METWEST Funds
TCW Family of Funds

FOURTH QUARTER 2019 COMMENTARY

MetWest Unconstrained Bond Fund

Performance as of December 31, 2019

(%)	I Share	M Share	Index[1]
Latest Quarter	0.81	0.74	0.52
Year-To-Date	6.48	6.17	2.49
1 Year	6.48	6.17	2.49
3 Years	3.78	3.48	1.98
5 Years	3.07	2.77	1.38
Since Inception	5.55	5.28	0.97[2]

Not annualized if less than one year.

Expense Ratio (%)	I Share	M Share
Gross	0.75	1.03
Net[3]	0.75	1.03

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

Source: TCW

1 ICE BofAML U.S. Dollar 3-Month Deposit Offered Rate Average Index– (formerly BofA Merrill Lynch U.S. LIBOR 3-Month Average Index) – Tracks the performance of a basket of synthetic assets paying Libor to a stated maturity. 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.

2 The since inception return for the index reflects the inception date of the MetWest Class I and Class M Share Funds, for period 9/30/11 – 12/31/19.

3 Expenses reflect a contractual agreement by the Adviser to reduce its fees and/or absorb certain expenses to limit the fund's total annual operating expenses until July 31, 2019, unless terminated earlier by the Board of Trustees. Performance would have been lower if fees had not been waived in various periods.

Market Review: "With the Fed Around, Uncertainty is Certain"

While there were a litany of downside risks facing markets this year, the dovish stance (and, ultimately, action) of global central banks overwhelmed any temporary disruptions, with equity markets responding in Pavlovian fashion to the mere suggestion of monetary accommodation. Looking back, it would have been a stretch to have predicted a year of over 30% returns for equities and nearly 9% for fixed income, knowing the myriad risks and policy uncertainty. The list of headline risks included heightened U.S.-China trade tensions, the longest U.S. auto workers' strike in 50 years (at General Motors), repo market funding pressures, a U.S. presidential impeachment, ongoing Brexit rancor, and a Venezuelan default. Trade effects were outsized in 2019, as the direction of talks – and ensuing market reaction – seemed to shift constantly and influence, particularly, stock market ups and downs. However, the general trend tilted positive late in the year as trade negotiations picked up and near-term uncertainty came down. Not surprisingly, businesses remained skeptical in this environment, evidenced by sharp declines in survey-based measures of expectations, confidence, and spending decisions. Still, the dominating theme of the fourth quarter (and all of 2019) was that of central bank accommodation, leading to a sharp rise in net asset purchases which, having reached a post-crisis low of $77 billion earlier this year, are estimated to grow by over $1 trillion by September 2020.

Notwithstanding soaring asset prices sustained by rate cuts and ongoing liquidity injections, the underlying fundamentals have not changed. Manufacturing data has been an area of particular concern, with the U.S. ISM Manufacturing survey in contractionary territory for five consecutive months, culminating in a December report that marked the worst reading since June 2009. Factory weakness is further reinforced by flagging seaport and airport activity, while the Eurozone also remained mired in an industrial recession (even for the traditional stalwart, Germany). Furthermore, corporate profit margins have been compressed for several quarters, accompanied by declines in capital investment, increases in share buybacks, and debt-financed M&A activities, all while debt levels persisted at historical highs and underwriting standards for corporate credit and loans deteriorated.

Capping off an impressive year, the S&P 500 advanced 9.1% in the fourth quarter. Fixed income markets trailed, with a mixed return profile across sectors leading to a 0.2% gain for the Bloomberg Barclays U.S. Aggregate Index over the same period, while the year-to-date return amounted to a historically robust 8.7%. Broadly, fixed income sectors generated strong gains on the year, as Treasury rates collapsed across the curve – the One-Year note was down 103 basis points (bps), while 10-Year and 30-Year yields dropped by 77 and 63 bps, respectively. Investment grade corporates were a standout performer in 2019, as unrelenting global investor demand compressed spreads to cycle tights of 93 bps. The sector returned 1.2% during the quarter, approximately 240 bps over duration-matched Treasuries, and an impressive 14.5% for the year – with 676 bps of positive excess return versus Treasuries. Similarly, high yield corporates were up 2.6% in the fourth quarter and 14.3% for the year, with a staggering 934 bps of excess return over Treasuries (outpacing all other fixed income assets). Notably, investors showed signs of discernment in the high yield market, as considerable dispersion characterized the sector throughout the year. Notwithstanding a rally in December, CCCs lagged BBs for the better part of the year, ultimately trailing by nearly 600 bps with a total return of 9.5% versus a BB return of 15.5%. Securitized products also fared well for the year, though fourth quarter returns varied across collateral types. Agency MBS spreads tightened in December, bringing fourth quarter returns to 0.7% (over 60 bps ahead of Treasuries) and yearly returns to 6.4%. Asset-backed securities (ABS) followed, with returns of 0.4% in 4Q and a full-year gain of 4.5%. Meanwhile, commercial MBS fell 0.3% in the fourth quarter, weighed down by trailing agency CMBS, though the overall sector delivered total returns of 8.3% in 2019.

