TCW Emerging Markets Local Currency Income Fund

TCW Funds
TCW Family of Funds

JUNE 30, 2019

TGWIX/TGWNX | Index: JP Morgan GBI-EM Global Diversified

Emerging Markets (EM) local currency debt returned 5.51% in June on the back of more dovish global central bank policy and subsequent dollar weakness. Argentina and Turkey, who stand to benefit from the lower-rate environment, were the best performers in June. On the other hand, lower-yielding sovereigns underperformed the broader rally. Net portfolio outflows from EM local currency dedicated funds totaled $840 million, although flows started to stabilize near the end of the month.

Characteristics

	Fund	Index*
Treasury Spreads (bps)	543	377
Effective Duration (years)	5.56	5.43
Average Life (years)	8.70	7.83

Security Types (%)

	Fund
Sovereigns	96.10
Corporates	1.45
Quasi-Sovereigns	0.51
Cash & Equivalents	1.94

Top 5 Net Currency Exposures (%)

	Fund	Index	Relative UW/OW**
Indonesia	10.94	10.00	0.94
Mexico	10.94	10.00	0.94
South Africa	10.76	8.85	1.91
Brazil	10.74	10.00	0.74
Colombia	8.89	6.87	2.02

Credit Quality (%)

	Fund
A	11.94
BBB	49.80
BB	23.89
B	11.03
CCC	1.40
Investment Grade	61.74
High Yield	36.32

Source: TCW

Portfolio characteristics and holdings are subject to change at any time. Due to rounding, totals may not add up to 100%. Past performance is no guarantee of future results. 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.

* JP Morgan Government Bond Index-Emerging Markets Global Diversified (GBI-EM GD): A comprehensive global local emerging markets index that consists of regularly traded, liquid fixed-rate, domestic currency government bonds and includes only the countries which give access to their capital market to foreign investors (excludes China and India). The index is market capitalization weighted, with a cap of 10% to any one country.

** Underweight/Overweight

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 877-829-4768 or you may download the Prospectus from the Funds' website at TCW.com. Please read it carefully.

The TCW Funds are distributed by TCW Funds Distributors

Disclosures found on the last page are an integral and important part of this document.

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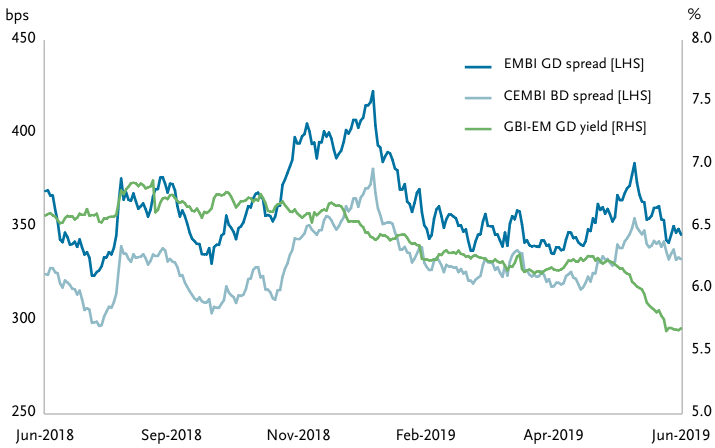
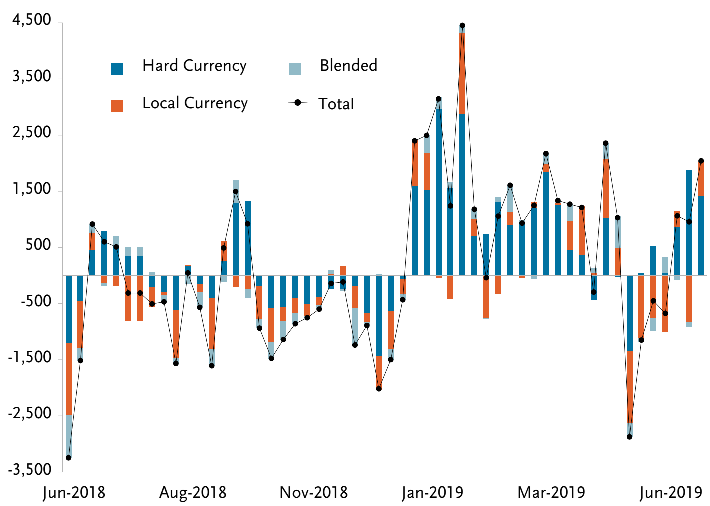
Emerging Markets Index Valuations



