TD Q U.S. 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 U.S. 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 U.S. Low Volatility ETF ("TULV")** seeks to achieve long-term capital growth by investing directly in, or obtaining exposure to, equity securities of issuers in the United States, while seeking to reduce volatility.

ETF Details

Ticker	TULV
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	U.S. Equity
Benchmark	MSCI USA Index (Net Dividend, Total Return)
Management Expense Ratio	0.34%
Eligible for Registered Plan	Yes
Distribution Frequency	Quarterly
[1]Listed Date	May 26, 2020
Risk Rating	Low to Medium

Quarterly Commentary

as of September 30, 2024

The TD Q U.S. Low Volatility ETF ("TULV", the "ETF") had positive returns in the third quarter of 2024 and outperformed its benchmark. A bias to the Utilities sector was the largest contributor to returns, along with security selection within the Financials and Communication Services sectors. This was partially offset by security selection within the Health Care sector and an underweight allocation to the Industrials sector.

The third quarter of 2024 was nothing short of dramatic. In the first two weeks of July, the MSCI USA Index hit multiple record highs, while bond markets rallied based on a much-awaited U.S. Federal Reserve (the "Fed") rate cut. However, the so-called "Magnificent 7" stocks started declining in July as investors shifted their attention to other stocks that are expected to benefit from rate cuts. Commodity prices also experienced notable declines, especially among oil majors and industrial metals. 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. The MSCI USA Index bottomed on August 7 and rallied for the remainder of the quarter, ending the quarter up 4.5%. 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. The Fed funds rate now stands at 4.75 to 5%, which is still at restrictive levels, but the softening economic growth backdrop should continue to drive inflation lower, making additional rate cuts likely.

The volatility spike in the quarter illustrates the benefit of low volatility investing: the MSCI USA Index declined 8.1% from the July 16 high-water mark to the bottom on August 7, however the MSCI USA Minimum Volatility Index was down just 1.0% during the same period, a three-week outperformance of 710 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 USA Index did ultimately recover during the quarter, there are still many risks that could derail market returns, such as growing geopolitical risks, concerns that U.S. stocks are priced for perfection, the concentration of U.S. market returns in just a few mega-cap stocks, election risks and economic risks, especially if there is some sort of unanticipated economic shock.

The Portfolio Advisor ("we", "our") continues to favour stocks that deliver less volatile returns; the ETF maintains an 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 our underweight to volatile growth stocks like Technology sector companies while staying defensive and diversified across sectors. The ETF's positioning currently favours an overweight exposure to the Consumer Staples, Financials and Health Care sectors and an underweight exposure to the Information Technology, Consumer Discretionary and Industrials sectors.

For more information, please visit
www.tdassetmanagement.com