

TCW Concentrated Core (Large Cap Growth)

SECOND QUARTER 2019 | INFOFLASH

Philosophy: A highly-focused approach primarily targeting top mid- to large-cap companies with strong and enduring business models. An active strategy utilizing proprietary fundamental research focused on identifying companies with improving operating prospects.

Key Issues

- Volatility returned in the second quarter thanks to slowing economic growth and no resolution of the ongoing U.S.-China trade dispute, yet all three major equity indices finished the period at higher levels. The S&P 500 led the market advance (+4.3%), followed by the NASDAQ Composite (+3.9%) and the Dow Jones Industrial Average (+2.6%). Crude oil dropped 3.6% in 2Q but has rallied 26% YTD. The yield on the 10yr U.S. Treasury finished the period at 2.00%, compressing 41bps for the quarter.
- Driven by solid economic data, equity markets continued their first quarter rally into April and the S&P 500 finished the period at an all-time high. U.S. payroll employment bounced back in March, the U.S. manufacturing PMI remained in expansion territory (55.3 in March) and 1Q19 real GDP surprised to the upside (+3.2% QoQ). Equity market volatility returned in May, however, and the S&P 500 finished the month down 6.4% as economic data in the U.S. was more mixed. The unemployment rate dropped to 3.6% (lowest since December 1969) but light vehicle sales missed consensus estimates and April's ISM reading was the weakest in three years. Trade tensions between the U.S. and China escalated when President Trump threatened to increase tariffs from 10% to 25% on \$200 billion of Chinese goods. Bonds rallied, and both the 10 year/1 year and 10 year/3 month segments of the U.S. Treasury curve inverted. Q1 GDP was revised lower but consumer spending remained resilient during the quarter. In June, U.S. equity markets rebounded despite a softer May employment report and ISM manufacturing data missing consensus estimates. Meanwhile, industrial production growth slowed to a 17-year low in China. President Trump and President Xi Jinping of China agreed to resume trade talks at the G-20 meeting in late June, giving some investors hope a trade deal could occur in the near future. As investors await a potential trade resolution, the bond market has fully-discounted a 25bps rate cut for the July Federal Open Market Committee meeting, which appears to be a clear sign that growth has stalled for the broader market. Our focus now turns to an increasingly important second quarter earnings season.
- The Russell 1000 Growth Index returned +4.64% during the quarter. Including the contribution of sector allocation and security selection, the strategy's healthcare and industrials weightings helped relative results most and the strategy's financial services and materials weightings most negatively impacted performance during 2Q19. Positive security selection effects (primarily in the industrials, healthcare and consumer staples sectors) benefited the strategy's performance during 2Q19.

Top Ten Holdings

AS OF JUNE 30, 2019

Name	% of Portfolio
1. Visa Inc.	6.7
2. Amazon.com, Inc.	6.6
3. Adobe Inc.	5.5
4. American Tower Corporation	5.1
5. Facebook, Inc.	5.0
6. ServiceNow, Inc.	5.0
7. Alphabet Inc.	4.9
8. salesforce.com, inc.	4.2
9. PayPal Holdings, Inc.	4.0
10. Mastercard Incorporated	3.4

Source: TCW. Based on a managed account model portfolio. Portfolio characteristics and holdings are subject to change at any time. It should not be assumed that an investment in the securities listed was, or will be, profitable.

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Representative Equity Buys and Sells

BUYS (Ticker; Sector)

ASML Holding N.V. (ASML; Information Technology)

Headquartered in the Netherlands, ASML develops, produces and markets semiconductor manufacturing equipment, namely lithography systems. Lithography is the photographic process by which a semiconductor design is initially transferred on to a wafer and can be an important technical limiter for feature size reduction. ASML is the only producer of the most advanced EUV (Extreme Ultraviolet Lithography) machines for the next generation of semiconductor chips and currently garners >85% market share of the global lithography market. We believe the company may benefit from the exponential increase in data generation via new semiconductor devices and applications and we do not believe the current stock price reflects the company's scale, pricing power and secular tailwind in a large and growing end market.

SELLS (Ticker; Sector)

There were no complete sells during the quarter.

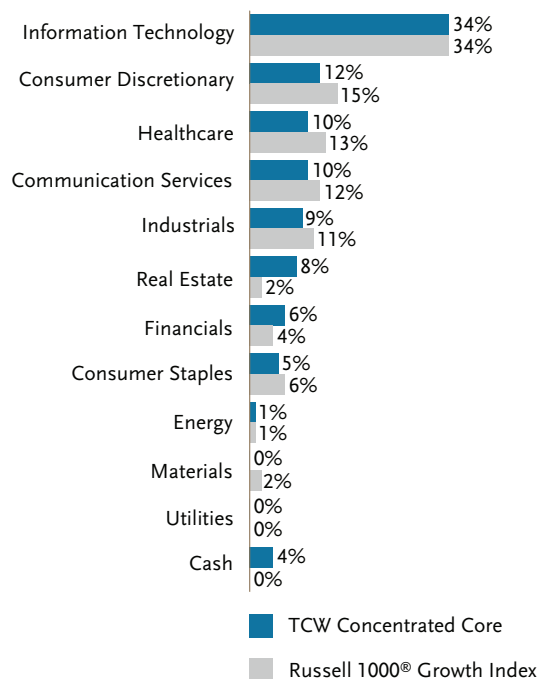
Portfolio Profile

AS OF JUNE 30, 2019

Equities	TCW	Russell 1000® Growth Index
Number of Securities	32	546
Average Price/Earnings:		
Next 12 Months	30.08x	20.87x
PEG Ratio - Forward 1 Yr.	2.09x	1.84x
Price to Sales	5.65x	3.32x
Debt-to-Equity	0.99x	1.19x
Dividend Yield	0.49%	1.26%
Projected 3-5 yr. Revenue Growth	13.29%	9.14%
Projected 3-5 yr. EPS Growth	18.10%	14.30%
Market Capitalization (Billions)		
Average (\$ Wtd.)	\$218.78	\$307.64
Average (Eq. Wtd.)	\$142.84	\$37.21
Median	\$55.20	\$13.03

Sector Analysis

AS OF JUNE 30, 2019



Source: TCW

Based on a managed account model portfolio. Portfolio characteristics and holdings are subject to change at any time. The investment strategy does not target any specific numbers or ranges for these characteristics. Accordingly, these characteristics can vary greatly. The estimates are forward-looking statements based on assumptions. This would include forward earnings estimates and growth rates, among other things, and all associated calculations, including projected price/earnings ratios. Actual results may vary materially from the estimates due to the numerous economic, financial and market conditions. There is no assurance that forecast estimates will be realized. 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 strategy.

Reflects up to the three largest buys (new buys) and up to the three largest sells (complete sells) for the quarter. There is no assurance that any securities discussed herein will remain in an account; be purchased in the portfolio at the time this report is received or that securities sold have not been repurchased. It should not be assumed that any of the securities transactions or holdings discussed herein, or will prove to be, profitable or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein.

Russell 1000® Growth: The Russell 1000® Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000® Index companies with higher price-to-book ratios and higher forecasted growth values.

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