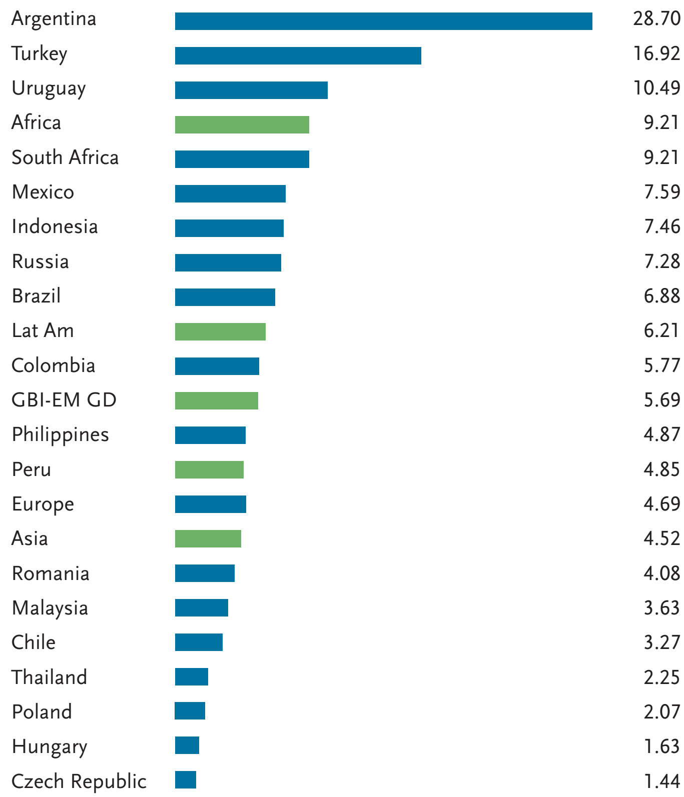
Source: Bloomberg, JP Morgan; Data as of June 28, 2019

Weekly EM Dedicated Bond Fund Flows (USD Millions)



Source: EPFR Global, CIBC; Data as of June 28, 2019

Local Market Bond Yields (%)



Source: Bloomberg; Data as of June 28, 2019

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Fund Performance

		Annualized					
(%)	Quarter	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
TGWIX (I Share)	**5.86**	**7.62**	**4.42**	**-0.03**	**–**	**1.50**	**12/14/10**
TGWNX (N Share)	**5.87**	**7.62**	**4.38**	**-0.03**	**–**	**1.48**	**12/14/10**
JP Morgan GBI-EM Global Diversified Index	5.64	8.99	4.24	-0.45	–	1.05[1]	

Expense Ratio (%)	I Share	N Share
Gross	0.95	1.32
Net[2]	0.85	0.90

Annual fund operating expenses as stated in the Prospectus dated February 28, 2019, excluding interest and acquired fund fees and expenses, if any.

Source: TCW, State Street B&T. Portfolio characteristics and holdings are subject to change at any time.

1 For period 12/14/10 – 6/30/19.

2 Effective January 1, 2019, the Fund's investment advisor has agreed to waive fees and/or reimburse expenses to limit the Fund's total annual operating expenses (excluding interest, brokerage, extraordinary expenses and acquired fund fees and expenses, if any) to 0.85% of average daily net assets with respect to Class I shares and 0.90% of average daily net assets with respect to Class N shares. This contractual fee waiver/expense reimbursement will remain in place through March 1, 2020 and may be terminated by the investment adviser, or extended or modified with approval of the Board of Directors..

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.

This material is for general information purposes only. There can be no assurance that the objectives and/or trends will come to pass or be maintained. This material may include estimates, projections and other "forward-looking" statements. Actual events may differ substantially from those presented. TCW assumes no duty to update any such statements. Projections are based on current asset prices and are subject to change.

The processes described herein are illustrative only and subject to adaptation in any particular context. This material reflects the current opinions of the author but not necessarily those of TCW and such opinions are subject to change without notice. TCW, its officers, directors, employees or clients may have positions in securities or investments mentioned in this publication, which positions may change at any time, without notice.

Any opinions expressed are current only as of the time made; are subject to change without notice; are solely those of the author and do not represent the views of TCW as a firm or of any other portfolio manager or employee of TCW.

Credit Quality Disclosure

These ratings are provided by one or more outside credit agencies including Moodys, Standard & Poor's and Fitch Ratings. The procedure used in calculating the Fund's ratings breakdown involves assigning a rating based on the decision rule below, linking the rating to the Moody's rating factor (numerical scale), weighting the securities and their ratings by their market value dollar amount and arriving at a weighted average rating factor. Credit quality ratings are subject to change and pertain to the underlying holdings of the Fund and not the Fund itself.

