TD Q U.S. Small-Mid Cap Equity ETF

as of September 30, 2024

2024 Q3

Why Invest?

This ETF seeks to offer investors:

1. Access to the long-term growth potential in equity securities of small and medium sized U.S. companies
2. Quantitative, actively-managed approach screens for stocks meeting criteria that TDAM believes to be key drivers of performance
3. Broad diversification across sectors, with the benefit of quarterly rebalancing – for a price of 0.40%

Investment Objective

The **TD Q U.S. Small-Mid Cap Equity ETF ("TQSM")** is focused on delivering long-term capital growth by using a quantitative investment approach that invests in equity securities of small and medium sized U.S. companies

ETF Details

Ticker	TQSM
Exchange	Toronto Stock Exchange (TSX)
Currency	CAD
Portfolio Advisor	TD Asset Management Inc.
Management Team	Laurie-Anne Davison, CFA, CAIA, Alex Sandercock, CFA, Julien Palardy, CFA
Category	U.S. Small/Mid Cap Equity
Investment Style	Active
Benchmark	50% S&P 400 Index & S&P 600 Index - (C$)
Management Expense Ratio	0.44%
Eligible for Registered Plan	Yes
Distribution Frequency	Quarterly
Listed Date	November 26, 2019
Risk Rating	Medium

Quarterly Commentary

as of September 30, 2024

The TD Q U.S. Small Mid-Cap Equity ETF ("TQSM", the "ETF") posted a positive return during the third quarter of 2024 and outperformed its benchmark. Security selection within the Consumer Discretionary, Health Care and Industrials sectors were the largest contributors to performance. This was partially offset by negative security selection results within the Energy sector, along with an aversion to the Real Estate sector, which has benefitted from the prospect of lower interest rates.

The third quarter of 2024 was nothing short of dramatic. In the first two weeks of July, the S&P 500 Index hit multiple record highs, while bond markets rallied based on a much-awaited U.S. Federal Reserve (the "Fed") rate cut. However, starting July 10, the so-called "Magnificent 7" stocks started declining as investors shifted their attention to other stocks that are expected to benefit from rate cuts, including the more reasonably valued small- and mid-cap stocks. Volatility intensified in early August, with the VIX Index briefly spiking to levels not seen since the COVID-19 pandemic, due to an unwind of the Japanese Yen carry trade and a slight increase in the U.S. unemployment rate. While the S&P 500 Index bottomed on August 5 and rallied for the remainder of the quarter, ending up 5.9%, small- and mid-cap stocks performed better, as they declined less than the S&P 500 Index and finished the quarter up 10.1% and 6.9%, respectively. U.S. economic growth is slowing but remains firm, helped by strong household finances, a rising trend in manufacturing investment and a robust Technology sector. With U.S. inflation continuing to decline, and with the unemployment rate edging higher, the Fed, which has a dual mandate (inflation and employment), announced a 50 basis point ("bps") rate cut mid-September.

Based on a rules-based quantitative approach, the ETF's largest overweight allocations are in the Financials and Materials sectors. Within the Financials sector, the Portfolio Advisor ("we", "our") currently favour companies in the Property & Casualty Insurance and Asset Management & Custody Banks sub-industries. Within the Materials sector, we favour companies in Metal Glass & Plastic Containers and Paper & Plastic Packaging Products & Materials sub-industries. From a factor exposure viewpoint, the ETF has higher exposures to companies with conservative leverage and lower price volatility and with profitable and efficient business models. We continue to rely on return forecast modelling and risk modelling to optimize the ETF's positioning.

For more information, please visit
www.tdassetmanagement.com