

# TCW Relative Value Portfolios – ESG Considerations

By Diane Jaffee and Christine An

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Ms. Jaffee is the Senior Portfolio Manager for the TCW Relative Value Large Cap, TCW Relative Value Dividend Appreciation, and TCW Relative Value Mid Cap strategies and funds. She joined TCW through the acquisition of SG Cowen Asset Management in 2001. She had been a Senior Portfolio Manager at Cowen Asset Management since 1995 and continues in that role at TCW. She has more than 30 years of investment experience. Before joining Cowen, she was Vice President and Portfolio Manager at Kidder, Peabody & Co from 1986 to 1995. Prior to that, she was Vice President at Lehman Management Company from 1985 to 1986 and an Equity Analyst with Prudential Insurance from 1982 to 1985. Ms. Jaffee holds a BA in Economics from Wellesley College (1982).



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Vice President  
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Ms. An is a Product Specialist responsible for communicating investment strategies, performance and outlook to clients for the Relative Value Group. She joined TCW in 2014 as a member of the Wealth Advisor Group where she focused on sales and client services. Ms. An brings the firm nearly a decade of investment professional experience with previous roles at AssetMark and Fidelity Investments. Ms. An earned a BA in Social Ecology from the University of California, Irvine. Additionally, she is a Certified Investment Management Analyst (CIMA) and Certified Financial Planner (CFP).

Environmental, Social, and Corporate Governance (ESG) investing describes corporate management as one that is ethical, efficient, and long-term focused. Good corporate governance is critical to corporate longevity and predisposes these stocks to outperform. ESG has become accepted as a mainstream approach to investing.

- Some 80% of Standard & Poor's 500 companies now issue sustainability reports which provide information on their economic and ESG performance.
- According to Bloomberg, approximately 84% of millennials are interested in socially responsible investing (SRI), and that figure is not expected to change as the generation ages, suggesting that demand for sustainable products will only increase.
- ESG investment philosophy has been gaining traction among large-scale institutional investors as well.
- As investors are embracing this approach, more money is being invested with an eye toward sustainability; according to Global Sustainable Investment Alliance (Barron's, July 2017), "over \$22 trillion of assets were managed under responsible investment strategies globally in 2016, up 25% from two years ago."

Although the Relative Value portfolios are not labeled as ESG, they maintain a tilt toward high quality companies that incorporate ESG principles. For example, gaming and tobacco stocks have always been excluded.

1. **TCW Relative Value Large Cap Fund (RVLC)** - Currently manages over \$2 billion in SRI for various mandates including, but not limited to, endowments and charities. Barron's has ranked RVLC "above average" for sustainability as of September 30, 2017.
2. **TCW Relative Value Dividend Appreciation Fund (RVDA)** - Within the same Barron's report, RVDA has a "high" sustainability rating which has been upgraded from "above average" at the end of 2016. In addition, RVDA landed among the top 50 funds for the most sustainable portfolios by Barron's (using Morningstar data) as of September 30, 2016.
3. **TCW Relative Value Mid Cap Fund (RVMC)** - According to Morningstar, as of January 31, 2018, is rated above its peer group average and benchmark (Russell Midcap Value).

Cisco Systems (CSCO) is a top 10 holding in both RVLC and RVDA and was ranked #1 of the top 100 sustainable companies by Barron's (February 2018).

*Cisco reduced its Scope 1 and Scope 2 greenhouse-gas emissions by 41% since 2007 and met its goal of getting 80% of its electricity from renewable sources. By 2022, it wants to cut greenhouse-gas emissions by 60% from 2007 levels and use renewable energy for 85% of electricity. Cisco ranks highly on community. It made cash grants to nonprofits for educational and other technology and trained 1.3 million students for IT jobs through its 20-year-old Networking Academy program. "A huge focus for me right now," Cisco chief Chuck Robbins told Barron's, "is to act with a sense of urgency to make sure that our communities are thriving and its citizens can actively participate in the digital economy." Last week, Robbins kicked off a multicompany initiative to teach new skills to a million workers displaced by automation.*



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Other Relative Value portfolio holdings among the top 100 sustainable companies include (February 2018):

Microsoft (MSFT) in RVLC and RVDA (#7)	Baker Hughes in RVLC and RVDA (#68)
Pepsi Co (PEP) in RVLC (#26)	KeyCorp (KEY) in RVMC (#74)
Target (TGT) in RVDA (#31)	Western Digital (WDC) in RVLC and RVMC (#78)
On Semiconductor (ON) in RVLC and RVMC (#42)	Comerica (CMA) in RVMC (#80)
State Street (STT) in RVLC (#49)	Proctor & Gamble (PG) in RVLC and RVDA (#99)

Other honorable mentions include:

- State Street (STT) in RVLC (ranked in the top 5 of the most sustainable Financials)
- Target (TGT) in RVDA (ranked in the top 5 of the most sustainable Consumer Discretionary companies)

Source: Barron's

In addition, not only do the Relative Value portfolios, headed by Diane Jaffee, have one of the longest lived track records headed by a woman, many of the RV portfolio holdings (listed below) are recognized among the 2018 Top 70 Companies for Executive Women as designated by the National Association for Female Executives (NAFE).

AT&T (T) in RVLC and RVDA	Merck (MRK) in RVLC and RVDA
Cardinal Health (CAH) in RVLC and RVMC	MetLife (MET) in RVLC, RVDA, and RVMC
DuPont (DWD) in RVLC and RVDA	Procter & Gamble (PG) in RVLC and RVDA*
Intel (INTC) in RVLC and RVDA	Synchrony Financial (SYF) in RVLC, RVDA, and RVMC
Jones Lang LaSalle (JLL) in RVLC, RVDA, and RVMC*	Target (TGT) in RVLC

\*Ranked Top 10

The mutual fund I share class ticker for the Relative Value Large Cap Fund is TGDIX, Relative Value Dividend Appreciation Fund is TGDFX, and Relative Value Mid Cap Fund is TGVOX.

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.

### Investment Risks

Equity investments entail equity risk and price volatility risk. The value of stocks and other equity securities will change based on changes in a company's financial condition and in overall market and economic conditions. Funds investing in mid and small cap companies involve special risks including higher volatility and lower liquidity.

For a complete list of Fund risks, please see the Prospectus.

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