The decision rule used in calculating the Fund's ratings breakdown involves: i) a 2 out of 3 approach of the ratings of the three credit agencies Moody's, Standard & Poor's & Fitch for each security; in the rare cases where the rating buckets of the three agencies differ the middle of the three will be taken; if ratings are only available from two agencies the lower of the two would be selected; ii) applying a "Ca" rating (which is the lowest rating with a numerical value) if the security is unrated by any of these three agencies; and iii) applying "Aaa" rating to cash, which is invested in overnight repo backed by U.S. Treasuries. Gradations of creditworthiness are indicated by rating symbols, with each symbol representing a group in which the credit characteristics are broadly the same. The AAA rating is the highest (best) rating and D is the lowest (worst) rating, the Unrated category contains bonds that are not rated by a nationally recognized statistical rating organization. The procedure has been in effect since the change in methodology used by JP Morgan for the EMBIGD index in late 2015. The credit quality of the investments in the portfolio does not apply to the stability or safety of the Fund.

Investment Risks

Counterparty Risk – Counterparty risk refers to the risk that the other party to a contract, such as individually negotiated or over-the-counter derivatives, will not fulfill its contractual obligations, which may cause losses or additional costs to a Fund or cause a Fund to experience delays in recovering its assets. **Credit Risk** – Credit risk refers to the likelihood that an issuer will default in the payment of principal and/or interest on a security. **Debt Securities Risk** – Debt securities are subject to two primary (but not exclusive) types of risk: credit risk and interest rate risk. These risks can affect a debt security's price volatility to varying degrees, depending upon the nature of the instrument. **Derivatives Risk** – The use of derivatives involves risks different from, or possibly greater than, the risks associated with investing directly in the underlying instrument. Derivatives can be highly volatile, illiquid and difficult to value, and there is the risk that changes in the value of a derivative held by a Fund will not correlate perfectly with the underlying asset, reference rate or index. Certain types of derivatives involve greater risks than the underlying obligations because, in addition to general market risks, they are subject to counterparty risk and liquidity risk. **Distressed and Defaulted Securities Risk** – Repayment of defaulted securities and obligations of distressed issuers (including insolvent issuers or issuers in payment or covenant default, in workout or restructuring or in bankruptcy or solvency proceedings) is subject to significant uncertainties, including suspension of interest payments on defaulted or distressed securities and incurring additional costs to protect its investment. In addition, defaulted or distressed securities involve the substantial risk that principal will not be repaid. **Emerging Market Country Risk/Developing Market Country Risk** – Investing in emerging and developing market countries involves substantial risk due to, among others, higher brokerage costs in certain countries; different accounting standards; thinner trading markets as compared to those in developed countries; the possibility of currency transfer restrictions; and the risk of expropriation, nationalization or other adverse political, economic or social developments, and such countries may lack the social, political and economic stability characteristics of developed countries. The securities markets of emerging and developing market countries can be substantially smaller, less developed, less liquid and more volatile than the major securities markets in the U.S. and other developed nations. Currencies of emerging and developing market countries experience devaluations relative to the U.S. dollar from time to time. **Foreign Currency Risk** – Currency exchange rates may fluctuate significantly and unpredictably. As a result, a Fund's investments in foreign currencies, in foreign securities that are denominated, trade, and/or receive revenues in foreign currencies, or in derivatives that provide exposure to foreign currencies may reduce the returns of the Fund. **Foreign Investing Risk** – Investments in foreign securities generally involve higher costs than investments in U.S. securities, including higher transaction and custody costs as well as additional taxes imposed by foreign governments. In addition, security trading practices abroad may offer less protection to investors such as the Funds, and foreign countries typically impose less thorough regulations on brokers, dealers, stock exchanges, corporate insiders and listed companies than does the U.S. **Frequent Trading Risk** – Frequent trading will lead to increased portfolio turnover and increased brokerage commissions and may produce capital gains which are taxable to shareholders when distributed. **Interest Rate Risk** – Interest rate risk is the potential for a decline in bond prices due to rising interest rates. **Issuer Risk** – The value of securities held by a Fund may decline for a number of reasons directly related to an issuer, such as changes in the financial condition of the issuer, management performance, financial leverage and reduced demand for the issuer's goods or services. **Junk Bond Risk** – Junk bonds have a higher degree of default risk, may be less liquid than higher-rated bonds and may be subject to greater price volatility due to such factors as specific issuer developments, interest rate sensitivity, negative perceptions of junk bonds generally and less secondary market liquidity. **Leverage Risk** – During periods of adverse market conditions, the use of leverage, such as borrowing, reverse repurchase agreements, and certain derivatives, may cause a Fund to lose more money than would have been the case if leverage was not used. **Liquidity Risk** – A Fund's investments in illiquid securities may reduce the returns of the Fund because it may not be able to sell the illiquid securities at an advantageous time or price. **Market Risk** – Returns from the securities in which a Fund invests may underperform returns from the various general securities markets or different asset classes. Adverse events in an issuer's performance or financial position can depress the value of its securities, as can liquidity and the depth of the market for that security, a market's current attitudes about types of securities, market reactions to political or economic events, including litigation, and tax and regulatory effects (including lack of adequate regulations and federal, state and other government and regulatory intervention to regulate or support institutions, markets and Funds). **Non-Diversification Risk** – Because a relatively higher percentage of the Fund's assets may be invested in the securities of a limited number of issuers, the Fund may be more susceptible to any single economic, political or regulatory event than a diversified fund. **Non-U.S. Sovereign Debt Risk** – Creditor seniority rights, claims to collateral and similar rights may provide limited protection and may be unenforceable. Legal protections available with respect to corporate issuers (e.g., bankruptcy, liquidation and reorganization laws) do not generally apply to governmental entities or sovereign debt. A Fund may have limited recourse to compel payment in the event of a default. **Portfolio Management Risk** – Portfolio management risk is the risk that an investment strategy may fail to produce the intended results. **Price Volatility Risk** – The value of a Fund's investment portfolio will change as the prices of its investments go up or down. The Funds that invest primarily in the equity securities of small- and/or mid-capitalization companies are generally subject to greater price volatility than mutual funds that primarily invest in large companies. The fewer the number of issuers in which a Fund invests, the greater the potential volatility of its portfolio. **Securities Selection Risk** – The specific securities held in a Fund's investment portfolio may underperform those held by other funds investing in the same asset class or benchmarks that are representative of the asset class because of a portfolio manager's choice of securities. **Valuation Risk** – Portfolio instruments may be sold at prices different from the values established by the Fund, particularly for investments that trade in low volume, in volatile markets or over the counter or that are fair valued. Portfolio securities that are valued using techniques other than market quotations, including "fair valued" securities, may be subject to greater fluctuation in their value from one day to the next than would be the case if market quotations were used. A Fund may from time to time purchase an "odd lot" or smaller quantity of a security that trades at a discount to the price of a "round lot" or larger quantity preferred for trading by institutional investors. There is no assurance that the Fund could sell a portfolio security for the value established for it at any time and it is possible that the Fund would incur a loss because a portfolio security is sold at a discount to its established value. *Please see the Fund's Prospectus for more information on these and other risks.*

