A legally binding agreement to buy or sell a commodity or financial instrument in a designated future month at a price agreed upon at the initiation of the contract by the buyer and seller. Futures contracts are standardized according to the quality, quantity, and delivery time and location for each commodity or financial instrument. **High Yield** – A bond that is rated below investment grade. **Inflation** – A condition of a rise in the general level of prices of goods and services in an economy over a period of time. **Investment Grade** – A bond that is rated Baa3/BBB- or higher by Moody’s, Standard & Poors and Fitch. **ISM (Institute For Supply Management)** – A non-profit organization that serves professionals, who are employed in the supply management profession. **Late-cycle** – Often coincides with peak economic activity, implying that the rate of growth remains positive but slows. A typical late-cycle phase may be characterized as an overheating stage for the economy when capacity becomes constrained, which leads to rising inflationary pressures. **Liquidity** – The ability to convert an asset to cash quickly. **MBS (Mortgage-Backed Securities)** – A type of asset-backed security that is secured by a mortgage or collection of mortgages. These securities must also be grouped in one of the top two ratings as determined by a accredited credit rating agency, and usually pay periodic payments that are similar to coupon payments. Furthermore, the mortgage must have originated from a regulated and authorized financial institution. **Non-Agency CMBS** – Commercial Mortgage Backed Securities whose underlying assets are commercial real estate such as multi-family, hotel, office, or retail properties and do not have an explicit US government guarantee nor are they guaranteed by one of the Government Sponsored Enterprises. **Non-Agency MBS** – Mortgage backed securities sponsored by private companies other than government sponsored enterprises such as Fannie Mae or Freddie Mac. **Non-investment Grade** – A bond rating that signifies low credit quality with a relatively high risk of defaulting. Ratings of ‘BB’, ‘B’, ‘CCC’, etc. are usually considered of low credit quality. **PMI (Purchasing Managers Index)** – An indicator of the economic health of the manufacturing sector. The PMI index is based on five major indicators: new orders, inventory levels, production, supplier deliveries and the employment environment. **Recession** – Two consecutive quarters of negative economic growth as measured by a country’s gross domestic product. **Repurchase Agreement (Repo)** – A form of short-term borrowing for dealers in government securities. The dealer sells the government securities to investors, usually on an overnight basis, and buys them back the following day. **Risk-Adjusted Return** – Refines an investment’s return by measuring how much risk is involved in producing that return, which is generally expressed as a number or rating. **S&P 500 Index (SPX)** – A capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. **Spread** – The difference between the bid and the ask price of a security or asset. **Structured Credit Product (Market-Linked Investment)** – A pre-packaged investment strategy based on a single security, a basket of securities, options, indices, commodities, debt issuance or foreign currencies, and to a lesser extent, derivatives. **Super Senior** – Part of a collateralized debt obligation’s structure consisting of high-quality financial paper with a very low exposure to risk. Super senior notes are the top-rated debt in credit rating. In the case of a default, super senior debt is more likely to see at least a portion of its value returned to an investor. **TBA (To Be Announced)** – A term used to describe a forward mortgage-backed securities trade. **Technical** – Analyzing statistics generated by market activity, such as past prices and volume. **Tightening** – Short for tight monetary policy. A situation in

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which a central bank enacts relatively high target interest rates to lower the available of credit. Effectively "tightening" the supply of credit. **Total Return** – The rate of return on a security, including income from dividends and interest, as well as appreciation or depreciation in the price of the security, over a given time period of time. **Trade Policy** – Refers to the regulations and agreements that control imports and exports to foreign countries. **Underweight** – A condition where a portfolio does not hold a sufficient amount of a particular security when compared to the security's weight in the underlying benchmark portfolio. **Underwriting** – The process by which investment bankers raise investment capital from investors on behalf of corporations and governments that are issuing securities (both equity and debt). **U.S. Treasuries** – U.S. dollar denominated debt issued by the U.S. government. **Valuations** – The process of determining the current worth of an asset or company. There are many techniques that can be used to determine value, some are subjective and others are objective. **Volatility** – A measure of the risk of price moves for a security calculated from the standard deviation of day to day logarithmic historical price changes. **Yield** – The income return on an investment. This refers to the interest or dividends received from a security and is usually expressed annually as a percentage based on the investment's cost, its current market value or its face value. **Yield Curve** – A line that plots the interest rates, at a set point in time, of bonds having equal credit quality, but differing maturity dates. The most frequently reported yield curve compares the three-month, two-year, five-year and 30-year U.S. Treasury debt. This yield curve is used as a benchmark for other debt in the market, such as mortgage rates or bank lending rates. The curve is also used to predict changes in economic output and growth.

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