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.

METWESTFunds
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FOURTH QUARTER 2019 COMMENTARY

MetWest Unconstrained Bond Fund

Performance

The MetWest Unconstrained Bond Fund – I Class ("Fund") gained 0.81% in the fourth quarter of 2019, outpacing the ICE BofA U.S. Dollar 3-Month Deposit Offered Rate Average Index by 29 bps, while the Fund's 6.48% year-to-date return was nearly 400 bps ahead of the Index. Outperformance for both periods was driven by the exposure to corporate credit, as spreads tightened considerably over the quarter and year. Among investment grade, the allocation to industrials, especially consumer non-cyclical and communications credits, contributed most, while high yield corporate credit holdings furthered outperformance, particularly for the year as the sector delivered more than 930 bps of positive excess return over duration-matched Treasuries. The small exposure to emerging market debt also benefitted returns for both the quarter and the year, as the asset class was supported by strong investor risk appetite. Meanwhile, the impact from the Fund's securitized products holdings was mixed. For the quarter, wider spreads across CMBS and ABS resulted in a drag on performance, though this was somewhat offset by contributions from issue selection among residential non-agency MBS. Over the year, however, securitized products contributed, largely due to the non-agency MBS allocation given sustained demand and consistent positive total returns for the sector. Finally, the duration position of approximately 1.8 years was a headwind to performance during the quarter as Treasury rates moved higher, but a significant contributor for the full year as the yield curve collapsed (the 10-Year yield moved over 75 bps lower).

Outlook & Positioning

With the easing profile following late 2018's significant volatility, the Fed appears, in action if not necessarily by mission statement, very willing to support markets. However, even monetary policy has limits, particularly in the face of late-cycle challenges such as corporate credit leverage, ongoing trade uncertainty, U.S. elections, and other downside risks. Furthermore, the Fed's 2019 dovish policy stance does not alter the underlying fundamental picture and thus is unlikely to serve as a catalyst for a broader, sustained rebound in economic activity. Against a precarious global backdrop rife with uncertainty and studded with important elections (in the U.S., U.K., and elsewhere), the coming year stands to be an interesting one. Notably, fear of recession still tops the list of concerns in the minds of top business executives in the U.S., according to the latest Conference Board survey, reflecting the uncertain environment going forward, and standing at odds with the heady market returns from the past year. If one thing is certain, as investors learned in 2019, even if you can predict outcomes of geopolitical events, you can't predict how the market will react.

The Fund's duration profile continues to target roughly 1.8 years, while sector positioning remains more defensive in nature with minimal exposure to the more vulnerable (i.e., "breakable") issuers and industries. Holdings emphasize communications and consumer non-cyclicals such as pharmaceuticals, healthcare, or food and beverage, and have moved subtly towards higher conviction names. Exposure to banking was reduced throughout the year as yield premiums came down, consistent with our value discipline, and the Fund is positioned to add opportunistically during bouts of volatility when prices look relatively more attractive. Outside of credit, senior parts of the securitized markets still offer opportunities for attractive risk-adjusted returns, though we remain vigilant to pockets of looser underwriting standards, particularly in current vintage CMBS, with a slight bias towards agency-backed issues. Residential MBS also 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. Meanwhile, the Fund's ABS position is focused on super-senior issues backed by government-guaranteed student loan collateral and agency MBS positioning is minimal.