Glossary of Terms

Average Life – Average life is calculated using the weighted average time to the receipt of all principal cash flows. **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. **Cash & Equivalents** – The assets include but are not limited to Discount Notes, Commercial Paper, Money Market Funds, STIFs, Certificates of Deposit, T-bills, Tri-Party Repo, US Treasury and Agency Notes within 13 months to maturity, and cash. While management generally believes that most, possibly all, of the cash and equivalents would be available on a same day or next day basis under stable market conditions, we cannot predict the impact of any adverse developments in market conditions that might occur. **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. **Credit Quality** – One of the principal criteria for judging the investment quality of a bond or bond mutual fund. **Developed Market** – Countries that have sound, well-established economies and are therefore thought to offer safer, more stable investment opportunities than developing markets. **Dividend** – A distribution of a portion of a company's earnings, decided by the board of directors, to a class of its shareholders. **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. **Emerging Market (EM)** – A country that has some characteristics of a developed market but is not a developed market. This includes countries that may be developed markets in the future or were in the past. **Hard Currency** – Currency that is widely accepted around the world as a form of payment for goods and services. It must come from a politically and economically stable country. Examples: U.S. dollar and British pound. **High Yield** – A bond that is rated below investment grade. **Investment Grade (IG)** – A bond that is rated Baa3/BBB- or higher by Moody's, Standard & Poors and Fitch. **Local Currency** – The most common form of currency used in a country. This usually encompasses the national currency of the country. **Market Capitalization** – Represents the aggregate value of a company or stock. It is obtained by multiplying the number of shares outstanding by their current price per share. **Maturity** – The period of time for which a financial instrument remains outstanding. **Quasi-Sovereigns** – A public sector entity or corporation majority-owned or otherwise controlled by a sovereign government. Debt issued by a quasi-sovereign entity can be explicitly or implicitly guaranteed by the sovereign. In the event of an explicit guarantee, the entity is defined as sovereign for purposes of this analysis. **Sovereign** – A national government within a given country. **Spread Duration** – A measure of the price sensitivity of a risky fixed income asset to a change in yield spread of that security. **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.