



TD Active Preferred Share

ETF

as of September 30, 2024



Why Invest?

This ETF seeks to offer investors:

1. Access to high-credit-rating preferred shares, with potentially higher yields than investment grade corporate bonds and dividend paying stocks
2. Stable income streams similar to bonds, with tax efficiency and diversification benefits
3. Access to active investment management at an attractive fee

Investment Objective

The TD Active Preferred Share ETF ("TPRF") seeks to earn a high level of income by investing primarily in Canadian listed preferred shares while adding value by investing in other income-producing securities. The preferred share investments will be concentrated on high credit rating insurers, banks, pipelines, and utilities companies. TPRF may also invest in foreign securities, typically not expected to exceed 5% of its assets at the time of purchase.

ETF Details

Ticker	TPRF
Exchange	Toronto Stock Exchange (TSX)
Currency	CAD
Portfolio Advisor	TD Asset Management Inc.
Management Team	James Hunter, CFA, Julien Nono-Womdim, CFA
Investment Style	Active
Category	Preferred Share Canadian Fixed Income
Benchmark	S&P/TSX Preferred Share Index
Management Expense Ratio	0.50%
Eligible for Registered Plan	Yes
Distribution Frequency	Monthly
¹ Listed Date	November 8, 2018
Risk Rating	Medium

Quarterly Commentary

as of September 30, 2024

The TD Active Preferred Share ETF ("TPRF", the "ETF") posted a 5.7% return during the third quarter of 2024. Canadian preferred shares continue to perform well thanks to favourable credit market conditions. Fears of an economic recession and potential sharp decline in bond yields have also not played out. Redemptions from issuers, especially from the Canadian banks, are a theme as well. Each of the Royal Bank of Canada ("RBC"), TD Bank ("TD"), the Bank of Montreal ("BMO") and the Canadian Imperial Bank of Commerce ("CIBC") called some lines of fixed rate reset preferred shares during the quarter.

TPRF outperformed the benchmark by about 0.3% in Q3. Security selection continues to be the largest contributor to performance. This was partially offset by our smaller allocation to fixed rate perpetuals that performed well. Our modest allocation to common shares also added value, notably RBC which climbed over 15% in Q3.

Positioning within the ETF is balanced but tilted towards a no-recession outcome. TPRF remains underweight fixed rate perpetuals and rate resets with floors. The Portfolio Advisor ("we", "our") continues to favour rate resets with a moderate reset spread and maintain an overweight to credit risk. Important issuers in the portfolio are attractive companies such as Intact Financial Corporation, the National Bank of Canada, and AltaGas. We are extending duration and locking-in dividend rates when opportunities present themselves but are mindful to avoid overpaying for these investments.

Our outlook for Canadian preferred shares is now neutral. Preferred shares are trading 13% below par with a yield of around 5.7%. This starting point is solid, and dividends are still resetting higher; however, it is no longer compelling after a significant rally in the last 12 months. We also believe the flurry of buying from institutional investors re-entering the market has passed and will now be more disciplined. TPRF will continue to seek high quality investments in the Canadian preferred share market with an emphasis on total return opportunities from securities being mispriced.

For more information, please visit
www.tdassetmanagement.com



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