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Investment Risks

High yield securities may be subject to greater fluctuations in value and risk of loss of income and principal than higher-rated securities. 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. The Fund's investments denominated in foreign currencies will decline in value if the foreign currency declines in value relative to the U.S. dollar. Fund share prices and returns will fluctuate with market conditions, currencies, and the economic and political climates where the investments are made. The securities markets of emerging market countries can be extremely volatile. 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.

MetWest Unconstrained Bond Fund

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. **Bloomberg Barclays U.S. Aggregate Bond Index** – A market capitalization-weighted index of investment-grade, fixed-rate debt issues, including government, corporate, asset-backed and mortgage-backed securities, with maturities of at least one year. **Bond** – a fixed income instrument that represents a loan made by an investor to a borrower (typically corporate or governmental). A bond could be thought of as an I.O.U. between the lender and borrower that includes the details of the loan and its payments. A bond has an end date when the principal of the loan is due to be paid to the bond owner and usually includes the terms for variable or fixed interest payments that will be made by the borrower. Bonds are used by companies, municipalities, states, and sovereign governments to finance projects and operations. Owners of bonds are debtholders, or creditors, of the issuer. **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. **Brexit** – An abbreviation of "British exit", which refers to the June 23, 2016 referendum by British voters to exit the European Union. **Central Bank** – A monopolized and often nationalized institution given privileged control over the production and distribution of money and credit. **Conference Board (The)** – A global, independent business membership and research association working in the public interest. The Board's mission is to provide the world's leading organizations with the practical knowledge they need to improve their performance and better serve society. **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. **CMBS (Commercial Mortgage-Backed Securities)** – A debt obligation that represents claims to the cash flows from pools of mortgage loans on commercial property. **Credit** – Issuers. **Cyclical** – A cyclical stock is a stock highly correlated to changes in the economy. **Defensive** – Stock that provides a constant dividend and stable earnings regardless of the state of the overall stock market. **Distribution** – Distributions of income and capital gains that mutual funds make to their investors periodically during a calendar year. **Dividend** – A distribution of a portion of a company's earnings, decided by the board of directors, to a class of its shareholders. **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. **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. **Emerging Market Debt (EMD)** – A term used to encompass bonds issued by less developed countries. **European Union (EU)** – A group of European countries that participates in the world economy as one economic unit and operates under one official currency, the euro. **Eurozone** – A geographic and economic region that consists of all the European Union countries that have fully incorporated the euro as their national currency. **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. **Fundamental** – Macroeconomics and Microeconomics. Macroeconomic fundamentals include topics that affect an economy at large. **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. **Leverage** – The use of borrowed money to increase investing power. A firm with significantly more debt than equity is considered to be highly leveraged. **LIBOR or ICE LIBOR** – A benchmark rate that some of the world's leading banks charge each other for short-term loans. It stands for IntercontinentalExchange London Interbank Offered Rate and serves as the first step to calculating interest rates on various loans throughout the world. **Liquidity** – The ability to convert an asset to cash quickly. **Macroeconomic** – Relating to the branch of economics concerned with large-scale or general economic factors, such as interest rates and national productivity. **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. **Monetary Policy** – The actions of a central bank, currency board or other regulatory committee that determine the size and rate of growth of the money supply, which in turn affects interest rates. **Mutual Funds** – An investment vehicle that is made up of a pool of funds collected from many investors for the purpose of investing in securities such as stocks, bonds, money-market instruments and similar assets. Mutual funds are operated by money managers, who invest the fund's capital and attempt to produce capital gains and income for the fund's investors. A mutual fund's portfolio is structured and maintained to match the investment objectives stated in its prospectus. **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. **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. **Risk Premium (or Yield Premium)** – The minimum rate of return demanded by holders of a risky asset in excess of the return on a risk-free asset with similar maturity and duration profile. **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. **Securitized Product** – Any fixed income investment from the mortgage-backed, asset-backed, or commercial mortgage-backed sectors. **Spread** – The difference between the bid and the ask price of a security or asset. **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. **Tightening** – Short for tight monetary policy. A situation in which a central bank enacts relatively high target interest rates to lower the available of credit. Effectively "tightening" the supply of credit. **Treasury Note** – A treasury note is a marketable U.S. government debt security with a fixed interest rate and a maturity between one and 10 years. Treasury notes are available from the government with either a competitive or noncompetitive bid. **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. **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. **Wides**– The yield difference between two bonds is increasing, and one sector is performing better than another. **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.

For more information about the Fund call us at 800 241 4671.

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