TD Q International Low Volatility ETF

as of September 30, 2024

2024 Q3

Why Invest?

This ETF seeks to offer investors:

1. Access to a diversified portfolio of international equities managed by an experienced low-volatility portfolio management team
2. An established low volatility investing approach at an attractive price
3. The advantages of proprietary risk models, specifically created for low volatility investing from a Canadian perspective

Investment Objective

The **TD Q International Low Volatility ETF ("TILV")** seeks to achieve long-term capital growth by investing directly in, or obtaining exposure to, a diversified portfolio of international stocks—including companies domiciled in the developed countries of Europe, Australasia, and the Far East, while seeking to reduce volatility.

ETF Details

Ticker	TILV
Exchange	Toronto Stock Exchange (TSX)
Currency	CAD
Portfolio Advisor	TD Asset Management Inc.
Management Team	Laurie-Anne Davison, CFA, CAIA, Alex Sandercock, CFA, Yuriy Bodjov, CFA, Julien Palardy, CFA
Investment Style	Active
Category	International Equity
Benchmark	MSCI EAFE Index – C$
Management Expense Ratio	0.40%
Eligible for Registered Plan	Yes
Distribution Frequency	Quarterly
[1]Listed Date	May 7, 2019
Risk Rating	Low to Medium

Quarterly Commentary

as of September 30, 2024

The TD Q International Low Volatility ETF ("TILV", the "ETF") generated positive returns in the third quarter of 2024 and outperformed its benchmark. An aversion to the Information Technology sector was the largest contributor to returns along with a preference for the Communication Services sector. Positive security selection within the Communication Services sector, also added to returns. This was partially offset by security selection within the Financials and Consumer Discretionary sectors.

From a regional perspective, security selection within Europe (ex. UK) and an overweight allocation to the developed Pacific (ex. Japan) region were the largest contributors to performance. This was partially offset by negative security selection results within the Developed Pacific (ex. Japan) region.

The Japanese economy is still feeling the effects following the unwinding of the Japanese Yen ("yen") carry trade. During the first half of 2024, the yen depreciated due to capital moving to higher interest rate markets. Despite government efforts to support its value, the Bank of Japan's ("BoJ") rate hike to 0.25% in July led to a significant yen surge. Although Japanese equities are still recovering from their summer losses, the Portfolio Advisor ("we", "our") believes that current shareholder reforms should be a catalyst for future growth and a stronger yen should help to ease inflationary pressures. While Japan raised rates, most other central banks around the world are continuing to cut rates. Eurozone recovery has been slower than expected, but with continued rate cuts, and strong domestic savings, private consumption should increase heading into 2025. Chinese equities outpaced other global regions, with China's benchmark, the CSI 300 Index, increasing more than 20% in a single week after the latest stimulus measures were announced, which included more fiscal and monetary support for the economy, and a pledge from China's top decision-making body to stabilize the property sector.

Between July 12 and August 5, the MSCI EAFE Index dropped sharply, down 7.3% in under three weeks. This volatility spike illustrates the benefit of low volatility investing. While the MSCI EAFE Index was dropping rapidly, the MSCI EAFE Minimum Volatility Index was down just 1.1%, representing a three-week outperformance of 620 basis points ("bps"). Market declines are often sudden and sharp, providing investors little opportunity to switch from higher volatility funds into low volatility strategies. While the MSCI EAFE Index did ultimately recover during the quarter, there are still many risks that could de-rail market returns, such as growing geopolitical risks, the U.S. election and the risk of increasing tariffs, and economic risks, especially if there is some sort of unanticipated shock.

We continue to favour stocks that deliver less volatile returns, and the ETF maintains underweight exposure to or excludes stocks that are expected to deliver more volatile returns. Our systematic process for building low volatility portfolios allows us to maintain an underweight position to volatile growth stocks, such as those of Technology sector companies, while staying defensive and diversified across sectors. The ETF's positioning currently favours an overweight exposure to the Communication Services, Consumer Staples and Utilities sectors and an underweight exposure to the Industrials, Consumer Discretionary and Information Technology sectors.

For more information, please visit
www.tdassetmanagement.com