

TCW & Bond Markets

PRESENTATION TO:

Maryland Supplemental Retirement Plans

OCTOBER 23, 2024

Bonds vs. Equities: How Are They Different?

	Equities	Bonds
Ownership	Each shareholder owns a small sliver of the company	Each bondholder is a creditor to whom the company owes money
Seniority	Most junior	Senior
Structure	Uncertain dividends	Fixed coupons and principal at maturity
Term	Perpetual	Fixed maturity
Upside	Potentially unlimited	Limited to coupon payments
Risk	Initial investment	Initial investment

Why Do Investors Buy Bonds?

- Steady income
- Lower volatility than equities
- Ballast in your portfolio
- Attractive returns at times



Types of Bonds

- Treasury/Government
- Corporate
- Mortgage
- Asset-Backed
- Municipal
- Money Markets



Bond Characteristics

- Maturity
- Coupon
- Seniority
- Collateral
- Terms



Size of the Market – Number of Issues

Single company – JP Morgan

- Equities: 1
- Fixed Income: 2,000+

U.S. Markets

- Equities: ~6,000
- Fixed Income: 750,000+



Global Markets

- Equities: ~60,000
- Fixed Income: 800,000+



Size of the Market – Dollars

Equity vs. Fixed

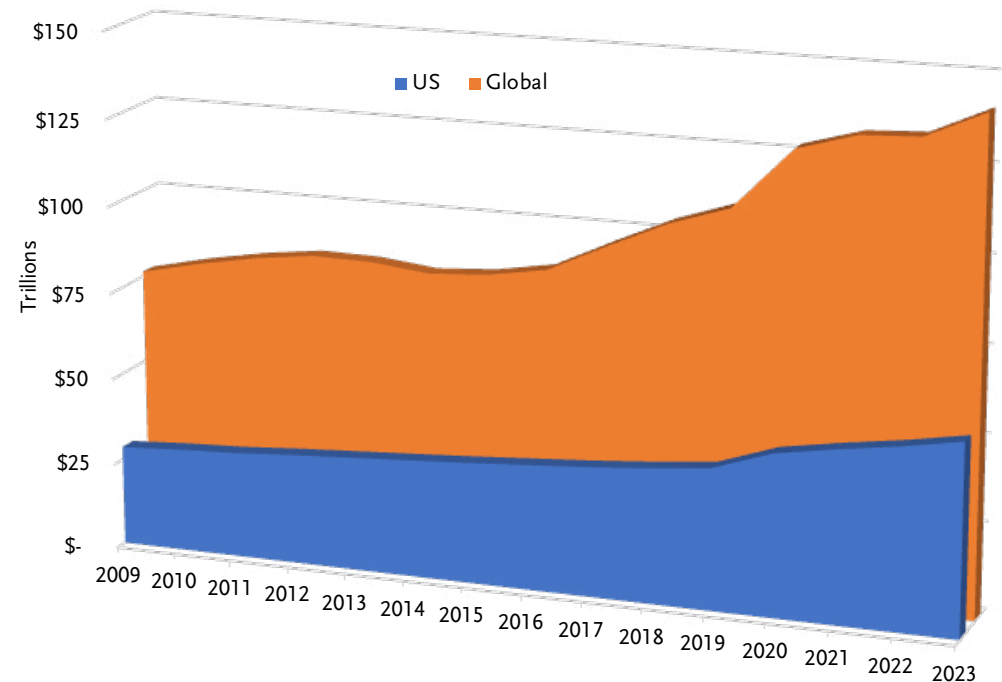
U.S. Markets

- Equity: \$49 trillion
- Fixed Income: \$55 trillion

Global Markets

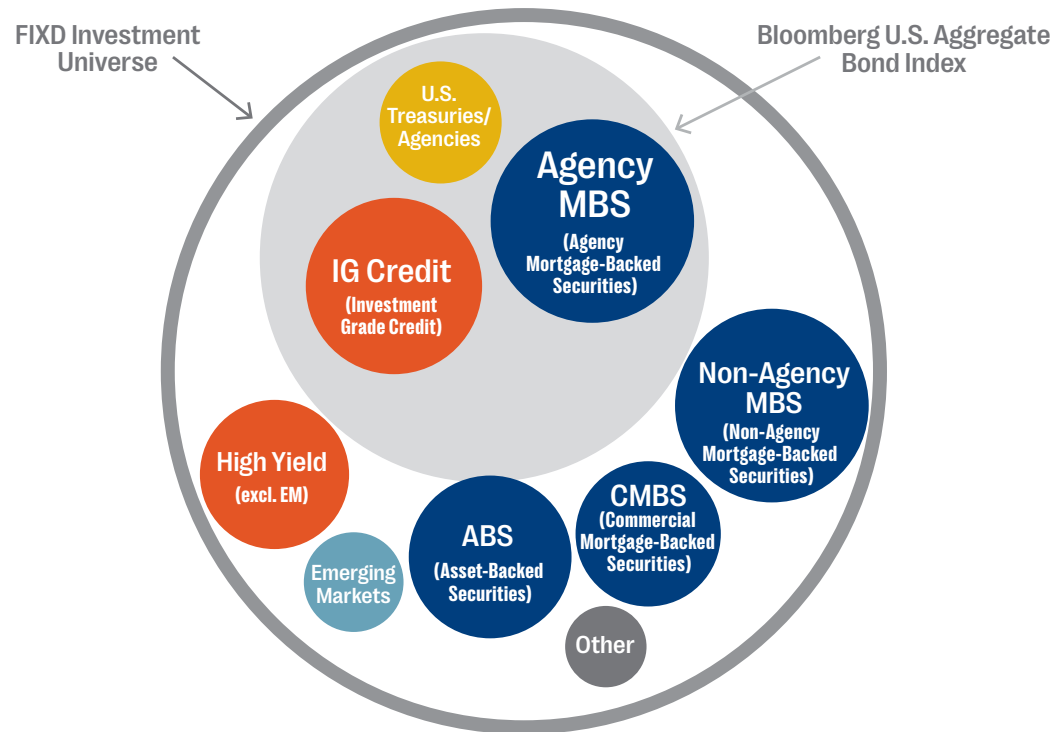
- Equity: \$115 trillion
- Fixed Income: \$141 trillion

Growth in Fixed Income Markets



Source: TCW

Active vs Passive



- Broad market bond indexes only include a few of the available types of fixed income securities
- Exposures are heavily weighted toward government guaranteed assets, with commensurately lower yields
- Perfect replication of benchmark allocations is impossible

Fixed Income Market Inefficiency

- Price discovery is hard
- Not all bonds trade every day
- Information isn't evenly distributed
- Complexity is a challenge
- Market segmentation – certain investors can't or won't buy certain types of bonds
- Technical factors (supply and demand) can overwhelm trading capacity
- Rating agencies create distortions

INDEX DISCLOSURE:

“Bloomberg®” and each of the Bloomberg fixed income indices are service marks of Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited (“BISL”), the administrator of the index (collectively, “Bloomberg”) and have been licensed for use for certain purposes by TCW. Bloomberg is not affiliated with TCW, and Bloomberg does not approve, endorse, review, or recommend any TCW product or portfolio. Bloomberg does not guarantee the timeliness, accurateness, or completeness of any data or information relating to any TCW product or portfolio.

GENERAL DISCLOSURE:

This material is for general information purposes only and does not constitute or form part of an invitation or offer to issue or sell, or a solicitation of an offer to buy, any security, specific product or services. This material is only directed at institutional investors and only provided upon their request. The distribution of this material in certain jurisdictions and/or to certain investors may be restricted or prohibited and should therefore not be relied upon by such persons. Accordingly, this material may not be used in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons to whom this presentation is communicated should inform themselves about and observe any such restrictions. Any issuers or securities noted in this document are provided as illustrations or examples only, for the limited purpose of analyzing general market or economic conditions and may not form the basis for an investment decision, nor are they intended to serve as investment advice. Any such issuers or securities are under periodic review by the portfolio management group and are subject to change without notice. TCW makes no representation as to whether any security or issuer mentioned in this document is now in any TCW portfolio. TCW, its officers, directors, employees or clients may have positions in securities or investments mentioned in this publication, which are subject to change without notice. Any information and statistical data contained herein derived from third party sources are believed to be reliable, but TCW does not represent that they are accurate, and they should not be relied on as such or be the basis for an investment decision. All information is as of the date of this presentation unless otherwise indicated.

An investment in the strategy described herein has risks, including the risk of losing some or all of the invested capital. An investor should carefully consider the risks and suitability of an investment strategy based on their own investment objectives and financial position. There is no assurance that the investment objectives and/or trends will come to pass or be maintained. The information contained herein may include preliminary information and/or “forward-looking statements.” Due to numerous factors, actual events may differ substantially from those presented herein. TCW assumes no duty to update any forward-looking statements or opinions in this document. This material comprises the assets under management of The TCW Group, Inc. and its subsidiaries, including TCW Investment Management Company LLC, TCW Asset Management Company LLC, and Metropolitan West Asset Management, LLC. Any opinions expressed herein are current only as of the time made and are subject to change without notice. The investment processes described herein are illustrative only and are subject to change. Past performance is no guarantee of future results. © 2024 TCW.